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FLYTECH

2019 Annual Report

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Overseas Securities Exchange
N.A

Corporate Website
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Contents

I. Report for Shareholders

Ladies and Gentlemen, Dear Shareholders,

Due to the global economic turbulence under the US-China trade war, Brexit and other turmoil in YR2019, Flytech's consolidated annual revenue was NT$5.33 billion with 19% year on year decline. However, through the efforts of our employees, the company's gross margin rate raised significantly by adjusting our product portfolio and design. In YR2019, Flytech could keep its position as top 3 in the global POS market. In addition, Flytech launched a new series of Mobile POS and KIOSK to respond to the market demand of mobility and self service, obtaining the indicative of the major orders from Asia and North America markets. Lastly, the new subsidiary, Berry AI, established in YR2019, focusing on software technology of AI and deep learning, has started shipment and received positive market feedback through Flytech's numerous channel relationships. I would like to present to all the shareholders the financial performance, the credentials and awards, technology and development, operation environment and prospect to all the shareholders specified as follows:

Financial performance

Flytech's 2019 consolidated annual revenue was NT$5.33 billion, 19% less than 2018. Net profit after tax allocated to the parent company was NT$740 million, 8.1% less than 2018. Earnings per share was NT$5.15.

Credentials and awards

Flytech has won many awards and recognition from all over the world for its outstanding performance. With respect to corporate governance, Flytech was in the range of top 6%-20% in the "YR 2018 Taiwan Corporate Governance Evaluation Award," stepping forward from the range of 21%-35% in the past three years. Furthermore, Flytech won the 144th place of the operating performance of manufacturing industry, 12th place of computer peripheral products and equipment and 268th place of the comprehensive business operating performance in the "YR2019 Top 5000 Largest Companies in Taiwan" published by China Credit Information Service Ltd.

Technology Development

Flytech surpassed its industry peers in the design and technology of professional and customized POS and the development of process technology. It even leads the trend of hardware specification in the POS industry with in-depth and innovative technology. For the time being, the accumulated number of patents that Flytech has registered in many countries is 146. Last year, Flytech launched a new generation of ultra-thin KIOSK solution to respond to the demand of self service. The new solution combines ADA (American Disability Act) designs and reduces more than half of the gross weight of other devices in the market to eliminate wobbling. Flytech also launched a new generation of mobile POS system, which is devoted in satisfying the demand of difference industrial environment such as retail food services, and providing "delicate service" to consumers.

Operation environment, business operation and development in the future

The rise of Mobile POS and self-service KIOSK applications at the moment dictates the extensive use of related system products at the application end, such as intelligence retailing, intelligence hospitality, and intelligence transportation. The 2nd largest product line of Flytech, Panel PCs, is also applied to smart medical and healthcare, factory automation, and related applications. In the future, Flytech will continue to focus on the research and development of related new products, new technologies, maintaining the cooperation with sale partners in different countries, and developing new customers. Finally, Flytech proactively promoted corporate governance and implemented corporate social responsibility. We will continue to improve the four major indicators of corporate governance evaluation, "maintain shareholder's equity and equal treatment," "enhance board functions and operations," "increase information transparency," and "implement corporate social responsibility" to create higher value for Flytech's stakeholders.

The competitive advantages of Flytech: "Completed Product Lines; Advanced Technologies; Excellent Manufacturing; Commitment to Partners". In the future, Flytech aims to be the best intelligent services provider.

May I wish you all

Have a healthy and prosperous year of 2020

Flytech Technology Co., Ltd.

Lam Tai Seng, Chairman

II. Company Profile

2.1 Date of Incorporation: August 13th, 1984

2.2 Company History

In the early years, the company designed and sold 8088XT motherboards, I/O interface cards, network interface cards, industrial control cards, and PC peripherals. Currently, the company's main areas of business are industrial computers and peripherals. The company's timeline is as follows:

Year	Timeline of Important Events
1984 to 1999	1. The director of the board, Mr. Thomas Lam, established Flytech Technology Co., Ltd on August 13th, 1984, with a starting capital of NT$1 million. The company develops and produces 8088XT motherboards, I/O interface cards, network interface cards, industrial control cards, etc. At the beginning of the company's operations, because of its R&D and sales capacity, the company performed well and laid a good foundation for its steady growth. 2. In 1989, the company developed the world's smallest book-size PC, the 8000 series, which included two personal computers. With them, the company expanded to Europe and North America and received the CEBIT Best Design Award. A German television channel made a special report about the 8000 series, and these computers also received multiple patents domestically and abroad. (Dell has requested authorization for one of the patents). 3. In 1990, the company moved to Taipei's Nankang Software Park and successfully developed the 6000 series AT BOOK PC and the 9000 series BOOK desktop PC. 4. In 1991, the company successfully developed its 5000 series computer (BOOK PC-2xSlot). 5. In 1992, the company received the Best Product Award from the Taiwan External Trade Development Council, and successfully developed the 3000 series 80486 BOOK computers, adding removable disk drive structures for better confidentiality and portable, diversified applications. 7. In 1993, the company developed the improved 5000 series, upgrading the BOOK PCs and making them compatible with 80486 processors. 8. In 1994, the company successfully developed the 4000 model of the Pentium series, upgrading BOOK PC products' caliber and expanding their applications. 9. In 1995, the company's Pentium Book PCs and book-size external multimedia connection series were given two awards, including the Taiwan Excellence Award. 10. In 1996, the company successfully developed the 1000 model for the Pentium series and received TUV ISO-9002 certification, as well as the Taiwan Excellence Award for the Pentium multimedia book-size PCs. 11. In 1997, the company successfully developed the Pentium BOOK PC and Net PC series. The company also expanded to the realm of industrial computers and developed the 9000 industrial computer series. 12. In 1998, the company successfully developed the Pentium-II book-size PCs and industrial computers, IPC-1 (1U), and IPC-2(2U), among others. We received Taiwan Excellence Awards for our Pentium multimedia book-size computers, Pentium II book desktop PC, and net PCs. 13. In 1999, we passed the ISO-9001 international quality certification and received Taiwan Excellence Awards for our Socket-370 multifunction net PCs, Cyrix multimedia net PCs, and the world's smallest Socket-370 net PCs. We expanded to core application technology in the computer systems and further developed, produced, and sold 1000- and 4000-model detachable POS systems.

2000 to 2008	14. In 2000, the company successfully developed the 400-model touch screen POS system and received a National Quality Award in the second year of the award. The factory moved to the Hsi-Chih District to a space of 900 square meters. The company was home to 130 employees, and the capital amount increased to NT$180,000,000. 15. In 2001, passed ISO-14001 certification, the company received the 4th Rising Star Award and successfully developed a new Touch POS series: POS112/500/430. POS 400/500 were awarded the 2001 Taiwan Design Award. In the same year, the company went public and applied for the OTC stock exchange. 16. In 2002, passed certification by ISO-9001: 2000, the company set up its Neihu HQ and successfully developed a new POS series, POS 115/435/600/605/505. The POS 500 received the Taiwan Excellence Award from the Ministry of Economic Affairs, as well as the 9th Innovative Research Award, and the 11th National Awards of Outstanding SMEs. In the same year, the company's stocks were listed on the Taiwan OTC Stock Market. 17. In 2013, the company successfully developed a new series of POS products: POS 530/630, Mini Web POS 3 series, and OPOS Driver, which is specifically for POS systems. The company actively expanded its business in China; invested in its subsidiary, Flytech (Shanghai) Co., Ltd; and received the 4th Industrial Sustainable Development Excellence Award from the Ministry of Economic Affairs (MOEA). 18. In 2004, the company's Neihu HQ was finished, and the company's factories were moved to Wu-Gu Industrial Park, Taipei County. The company's sales team grew and POS, ODM, and KIOSK business offices were established. The company successfully developed its new POS products (POS 430/435 P4) and new kiosk products (K810/K811/K84X). The company received 2nd Taiwan Enterprise Awards - Best Innovative SMB Award, Excellent Innovation and R&D Enterprise, and 2nd Taiwan Golden Root Award, etc. It was ranked as one of the top 500 fastest-growing high-tech companies in the Asia-Pacific region. In the same year, the company was permitted to relist as a high-tech stock. 19. In 2005, the company successfully developed POS 460/660 P4, POS122/125, POS104/105/106. The company also developed the new KIOSK series K845/K892 and the Digital Signage K805/807/809. The company was rated as one of the "Top 500 Fast-growing Companies in Electronics and Technology" by China Credit Information Service Ltd, and the POS 460/660/KIOSK 840 products received the Excellently Designed Products Certificate from the MInistry of Economic Affairs. 20. In 2006, the company developed new POS products (POS 5000, POS 36X) and new KIOSK products (K72X/79X/K81X/K84X/K895). KIOSK K845A received the 2006 14^{th} Industrial Technology Advancement Award from the Industrial Development Bureau, Ministry of Economic Affairs, as well as being one of the 2006 DIMA Photo KIOSK Shoot-Out Winners. The POS 660 series became the 2006 Computex - Best Choice Winner. 21. In 2007, the company developed POS 72X/79X and new KIOSK products (K847/893, K207, KPC5) and Panel PCs (K830/K877). The K870 Series became the 2007 Computex Best Choice Winner, and the company was nominated as one of the "Top 500 Fast-growing Companies in Electronics and Technology." It was rated by CW magazine as one of the "Top 100 Highest-Performing Companies in 2006" and one of Asia's 200 Best Under A Billion by Forbes magazine. The company was also rated as one of Taiwan's "Best Potential 99" manufacturers by ET today.

2000 to 2008	22. In 2008, the company successfully developed a new POS series and peripherals (POS 370/475/355), a new KIOSK series (K897/795/795T/832.835), and Panel PCs (PA23/24, Bedside Terminal TC200). Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application displays in 2008. The company was rated by Forbes Asia as one of "Asia's 200 Best Under a Billion," one of the "Top 500 Fast-growing Companies in Electronics and Technology in 2008" by China Credit Information Service, and one of the "Top 100 Taiwan Tech Companies in 2008."
2009 to 2015	23. In 2009, the company successfully developed industrial computers and peripherals: P335/345/357/88X/234, KPC1/6, K78X, Bedside Terminal PA38. Passed ISO-9001: 2008 and ISO-13485 certification. Again multiple series of the company's products were selected to be used at the 2009 Computex conference and as computers for application display. The KIOSK series were used as guidance computers by the 2009 World Games. The company was rated by Global View Monthly as part of the "A+ Club," the top 69 Taiwan companies that are the best money makers for shareholders. Business Next rated the company as one of the Top 100 Tech Companies – Overall Taiwan/China/World Ranking. China Credit Information Service rated it as one of the "Top 500 Fast-Growing Companies in Electronics and Technology in 2009," and one of the "Top 100 Taiwan Tech Companies in 2009." 24. In 2010, the company developed its industrial computer series and peripherals: P385/78X/137, P223/235, K773/88X, KPC7, and Bedside Terminal K938. The company was again named by Global View Monthly as part of the "A+ Club," the 69 Taiwan companies that are the best money makers for shareholders. Its POS P235 received the 2010 Reddot Design Award and the 2010 iF Best Product Design Award. For the third year in a row, multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. The company was invited to exhibit at the 2010 Taiwan Design Expo. Our products were also used for ticket sales, checkouts, and guidance systems at the 2010 Taipei International Flora Exposition. 25. In 2011, the manufacturing center at Hwa Ya Technology Park, Linkou was finished, giving the company three times as much production capacity as before. We successfully developed a new series of industrial computers and peripherals: P355H/554/485/495, POS8000, P14X/185/195, K75X/787, Bedside Terminal K936. POS562 was awarded Germany's iF Best Product Design Award. Multiple series of the company's products were selected by Computex to be used at the conference and as computers for application display. Development Plan for Flytech's Service-oriented Manufacturing Value Chain System approved by the Industrial Development Bureau of the Ministry of Economic Affairs' Special Tech Endorsement Project. 26. In 2012, the Manufacturing Center officially moved to Linkou's Hwa Ya Technology Park, and its production capacity was in full power. It successfully developed a new series of industrial computers and peripherals: P345N/385N, PA72/93, K755/759, P145/149, Bedside Terminal PA79. Multiple series of the company's products were selected by Computex to be used at the conference and as computers for application display, and its POS products received Germany's iF Best Product Design Award. Again, the company was chosen by China Credit Information Service as one of the "Top 500 Fast-growing Companies in Electronics and Technology."

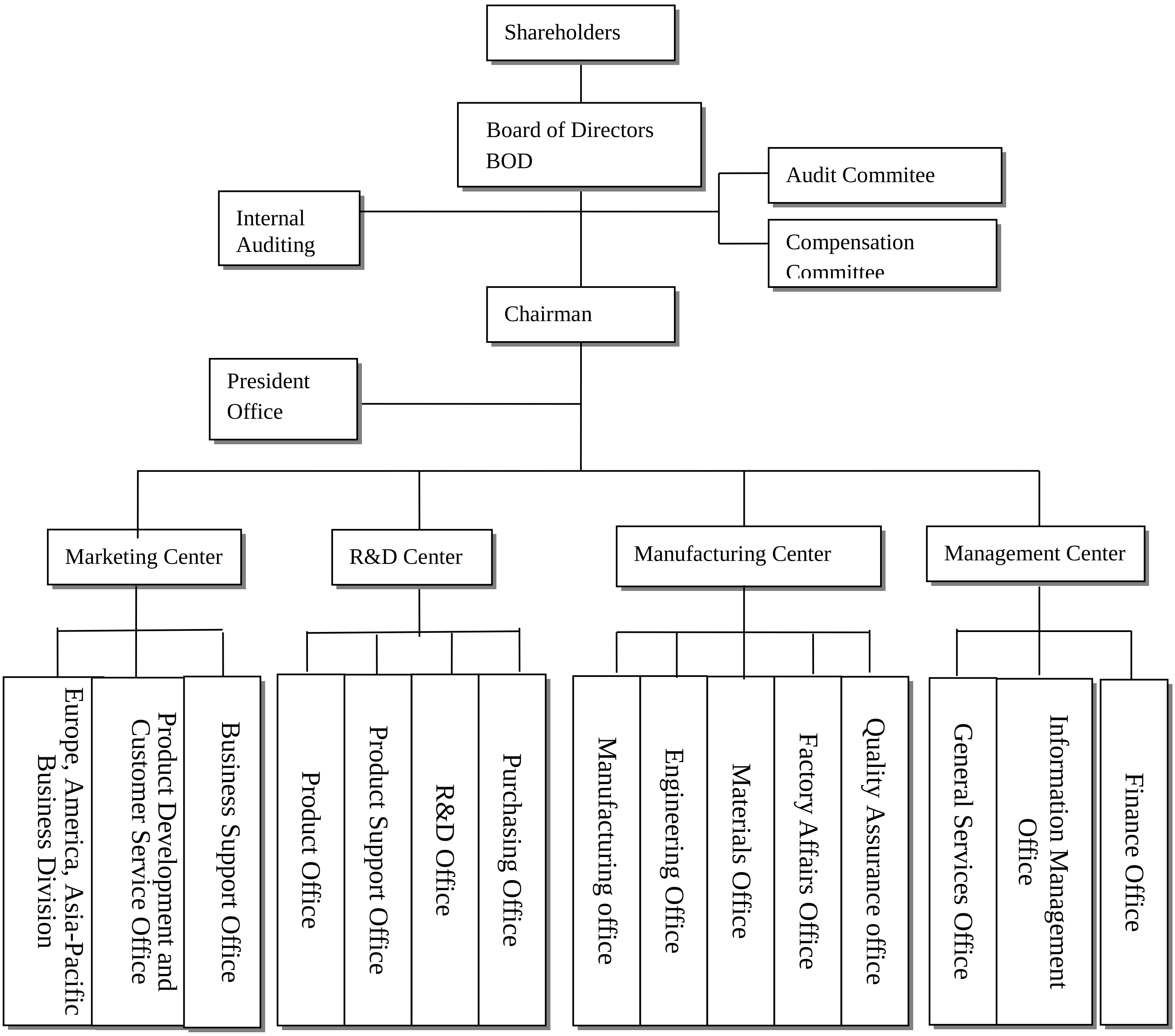
2009 to 2015	27. In 2013, we successfully developed a new industrial computer series and peripherals: P375N/391/395/425, PA35/97/98, Bedside Terminal K948. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display, and our PA Series POS received the iF Best Product Design Award and passed ISO-27001 Information Security Certification. 28. IN 2014, the company celebrated its 30th anniversary and developed a new industrial computer series and peripherals: P314/325/355N/375/485/P495, KPC8, K77X/78X/73X/74X, and Mobile POS series P263/265. Again, the company was named one of the Top 5000 Large Companies in Taiwan, 2014. The company was also ranked 17th in the computer accessory industry, 40th in terms of performance in the manufacturing sector, and 95th in combined ranking for company performance by China Credit Information Service. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. 29. In 2015, the company successfully developed its new industrial computer series and peripherals: J640/690/690L/240, new MB compatible with the Bedside Terminal and Panel PC series, K74X/75A/76X/778, Payment Terminal T635/635M/636/645/646. Awarded at the 3rd Potential Taiwan Mittelstand Awards by the Ministry of Economic Affairs. Received the Intel 2015 Outstanding Business Achievement Award and Microsoft Partner of Year 2015. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.
2016 to 2018	30. In 2016, the company successfully developed industrial computers and peripherals: P395/531/P534/255, K735/75C/767, new MB compatible with POS and Panel PC series P325/357/795/K75X, Payment Terminal T635M/602/603, and T605, T606 A/B/C series. We purchased renowned U.K. retail technology provider Box Technologies (Holdings), and we acquired 100% of this subsidiary's shares. Our Panel PC 18.5 achieved the IP67-level waterproof grade. We adopted 304 food-grade and medical-grade stainless steel material for sweat and stain proofing. For this we received the iF 2016, Computex d&I awards, and many other honors. We were recognized by the Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. Passed certificate renewal review ISO14001: 2015 version certification (validity period from September 22, 2016 through September 21, 2019). 31. In 2017, the company successfully developed the industrial computer series and new peripheral products: P335N2/P455/ P544, B41/PB53/PB55/PB57/PB61/PB62/PB63/ PB65/PB66/PB77, P274. It likewise successfully developed a monitoring system that users can operate from a mobile phone APP, the patented System Diagnostic Recorder (SDR) device for critical part scenarios and the corresponding mobile phone APP. We were recognized by Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. Passed certificate renewal review: 2015 version certification (validity period from August 22, 2017 through August 21, 2020). Ranked in the top third of the Corporate Governance Evaluations for the last three consecutive years.

2016 to 2018	32. In 2018, the company successfully developed industrial computer series and new peripheral products: P337N2/P655/ T605A+/K75D/PB81/PB85/PB88/K85B. New-generation P274 continues to lead the industry in the field of Mobile POS. Through the synergistic effect of the integrated channel supply chain of the British subsidiary Box Technologies (Holdings), the British domain was successfully expanded, injecting Flytech Technology Co., Ltd. Group's revenues. Flytech's corporate performance as a manufacturer was ranked as the 150th best corporation in the "2018 Edition of the TOP 5000 Largest Corporations in Taiwan," the 12th best corporation for computer peripheral equipment, and the 276th best corporation in the mixed rankings for corporate performance. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display for 10 consecutive years. The certificate renewal passed Taiwan Intellectual Property Management System (TIPS) (Level A 2016 Version) certification of the Ministry of Economic Affairs.
2019	1. Successfully developed industrial computer series and new peripheral products, including All-in-one POS Series, New Mobile POS Series, New Panel PC Series, New KIOSK Series, New Box PC Series, and New MB with POS and Panel PC Series. P337/P458/P617/P667/ P274 Starbucks/ K757V/K865/ K86B/K959 /PB82/PB88 /PB96/PC12. 2. The Company has continued working with the "Flytech Foundation" to organize various social welfare activities and promote technology innovation courses. Design for Taiwan's one-year lectures and workshop activities for university students, invited domestic and foreign experts to provide lessons, striving to improve Taiwan's innovation culture and fulfilling its corporate social responsibility. 3. Passed certificate renewal review: ISO9001: 2015 version (validity period from August 13, 2019 through August 21, 2020), ISO 13485: 2016 version (validity period from January 28, 2019 through January 27, 2022), ISO14001: 2015 version (validity period from September 22, 2019 through September 21, 2022), ISO27001: 2013 version (validity until September 21, 2022). 4. Flytech's corporate performance as a manufacturer was ranked as the 144th best corporation in the "2019 Edition of the TOP 5000 Largest Corporations in Taiwan," the 12th best corporation for computer peripheral equipment, and the 268th best corporation in the mixed rankings for corporate performance. 5. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display for 11 consecutive years. 6. Ranked in the top one third of the corporate governance appraisal for three consecutive years; ranked in top 20% at the fifth appraisal in 2018 and the sixth appraisal in 2019.

III、Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart（Date：April 30, 2020）



3.1.2 Major Corporate Functions

Department	Main Responsibilities
President Office	Establish corporate culture, promote corporate governance, set growth visions and operational goals, lead the four centers towards the goals, promote and supervise corporate social responsibility implementation and integrity operations, review and revise various management systems, plan and implemente human resources policies, recruite talents, conduct training programs and performance assessments, manage group subsidiary systems and business performance. Investment strategy formulation and management, external information release, media corporate contact, contract and legal affair review, intellectual property management.
Internal Auditing	Evaluate the operational risk of all operational units and validity of internal control systems, set annual audit plans, and implement and propose improvement recommendations according to the plan.
Marketing Center	Set product positioning and deploy global marketing strategies, engage in Touch POS, Panel PC, Mobile POS, KIOSK, PC POS, and other IPC products related market development, business orders, and customer services.
R&D Center	New product system, MB, and related peripheral product development, design, trial production, trail planning operations, and new technology R&D. Raw material production equipment supplier development, inquiry and price negotiation, purchase plans, purchase operations, and management.
Manufacturing Center	Material management for various products, production capacity plans, schedule management, product manufacture, site management, engineering management, equipment management, and inventory management. Overall quality planning and control, incoming materials, processes, finished product quality inspection, and customer maintenance and repair services.
Management Center	Various property equipment management, general affairs management, workplace labor safety and hygiene management, and information security policy formulation and management. Plan and implant accounting, cost, finance, budget, taxation, capital, and other operations; prepare financial statements and differential analysis, supervise group subsidiary financial operations, prepare consolidated financial statements and differential analysis, assist the General Manager’s Office in promoting corporate governance, corporate social responsibility, and integrity operations.

3.2 Directors and Management Team

3.2.1 Directors

April 30, 2020

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives or Directors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Lam Tai Seng	Male	2018.06.08	3 years	1984.08.13	16,217,505	11.34%	16,217,505	11.34%	11,040,443	7.72%	–	–	EMBA Guanghua School of Management, Peking University EMBA of National Chengchi University Department of electronic engineering, National Taiwan University President of Flytech Technoloogy	Note 1	Director	Wang Wei Wei	Spouse	
Vice Chairman	R.O.C.	Liu Chiu Tsao	Male	2018.06.08	3 years	2006.06.14	200,588	0.14%	137,888	0.10%	–	–	–	–	MBA University of Oklahoma, USA President of Flytech Technoloogy Vice President of Lite-on Technology Corp. VP of Liteon Technology Corporation President of Flytech Technoloogy	Note 2				
Director	R.O.C.	Wang Wei Wei	Female	2018.06.08	3 years	1984.08.13	11,040,443	7.72%	11,040,443	7.72%	16,217,505	11.34%	–	–	MBA University of Tennessee,USA SVP of Flytech Technology	Note 3	Chairman	Lam Tai Seng	Spouse	
Director	R.O.C.	Yi Hua Investment	Male	2018.06.08	3 years	2018.06.08	78,022	0.05%	78,022	0.05%	–	–	–	–	Doctor of Management Central South University,China MBA, Business Administration, Lake Superior State University, U.S.A. VP of RD and Manufacturing Department, KYE Systems Corp. EVP of Flytech Technology	None				
		Representative: Liaw Jui Tsung					–	–	1,644,869	1.15%	–	–	–	–						
Independent director	R.O.C.	Chen Kuo Hong	Male	2018.06.08	3 years	2001.04.10	130,000	0.09%	130,000	0.09%	–	–	–	–	Department of electronic engineering, National Taiwan University Chiarman of Howteh Technology Co., Ltd President of Thilyn Technologies,Inc	Note 4				
Independent director	R.O.C.	Hsieh Han Chang	Male	2018.06.08	3 years	2012.6.15	–	–	–	–	–	–	–	–	EMBA of National Chengchi University VCEO of Yeangder Group COO of Shihlin Electric and Engineering Corp COO of the Ambassador Hotel Led	Note 5				
Independent director	R.O.C.	Liang Wei Ming	Male	2019.06.12	2 years	2019.06.12	–	–	–	–	–	–	–	–	University of Iowa IE & MBA Department of Industrial Engineering, Tunghai University President and Director of Sinbon Electronics Company Ltd. VP of Chief Land Electronic Co., Ltd.	Note 6				

Note 1: Chairman of Flytech Technology USA INC., Board Director of Flytech Technology (Shanghai) Co.,Ltd

Note 2: Vice Chairman of Flytech Technology Co., Ltd., Chairman of Fei Shiun investment Co. Ltd., Board Director of Flytech Technology (Shanghai) Co., Ltd., Chairman of box Technologies (Holdings) Limited, Board Director of box Technologies Limited, Board Director of Poindus Systems Co., Ltd. (Corporate representative), Chairman of iRuggy System Co.,Ltd (Corporate representative)

Note 3: Chairman of Flytech Technology Hong Kong Ltd., Chairman of Flytech USA International Co., Ltd., Chairman of Flytech HK International Co., Ltd., Chairman of Flytech CN International Co., Ltd., Chairman of Flytech Technology (Shanghai) Co.,Ltd., CEO of Bluerider ART

Note 4: Chairman of Howteh Technology Co., Ltd., Board Director of Thilyn Technologies,Inc., Board Director of Stark technology inc., Chairman of Chaintel Technology Co., Ltd., Independent director of Ability Enterprise Co., Ltd.

Note 5: VCEO of Yeangder Group, MD & COO of Shihlin Electric and Engineering Corp, Director and COO of the Ambassador Hotel Led, Director of HCT LOGISTICS CO., LTD., Supervisor of Yeangder Invested Company, Chairman of Hsin Ling Electric and Engineering Corp, Director of Chuan Lin Scien-Technical Corp., Director of Ruei Lin Electric & Engineering Corp. , Director of Xiamen Shihlin Electric and Engineering Co., Ltd, Director and President of Yeangder Entertainment Co.Ltd, Director of Yeang-der Senior High School, Director of SEEC International Trading Ltd., Director of SEEC International Holdings Ltd., Director of Kingdon Trading Shanghai Co., Ltd, Director of Shihlin Electric (Suzhou) Power Equipment Co., Ltd., Director of Yeangder Culture and Education Foundation, Vice CEO of memorial Foundation of Mr.Ching Teh Hsu, Supervisor of Yeangder safety consultant Corp., Director of Sankyo Company Ltd., Director of Aces Electronics Co., Ltd., Director of Mec Imex Inc. (Corporate representative)

Note 6: Worldwide Wire Harnesses Ltd. director (corporate representative), SINBON Electronics general manager and director, Starconn Electronics Vice President, Tungcheng SINBON Electronics chairman (corporate representative), Jiangyin SINBON Electronics director (corporate representative), Hong Kong SINBON Electronics director (corporate representative), Beijing SINBON Electronics director (corporate representative), Beijing Tungan SINBON Electronics director (corporate representative), Shenzhen SINBON Electronics director (corporate representative), Shanghai SINBON Electronics director (corporate representative), Jiangsu EMS5 Technology Inc. chairman (corporate representative), Kunshan EMS5 Technology Inc. chairman (corporate representative), EMS5 Technology Inc. director (corporate representative).

Major shareholders of the institutional shareholders

April 30, 2020

Name of Institutional Shareholders	Major Shareholders
Yi Hua Investment	Lam Tai Seng

Professional qualifications and independence analysis of directors

Condition / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman- Lam Tai Seng			V					V	V	V		V		V	V	Not holding a concurrent position.
Vice Chairman- Liu Chiu Tsao			V		V	V	V	V	V	V	V	V	V	V	V	Not holding a concurrent position.
Director- Wang Wei Wei			V									V		V	V	Not holding a concurrent position.
Representative of Yi Hua Investment : Liaw Jui Tsung			V	V	V	V	V	V	V	V	V	V	V	V	V	Not holding a concurrent position.
Chen Kuo Hong			V	V	V	V	V	V	V	V	V	V	V	V	V	Independent Director of Ability Enterprise Co., Ltd
Hsieh Han Chang			V	V	V	V	V	V	V	V	V	V	V	V	V	Not holding a concurrent position.
Liang Wei Ming			V	V	V	V	V	V	V	V	V	V	V	V	V	Not holding a concurrent position.

1. Not an employee of the Company or any of its affiliates.
2. Directors and supervisors not affiliated with the company or is conglomerates (not limited to concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not managers listed in (1) or spouses, within second-degree relatives or within third-degree immediate relatives.
5. No direct holding of more than 5% of shares issued by the company, not ranking top five in shareholding, and not representatives appointed in Subparagraph 1 and 2 of Article 27 of the Company Act serving as corporate shareholder directors, supervisors, or employed persons, (not limited to concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).
6. Directors, supervisors, or employed persons of other companies not exceeding half of the company's director seats or shares with voting rights controlled by the same person (not limited to

concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).

7. Not the same person as the company's chairman, general manager (or equivalent position); not the spouse's company or institution board of directors (directors), supervisors (members of the board of supervisors), or employed persons (not limited to concurrent independent directors designed by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).

8. Board of directors (directors), supervisors (members of the board of supervisors), managers, or shareholders with more than 5% shareholding of specific companies or institutions without financial or business dealings with the company (not limited to specific companies or institutions with more than 20% but not exceeding 50% of shares issued by the company and concurrent independent directors designated by local regulations of the company and its parent company and subsidiary company or subsidiaries under the same parent company).

9. Professionals engaged in commercial, legal, financial, accounting, and other related services whose audits are not provided by the company or its conglomerates or whose cumulative rewards in the recent two years have not exceeded NT$500,000, sole proprietors, company or institution owners, partners, directors (board of directors (directors), supervisors (members of the board of supervisors), managers, and their spouses. (not limited to the members of the Remuneration Committee, Public Takeover Review Committee, or Mergers and Acquisition Special Committee performing their duties in accordance with the Securities Exchanges Act or the Business Mergers And Acquisitions Act)

10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

11. Not been a person of any conditions defined in Article 30 of the Company Law.

12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

3.2.2 Management Team

Apr 30, 2020

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Chuo Chun Hung	Male	2010.03	1,904	0.00%	1,153	0.00%	—	—	Engineering Science, National Cheng Kung University AVP, Uniwill Computer AVP, JPC Company VP, SZBroad Tech.	1. Board Director of WIMIsys Co.,Ltd. 2. Board Director of box Technologies Limited 3.Board Director of iRuggy Systems Co.,Ltd. (Corporate representative) 4.Board Director of Berry AI Inc.(Corporate representative)				
President concurrently serving as the Marketing Center Supervisor	R.O.C.	Shyu Jia Horng	Male	2018.03	—	—	—	—	—	—	MS, NYU Electrical Engineering Sales Div. Director Supply Chain Management Div. Director of Mediatek Inc	1.President of Berry AI Inc. 2. Board Director of box Technologies Limited 3.Chairman of Berry AI Inc. (Corporate representative)				
Assistant Vice President of Marketing Center	R.O.C.	Hung Dong Chang	Male	2013.09	88,246	0.06%	28,054	0.02%	—	—	EMBA , Soochow University Manager, Evertop Wire Cable Corporation	None				
Vice President of R&D Center	R.O.C.	Liu Yun Ping	Male	2011.10	—	—	—	—	—	—	Exceutive program, National Cheng-Chi University EMBA of National Chengchi University SAVP, Elitegroup Computer Systems	Board Director of Fei Shiun investment Co. Ltd. (Corporate representative)				
Assistant Vice President of Manufacturing Center	R.O.C.	Chen Chun Hsiung	Male	2014.02	—	—	—	—	—	—	Electronic Engineering, Hwa Hsia University of Technology Manager of Material Management Center, Top Vision Electronics Procurement Manager, Lite-On Technology Corp. Director, Division of Logistics, Flytech Technology Co., Ltd.	None				
Vice President of Management Center concurrently serving as the Chief Finance Officer	R.O.C.	Lee Mei Huei	Female	2006.01	183,986	0.13%	21,027	0.01%	—	—	EMBA of National Chengchi University EMBA, Department of Business Administration, National Taipei University Assistant Manager, Division of Finance, Flytech Technology Co., Ltd.	1.Supervisor of Fei Shiun Investment Co.,Ltd. 2. Supervisor of iRuggy Systems Co.,Ltd. 3.Supervisor of Berry AI Inc. 4. Supervisor of of Flytech Technology (Shanghai) Co.,Ltd.				

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

1. Remunerations for General Directors and Independent Directors

As of 2019/12/31 Unit: NT$ thousands; shares

Title	Name	Remuneration of Directors: Base Compensation (A) (Note 1): The Company	Base Compensation (A) (Note 1): Companies in the consolidated financial statements (Note 6)	Severance Pay (B): The Company	Severance Pay (B): Companies in the consolidated financial statements (Note 6)	Bonus to Directors (C) (Note 2): The Company	Bonus to Directors (C) (Note 2): Companies in the consolidated financial statements (Note 6)	Allowances (D) (Note 3): The Company	Allowances (D) (Note 3): Companies in the consolidate d financial statements (Note 6)	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 7): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 7): Companies in the consolidated financial statements (Note 6)	Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) (Note 4): The Company	Salary, Bonuses, and Allowances (E) (Note 4): Companies in the consolidated financial statements (Note 6)	Severance Pay (F) (Note 6): The Company	Severance Pay (F) (Note 6): Companies in the consolidated financial statements (Note 6)	Profit Sharing- Employee Bonus (G) (Note 5): The Company: Cash	Profit Sharing- Employee Bonus (G) (Note 5): The Company: Stock	Profit Sharing- Employee Bonus (G) (Note 5): Companies in the consolidated financial statements (note 6): Cash	Profit Sharing- Employee Bonus (G) (Note 5): Companies in the consolidated financial statements (note 6): Stock	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 7): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 7): Companies in the consolidated financial statement (Note 6)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
Chairman	Lam Tai Seng	0	0	0	0	500	500	160	160	660	660	3,611	3,611	0	0	520	0	520	0	0.65%	0.65%	None
Director	Wang Wei Wei	0	0	0	0	500	500	160	160	660	660	0	0	0	0	0	0	0	0	0.09%	0.09%	None
Director	Liu Chiu Tsao	0	0	0	0	500	500	160	160	660	660	3,591	3,591	108	108	5,500		5,500		1.33%	1.33%	None
Director	Yi Hua Investment Limited Company Representative: Liaw Jui Tsung	0	0	0	0	500	500	160	160	660	660	0	0	0	0	0	0	0	0	0.09%	0.09%	None
Independent director	Chen Kuo Hong	0	0	0	0	500	500	160	160	660	660	0	0	0	0	0	0	0	0	0.09%	0.09%	None
Independent director	Hsieh Han Chang	0	0	0	0	500	500	160	160	660	660	0	0	0	0	0	0	0	0	0.09%	0.09%	None
Independent director	Liang Wei Ming	0	0	0	0	500	500	160	160	660	660	0	0	0	0	0	0	0	0	0.09%	0.09%	None

1. State the relevance of the independent director remuneration payment policy, system, standard, and structure and remuneration amount based on duties, risks, input time, and other factors:

The company's policy of remuneration payments to all the directors (including independent directors) in reference to the following terms has been drafted into a payment plan submitted to the Remunerations Committee and Board of Directors four review and approval.

(1) Based on the directors' degree of involvement and the value of contribution in the board of directors for the current year (number of meetings attended, number of motions, risk of motions, majority of motions, review time) and other operations (interviews and discussions with CPAs/internal auditors/management level).

(2) Standards of the same trade at home and abroad.

(3) Annual performance results of individual directors ands the board of directors.

(4) The company's overall operational performance.

(5) Provisions of the Company Charter: If the company has incurred profits for the year, 3 %~15% shall be allocated as remunerations for employees and no higher than 3% shall be allocated as remunerations for directors.

The total amount of remunerations for the company directors paid by company and all the companies in the consolidated statement in 2019 accounts for 2.43% of after-tax net profit.

2. Remunerations claimed by the directors for providing services to all the companies in the financial statement in the most recent year (such as serving as non-staff consultants) other than the disclosure in the table above: None.

Note 1: It refers to the remuneration toward directors for 2019 (including directors' salary, job allowance, severance payment, various bonuses, incentives, etc.)

Note 2: It refers to the amount of remuneration to directors to be allocated in 2019 as duly resolved in the board of directors meeting.

Note 3: It refers to the traffic allowances payable to directors in 2019.

Note 4: It refers to the salary, job allowances, severance pay, various bonuses, incentives, traffic allowances, special expenditures, various allowances, dormitory fares, provision of vehicles and such objects in kind received by directors and concurrent employees (including the concurrent general manager, deputy general manager(s), other managers and employees) in 2019. Besides, such "shares-based payments" under IFRS 2, including acquired employee stock option certificates, new shares with restricted employee interests, and participation in subscription to new shares through capital increase through cash injection should be counted into the remuneration.

Note 5: Remuneration to employees (including stocks and cash) obtained by directors and concurrent employees (including the concurrent general manager, deputy general managers, other managers, and employees) of the proposed distribution for 2019 based on the actual distribution ratio in 2018.

Note 6: It refers to the total amount of the remuneration paid by all companies (including the Company itself) in the consolidated financial statements to the directors of the Company.

Note 7: It refers to the net profit after tax amidst the individual financial statements of 2019.

2. Remuneration of the President and Vice President

As of 2019/12/31 Unit: NT$ thousands; shares

Title	Name	Salary (A) (Note 1)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Profit Sharing- Employee Bonus (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 5)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
								The Company		Companies in the consolidated financial statements (Note 4)				
		The Company	Companies in the consolidated financial statements (Note 4)	The Company	Companies in the consolidated financial statements (Note 4)	The Company	Companies in the consolidated financial statements (Note 4)	Cash	Stock	Cash	Stock	The Company	Companies in the consolidated financial statements (Note 4)	
President	Liu Chiu Tsao (Note 6)	16,847	16,847	648	648	2,796	2,796	21,600	0	21,600	0	5.69%	5.69%	None
Senior Vice President	Chuo Chun Hung (Note 6)													
Vice President	Shyu Jia Horng (Note 6)													
Vice President	Teng Chun I (Note 7)													
Vice President	Liu Yun Ping													
Vice President	Hsish Sheng Wen (Note 8)													
Vice President	Lee Mei Huei (Note 9)													

Range of Remuneration	Name of Presidents and Vice Presidents	
	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000		
NT$1,000,001 ~ NT$2,000,000		
NT$2,000,001 ~ NT$3,000,000		
NT$3,000,001 ~ NT$4,000,000		
NT$4,000,001 ~ NT$5,000,000	Liu Yun Ping, Lee Mei Huei	Liu Yun Ping, Lee Mei Huei
NT$5,000,001 ~ NT$10,000,000	Liu Chiu Tsao, Chuo Chun Hung, Shyu Jia Horng, Hsieh Sheng Wen	Liu Chiu Tsao, Chuo Chun Hung, Shyu Jia Horng, Hsieh Sheng Wen
NT$10,000,001 ~ NT$15,000,000		
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$ 100,000,000		
Total	7	7

Note 1: It refers to the salaries, job allowances, severance pay for the general manager and deputy general managers in 2019.

Note 2: It refers to a variety of award bonuses, incentives, traffic allowances, special expenditures, various allowances, dormitory fares, provision of vehicles and such objects in kind and other remunerations provided to the general manager and deputy general managers in 2019. Besides, such salary expenses, including employee stock option certificates acquired by employees as "shares-based payments" under IFRS 2, including acquired employee stock option certificates, new shares with restricted employee interests and participation in subscription to new shares through capital increase through cash injection should be counted into the remuneration as well.

Note 3: The amount of employee remunerations proposed to be allocated to the general manager and vice presidents (including stocks and cash) for 2019 based on the actual allocation ratio in 2018.

Note 4: It refers to the aggregate total of all sorts of remunerations paid by all companies covered within the Consolidated Financial Statements (including the Company itself) to the Company's general manager and deputy general managers.

Note 5: It refers to the net profit after tax under indescribable financial statements of 2019.

Note 6: General Manager Liu Chiu Tsao was elected as the Vice Chairman on January 8, 2020; Senior Vice President Chuo Chun Hung of the Manufacturing Center and Vice President Shyu Jia Horng of the Marketing Center were both promoted to General Manager under the dual-leadership system.

Note 7: Vice PresidentTeng Chun I of the Research and Development Center resigned on February 29, 2020.

Note 8: Vice President Hsieh Sheng-Wen of the Management Center resigned on November 30, 2019.

Note 9: Vice President Lee Mei Huei was promoted to Supervisor of the Management Center on January 8, 2020 and concurrently served as Supervisor of Division of Finance.

3. Names of the managerial officers allocated with remuneration to employees and performance in allocation.

As of 2019/12/31 Unit: NT$ thousands; shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Liu Chiu Tsao (Note 2)	0	24,000,000	24,000,000	3.26%
	Senior Vice President of Manufacturing Center	Chuo Chun Hung (Note 3)				
	Director of Manufacturing Center	Chen Chun Hsiung (Note 4)				
	Vice President of Marketing Center	Shyu Jia Horng (Note 5)				
	Assistant Vice President of Marketing Center	Hung Dong Chang				
	Vice President of Division of Finance	Lee Mei Huei (Note 6)				
	Vice President of R&D Center	Liu Yun Ping				
	Vice President of R&D Center	Teng Chun I (Note 7)				
	Vice President of Management Center	Hsieh Sheng Wen (Note 8)				

Note 1: The remuneration to employees allocated to managerial officers anticipated for 2019 based on the actual allocation ratio of 2018.

Note 2: General Manager Liu Chiu Tsao was elected by the board as the vice chairman on January 8, 2020.

Note 3: Senior Vice President Chou Chun-Hung was elected as the general manager under the dual-leadership system on January 8, 2020.

Note 4: Director Chen Chun Hsiung was promoted to the assistant vice president on March 1, 2020 and served as the supervisor of the Manufacturing Center.

Note 5: Vice President Shyu Jia Horng was promoted to the general manager under the dual-leadership system on January 8, 2020 and concurrently served as the supervisor of the Marketing Center.

Note 6: Vice President Lee Mei Hui was promoted to the supervisor of the Management Center on January 8, 2020 and concurrently served as the supervisor of the Division of Finance.

Note 7: Vice President Teng Chun I of the Research and Development Center resigned on February 29, 2020.

Note 8: Vice President Hsieh Sheng Wen of the Management Center resigned on November 30, 2019.

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

1. The ratio of the total amount of remuneration paid to the directors and supervisors of the company and all the companies in the consolidated financial statements in the recent two years in the net profit after tax.

	2018 Total Amount of Remunerations The ratio of net profit after tax for the current year		2019 Total Amount of Remunerations The ratio of net profit after tax for the current year	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Director	1.89 %	1.89 %	2.43%	2.43%
President and Vice President	4.62 %	4.62 %	5.69%	5.69%

2. B. Description and Analysis (Refer to Pages 14～17 of the list of remunerations for directors, GM, and Vice President.

(1) Remunerations paid to directors are in accordance with the provisions in the "Company Charter." If the company incurs profits in the current year, 3 %~15% of the profits should be designated as remunerations for employees and no more than 3% of remunerations for directors. In addition to transportation fees for regularly attending meetings, remunerations paid are based on the periodically completed annual board performance assessment results of the "Board Performance Assessment Guidelines" and are in reference to the company's annual overall business performance (performance assessment results of excellence for both 2019 and 2018), which will be reported to the Remunerations Committee and board for review and approval in accordance with the "Remuneration Committee Organization Provisions" before remuneration distribution. In addition, the Remuneration Committee shall periodically review the reasonability of the remuneration policy, system, standard, and structure; the amounts paid in 2019 and 2018 were $3,500,000 and $2,400,000 respectively, not exceeding the upper limit. The amounts were deemed reasonable in relation to the board's annual performance assessment results and operational performance; the "expenses for performing business" referred to transportation fees for attending meetings, accounting for $1,540,000 in 2019 and $1,440,000 in 2018; the ratio of remunerations for the directors in the net profit after tax increased slightly compared to 2018, mainly due to an additional independent director seat through a by-election in June 2019.

(2) The standards for remuneration paid to the general manager and the Vice

President (including salary, bonuses, employee remunerations, etc.) are based on the said persons' responsibility scope, personal annual KPI performance achievement rate, and their contribution on the company's overall business performance indicator achievement ratio reviewed by the Presedent Office and are in reference to the "Management guidelines for job title, level, and grade," "Management guidelines for salaries and bonuses," and "Remuneration Committee organizational provisions," a reasonable remuneration structure can be set up, which shall be submitted to the Remuneration Committee and board for review and approval. In addition, the Remuneration Committee also regularly reviews the reasonability of the remuneration policy, system, standard, and structure; the remunerations paid to the general manager and vice president in 2019 and 2018 showed no major differences and are deemed reasonable in relation to the annual operational performance.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

The Board called 8 (A) meetings in 2019. The attendance of directors is specified as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Lam Tai Seng	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8th, 2018)
Director	Liu Chiu Tsao	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8th, 2018)
Director	Wang Wei Wei	7	1	88 % (Required attendance: 8)	Re-elected (Re-election date: June 8th, 2018)
Director	Representative of Yi Hua Investment : Liaw Jui Tsung	8	0	100 % (Required attendance: 8)	Incumbent (Re-election date: June 8, 2018)
Independent director	Chen Kuo Hong	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8th, 2018)
Independent director	Hsieh Han Chang	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8th, 2018)
Independent director	Liang Wei Ming	4	0	100 % (Required attendance: 4)	New elect (date of election: June 12th, 2019)

Other mentionable items:

1. If any of the following circumstances occur, the date of the meetings, sessions, contents of motion, all independent directors’ opinions and the company’s response shoule be specified:

(1)Matters referred to in Article 14-3 of the Securities and Exange Act.

Board of Directors	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinion
2019.3.19 11th Board of Directors 6th Meeting	Approved partial amendments to the " Regulations Governing the Acquisition and Disposal of Asset," "Regulations Governing of Loans to Others," and, "Regulations Governing of Endorsements/Guarantees."	V	None
	Company’s response to independent director’s opinion: not applicable Resolution results: After inquiries made by the chairman, consent and approval were obtained by all the directors present.		

Board of Directors	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinion
2019.5.8 11th Board of Directors 8th Meeting	Passing the 2019 Financial Statement Auditor expenses case (Reviewed and passed by the Audit Committee review on 2019/5/8)	V	None
	Company's response to independent director's opinion: not applicable Resolution results: After inquiries made by the chairman, consent and approval were obtained by all the directors present.		
2019.8.14 11th Board of Directors 10th Meeting	Passed the "Subsidiary Box Technologies Limited applying for GBP $2million credit line with 100% guarantee at Changhua Commercial Bank" case (reviewed and passed by the Audit Committee on 2019/8/14) and authorized the chairman to handle contract related matters.	V	None
	Company's response to independent director's opinion: not applicable Resolution results: After inquiries made by the chairman, consent and approval were obtained by all the directors present.		

(2) In addition to the aforementioned matters, other matters resolved by the board opposed or retained by other independent directors with records or written declarations: None.

2. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Independent Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots:

(1) The 11thBoard of Directors 5th Meeting on January 16, 2019

Motion: 2018 Manager Performance Bonus (Year-end Bonus) Case

Resolution: General Manager Liu Chiu Tsao avoided the conflict of interest by law; the rest of the directors present passed the case without dispute.

(2) The 11thBoard of Directors 10th Meeting on August 14, 2019

Motion: 2019 Salary Adjustment Principles and Manager Salary Adjustment Case

Resolution: General Manager Liu Chiu Tsao avoided the conflict of interest by law; the rest of the directors present passed the case without dispute.

(3) The 11thBoard of Directors 10th Meeting on August 14, 2019

Motion 1: "Distribution of 2018 Director Remunerations Amounting to 2,400,000 to Directors" Case

Resolution: The directors (including independent directors Chen Kuo-Hung, Hsieh Han-Chang, Laing Wei Ming) avoided conflict of interest by law; the rest of the directors present passed the case without dispute.

Motion 2: 2019 Manager Bonus Distribution Case

Resolution: General Manager Liu Chiu Tsao avoided the conflict of interest by law; the rest of the directors present passed the case without dispute.

3. Director Assessment Implementation Situation

Assessment Cycle	The company has set up the "Board Assessment Guidelines," including: assessment cycle and period, assessment scope, implementation unit, assessment procedure, and description of assessment indicators. Beginning 2016, the General Manager's Office (implementation unit) has implemented a performance assessment once a year according to the guidelines, and a questionnaire is produced at the end of the year according to the content of the assessment to assist the directors and Functional Committee members in filling out the implementation self-assessment and compiling it into a report. The assessment results shall be reported at the board meeting in the first quarter the following year to review items to be improved and discuss function strengthening and improvement plan. The 2019 self-assessment results are rated excellent and were reported at the board meeting on March 19, 2020.
Assessment Period	The 2019 board performance (January 1,2019 to December 31, 2019) was assessed.
Assessment Scope	The board, individual board members, Audit Committee, and Remuneration Committee.
Assessment Method	The board internal self-assessment, board member self-Assessment, Audit Committee member self-assessment, Remuneration Committee member self-assessment
Assessment Content	(1) Board performance assessment indicators include five aspects: The degree of participation in company operations, board decision-making quality, board makeup and structure, director election, training, internal control. (2) Individual board member performance assessment indicators include six aspects: Grasp of company goals and missions, recognition of Director duties, degree of participation in company operations, internal relations management and communication, director professionalism and training, internal control. (3) Functional Committee (Audit Committee and Remunerations Committee) performance assessment indicators include five aspects: Degree of participation in company operations, recognition of duties of Functional Committee, improvement of Functional Committee decision-making quality, Functional Committee makeup and member election, internal control.

4. Evaluate goals and status of strengthening the board's job functions in the past few years:

(1) In 2002, the company created two independent director positions, both of which actively participate in discussing company affairs and communicating with management in order to strengthen corporate governance. Additionally, in 2006, the company made and implemented the Board Meeting Protocols, and auditing and accounting chiefs have been present in all board meetings (as of 2019, attendance rate was 100%). Directors discuss projects and proposals and also require management to report in detail regarding operational performance, market analysis, business strategies, product positioning, management operations, HR, financial data, and department operation status in their reports. These methods allow directors to supervise members of management and ensure that they fulfill their responsibilities.

(2) The company added an independent director seat on June 8, 2018, and the Audit Committee made up of three directors implementation related operations and implemented the functions of the original supervisors in accordance with Article 14-5 of the Securities Trading Act. Normal operations were maintained.

3.3.1 Implementation of the Audit Committee or supervisors' participating in the operation of the Board of Directors:

The Auditing Committee convened for 4 times (A) in 2019. The attendance of the independent directors is shown below:

Title	Name	Actual number of attendance (B)	Attend through proxy	Percentage of actual attendance (%) [B/A]	Note
Independent director	Chen Kuo Hong	4	0	100 % (Required attendance: 4)	Re-elected (Re-election date: June 8^{th}, 2018)
Independent director	Hsieh Han Chang	4	0	100 % (Required attendance: 4)	Re-elected (Re-election date: June 8^{th}, 2018)
Independent director	Liang Wei Ming	2	0	100 % (Required attendance: 2)	New elect (date of election: June 12^{th}, 2019)

Other mentionable items:

1. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the resolution of the Audit Committee, and the process of the opinions proposed by the Audit Committee:

(1) Matters referred to in Article 14-5 of the Securities and Exange Act.

Audit Committee	Details of the relevant agendas and the subsequent	Independent directors opposed or reserved their opinion
2019.3.19 1^{st} Board of Directors 4^{th} Meeting	1.Passed the 2018 financial statement (including consolidate ate dinner financial statement) 2.Passed the 2018 "Internal Control System Announcement", which deems effective the company's Internal Control System Design 3.Approved partial amendments to the " Regulations Governing the Acquisition and Disposal of Asset," "Regulations Governing of Loans to Others," and, "Regulations Governing of Endorsements/Guarantees."	None
	Company's response to independent director's opinion: not applicable Resolution: Passed by all the independent directors present.	
2019.5.8 1^{st} Board of Directors 5^{th} Meeting	1.Passing the 2019 Financial Statement Auditor expenses case 2.Passed the financial statement CPA independence assessment case.	None
	Company's response to independent director's opinion: not applicable Resolution: Passed by all the independent directors present.	
2019.8.14 1^{st} Board of Directors 6^{th} Meeting	1.Passed the 2019 consolidated financial statement for the second quarter. 2.Passed the "Subsidiary Box Technologies Limited applying for GBP $2million credit line with 100% guarantee at Changhua Commercial Bank" case.	None
	Company's response to independent director's opinion: not applicable Resolution: Passed by all the independent directors present.	

(2) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: None.

2. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

3. Performance of communications by and between independent directors, audit head and Certified Public Accountant(s) (should include the Company's financial, business operation affairs, issued, methods and outcomes of communications among them).

(1) The Company's chief audit executive presents the audit results to the independent directors during every Board meeting, and conducts an audit report for the audit committee meeting. The chief audit executive will immediately report any unusual cases to the audit committee and independent directors. There haven't been any unusual cases in 2019 and the communications between the chief audit executive and audit committee have been well.

(2) The Company's auditor regularly reports to members of the board on the opinions and findings for the annual financial statements, important accounting standards and the updates to laws for securities and futures. The auditor also has discussions with directors and occasionally invites directors for talks.

(3) The company's Audit Committee is made up of three independent directors. The internal audit supervisors and financial statement CPAs assist independent directors in fulfilling their duties and urging the board to engage in more effective operations through the following communication meetings: convene a meeting for internal audit supervisors and independent directors at least once every quarter. The communication contents include audit planning, actual audit situations, operational results, and other major matters; the CPAs also periodically report to the independent directors each year regarding the company and subsidiary's financial statement checking results and internal system checking findings, regulatory updates, and response recommendations.

Communication between Independent Directors and internal audit officers and CPA:

Date	Summary of Talks
2019.3.19	Four meetings were convened by the first Audit Committee. The communication matters and results are as follows: 1. The audit supervisor reported the summary of the actual audit for 2018. 2. The audit supervisors repurposed the declaration of the 2018 internal control self-assessment results and internal control system. 3. The chief audit executive reported on the company's internal audit from January to February of 2019. 4. The audit supervisor explained the "Handling procedure for the acquisition or disposal of assets," "Operational procedure for capital loan to others," and "Operational Procedure for endorsement guarantee" amendment cases. 5. The audit supervisor assisted the General Manager's Office in summarizing and reporting the "2018 board performance assessment results of excellence" case and the "2018 integrity operation results not in violation of regulations" case. 6. The audit supervisor explained the "one independent director seat by-election" case. 7. The CPAs gave a briefing on the annual consolidated and individual financial statement checking situations and the situation of communication with the corporate governance unit. Opinion of independent director: None.

Date	Summary of Talks
2019.5.8	Five meetings were convened by the first Audit Committee. The communication matters and results are as follows: 1. The chief audit executive reported on the company's internal audit from March to April of 2019. 2. The chief audit executive reported on the improvements to the flaws in 2018's internal control system and unusual affairs 3. The audit supervisors explained the "rules for board meeting proceedings," the "Remunerations Committee organizational provisions," and "board performance assessment guidelines" amendment case. 4. The audit supervisor explained the "new appointment of the corporate governance supervisor concurrently held by the financial supervisor" case. Opinion of independent director: None.
2019.8.14	Six meetings were convened by the first Audit Committee. The communication matters and results are as follows: 1. The chief audit executive reported on the company's internal audit from May to July of 2019. 2. The audit supervisor explained the "additional US$200,000 investment in subsidiary Qijie Electronics (Shenzhen) Co., Ltd." case. 3. The audit supervisor explained "Box Technologies Limited applying for a credit line in the amount of 2 million pounds at Changhua Commercial Bank, and the company continuing to provide endorsement guarantee" case. 4. The audit supervisor explained the "annual bank credit line renewal" case. Opinion of independent director: None.

(4) The annual work focuses of the company's Audit Committee are as follows:

- Review the establishment or revision of the internal control system.
- Evaluate the effectiveness of the internal control system.
- Review the Procedures for the Acquisition and Disposal of Assets, the trade of derivatives, loaning of funds, making of endorsement/guarantees or amended
- Review matters that involve the best interests of the directors.
- Review material assets or derivative transactions.
- Review the lending, endorsement, or guarantee of capital in huge sum.
- Review the public offering, issuance, or private placement of equity-type securities.
- Review the appointment, dismissal, or compensation of the CPAs.
- Review CPA independence and performance assessments.
- Appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.
- Review the Annual financial reports and interim financial report.
- Review audit plans and reports.
- Review the integrity operation system and implementation results.
- Audit Committee self-assessment of performance
- Review other significant matters required by the Company or the competent authorities

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" on May 2015. The information has been disclosed on the Company's website.	None
2.Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(1) In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as spokesman, deputy spokesman, investor Relations, to handle shareholders' suggestions, doubts, disputes and litigation. (2) The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. (3) The company has created the Regulations for Transactions among Stakeholding Corporate Groups and Specific Companies, the Regulations for Company-Invested Enterprises, internal control's Supervision and Management of Subsidiary Companies, the Regulations for Transactions Between Stakeholders, and other relevant management standards, in which we clearly specify and regulate management authority and control methods among companies with connected interests. Moreover, we can supervise our subsidiaries as they establish and carry out necessary internal control systems, and as they build good risk-control systems and firewalls in compliance with our Company Governance Principles (4) The company has made the following management regulations (A) The Ethical Management Principles and the Company Ethical Behavior Principles, which stipulate that internal personnel should not take advantage of unpublicized information and engage in insider trading or disclose information to others so they can engage in insider trading.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(B) The Procedures for Handling Major Internal News state that internal personnel aware of major internal news should not disclose the information to others. The above regulations are all compliant with our Company Governance Principles. (1)~(4) above were implemented in 2019 as provisioned.	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The company made its Company Governance Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies. In these principles, below the strengthening of the board's job functions part, is a regulation that reads, "the Board of Directors should consist of a diverse group of members. The company's operations, management models and development needs should embrace a principle of diversity that shall include but not be limited to two major aspects: (I) Basic personal information and values: gender, age, nationality, and cultural background; (II) Expertise and skills: specialized background (such as law, accounting, industry, finance, sales, or technology), specialized skills, industry experience, etc." The company board's diversified and specific goal achievement situations are explained below: (A) Gender goal: Female directors accounting for 25% of all the directors (or two seats). Achievement situations: The company elected one female director in 2018, accounting for 14%. The company will continue to work on this part. (B) Age goal: Those below age 60 accounting for 30%. Achievement situation: Two directors are under age 60, and the other five are aged 60~65. The company will continue to work on this part. (C) Education/work goal: higher than master's degree holders or professional managers of TAIEX and OTC listed companies. Achievement situation: One doctorate degree holder and five	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			master’s degree holders. External directors are all professional managers concurrently or formerly working at TAIEX and OTC listed companies. (D) Professional goal: Operational judgment ability, accounting and financial analysis ability, operational management ability, crisis handling ability, industrial knowledge, international market outlook, leadership, decision-making ability. Achievement situation: The backgrounds of the directors are as shown in the following table. The goal of diversified complementariness has been achieved.	

Diversification Core Projects / Name of Director	Specialized Background	Gender	Operating judgment	Accounting and Finance Analysis Skills	Operational and Management Ability	Crisis Response Ability	Industry Experience			Understanding of International Markets	Leadership	Decision Making
							Computer	Electronics	Investment			
Lam Tai Seng	Industry, Technology, Sales, Management	Male	V		V	V	V	V		V	V	V
Wang Wei Wei	Sales, Finance, Design, Management	Female	V	V	V	V	V		V	V	V	V
Liu Chiu Tsao	Industry, Technology, Sales, Management	Male	V	V	V	V	V	V		V	V	V
Liaw Jui Tsung	Industry, Technology, Manufacturing, Management	Male	V	V	V	V	V	V		V	V	V
Chen Kuo Hong	Industry, Technology, Sales, Management	Male	V		V	V		V	V	V	V	V
Hsieh Han Chang	Industry, Finance, Sales, Management	Male	V	V	V	V		V	V	V	V	V
Liang Wei Ming	Industry, Technology, Sales, Management	Male	V		V	V	V	V		V	V	V

(2) Does the company voluntarily establish other functional			(2) The company has established the following functional committee	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company set board performance assessment guidelines and the assessment method? Is a performance assessment periodically carried out each year, and are the performance assessment results reported to the board as a reference for remunerations of individual directors and re-election nominations? (4) Does the company regularly evaluate the independence of CPAs?			(A) In October 2011, the company set up the Remuneration Committee and established the Organizational Protocols of the Remuneration Committee by which the committee will be guided. (B) The Audit Committee was set up in June 2018 and the "Organizational Regulations for the Audit Committee" was formulated and implemented in accordance with the regulations. (3) The company passed the "board assessment guidelines" on March 29, 2017, including assessment cycle and period, assessment scope, implementation unit, assessment procedure, and assessment indicators. The General Manager's Office (implementation unit) implements a performance assessment once a year according to the guidelines and reports and summarizes assessment results at the board meeting in the first quarter the following year. The assessment indicators and implementation method are as follows: (A) Evaluation criteria for the board include level of participation in the company's operations, improvement in the board's decision making, organization and structure of the board, election of directors, continued education, internal control, etc. (B) Evaluation criteria for board members include mastery of the company's goals and tasks, knowledge of director's job responsibilities, level of participation in the company's operations, management of internal relationships and communication, expertise, continued education of directors, internal control, etc. (C) The designated implementation unit General Manager's office is responsible for conducting a performance assessment on the board and individual directors from the end of year to early the following year. The performance assessment results are reported to the board in the first quarter to review items for improvement and discuss the function strengthening	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			improvement plan as a reference for remunerations of individual directors and re-election nominations. The 2019 assessment results of the performance of all the directors and the overall performance of the board were excellent, which were reported to the board on March 19, 2020. (4) During the board meeting on May 8, 2019, according to the Statement of Independence made by Shih Wei Ming and Wang Yung-Sheng from KPMG Taiwan, the company audited the following items in order to evaluate the accountants' independence. All directors agreed that there were no violations and that accountants auditing the company's financial report were sufficiently objective and independent: (A) Whether the service provided by the accountants violate the terms of independence (B) Whether the audit of the company's financial reports and the quality of verification are accurate and professional (C) Whether the accountants have major exchange of interests or financing guarantees with the company's clients, directors, or supervisors (1)~(4) above were implemented in 2019 as provisioned.	
4.Does the company allocated an appropriate number of competent corporate governance staff members, has it designated a corporate governance supervisor responsible for corporate governance related matters (including but not limited to information required by directors and supervisors for business operations), matters at board and shareholders' meetings conducted in accordance with the law, production of board and shareholders' meeting proceedings, etc.)?	V		The company has set up the "Sustainable Management Promotion Team" made up of the General Manager's Office and the Management Center, which is responsible for promoting corporate governance and is one of their sub-groups of the "Corporate Social Responsibility Promotion Team", with the highest supervisor of the Management Center concurrently serving as the former in-charge. On April 23, 2019, the board officially passed Chief Financial Officer and Vice PresidentPresident Li to concurrently serve as the company's corporate supervisor, responsible for supervising the "Sustainable Management Promotion Team" members in assisting the board's fulfillment of duties, which has been reported to the competent authority. Vice President has worked at the company's Division of Finance for over a decade and has assisted the Management Center	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			and the General Manager's Office in the conduction of board and shareholders' meeting related matters. His qualifications and experiences are all in line with the provisions. The corporate governance supervisor's duties, the main implementation situation in 2019 and the training situation are as follows: Corporate governance supervisor's authority (A) Conducted board of director meetings and shareholder meetings in accordance with the law. (B) Produced board of directors and shareholders' meeting records and handle the application/revisions to the company's registration certificate. (C) Assisted directors in their appointment and continued education. (D) Provided the information required by the directors to conduct business (E) Assisted directors to comply with the law (F) Handle matters stipulated in the company's articles of association or contracts (G) Arranged meetings between directors, internal auditors, and auditing accountants (H) Arranged meetings between the board and leaders of the company's business branches to better understand the company (I) Followed legislation updates relevant to the company's operations and governance (J) Supervise sustainable management and promote implementation by members: Collect, formulate, and promote corporate governance related policies. 2019 Performances (A) Assisted all directors in performing their duties and provided information required by the directors. This included: board meeting information, updates to the laws and regulations for business operation and corporate governance, important company	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			information, and quarterly general manager business performance reports. (B) Developed and revised company policies or management regulations related to corporate governance. (C) Arranged all directors to complete six hours of educational training (D) Arranged for meetings between directors and chief audit executive and auditors. (E) Arranged for meetings between the company's various managers, subsidiary owners and the board of directors. (F) Conducted board meetings and shareholder meetings by providing meeting notices, calls, meeting materials, and making agendas in accordance with laws and regulations. (G) Tracked the completion of proposals after board meetings and shareholder meetings. (H) Handled uploading the information from the shareholder meetings and the company registration certificate in accordance with the law. The 2019 training situations are as follows:	

Training date	Organizer	Course name	Training hours
2019.10.04	Accounting Research and Development Foundation	Analysis of "audit transformation" and "data analysis" practical cases	6
2019.10.30		The regulatory focuses for Taiwanese investors applying to invest in foreign countries and China, violation cases, legal compliance, and auditing practices.	6
2019.12.06		The audit control practices of enterprise "cost savings" and "competitive strategies."	6

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
5.Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up a stakeholder area on the Chinese and English Corporate Website (http://www.flytech.com), which lists important issues of concern, and provides communication channels and contact methods according to the stakeholder category. The company established management regulations, "The Stakeholder Area Management Operational Procedures," which contain the operational procedures and regulate the department responsible for replying to the important issues of concern for stakeholders. In 2019, the above tasks were verifiably implemented.	None.
6.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Capital Securities Inc. to deal with shareholder affairs.	None
7.Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the company announced and declared annual financial statements within two months after the end of the scouting year and announced and declared the financial statements for the first, second, and third quarter and the monthly operational situations in advance before the provisioned deadline?	V		(1) The Company has set up a Chinese/English website (www.flytech.com.tw) to disclose information regarding the Company's financials, business and corporate governance status. The company has in place its Procedures for Handling Major Internal News, and the PR and accounting departments will organize news about company finances and operations, as well as about Results Conference Calls, which are legally required to be revealed for public knowledge. The news will then be sent by a spokesperson to the Market Observation Post System as well as the company's corporate website (http://www.flytech.com). Important information about the company's financial state and governance includes company governance, important regulations, board resolutions, communications between independent directors and internal auditors and accountants, internal control organization and operations, corporate social responsibility, implementation of ethical management, environmental and energy conservation policies, supplier management, employee benefits, specialized space for stakeholders, etc. In 2019, the above tasks were verifiably implemented. (2) Is the same as the description in (1).	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(3) The company announced and declared the financial statements for the first, second, and third quarter and the monthly operational situations in advance in 2019.	
8.Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) The company's year of founding and 2020 spans 36 years. The company has adhered to the belief of "focusing on its specialization, sustainable management, and pursuit of excellence" and has an edge in terms of "comprehensive products, advance technologies, excellent manufacturing, and strong partner commitment." It obtained the ISO9001/13485 quality management system, ISO 14001 environmental management system, and ISO27001 information security system certifications; the company's intellectual management system has also been established in accordance with the Taiwan Intellectual Property System (TIPS) of the Ministry of Economic Affairs to provide high-quality products and protection of services and intellectual property rights. In addition, based on the philosophy of integrity and steadiness and through risk control, a sound corporate governance environment has been created. Th internal control system, management guidelines, accounting system, budget system, ISO standard operational procedures, TIPS management system, MIS system, and other risk control designs have been set up. The employees of all levels are authorized by level to perform their operational duties, which are balanced under the functional supervision of the internal auditing, the board, and the Audit Committee. (2) The company has made the following management regulations related to company governance: (A) Company Governance Principles: Clearly stipulates systems and regulations that should be covered. (B) The company has set up the Code for Integrity Operations" and "Code for Moral Conduct" (passed by the board on May 12, 2015), the "Integrity Operation Procedure and Conduct Guidelines" (passed by the board on November 10, 2016),	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Guidelines for Transactions with Specific Companies and Stakeholders," "Stakeholder Transaction Management Operation," "Re-investment Company Operation Management Guidelines," and related regulations and systems. These regulations stipulate moral principles that should be followed during exchanges among stakeholders, clients, suppliers, investors, employees, and other people of interest so that they can build harmonious and trust-based relationships. (C) Board Performance Evaluation Protocols: These protocols determine the evaluation cycle and time frame, evaluation range, executive units, evaluation processes, evaluation criteria, etc. Through periodical evaluation, we will continue to discuss how to improve the board's functions. (3) The company has created the Employee Benefits Committee and the Labor Safety and Sanitation Committee, providing each employee with benefits and guarantees of safety and sanitation. In the company HR Guidelines, the committee also clearly defines employee behavior guidelines, job clearance, safety and sanitation, benefits/bonuses/penalties, raise evaluation, education/training, etc. The company offers employees a safe, steady, communicative, and excellent work environment. (4) The management of the company attaches great importance to corporate governance. During regular business meetings, they continue to pay attention to the system (division of powers and responsibilities, risk management, operating procedures, information transmission, etc.) and the effectiveness of actual operation and evaluation and adjustment. The directors will communicate it through the Board with management team and internal auditors to understand the company's governance operations and make suggestions. In 2019, the above tasks were verifiably implemented. The company has purchased liability insurance for all directors and supervisors as of January 2019. We have also arranged periodic	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			trainings and professional lessons that have to do with specific job responsibilities and company governance; the arrangement for 2019 is as follows:	

Title	Name	Election Date	Training date	Organizer	Course name	Training hours	Compliance with Regulations
Chairman	Lam Tai Seng	2018.06.08	2019.09.19	Securities and Futures Institute	Corporate financial information analysis and decision-making	3	Yes
			2019.10.04	Taiwan Corporate Governance Association	Digital Resilience – A New Issue Facing Directors, Supervisors, and Senior Supervisors	3	Yes
Vice Chairman	Liu Chiu Tsao	2018.06.08	2019.09.17	Taiwan Corporate Governance Association	Coping Measures of Directors Leading the Enterprise through the Rapidly Changing Technological Environment	3	Yes
			2019.09.30		A View on the Impact of the Economic Substance Act and Global Anti-tax Avoidance on Corporate Governance	3	Yes
Director	Wang Wei Wei	2018.06.08	2019.09.04	Securities and Futures Institute	Principles and Applications of 5G digital communication and Internet of Things	3	Yes
			2019.12.10	Taiwan Corporate Governance Association	Company Strategy: Past, Present, and Future	3	Yes
Institutional Director Representative:	Liaw Jui Tsung	2018.06.08	2019.07.11	Taiwan Institute of Directors	The New Realm of Corporate Taxation Governance – Response of Directors Faced with Challenges from Tax Haven Economic Substantive Norms, CRS, and Special Law for Overseas Funds Returning to Taiwan	3	Yes
			2019.09.27	Taiwan Corporate Governance Association	Survey on Corporate M&A Due Diligence and Introduction of Business Contracts	3	Yes

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	

Title	Name	Election Date	Training date	Organizer	Course name	Training hours	Compliance with Regulations
Independent director	Chen Kuo Hong	2018.06.08	2019.10.17	Securities and Futures Institute	Analysis of Corporate Financial Crisis Early Warning and Types	3	Yes
			2019.10.25	Taiwan Corporate Governance Association	Corporate Management and Media News Crisis Management Strategies	3	Yes
Independent director	Hsieh Han Chang	2018.06.08	108.08.20	Chinese National Association of Industry and Commerce Taiwan (CNAIC)	Discussion on Enterprise Innovation Model in Practice	3	Yes
			108.08.27		A Talk on How to Fulfill the Duties of a Company In-Charge from the Perspective of Corporate Governance	3	Yes
Independent director	Liang Wei Ming	2019.06.12	108.07.05	Taiwan Corporate Governance Association	The Trend and Prevention and Control of Major Corporate Fraud	3	Yes
			108.09.27		Survey on Corporate M&A Due Diligence and Introduction of Business Contracts	3	Yes

9.Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

The company has ranked 21%-35% in the corporate assessment for three consecutive years and advanced to 6%-20% at the fifth and sixth assessment, without improvement requirements from the competent authority. The company's corporate governance promotion unit took the initiative to continue to make improvement on items without a score, including proceedings manual (English version), annual reports, etc. to strengthen information disclosure. The Audit Committee and the Remunerations Committee were set up on June 8, 2018, including two independent director seats.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1.Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chen Kuo Hong			V	V	V	V	V	V	V	V	V	1	
Independent director	Hsieh Han Chang			V	V	V	V	V	V	V	V	V	0	
Other	Tseng Ming-ren			V	V	V	V	V	V	V	V	V	0	

Note:

1. Not an employee of the Company or any of its affiliates.
2. Directors and supervisors not affiliated with the company or its conglomerates (not limited to concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not managers listed in (1), or listed in (2) or (3) spouses, within second-degree relatives or within third-degree immediate relatives.
5. No direct holding of more than 5% of shares issued by the company, not ranking top five in shareholding, and not representatives appointed in Subparagraph 1 and 2 of Article 27 of the Company Act serving as corporate shareholder directors, supervisors, or employed persons, (not limited to concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).
6. Directors, supervisors, or employed persons of other companies not exceeding half of the company's director seats or shares with voting right controlled by the same person (not limited to concurrent independent directors designated by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).
7. Not the same person as the company's chairman, general manager (or equivalent position); not the spouse's company or institution board of directors (directors), supervisors (members of the board of supervisors), or employed persons (not limited to concurrent independent directors designed by the company, parent company, subsidiary, or subsidiary under the same parent company by the local regulations).

8. Board of directors (directors), supervisors (members of the board of supervisors), managers, or shareholders with more than 5% shareholding of specific companies or institutions without financial or business dealings with the company (not limited to specific companies or institutions with more than 20% but not exceeding 50% of shares issued by the company and concurrent independent directors designated by local regulations of the company and its parent company and subsidiary company or subsidiaries under the same parent company).

9. Professionals engaged in commercial, legal, financial, accounting, and other related services whose audits are not provided by the company or its conglomerates or whose cumulative rewards in the recent two years have not exceeded NT$500,000, sole proprietors, company or institution owners, partners, directors (board of directors (directors), supervisors (members of the board of supervisors), managers, and their spouses. (not limited to the members of the Remuneration Committee, Public Takeover Review Committee, or Mergers and Acquisition Special Committee performing their duties in accordance with the Securities Exchanges Act or the Business Mergers And Acquisitions Act)

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

2. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2)The term in office of the members (4th term): from June 8, 2018 to June 7, 2021. The Remuneration Committee convened 5 [A] meetings in 2019. The qualification of members and their attendance status are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Percentage of actual attendance (%) [B/A]	Note
Convener	Chen Kuo Hong	5	0	100 % (Required attendance: 5)	Re-elected (Re-election date: June 8, 2018)
Committee	Hsieh Han Chang	5	0	100 % (Required attendance: 5)	Incumbent (Re-election date: June 8, 2018)
Committee	Tseng Ming-ren	5	0	100 % (Required attendance: 5)	Incumbent (Re-election date: June 8, 2018)

Other mentionable items:

1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.
2. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members: None.

Renumeration Committee	Details of the relevant agendas and the subsequent	Compensation Committee member's objection or reservation	The company's handling of the Compensation Committee's opinions
2019.1.16 4th Board of Directors 3rd Meeting	1.Review the company's 2018 performance bonus (year-end bonus) case: The principle of distribution involves the adoption of the two-month salary of all the employees as the upper limit. The department supervisors shall submit distribution recommendation based on employees' annual contribution to the company, which based on performance assessment authority shall be submitted to the general manager for approval.	None	Board of Directors Meeting on 1/16 Approved by all attending directors
	2.Reviewed the company's 2018 manager performance bonus (year-end bonus) case: The distribution principle is based on the work performance of managers, annual contribution, and KPI achievement situation. In addition, based on the overall performance of departments, distribution recommendations are reported as shown in the attachment, which shall be resolved by the Remunerations Committee.	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		
2019.3.19 4th Board of Directors 4th Meeting	1.Periodic assessment of the "director and manager performance assessments and remuneration policies, systems, standards, and structure" case: Passed the various existing remuneration payments for directors and managers, relevant performance assessments and remuneration guidelines.	None	Board of Directors Meeting on 3/19 Approved by all attending directors
	2.Reviewed the Company's 2018 remunerations for employees and directors case: In accordance with the corporate charter, if profits are made, 3%~15% of profits should be allocated as remuneration for employees and not more than 3% allocated as remuneration for directors. The remunerations for employees totaled $80,000,000, and the remunerations for the directors totaled $2,400,000.	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		
2019.6.12 4^{th} Board of Directors 5^{th} Meeting	Passed the "Vice PresidentPresident Shyu Jia Horng promoted to the supervisor of the Market Center (Americas Region)" case.	None	Board of Directors Meeting on 6/12 Approved by all attending directors
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		
2019.8.14 4^{th} Board of Directors 6^{th} Meeting	1.Reviewed the company's 2019 case on annual salary raise principles and manager salary raises.	None	Board of Directors Meeting on 8/14 Approved by all attending directors
	2.Revised the "Assistant Manager Lee Mei Huei of Division of Finance promoted to the Vice president" case.	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		

<table>
<tr><th>Renumeration Committee</th><th>Details of the relevant agendas and the subsequent</th><th>Compensation Committee member’s objection or reservation</th><th>The company's handling of the Compensation Committee’s opinions</th></tr>
<tr><td rowspan="4">2019.10.2
4th Board of Directors 7th Meeting</td><td>1.Reviewed the company’s 2018 remunerations distributed to directors” case: Passed the 2018 remuneration for directors in the amount of $2,400,000 and amounts distributed to the directors at the shareholders’ meeting on June 12, 2019.</td><td>None</td><td rowspan="4">Board of Directors Meeting on 10/2
Approved by all attending directors</td></tr>
<tr><td>2.Reviewed the company’s 2018 distribution of bonuses to managers case: According to the corporate charter, the manager’s work performance and annual contribution, and the departments’ overall performance, the bonus distribution is as shown in the attachment, which shall be resolved by the Remunerations Committee.</td><td>None</td></tr>
<tr><td>3.Reviewed the company’s Compensation Committee 2020 calendar schedule case.</td><td>None</td></tr>
<tr><td colspan="2">The company's handling of the Compensation Committee member’s opinion: not applicable
Resolution: All present member of the Remuneration Committee agreed and passed every proposal</td></tr>
</table>

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the company conducted a risk assessment on the company's operational plan related environment and social and corporate governance issues, and has it formulated related risk management policies or strategies?	V		The company's implementation steps are as follows: In conjunction with budgeting operations, the "Corporate Social Responsibility Promotion Team" supervises three groups under its jurisdiction at the end of each year. In addition to identifying financial information, various issues possibly affecting risks and opportunities arising from the company's economic side, environmental side, social side, and corporate governance side undergo risk impact analysis targeting their degree of impact in order to identify major issues, risk management strategies, and methods to be implemented and disclose on the official site . The major issues of concern were identified and underwent risk management in 2019. The issues have been announced on the website.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		Flytech has set up "Corporate Social Responsibility Code of Practice" based on "Corporate Governance Best Practice Principles for TWSE List Companies" and approved it on 2015 May board of director meeting. It has been disclosed on company official website: http://www.flytech.com and M.O.P.S. The company has set up the "Corporate Social Responsibility Promotion Team," with the Management Center concurrently serving as the promotion units: Sustainable Operation Promotion Team (General Manager's Office and Management Center), Product Development and Innovation Team (Research and Development Center and Marketing Center), Environmentally friendly Manufacturing Promotion Team (Manufacturing Center). The Management Center is responsible for supervising the three promotion teams to jointly fulfill the company's social responsibility policies and review implementation effectiveness. At the end of each year, propaganda courses are periodically arranged during annual meetings to propagandize the company's social responsibility policy to the directors and employees and report implementation effectiveness and improvement plans at the board meeting in the first quarter the following year. The three promotion groups are as follows:	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(1) Sustainable Development Task Group (A) Drafts, discusses, modifies and implements corporate social responsibility policies; (B) implements various governance policies; (C) evaluates risks that impact company governance and sustainable development, and implements improvement plans; (D) pays attention to and protects stakeholders' equity; (E) organizes charity and volunteer activities and events; (F) advising suppliers to build green supply chains and reduce the environmental impacts of primary materials and their transportation. (2) Product Development Innovation Group (A) R&D of environmentally friendly product designs; (B) R&D of low-consumption/high-efficiency/low toxins/recyclable/low-impact innovative products; (C) R&D of innovative products that are more durable and reduce waste caused by replacement; (D) collects and analyzes market and technological trends, and designs and develops innovative products that help social and technological progress. (3) Environmentally Friendly Manufacturing Task Group (A) Designs lead-free manufacturing processes, drafts and implements energy conservation and carbon-reduction goals, reduces emission of greenhouse gas and carbon, conserves energy and properly uses water resources; (B) complies with environmental legislation and ISO14001, builds safe and sanitary working environments. The highest-level manager of the management office is responsible for supervising the three groups as they fulfill the company's social responsibility policies. He or she will supervise and discuss the fulfillment. Based on the Basic Service Regulations and the Reward/Penalty Management Methods, the groups will periodically evaluate employees' compliance to ensure that the social responsibility policies are followed. In the first quarter of each year, the groups will present their work results and improvement plans to the board. The 2019 corporate social responsibility policy promotion was	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			conducted as provisioned. No major anomalies or risk events took place. The actual implementations include major issues and the situation of communication with stakeholders, which were reported at the board meeting on March 19, 2020.	
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company assessed the risks and opportunities arising from climate change on the present and future of the enterprise? Have coping measures for climate change related issues been adopted? (4) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		(1) The company's Corporate Social Responsibility Guidelines have set principles for sustainable development by which the company should abide. These principles including obeying environmental legislation and related international guidelines, increasing resource utility efficiency, building a proper environmental management system, setting up dedicated departments/units/staff for environmental management that will draft, implement and maintain related environmental management systems and concrete action plans; organize environmental educational classes for management and employees; properly utilize water resources; and conduct company greenhouse gas emission audits to reduce the company's environmental impact on the environment. With ethical and sustainability as principles, we will build a positive operational environment. We will focus on our expertise and develop excellent products to generate revenue and profit that we can share with customers, suppliers, shareholders, employees, and other stakeholders, all the while fulfilling our social responsibilities. The company obtained International Environmental Management System ISO14001 certification in 2011 (passed certificate renewal review in 2019: 2015 version (validity period from September 22, 2019 through September 21, 2022). In terms of product design, we adopt energy-conserving, environmentally friendly design, and primary materials that have minimal pollution and are environmentally friendly; in production processes, we adopt lead-free production procedures, and both our spare parts and finished products are RoHS certified; through waste management plans, obeying laws, improving resource recycling, and preventing and monitoring air/water pollution, we continue to reduce carbon emissions and build a sustainable environment while reducing our	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			impact on the environment, and keeping pace with international trends and client expectations. (2) and (3) are the same as the description in (1). (4) The company began checking greenhouse emissions beginning 2015. The management strategies, methods, goals, and emission reduction goal have been set up, and improvement continues to be monitored. For management policies pertaining to energy conservation, carbon reduction, greenhouse gas reduction, water usage deduction, or other waste, refer to descriptions on page 107~109, including monitoring data of greenhouse gas, waste, and electricity and indirect reduction of water and energy discharge, as follows. Improvement continued to be made in 2019. The checking reports for two years have been disclosed on the Market Observation Post System. (A) The annual discharge volume of greenhouse emissions is related to the area of the office floor and the number of users. The goal is to achieve an average of 1% decrease in emissions per person.	

Location	Year	Electricity consumption	Labor	Per labor
Neihu Headquarter	2018	852,914 kWh	191	4,466 kWh
	2019	833,623 kWh	188	4,434 kWh
Linkou Plant	2018	2,323,552 kWh	279	8,328 kWh
	2019	2,174,679 kWh	265	8,206 kWh

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(B) Direct Discharge of Waste	

Location	Year	Total disposal volume (t)	Total CO2 Discharge volume (t)	Ratio in total discharge volume (%)
Neihu Headquarter	2018	7.2 t	14.8 t	24.5 %
	2019	6.7 t	13.8 t	23.7 %
Linkou Plant	2018	31.3 t	64.4 t	4.5 %
	2019	29.8 t	61.3 t	5.1 %

(C) Indirect discharge of energy from electricity and water consumption

Location	Year	Total electricity and water consumption	Total CO2 Discharge volume (t)	Ratio in total discharge volume (%)
Neihu Headquarter	2018 (Electricity)	852,914 kWh	44.9 t	75.5 %
	2018 (water)	3,268 unit	0.5t	
	2019 (Electricity)	833,623 kWh	43.9 t	76.3 %
	2019(water)	3,209 unit	0.5t	
Linkou Plant	2018 (Electricity)	2,323,552 kWh	1,367 t	95.5 %
	2018 (water)	7,706 unit	1.2t	
	2019 (Electricity)	2,174,679 kWh	1,158 t	94.9 %
	2019 (water)	7,450 unit	1.1t	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			In accordance with the latest announcement of the Bureau of Energy, Ministry of Economic Affairs, the 2018 water discharge coefficient is calculated by 0.160kg CO2/degree. In accordance with the latest announcement of the Bureau of Energy, Ministry of Economic Affairs, the 2018 electricity discharge coefficient is calculated by 0.533kg CO2/degree. (1)~(4) above were implemented in 2019 as provisioned.	
4. Social Issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Does the company set up and implemented reasonable employee welfare measures (including salaries, holidays, and other benefits), and have business performance or results been appropriately reflected in employee remunerations?	V		(1) In consideration to the fulfillment of corporate social responsibility and human rights protection and in reference to the Universal Declaration of Human Rights, Un Global Compact, ILO Declaration on Fundamental Principles and Rights at Work, and other internationally recognized human rights standards, the company has set up the "human rights policy," which was announced in January for implementation in order to prevent conduct infringing upon and violating human rights. In addition to providing a reasonable and safe environment and ensuring current employees are given reasonable and dignified treatment. (2) The company has set up the 'Leave Category Management Guidelines" to regulate the leave-taking and holiday management system. In 1992, the Employee Welfare Committee was set up to provide various employee welfare activities and subsidies. In terms of remunerations, the provisions in the "Corporate Charter" shall apply. If the company has made profits for the year, 3%~15% shall be designated as employee remunerations. In addition, the company has set up the "Salary and Bonus Management Guidelines," "Performance Management Guidelines," and "Award and Punishment Management Guidelines" to provision remuneration policies such as fixed salaries, bonuses, and employee remunerations, etc. The Remunerations Committee shall periodically conduct reviews, which are supplemented by performance operation assessments including: employee performance, internal control system compliance situation, and	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			compliance to various company policies including the social responsibility system. Awards or punishments are granted accordingly based on the remuneration policies and Award and Punishment Management Guidelines. The remuneration policies are briefed below: (A) Fixed salary (this salary, professional addition, job addition): According to the labor law and the employee's academic experience and work ability, it is not determined by age, gender and ethnicity. (B) Year-end bonus and performance bonus: The year-end bonus is based on the annual operating status. According to the performance of each employee's performance appraisal and KPI, the bonus amount is determined. The performance bonus is based on the business/production/R&D/project performance of each department and the contribution of each employee. And approved. (C) Employee compensation: Calculate the approved individual allocation amount based on the results of each employee's performance appraisal and KPI achievement. (D) Salary policy: The annual salary adjustment is based on the previous year's business performance and market salary status. Individual promotion and salary adjustment will be handled in accordance with the "Management Measures for Awards and Punishments." (3) The company follows the ISO 14001 Environmental Management System and maintains a good work environment. In addition to providing a healthy work environment for all the employees in accordance with the regulations, management guidelines have been set up according to vocational safety and hygiene related regulations, including: "Standard operational regulations for preventing workload-induced cerebral vascular and heart diseases," "Standard operational regulations for maternal health protection at work," "Standard operational regulations for preventing human factor hazards," and "Management operational guidelines for	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			preventing workload induced cerebral vascular and heart diseases" to continue to improve by implementing checks and periodic assessments. In addition, the Labor Safety and Hygiene Committee has been set up, and professional nursing care providers have been hired to periodically conduct safety, hygiene, and fire related education training, adopt necessary preventive measures to prevent occurrences of vocational disasters, and reduce risk factors in the work environment, thereby creating and providing a safe and healthy workplace. The implementation situation is as follows: (A) Take labor insurance, health insurance, and group insurance for the protection of the employees. (B) Ensure safe workplace environments and provide qualified operating equipment in accordance with the Labor Facilities Safety Regulations. (C) Have regular quarterly inspections and maintenances of fire-fighting facilities (fire extinguishers, fire prevention refuge facilities, emergency lights, electrical appliances, fire pumps and fire hydrants), annual inspections and maintenances of smoke ventilation equipment, employee safety educational training sessions and disaster prevention drills every 6 months. (D) Conduct daily / weekly / month / quarterly maintenance for various types of manufacturing equipment according to the ISO's "Equipment Maintenance Procedures." (E) Appoint professional technicians to inspect electrical equipment monthly. (F) Daily patrols by the Company's security personnel. (G) Routine health examination for the employees every year. (H) Maintenances, replacement of filters, and water quality inspections for the company drinking-water equipment every 3 months. (I) Providing nutritious and healthy group lunch services for	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			employees of the Linkou factory. (J) Planned to establish the ISO45001 Vocational Safety and Health Management System and obtain certification in 2020.	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?			(4) The company plans trainings and required study credits for employees of each department to comply with the ISO training/education methods and internal control programs. There are internal and external trainings, and they are categorized as new employee pre-job training, current employee training, training for job levels, and special training projects. These trainings help employees improve their professional expertise. The company has also created the Flytech Knowledge+ internal classes, during which hired specialists and experts give lectures to the entire employee body; we also have in place the Mid- to High-Level Leader Training Plan, a yearly series of professional trainings that help management-level employees improve their expertise, leadership skills, and career planning.	
(5) Does the company complied with relevant regulations and international standards with regard to the health and safety of customers purchasing products or services, customer privacy, marketing, and labeling? Have relevant consumer rights protection policies and appeal procedures been set up?			(5) The company has provisioned in the "Code for Corporate Social Responsibility" compliance with relevant regulations and international standards regarding the marketing and labeling of its products and services. There must be no deceitful, misleading, or fraudulent conduct that breaks consumers' trust or deprives consumers of their rights. In 2019, in compliance with GDPR, Taiwan's Personal Information Protection Act, and other regulations, a personal information management system was established to protect customers' privacy.	
(6) Does the company set up supplier management policies and requested suppliers comply with relevant regulations on environmental protection, vocational safety and health, the human rights of laborers, and other issues? What is the implementation situation?			(6) The company has provisioned in the "Code for Corporate Social Responsibility" that during contract signing between the company and the main supplier, it is recommended that the content includes corporate social responsibility policies of both sides" and a clause (i.e. in the event the community environment and society of the supply source cause significant impacts, the contract may be terminated or withdrawn at any time). The actual implementation shall be in accordance with the company's ISO9001 "Supplier Qualification Recognition Procedure," the "Supplier Rating and	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Performance Tracking Procure” provisioning the selection of management suppliers and requiring suppliers comply with the company’s regulations on environmental protection, vocational safety and hygiene, the human rights of laborers, and other issues. (1)~(6) were implemented as provisioned in 2019.	
5. Has the company compiled corporate social responsibility reports and other reports disclosing the company’s non-financial information in reference to internationally accepted report preparation standards or guides? Has the abovementioned report acquired validation or guarantee opinions from a third-party verification unit?		V	The company’s “Corporate Social Responsibility Promotion Team” has set up the CSR Project Team, which is scheduled to complete the compilation of the 2019 Corporate Social Responsibility Report before the end of September 2020.	
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: None.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices： (1) Advocate full participation in social services, through community service and participation in various public welfare activities, to give back to society and fulfill the obligations of business operations. The 2018 annual preparation activities are as follows: (A) Cooperate with the "Blessing Committee" to set up "Guangci Society" to organize and care for the weak activities and give gifts every two months. (B) Organized the "Star Training Camp," which is jointly organized with universities and colleges every summer and winter to provide an eight-day training program for enrolled undergraduate and post-graduate students. High-level executives shared their experiences and had up-close interactions with students, allowing them to experience the actual operations within an enterprise and assist in nurturing students by helping them plan their future careers. The Company also regularly holds “Star Alumni Reunion” lectures and gatherings to track the learning outcomes and shared experiences of every year’s Star Alumnus. Many of the alumni have joined Flytech after they graduated from university and have become outstanding employees with great performances. (C) Worked with the “Flytech Foundation” to organize and promote technological innovation event for disadvantaged children. One of the events is the Scholarship Tour “Travel Around Taiwan,” which provides scholarships to impoverished or outstanding students of Taitung County’s Senior High Schools (including Vocational) and confirmed winners get to “Travel Around Taiwan” to expand their perspectives by visiting various enterprises. Another event is the technology education event, “Maker Camp,” which is a camp that teaches participants the basics of the Webpages and video creation, where students learn about frame structure, practice operating mobile phones to record videos of their daily lives. Students also learn how to use current online auction websites, practice techniques of managing online stores. The Design for Taiwan “DFT Workshop” , targeting university and college students nationwide, six workshops spanning one year from summer vacation through winter vacation were held. The university and college students formed groups to propose performance and efficiency improvements on environmental/social/energy/education/discipline issues. At the end of the third workshop, results were exhibited at the Songshan Cultural and Creative Park, north of the Tobacco Factory. In the second half of the year, the fourth workshop was successfully launched. DFTseries seminars: Domestic and foreign design thinking experts were invited to hold public seminars.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

(D) Cooperated with industrial and commercial organizations to arrange various visits and events to promote exchanges between industry, academe and government circles and enhance the core competitiveness of the industry through cooperative projects, innovative technologies and application services.

(E) Sponsored social service units or academic events.

(F) Held a company-wide energy conservation and carbon-reduction performance competition, held mountain-cleaning event in conjunction with the company's annual factory celebration to realize the company's environmental protection policy.

(G) Collect receipts monthly and donate to the Genesis Social Welfare Foundation, and donate books and magazines and recycled items to the Tzu Chi Foundation.

(2) The details of the events, the number of participants and the beneficiaries, industry-academia collaborations are as listed:

Unit: No. of Person

Event Name	Month of Event	Contents of Event	Amount of Participating Employees	Beneficiaries / Number of Participants
Guangci Society Event	1	Co-organized the "Send Warmth to Old Homes" with the Huashan Social Welfare Foundation to and provide resources worth up to NT$ 5,000.	40	12
	3	Held the "Return My Blue Sea" Beach-cleaning Event at Dapurun Beach in Keelung.	70	
	5	Co-organized the "Let Me Protect You" event with Meow Meow Club, MingZhi Junior High School.	58	
	7	Co-organized the "Grow-up with Love" event with the Harmony Home Association.	30	40
	9	Co-organized the "Creek Cleaning Action" event with Culture Art and Nature in Sanxia.	65	
	11	Co-organized the "Environmental Soldiers" event with Tzu Chi Recycling Station in Neihu.	40	
Star Training Camp	1,8	Star Winter and Summer Training Camp, both sessions each had eight days of activities	60	73
	6,12	Fanxin Alumni Association-two sessions (meals and social activities each for one day).	15	90
Co-organized events with Flytech Foundation.	1,7	The "Travel Around Taiwan" event, a scholarship for the impoverished or outstanding students of Taitung County's Senior High Schools (including Vocational), had 2 sessions of activities and awards for three days each, leading students to visit enterprises to expand their horizons.	20	57

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

Event Name	Month of Event	Contents of Event	Amount of Participating Employees	Beneficiaries / Number of Participants
Co-organized events with Flytech Foundation.	1,4,7	"Self-created Times" Life Director Film Production Camp – Luidao Junior High School, Taitung County Dulan Junior High School, Hualien Yuli Junior High School (three sessions, each for two days); 3D printing Handicraft Camp – Taitung Guanshan Junior High School (two-day activity).	10	100
Co-organized events with Flytech Foundation.	2,4,6,7,8, 10,11	Seven "DFT Workshop"	36	480
	4	One "DFT Workshop" lectures	30	80
	6	"DFT Workshop" Result Presentation	30	8,800
Industry and academic visitation activities	12	Factory visitation and exchange activity for students of National Taiwan University of Science and Technology	10	15
Sponsored Events	4	Sponsored Association of Police Friends in the amount of $300,000.		
Energy-conservation and Carbon-reduction Competition	Monthly	Electricity usage Evaluations and Awards Competition	All Employees	

8.If the Company's products or Corporate Social Responsibility (CSR) report have passed the verification criteria of the relevant verification agree upon, they should be stated expressly:

Passed the certification review (validity period from August 13, 2019 through August 21, 2020).

ISO 13485 Medical Equipment Quality System: The 2016 version passed the certificate renewal review (validity period from January 29, 2019 through January 27, 2022).

ISO 14001 Environmental Management System: The 2015 version passed the certificate renewal review (validity period from September 22, 2016 through September 21, 2019).

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Establishment of ethical corporate management policies and programs (1) Has the company set up integrity operation policies passed by the board and explicitly stipulated integrity operation policies and practices in the regulations and external documents, as well as the board and senior management level's commitment to active operational policy implementation? (2) Has the company established a dishonest conduct risk assessment mechanism to periodically analyze and assess business activities with higher dishonest conduct risk within the business cope, based on which plans for preventing dishonest conducts have been set up, at least covering the preventive measures of the conducts in Paragraph 2, Article 7 of the "Code for Integrity Operations of TAIEX and OTC Listed Companies"?	V		(1) The company has established Ethical Management Principles based on the Company Ethical Behavior Principles for Exchange-Listed and OTC-Listed Companies, submitted it, and had it approved to take effect by the board in May 2015. The Principles determine that the company and related enterprises/organizations should clearly demonstrate their ethical management policies in both their regulations and documents meant for the public. The board and management must ensure the policies are implemented both in internal management and business operations. (2) The company has set up the "Integrity Operation Procedure Guideline" in accordance with the "Code for Integrity Operations," which was passed by the board on November 10, 2016 and implemented. The "Integrity Operation Promotion Team" under the board is the dedicated unit for the amendment, implementation, interpretation of this operational procedure and the conduct guidelines, as well as the supervision and implementation of consultation services, report content registration, archiving, and related operations. It periodically reports to the board (at least once a year) and is responsible for the following matters: (A) Assist in incorporating the value of integrity into the company's operational strategies and set up anti-fraud measures to ensure integrity operations in accordance with the regulatory system. (B) Periodically analyze and assess the risk of dishonest conduct within the business scope and set up plans for preventing "dishonest conduct," and set up work-related standard operational procedures and conduct guidelines in the plans. (C) Set up a monitoring and balance mechanism for high-risk business activities prone to "dishonest behaviors" within the business scope.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(D) Promote and plan integrity operation policy propaganda activities. (E) Plan and implement the offense reporting system to ensure the effectiveness of implementations. (F) Assist the board and management level in checking and assessing whether measures, plans, and mechanisms established to prevent "dishonest conduct" operate effectively, and which are periodically made into reports. (G) Produce and properly keep integrity operation policies and compliance declarations, fulfillment commitment, and implementation situation related documented information.	
(3) Has the company explicitly stipulated and implemented operational procedures, conduct guidelines, violation punishments, and appeal system in the plan for preventing dishonest conduct? Is the abovementioned plan periodically reviewed and revised?			(3) The company's Integrity Operation Procedure and Conduct Guidelines provision specific integrity operation related practices, definition of dishonest conduct, procedures to comply when providing/receiving/promising interests, internal propaganda/establishment of awards and punishments/appeal system and disciplinary actions, inclusion of integrity operation in the employee performance assessment and human resources policies, and establishment of specific and effective award, punishment, and appeal systems. Management regulations for preventing dishonest conduct include: Management regulations "basic requirements for services," "award and punishment management guidelines," "offense reporting operational guidelines," and declaration of incorruptibility in the recruitment contract duly signed by the employee provisioning incorruptibility clauses including the prohibition of personal fraud, public property misappropriation, public fund embezzlement, bribery commission acceptance, and avoidance of conflict of interest clause to be complied by employees as provisioned. Violations will be dealt with according to the severity of events in order to ensure the company's integrity operations.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>As stated in No. 2 of Item (2), the “Integrity Operation Promotion Team” is responsible for periodically analyzing and assessing the risk of dishonest conduct within the business scope, based on which reviews and amendments are carried out. In 2019, the annual review was completed, and the “Code for Integrity Operations” and “Integrity Operation Procedure and Conduct Guidelines” were slightly amended. No anomalies pertaining to dishonest conduct occurred in 2019, and the policy system review situation and supervision implementation results were compiled and reported to the boards in March 19, 2020 (first quarter).
(1)~(3) were implemented as provisioned in 2019.</td><td></td></tr>
<tr><td>2. Fulfill operations integrity policy
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?
(2) Has the company set up a dedicated unit to promote enterprise integrity operations and periodically (at least once a year) report to the board regarding the integrity operation policy, the plans for preventing dishonest conduct, and the supervision implementation situation?</td><td>V</td><td></td><td>(1) Since its beginning, the company has upheld its core policies of “pursue excellence, be honest and accountable, focus on expertise.” Apart from our risk management system (which was built according to laws and accounting regulations), internal control system, and auditing regulations, we also include in our contracts with clients and suppliers terms regarding liabilities and protection of both parties’ rights. We exclude the possibility of insider trading and conduct business fairly and transparently.
We have also created the Ethical Management and Behavior Guidelines, which stipulate that before signing contracts with any party, we must fully understand the extent of their business practices. Observation of our ethical business practice policies should be included in contracts, or issues of ethical transactions should be clearly defined in the contracts. After the contracts are checked against the Contract Vetting Methods, they can be approved for signing. There were no dishonest matters from the transacting parties in 2019.
(2) In accordance with the provisions in the “Integrity Operation Procedure and Conduct Guidelines,” the company set up the “Integrity Operation Promotion Team” in November 2016 as the</td><td>None.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			dedicated unit under the board for the amendment, implementation, interpretation of the said procedure guidelines, as well as the supervision and implementation of consultation services, report content registration, archiving, and related operations. The Guideline Regulation Promotion Team periodically reports to the board (at least once a year). In 2019, the annual review was completed, and the "Code for Integrity Operations" and "Integrity Operation Procedure and Conduct Guidelines" were slightly amended. No anomalies pertaining to dishonest conduct occurred in 2019, and the policy system review situation and supervision implementation results were compiled and reported to the boards in March 2020 (first quarter), without anomalies in violation of honesty, disputes, or punishments from the competent authority. The 2019 annual review consolidation report has been completed and reported to the board of directors on March 19, 2020, as follows: (A) In conjunction with the example of the competent authority, the "Code for Integrity Operations" and the "Integrity Operations Procedure and Code of Conduct" have been revised. (B) Online education training (Descriptions of the company's relevant regulations, legal compliance items, dishonest cases, etc.) and testing. (C) Random audit of dishonest circumstances. (D) Random audit of dishonest circumstances. There were neither abnormal matters in violation of integrity in 2019, nor disputes or punishments by the competent authority. (3) The company's Basic Service Regulations and "Reward/Penalty Management Methods include avoidance of conflict of interest	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			terms, stipulating that employees should not conduct any business outside of work using the name of the company, take part-time jobs without the company’s permission, and operate or invest in enterprises with business profiles similar to those of the company. The Board Meeting Protocols also have in place avoidance of conflict of interest terms, and the company’s Ethical Management and Behavior Guidelines stipulate that directors, supervisors, managers, and other present stakeholders at the meeting should not participate in discussion or voting, vote on behalf of other directors, or be present when the resolution takes place if matters discussed affect their own interests or interests of those whom they represent. Prior to this, they must explain to the board important points in conflicts of interests, especially when these points negatively affect the company’s interests. Directors should also practice self-discipline and not support each other’s agendas when conflicts of interest occur. Terms above are implemented and supervised by the Task Group for Ethical Management.	
(4) Does the company established an effective accounting system and internal control system for implementing integrity operations? Has the internal audit unit formulated relevant audit plans according to the assessment results of dishonest conduct related risks, based on which the situation of compliance with plans to prevent dishonest conduct can be checked, or checking can be implemented by commissioning CPAs?			(4) The company has set up an effective accounting system, internal control system, and related management regulations, while sales, procurements, inspection and acceptance, payments and collections, financial management, investment, and other operations have taken integrity operation objectives into account. The internal audit unit formulated and reported the annual audit plan based on the risk assessment results of various operations, which was passed by the board. Based on the plan implementation audit and annual internal control self-assessment, the effectiveness and compliance situation of the internal control design was reported to the board. The internal control system for 2019 was	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			deemed effective, and no major anomalies were found after implementation inspection. There were no major deficiencies in the internal accounting control checking report presented by the financial statement CPAs. (5) The company has set up the "Integrity Operation Procedure and Conduct Guidelines," provisioning that internal propaganda should be conducted yearly to convey the importance of integrity to the directors and employees. Beginning 2019, e-education training has been conducted. During pre-service training for incoming employees, the internal control system and management regulations related to integrity operations are explained. (1)~(5) were implemented as provisioned in 2019, without major abnormalities in violation of integrity operations.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Has the company set up investigation standard operational procedures regarding offense reports accepted, subsequent measures to be adopted after investigation completion, and related confidentiality mechanisms? (3) Does the company provide proper whistleblower protection?	V		(1) On November 10, 2016, the company established its Complaints Protocols, which define complaint and reward systems. The Task Group for Ethical Management is the recipient of complaints. (2) The company's "Offense Reporting Operational Guidelines" provisions offense report acceptance, confidentiality, appeals, reviews, records, information disclosure, and other mechanisms. An offense report mailbox has been set up on the company's website and internal website, channels for employees or other stakeholders to file appeals. Subsequent measures to adopt after investigation are as follows: (3) For offense report cases, in case the following events apply, immediately report to independent directors: Events in offense reports involve directors or senior management level, are major violations that subject the company to extensive damage.	None.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(3) The company's Complaints Protocols also establish confidential programs after complaints are received, so that unfair treatment of staff can be prevented. In 2019, the above were implemented and fulfilled, and no important violations were found.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The company has set up the company website (http://www.Flytech Technology Co., Ltd..com) for disclosure of relevant information, including visions and missions, industrial applications, organizational structure, financial information, shareholders' meeting information, major news, corporate governance related information, important regulations, board messages, communication situation of independent directors, internal audit supervisors, and CPAs, situation of the internal audit organization and operations, enterprise sustainable management and social responsibility, situation of integrity operation fulfillment, environmental protection and energy conservation policies, supplier management, information security management, and corporate governance related information and implementation effectiveness, which are disclosed on the official website or the Market Observation Post System, including: Code for Corporate Governance, Code for Moral Conducts, Code for Integrity Operations, Code for Enterprise Social Responsibility, Integrity Operation Procedure and Conduct Guidelines, etc. In 2019, the above tasks were verifiably implemented.	None.
5.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The company has created the Ethical Management Principles, Company Ethical Behavior Principles, and Complaints Protocols, all of which are published on the corporate website and Market Observation Post System. They are all in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. In 2019, the Task Group for Ethical Management supervised all departments to ensure they were complying with the guidelines, and no violations of ethical management were found. The above findings were reported to the board in the March 2020 meeting.				

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="5">6.Other important information that helps understand the implementation of ethical corporate management of the Company: (e.g. discussion and correction of the Ethical Corporate Management Rules established by the Company):
Based on the Ethical Management Principles, the company has established its Company Ethical Behavior Principles, which was passed by the board on November 10, 2016 and took effect on the same day. The Principles define concrete procedures, behavior guides, penalties for violations, and the complaints system. The task group is directly connected to the board and is responsible for modifying, implementing, explaining, and consulting with regard to the guidelines. Once a year the group will host an announcement event and report to the board, to express to all employees, directors, and supervisors the importance of ethics and the implementation of the principles. The results of the 2018 ethical management were reported at the March 2019 board meeting</td></tr>
</table>

3.3.7 Corporate Governance Guidelines and Regulations

The company's corporate governance regulations include: the Corporate Governance Code, Integrity Management Code, Integrity Management Procedures and Behavior Guidelines, Reporting Methods, Corporate Social Responsibility Code, Ethical Conduct Code, Board Performance Evaluation Methods, Articles of Incorporation, Rules of Procedure for Shareholder Meetings, Rules for the Election of the Directors, Duties and Responsibilities of Independent Directors, Organizational Regulations for the Audit Committee, Rules of Procedure for Board Meetings, Processing Procedures for Major Internal Information, Procedures for Acquisition or Disposal of Assets, Management of Loans to Others, and Procedures of Endorsements and Guarantees. This has been uploaded to the Market Observation Post System, and is also disclosed on the company website's corporate governance section.

3.3.8 Other Important Information Regarding Corporate Governance

None.

3.3.9 Internal Control Systems

Please refer to the Statement of Internal Control System showed on page 271.

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

Please refer to the Chinese annual report and official website: http://flytech.com.tw.

3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

1. Important resolutions and their implementation status at the 2019 General Shareholders Meeting
   (1) Passed the 2018 Business Operation Report, Accounting Balance Sheet and the remuneration proposal for employees, directors and supervisors.
   (2) Passed the 2018 surplus profit distribution proposal.
   Achieved dividend policy balance and stabilization and perfected the financial structure. 10% of the legal reserve of the company's annual surplus in 2018 in the amount of $80,144,792 was allocated as cash dividends for shareholders in the amount of NT$643,780,458 in accordance with the Corporate Charter. NT$4.5 cash dividend per share was distributed. In accordance with Article 241 of the Company Act, Additional paid-in capital in excess of par in the amount of NT$71,531,162 was distributed as cash dividends. Based on the shares held by shareholders recorded in the shareholder register on the base day of distribution, NT$0.5 cash dividend per share was distributed.
   Implementation status: July 23, 2019 is set as the distribution base date, and all cash dividends were distributed as per the resolution of the general shareholders meeting on August 20, 2019 (NT$5 cash dividend per share).
   (3) Approved partial amendments to the "Regulations Governing the Acquisition and Disposal of Asset," "Regulations Governing of Loans to Others," and, "Regulations Governing of Endorsements/Guarantees."

Implementation situation: The regulations shall be announced on the company's official website after meetings and conduction will be in accordance with the amended procedure.

(4) Allotment of one 11th independent director seat by-election" case

List of Elected Independent Directors: Liang Ming-Wei whose term in office from June 12, 2019 to June 7, 2021 has been announced on the Market Observation Post System and the company's official website.

(5) Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

In response to the rapidly changing economic environment of the technology industry, it is absolutely necessary to borrow the expertise and related experiences of the company's directors. Therefore, the consent of the board was obtained by law to remove the non-competition restriction on the new independent director Liang Wei Ming elected from the by-election.

2. 2019 Board meeting and important resolutions by the Board as of the print day of this yearly report

(1) 2019 proposal to report status of liability insurance for directors and managers

(2) Senior Vice President Li Dong-ling Resignation Report

(3) Passed the Business Plan in 2019

(4) Passed the company's 2019 Audit Plan

(5) Approved the 2018 annual performance bonus (year-end bonus) case approved by the Compensation Committee.

(6) Passed a proposal to set the 2019 General Shareholders Meeting location, date, and other related issues

(7) Approved the new subsidiary established by Flytech Investment Co., Ltd., "Berry AI Inc." The company holds 70% of the shares and has made an investment of NT$42 million.

(8) Approved the establishment of new subsidiary "Qiejie Electronics (Shenzhen) Co., Ltd." established by overseas holding subsidiary FTCN BVI. The company holds 40% of the shares and has made an investment of USD$ 400 thousand.

(9) 2018 proposal to report the board's performance evaluation results and implementation status of ethical management

(10) Passed the 2018 director remuneration and employee remuneration proposals submitted by the Remuneration Committee

(11) Approved the company's 2018 Financial Report (including the consolidated financial report)

(12) Passed the motion of the distribution of earnings in 2018

(13) Approved the Company's distribution of cash dividends in the form additional paid-in capital.

(14) Passed the company's 2018 "Internal Control System Announcement", which deems effective the company's Internal Control System Design

(15) Approved the special election for one independent director of the company.

(16) Approved the removal of the Non-competition restrictions of special-election independent directors.

(17) Approved partial amendments to the "Procedures for Acquisition or Disposal of Assets," "Management of Loans to Others," and, "Procedures of Endorsements and Guarantees."

(18) Passed the company’s convening of the 2019 general shareholders’ meeting related motions case.

(19) Passed a proposal for the company’s 2019 General Shareholders Meeting to accept nomination of shareholders holding 1% and more of the company’s shares as director candidates, and shareholders’ proposals

(20) Approved partial amendments to the “Board Performance Evaluation Method," "Organizational Regulations Compensation Committee,” and "Rules of Procedure for Board Meetings."

(21) Approved establishing the Company’s corporate governance executive, held by the Company's chief financial officer.

(22) The consolidated financial statements covering 2019 Q1.

(23) Passed a 2019 proposal to evaluate the independence of accountants in charge of drafting the company’s financial report

(24) Passing the 2019 Financial Statement Auditor expenses case

(25) Passed the “Vice President Shyu Jia Horng for the Americas region promoted to Marketing Center Vice President” case.

(26) Passed the “transfer of General Manager’s assistant Lin Chiong-Chi to take the position as the chairman concurrently serving as the general manager of Qijie (Shenzhen) Electronics Co., Ltd.” case.

(27) The consolidated financial statements covering 2019 Q2.

(28) The Remuneration Committee discussed and passed the 2019 Remuneration Adjustment Principles and Manager Remuneration Adjustment Plan.

(29) Passed the financial supervisor assistant manager Lee Mei Huei promoted to Vice President of Division of Finance” case.

(30) Passed the “Additional investment in Qijie Electronics (Shenzhen) Co., Ltd.” case, with an increase in shareholding from 40% to 60%.

(31) Approved the renewal of the financial credit line case at Chang Hwa Commercial Bank

(32) Approved the renewal of the financial credit line case at Cathay United Bank

(33) Passed a proposal to apply for a line of credit at HNCB

(34) Passed a proposal to apply for a line of credit at Chang Hwa Bank’s Nangang Branch for subsidiary company Box Technologies Limited and to authorize the director of the board to handle the procedures, such as applying and signing agreement

(35) The Remunerations Committee passed the “Distribution of 2018 Director Remunerations Amounting to 2,400,000 to Directors” case.

(36) The Remuneration Committee discussed and passed the 2018 Dividend Distribution Plan for Managers and Employees

(37) The "use of undistributed surplus to purchase a building for self-production or business use, software and hardware equipment, or technologies in 2018" case.

(38) The consolidated financial statements covering 2019 Q3.

(39) The "use of undistributed surplus to purchase a building for self-production or business use, software and hardware equipment, or technologies in 2018" case.

(40) 2020 proposal to report status of liability insurance for directors and managers

(41) The "Management Center Vice President Hsieh Sheng-Wen resignation" report case.

(42) The "Management Center Assistant manager Chan I Wen retirement" report case.

(43) The "company demonstrates competency in preparing financial statements (four major reports) and all annotated initial drafts for CPA review (approval)" report case.

(44) Due to market changes and in consideration to overall operational performance, following an assessment, a resolution on cancelling the company registration of Flytech Technology Co., Ltd. (Beijing) and iSAPPOS Systems Company Limited (Hong Kong) was reached.

(45) Passed the Business Plan in 2020

(46) Passed the company's 2020 Audit Plan

(47) Approved the 2019 annual performance bonus (year-end bonus) case approved by the Compensation Committee.

(48) Passed the "Allot the vice chairman position and nominate director Liu Chiu Tsao for promotion to the vice chairman" case.

(49) Passed the "Manufacturing Center Senior Vice President Chuo Chun Hung and Marketing Center Vice President Shyu Jia Horng promoted to General Manager under the Dual-leadership system" case.

(50) Passed the "Division of Finance Vice President Lee Mei Huei promoted to Management Center supervisor" case.

(51) Passed a proposal to set the 2019 General Shareholders Meeting location, date, and other related issues

(52) The "Research and Development Center Vice President Teng Chun I resignation" report case.

(53) The "2019 Board, individual members, and Functional Committee member performance assessment" report case.

(54) The "2019 Integrity operation implementation situation" report case.

(55) The "2019 Corporate social responsibility policy implementation situation and stakeholder communication situation" report case.

(56) The "2019 Information security management situation" report case.

(57) Passed the 2019 employee remuneration and director remuneration proposals submitted by the Remuneration Committee

(58) Approved the company's 2019 financial statement (including the consolidated

financial statement)

(59) Passed the motion of the distribution of earnings in 2019

(60) Approved the Company's distribution of cash dividends in the form additional paid-in capital.

(61) Passed the company's 2019 "Internal Control System Announcement", which deems effective the company's Internal Control System Design

(62) Passed the amendment on partial articles of internal control system financing cycle "Management Operation Applicable for International Accounting Standards."

(63) 4. Approved partial amendments to the "Articles of Association"

(64) Passed the amendment on partial articles of "Code for Integrity Operations" and the "Integrity Operation Procedure and Conduct Guidelines)," "Rules for Board Proceedings," and "Rules for Shareholders Meeting Proceedings."

(65) Passed the "company's convening the 2020 general shareholders' meeting" motions.

3.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.3.13 The facts regarding resignation, discharge in assembling by relevant personnel of the Company (including the chairman, general manager, accounting head, treasurer, internal audit head and research & development head, etc.) in 2019 and as of the date of publication of the Annual Report:

April 10, 2020

Title	Name	Election Date	Termination Date	Cause of Resignation or Termination
President	Liu Chiu Tsao	January, 2004	January , 2020	Promoted to the company's vice chairman.
Vice President of R&D center	Teng Chun I	August 2018	February 2020	Resigned due to personal career planning.

3.4 Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Wei-Ming Shih	Yung-Sheng Wang	2019.1.1~2019.12.31	

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		389	389
2	NT$2,000,001 ~ NT$4,000,000	3,688		3,688
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

(1) The payment for CPA and accounting firm of none audit fee / audit fee reached to 11% in 2019

Unit: NTD 1,000

Firm Name	CPA Name	Auditing fee	Non-Auditing fee					The duration of the audit	Note
			System design	Corporate Registration	Human Resources	Other	Subtotal		
KPMG	Wei-Ming Shih, Yung-Sheng Wang	3,688		59		330	389	2019.1.1~ 2019.12.31	Others including transfer pricing reports in the amount of $180,000, intangible asset loss service fees in the amount of $100,000, etc.

(2) For those whose audit public fees on the year of accounting firm change decreased compared to that of the previous year, the amount, ratio, and reason of audit public fees decrease should be disclosed:

The company did not replace the accounting firm in 2019 as of the date of annual report printing.

(3) Those whose public audit expenses decreased by more than 10% compared to the previous year should disclose the amount of decreased public audit expense, ratio, and reason.

The company's public audit expenses for 2019 amounted to $3,688 thousands, a slight increase compared to $3,558 thousands the previous year.

3.5 Replacement of CPA:

The company did not replace the accounting firm in 2019 as of the date of annual report printing.

3.6 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2018.

None.

3.7 Transfer of shareholder equity transfer and equity pledge by directors and supervisors, managerial officers and key shareholders holding more than 10% in 2019 and as of the date of publication of the Annual Report.

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of Apr. 30, 2020	
		Holding Increase (Decrease)	IPledged Holding Increase (Decrease)	Holding Increase (Decrease)	IPledged Holding Increase (Decrease)
Chairman (major shareholder)	Lam Tai Seng	—	—	—	—
Vice Chairman	Liu Chiu Tsao (Note 1)	(32,700)	—	—	—
Director	Wang Wei Wei	—	—	—	—
Director	Yi Hua Investment	—	—	—	—
	Representative: Liaw Jui Tsung	—	—	—	—
Independent director	Chen Kuo Hong	—	—	—	—
Independent director	Hsieh Han Chang	—	—	—	—
Independent director	Liang Wei Ming	—	—	—	—
President	Chuo Chun Hung (Note 1)	—	—	—	—
President Concurrently serving as the supervisor of the Marketing Center.	Shyu Jia Horng (Note 1)	—	—	—	—
Assistant Vice President of Marketing Center	Hung Dong Chang	—	—	—	—
Assistant Vice President of Manufacturing Center	Chen Chun Hsiung (Note 1)	—	—	—	—
Vice President of R&D Center	Liu Yun Ping	—	—	—	—
Vice President of Management Center	Lee Mei Huei (Note 2)	—	—	—	—

Title	Name	2019		As of Apr. 30, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President of R&D Center	Teng Chun I (Note 3)	—	—	—	—
Vice President of the Management Center	Hsieh, Sheng Wen (Note 4)	—	—	—	—

Note 1: General Manager Liu Chiu Tsao was elected as the vice chairman on January 8, 2020; Senior Vice President Chuo Chun-Hung of the Manufacturing Center and Vice Pressident Shyu Jia Horng of the Marketing Center were both promoted to General Manager under the dual-leadership system.

Note 2: Vice President Lee Mei Huei was promoted to the supervisor of the Management Center on January 8, 2020 and concurrently served as the supervisor of the Division of Finance.

Note 3: Vice President Teng Chun I of the Research and Development Center resigned on February 29, 2020.

Note 4: Vice President Hsieh Sheng-Wen of the Management Center resigned on November 30, 2019.

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

2020/4/30 Unit: Shares

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	Shares	Shares	%	Shares	%	Name	Relationship	
Lam Tai Seng	16,217,505	11.34 %	11,040,443	7.72 %	–	–	Wang Wei Wei	Spouse	
							Bi Te Investment Zhong Chuan Investment	First-degree relatives of the company chairman.	
Wang Wei Wei	11,040,443	7.72 %	16,217,505	11.34 %	–	–	Lam Tai Seng	Spouse	
							Bi Te Investment Zhong Chuan Investment	First-degree relatives of the company chairman.	
Fubon Life Insurance Co., Ltd.	4,573,000	3.20 %	–	–	–	–	None	None	
Ji Te Investment Development Co., Ltd.	4,475,253	3.13 %	–	–	–	–	None	None	
Franklin Templeton Asian Smaller Companies Fund in the custody of Chase Bank	4,023,753	2.81 %	–	–	–	–	None	None	
Representative of Bi Te Investment Development Co., Ltd.: Lin Yi Chung	3,840,925	2.69 %	–	–	–	–	Lam Tai Seng Wang Wei Wei	Son	
Invesco Funds SICAV – Invesco Asian Balanced Funds in the custody of HSBC	3,185,000	2.23 %	–	–	–	–	None	None	
Manage data software and information management, integrate software and hardware service.	3,092,716	2.16 %	–	–	–	–	None	None	
Fei Te Investment Co., Ltd.	2,581,729	1.81 %	–	–	–	–	None	None	
Representative of Zhong Chuan Investment Development Co., Ltd.: Lin Yi Chung	2,422,133	1.69 %	–	–	–	–	Lam Tai Seng Wang Wei Wei	Son	

3.9 Ownership of Shares in Affiliated Enterprises

April 30, 2019 Unit: Shares; NT$

Affiliated Enterprises	The company's investment		Directors, supervisors, managers and investments directly or indirectly controlling the business		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Flytech USA International Co., Ltd. (Flytech USA BVI)	100,000	100.00	—	—	100,000	100.00
Flytech HK International Co., Ltd.. (Flytech HK BVI)	50,000	100.00	—	—	50,000	100.00
Flytech Technology Co., Ltd. CN International Co., Ltd. (Flytech CN BVI)	200,000	100.00	—	—	200,000	100.00
Fei-Syun investment Co. Ltd. (Flytech Investment Co., Ltd.)	19,000,000	100.00	—	—	19,000,000	100.00
Box Technologies (Holdings) Ltd. (Box Holdings)	4,000	100.00	—	—	4,000	100.00
Flytech Technology Co., Ltd. Technology USA Inc. (Flytech USA)	—	—	700,000	100.00	700,000	100.00
Flytech Technology Co., Ltd. Technology (HK) Ltd (Flytech HK)	—	—	1,000,000	100.00	1,000,000	100.00
Flytech Technology (Shanghai) Co.,Ltd (Flytech Technology Co., Ltd. Shanghai)	—	—	Note 1	100.00	Note 1	100.00
WIMIsys Co., Ltd (QIJIE ELECTRONICS)	—	—	Note 1	60.00	Note 1	60.00
iSAPPOS Systems Co., Ltd. (iSAPPOS)	—	—	Note 1	100.00	Note 1	100.00
iRuggy Systems Co., Ltd. (iRuggy Systems)	—	—	4,800,000	80.00	4,800,000	80.00
Poindus Systems (Poindus system)	—	—	10,354,000	49.31	10,354,000	49.31
Berry AI Inc. (Berry AI)	—	—	4,200,000	70.00	4,200,000	70.00
Poindus Investment Co., Ltd.	—	—	Note 1	100.00	Note 1	100.00
Poindus Systems UK Ltd. (Poindus UK)	—	—	300,000	100.00	300,000	100.00
Adasys GmbH Elektronische Komponenten (Adasys)	—	—	2	100.00	2	100.00
Poindus Systems GmbH GroBhandelmit EDV. Oberureel (Poindus GmbH)	—	—	Note 1	100.00	Note 1	100.00
Box Technologies Ltd. (box UK.)	—	—	10,000	100.00	10,000	100.00
BTechnologies AB (Box Nordic)	—	—	5,000	100.00	5,000	100.00

Note 1: It is a company limited, and thus it has no shares.

IV. Funding Status

4.1 Capital stock and stock shares

(I) Source of capital

April 30, 2020 Unit: Shares; NT$

Year / month	Issue price	Authorized capital		Paid-up capital		Note		
		Shares	Amount	Shares	Amount	Source of capital	Offset by assets beyond cash	Other
1984.08	10	100,000	1,000,000	100,000	1,000,000	Capital increase by cash	None	Note 1
1985.12	10	250,000	2,500,000	250,000	2,500,000	Capital increase by cash	None	Note 2
1988.04	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital increase by cash	None	Note 3
1991.02	10	6,000,000	60,000,000	6,000,000	60,000,000	Capital increase by cash	None	Note 4
2000.11	15	48,000,000	480,000,000	18,000,000	180,000,000	Capitalization of retained earnings NT$ 18,000,000 Capital increase by cash NT$ 102,000,000	None	Note 5
2001.05	30	48,000,000	480,000,000	24,000,000	240,000,000	Capitalization of retained earnings NT$ 9,000,000 Capitalization of capital reserve NT$ 18,000,000 Capital increase by cash NT$ 33,000,000	None	Note 6
2002.06	10	48,000,000	480,000,000	31,200,000	312,000,000	Capitalization of retained earnings NT$ 48,000,000 Capitalization of capital reserve NT$ 24,000,000	None	Note 7
2003.06	10	48,000,000	480,000,000	36,348,000	363,480,000	Capitalization of retained earnings NT$ 51,480,000	—	Note 8
2004.04	—	48,000,000	480,000,000	36,503,767	365,037,670	Capitalization of convertible bonds NT$ 1,557,670	—	Note 9
2004.11	10	70,000,000	700,000,000	42,855,648	428,556,480	Capitalization of retained earnings NT$ 62,755,650 Capitalization of convertible bonds NT$ 763,160	—	Note 10
2005.04	—	70,000,000	700,000,000	43,578,614	435,786,140	Capitalization of convertible bonds NT$ 7,229,660	—	Note 11
2005.07	—	70,000,000	700,000,000	43,691,226	436,912,260	Capitalization of convertible bonds NT$ 1,126,120	—	Note 12
2005.10	10	70,000,000	700,000,000	49,976,554	499,765,540	Capitalization of retained earnings NT$ 55,578,610 Capitalization of convertible bonds NT$ 7,274,670	—	Note 13
2006.01	—	70,000,000	700,000,000	50,409,189	504,091,890	Capitalization of convertible bonds NT$ 4,326,350	—	Note 14
2006.04	—	70,000,000	700,000,000	51,471,351	514,713,510	Capitalization of convertible bonds NT$ 10,621,620	—	Note 15
2006.07	—	70,000,000	700,000,000	52,567,201	525,672,010	Capitalization of convertible bonds NT$ 10,958,500	—	Note 16
2006.09	10	120,000,000	1,200,000,000	61,748,395	617,483,950	Capitalization of retained earnings NT$ 91,811,940	—	Note 17
2006.10	—	120,000,000	1,200,000,000	61,798,395	617,983,950	Capitalization of convertible bonds NT$ 500,000	—	Note 18
2007.01	—	120,000,000	1,200,000,000	62,329,645	623,296,450	Capitalization of convertible bonds NT$ 5,312,500	—	Note 19
2007.09	10	120,000,000	1,200,000,000	73,679,092	736,790,920	Capitalization of retained earnings NT$ 113,494,470	—	Note 20
2008.09	10	120,000,000	1,200,000,000	83,547,001	835,470,010	Capitalization of retained earnings NT$ 98,679,090	—	Note 21
2009.04	—	120,000,000	1,200,000,000	78,694,001	786,940,010	Cancellation of treasury shares NT$ 48,530,000	—	Note 22
2010.09	10	120,000,000	1,200,000,000	82,628,701	826,287,010	Capitalization of retained earnings NT$ 39,347,000	—	Note 23
2011.01	—	120,000,000	1,200,000,000	82,633,701	826,337,010	Capitalization of ESO NT$ 50,000	—	Note 24
2011.04	—	120,000,000	1,200,000,000	82,675,701	826,757,010	Capitalization of ESO NT$ 420,000	—	Note 25

Year / month	Issue price	Authorized capital		Paid-up capital		Note		
		Shares	Amount	Shares	Amount	Source of capital	Offset by assets beyond cash	Other
2011.07	–	120,000,000	1,200,000,000	82,975,701	826,957,010	Capitalization of ESO NT$ 200,000	–	Note 26
2011.09	–	120,000,000	1,200,000,000	90,963,271	909,632,710	Capitalization of capital reserve NT$ 82,675,700	–	Note 27
2011.10	–	120,000,000	1,200,000,000	91,011,697	910,116,970	Capitalization of convertible bonds NT$ 484,260	–	Note 28
2012.04	–	120,000,000	1,200,000,000	91,171,697	911,716,970	Capitalization of ESO NT$ 1,600,000	–	Note 29
2012.09	–	120,000,000	1,200,000,000	100,288,867	1,002,888,670	Capitalization of retained earnings NT$ 91,171,700	–	Note 30
2012.10	–	120,000,000	1,200,000,000	100,303,867	1,003,038,670	Capitalization of ESO NT$ 150,000	–	Note 31
2013.01	–	120,000,000	1,200,000,000	100,424,867	1,004,248,670	Capitalization of ESO NT$ 1,210,000	–	Note 32
2013.03	–	120,000,000	1,200,000,000	103,079,138	1,030,791,380	Capitalization of ESO NT$ 4,420,000 Capitalization of convertible bonds NT$ 22,122,710	–	Note 33
2013.07	–	120,000,000	1,200,000,000	107,035,223	1,070,352,230	Capitalization of ESO NT$ 4,660,000 Capitalization of convertible bonds NT$ 34,900,850	–	Note 34
2013.09	–	120,000,000	1,200,000,000	117,446,863	1,174,468,630	Capitalization of retained earnings NT$ 104,116,400	–	Note 35
2013.10	–	120,000,000	1,200,000,000	119,297,543	1,192,975,430	Capitalization of ESO NT$ 3,430,000 Capitalization of convertible bonds NT$ 15,076,800	–	Note 36
2014.01	–	120,000,000	1,200,000,000	119,965,138	1,199,651,380	Capitalization of ESO NT$ 200,000 Capitalization of convertible bonds NT$ 6,475,950	–	Note 37
2014.04	–	180,000,000	1,800,000,000	120,080,248	1,200,802,480	Capitalization of ESO NT$ 450,000 Capitalization of convertible bonds NT$ 701,100	–	Note 38
2014.07	–	180,000,000	1,800,000,000	120,091,318	1,200,913,180	Capitalization of convertible bonds NT$ 110,700	–	Note 39
2014.09	–	180,000,000	1,800,000,000	132,099,343	1,320,993,430	Capitalization of company reserves NT$ 120,080,250	–	Note 40
2014.10	–	180,000,000	1,800,000,000	132,612,678	1,326,126,780	Capitalization of ESO NT$ 4,180,000 Capitalization of convertible bonds NT$ 953,350	–	Note 41
2015.02	–	180,000,000	1,800,000,000	132,947,202	1,329,472,020	Capitalization of ESO NT$ 2,220,000 Capitalization of convertible bonds NT$ 1,125,240	–	Note 42
2015.05	–	180,000,000	1,800,000,000	138,316,623	1,383,166,230	Capitalization of convertible bonds NT$ 53,694,210	–	Note 43
2015.07	–	180,000,000	1,800,000,000	139,452,492	1,394,524,920	Capitalization of convertible bonds NT$ 11,358,690	–	Note 44
2015.09	–	180,000,000	1,800,000,000	146,368,324	1,463,683,240	Capitalization of capital reserve NT$ 69,158,320	–	Note 45
2018.02	–	180,000,000	1,800,000,000	143,062,324	1,430,623,240	Cancellation of treasury shares NT$ 33,060,000	–	Note 46

Not 1: Approved by the Department of Commerce, MOEA under Notice (73) Shang-Zi No. 138462 dated August 13, 1984.

Not 2: Approved by the Department of Commerce, MOEA under Notice (74) Shang-Zi No. 160682 dated December 4, 1985.

Not 3: Approved by the Department of Commerce, MOEA under Notice (77) Shang-Zi No. 152023 dated April 22, 1988.

Not 4: Approved by the Department of Commerce, MOEA under Notice (80) Shang-Zi No. 101879 dated February 11, 1991.

Not 5: Approved by the Department of Commerce, MOEA under Notice (89) Shang-Zi No. 141350 dated November 9, 2000.
Not 6: Approved by the Department of Commerce, MOEA under Notice (90) Shang-Zi No. 09001190800 dated May 28, 2001.
Not 7: Approved by the Securities and Futures Bureau under Notice Tai-Cai-Zheng-Zi (1) No. 0910135158 dated June 27, 2002.
Not 8: Approved by the Securities and Futures Bureau under Notice Tai-Cai-Zheng-Zi (1) No. 0920128244 dated June 19, 2003.
Not 9: Approved by the Central Region Office, Ministry of Economic Affairs under Notice Jing-Shou-Zhong-Zi No. 09331996430 dated April 23, 2004.
Not 10: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09321089910 dated November 3, 2004.
Not 11: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09408058910 dated April 25, 2005.
Not 12: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09411451400 dated July 26, 2005.
Not 13: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09423341100 dated October 14, 2005.
Not 14: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09501018380 dated January 27, 2006.
Not 15: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09501070490 dated April 19, 2006.
Not 16: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09501151620 dated July 14, 2006.
Not 17: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09501211830 dated September 15, 2006.
Not 18: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09501232110 dated October 13, 2006.
Not 19: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09601004100 dated January 9, 2007.
Not 20: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09601231850 dated September 20, 2007.
Not 21: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09701235800 dated September 15, 2008.
Not 22: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09801072810 dated April 14, 2009.
Not 23: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 09901204910 dated September 10, 2010.
Not 24: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10001009390 dated January 17, 2011.
Not 25: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10001076400 dated April 18, 2011.
Not 26: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10001154680 dated July 19, 2011.
Not 27: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10001206560 dated September 8, 2011.
Not 28: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10001239630 dated October 19, 2011.
Not 29: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10101072070 dated April 24, 2012.
Not 30: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10101184680 dated September 6, 2012.
Not 31: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10101214920 dated October 16, 2012.

Not 32: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10201011370 dated January 16, 2013.
Not 33: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10201055210 dated March 27, 2013.
Not 34: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10201141670 dated July 19, 2013.
Not 35: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10201183250 dated September 4, 2013.
Not 36: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10201212520 dated October 18, 2013.
Not 37: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10301007230 dated January 16, 2014.
Not 38: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10301069410 dated April 23, 2014.
Not 39: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10301139430 dated July 14, 2014.
Not 40: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10301185160 dated September 11, 2014.
Not 41: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10301217920 dated October 21, 2014.
Not 42: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10401010400 dated February 6, 2015.
Not 43: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10401080500 dated May 4, 2015.
Not 44: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10401147880 dated July 21, 2015.
Not 45: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10401193810 dated September 22, 2015.
Not 46: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10701017840 dated February 13, 2018.

April 30, 2020; Unit: shares

Share category	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common shares listed in the stock exchange	143,062,324	36,937,676	180,000,000	—

(2) Shareholders structure

April 30, 2020; Unit: shares; %

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Individuals	Total
Head count	0	8	65	102	11,682	11,857
Number of shares held	0	7,618,238	21,629,542	28,860,144	84,954,400	143,062,324
Shareholding percentage	0.00%	5.33%	15.12%	20.17%	59.38%	100.00%

(III) Ownership diversification

Ordinary shares: face value NT$ 10 per share. (The Company has not issued preferred shares)

April 30, 2020

Shareholding rank	Number of shareholders	Number of shares held	Shareholding percentage %
1 to 999 shares	2,989	700,098	0.49 %
1,000 to 5,000 shares	6,821	14,120,522	9.87 %
5,001 to 10,000 shares	1039	7,706,003	5.39 %
10,001 to 15,000 shares	353	4,420,772	3.09 %
15,001 to 20,000 shares	165	2,928,548	2.05 %
20,001 to 30,000 shares	162	3,971,119	2.78 %
30,001 to 40,000 shares	85	2,960,752	2.07 %
40,001 to 50,000 shares	48	2,181,631	1.53 %
50,001 to 100,000 shares	87	5,964,979	4.16 %
100,001 to 200,000 shares	47	6,598,976	4.61 %
200,001 to 400,000 shares	23	6,910,790	4.83 %
400,001 to 600,000 shares	8	3,778,166	2.64 %
600,001 to 800,000 shares	3	2,002,720	1.40 %
800,001 to 1,000,000 shares	6	5,154,078	3.60 %
1,000,001 or over	21	73,663,170	51.49 %
Total	11,857	143,062,324	100.00 %

(IV) List of major shareholders: shareholders with shareholding exceeding 5% or shareholders with top 10 shareholding percentages

April 30, 2020

Shareholding / Name of major shareholder	Number of shares held	Shareholding percentage %
Lam Tai Seng	16,217,505	11.34 %
Wang Wei Wei	11,040,443	7.72 %
Fubon Life Insurance Co., Ltd.	4,573,000	3.20 %
Ji Te Investment Development Co., Ltd.	4,475,253	3.13 %
Franklin Templeton Asian Smaller Companies Fund in the custody of Chase Bank	4,023,753	2.81 %
Bi Da Investment Development Co., Ltd.	3,840,925	2.69 %
Invesco Funds SICAV – Invesco Asian Balanced Funds in the custody of HSBC	3,185,000	2.23 %
Manage data software and information management, integrate software and hardware service.	3,092,716	2.16 %
Fei Te Investment Co., Ltd.	2,581,729	1.81 %
Zhong Chuan Investment Development Co., Ltd.	2,422,133	1.69 %

(V) Market price, net value, earnings, dividend per share and related information in the last 2 years

Unit: NT$; thousands shares

<table>
<tr><th colspan="3">Year / Item</th><th>2018</th><th>2019</th><th>As of 2020/04/30</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Highest</td><td>88.0</td><td>82.3</td><td>76.5</td></tr>
<tr><td colspan="2">Lowest</td><td>67.1</td><td>66.5</td><td>52.9</td></tr>
<tr><td colspan="2">Average</td><td>77.03</td><td>74.47</td><td>68.68</td></tr>
<tr><td rowspan="2">Net worth per share</td><td colspan="2">Before dividend distribution</td><td>30.69</td><td>30.78</td><td>32.10</td></tr>
<tr><td colspan="2">After dividend distribution (Note 1)</td><td>26.19</td><td>Note 2</td><td>—</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average shares (in thousands shares)</td><td>143,062</td><td>143,062</td><td>143,062</td></tr>
<tr><td colspan="2">Earnings per share (ex-right)</td><td>5.60</td><td>5.15</td><td>—</td></tr>
<tr><td rowspan="4">Dividends per share (Note 2)</td><td colspan="2">Cash dividend</td><td>5.0</td><td>4.5</td><td>—</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>From earnings</td><td>0.0</td><td>0.0</td><td>—</td></tr>
<tr><td>From capital reserves</td><td>0.0</td><td>0.0</td><td>—</td></tr>
<tr><td colspan="2">Retained Dividends</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Analysis of investment returns</td><td colspan="2">P/E ratio (Note 3)</td><td>13.76</td><td>14.46</td><td>—</td></tr>
<tr><td colspan="2">Price to dividends ratio (Note 4)</td><td>15.41</td><td>16.55</td><td>—</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 5)</td><td>6.49</td><td>6.04</td><td>—</td></tr>
</table>

Note 1: The resolution of the Shareholders Meeting for the next year on the distribution of income.

Note 2: The motion on the distribution of stock dividends in 2019 has been passed by the Board of Directors in a session dated March 19, 2020 pending the final approval of the Shareholders Meeting.

Note 3: P/E ratio = Average closing price per share for the year / earnings per share.

Note 4: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

(VI) The company's dividend policies and execution

1. Dividend policies

The Shareholders Meeting resolved on June 8, 2018 to amend the Articles of Incorporation in the aspect of dividend policy specified as follows:

(1) If the Company has earnings after the annual account settlement, it shall appropriate for the payment of applicable taxes and covering carryforward loss, followed by the appropriation of 10% as legal reserve, and appropriate for the special reserve where necessary and as required by law. If there is still a balance, it shall pool up with the undistributed income accumulated in previous periods for distribution at the proposal of the Board, subject to the final approval of the Shareholders Meeting. The amount of distribution shall not fall below 60% of the corporate earnings net of the offsetting of

carryforward loss, appropriation for the legal reserve, and the special reserve.

(2) The Company takes into account equilibrium and stability in making its dividend policy, and in conjunction with the specific nature of the overall environment and the development of the industry with consideration of long-term financial planning and satisfaction of cash flow needs of the shareholders. Likewise, cash dividend shall not fall below 10% of the total cash dividend and stock dividend resolved to distribute in the year.

2. Execution status

The shareholder meeting intends to approve the 2019 annual surplus distribution proposal drawn up by the board of directors on March 19, 2020. According to the company's articles of incorporation, issued the shareholders’ cash dividends of NT$ 572,249,296 at NT$ 4.0 per share after listing the 10% legal reserve of NT$ 73,652,216. Additionally issue additional paid-in capital of NT$ 0.5 per share in cash.

(VII) Impacts on business performance and earnings per share if the stock dividend proposal is approved during the annual general meeting

<table>
<tr><th colspan="3">Item/year</th><th>2019 (estimates)</th></tr>
<tr><td colspan="3">Paid-in capital at the beginning of the period (NT$1,000)</td><td>1,430,623</td></tr>
<tr><td rowspan="3">Stock Dividend in the current period</td><td colspan="2">Cash dividend per share (NT$) (Note 1)</td><td>4.0</td></tr>
<tr><td colspan="2">Number of shares allotted for each share held under the capitalization of retained earnings into new shares (Note 1)</td><td>0</td></tr>
<tr><td colspan="2">Number of shares allotted for each share held under the capitalization of additional paid-in capital (Note 1)</td><td>0.5</td></tr>
<tr><td rowspan="7">Changes in business performance</td><td colspan="2">Operating profit</td><td rowspan="13">NA
(Note 2)</td></tr>
<tr><td colspan="2">Proportion of change in the operating income from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Proportion of change in net income from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Earnings per share (NT$)</td></tr>
<tr><td colspan="2">Proportion of change in EPS from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Annual average ROI (%)</td></tr>
<tr><td rowspan="6">Pro forma EPS and P/E ratio</td><td rowspan="2">If the retained earnings for capitalization into new shares were switched to payment of a cash dividend in the full amount</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">If there was no capitalization of additional paid-in capital</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">If there was no capitalization of additional paid-in capital and the entire amount of retained earnings were switched to payment of a cash dividend</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
</table>

Note 1: Resolved by the regular session of the Shareholders Meeting in 2020.
Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to disclose its financial forecasts in 2020.

(VIII) Remuneration for employees, directors and supervisors

1. The percentage or scope of remuneration to the employees, Directors, and Supervisors as stated in the Articles of Incorporation:

   Article 23 of the Company's Articles of Incorporation states that the company should offer 3%-15% of the profits as employee compensation and no more than 3% of the profits as compensation to directors if the company is profitable that year. This is subject to a special resolution meeting by the board of directors and it should be reported during the shareholder meeting. Remuneration to employees may be paid in cash or stock. The recipients include the employees of subsidiaries meeting specific conditions. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

   The company board passed the "director and employee remuneration distribution case" on March 19, 2020. The remunerations for employees were estimated according to the profitability in 2019 and in reference to the distribution ratios in previous years. The actual remunerations distributed to directors were estimated in reference to the employee performance assessment results and KPI achievement situation. The remunerations for directors were estimated in reference to amounts distributed in previous years and the 2019 board performance assessment results. The actual amounts distributed were in reference to the annual performance assessment results of the directors. If there is a difference between the estimated amount and the actual issued amount, it will be treated as changes in accounting estimates and enter accounts when issuing annual adjustments.

2. The estimation of remunerations to the employees and Directors for the current period was based on the calculation of the quantity of shares distributed to the employees and the actual amount paid, and the accounting of the difference between the estimates and the actual payment:

   The estimated amount of compensation for employees and directors/supervisors in 2019 will included in the operating costs or expenses based on their natures. If the allotted amount decided during the shareholder meeting is different from the estimated number on the financial statements, then it will be listed as changes in estimates for the current period's net income or losses.

3. The approved distribution of compensation on March 19, 2020 by the

board of directors is as follows:

(1) The differences, reasons and handling of the estimated amount and actual compensation amount for employees and directors in cash or stocks is as follows:

The cash remunerations for employees totaled $77,000,000, and the remunerations for the directors totaled $3,500,000, showing no differences in estimated credited amount in the 2019 financial statement. In 2019, no remunerations were distributed through shares.

(2) The amount of payment to employees in the form of stocks in proportion to the net income stated in the separate financial statements in proportion to the total amount of remuneration to the employees:

No release of stocks as remuneration to the employees in the current period

4. The actual payment to the employees, Directors, and Supervisors in the previous year (including quantity of shares, amount, and stock price):

The cash remunerations for employees totaled $80,000,000, and the remunerations for the directors totaled $2,400,000, showing no difference in estimated credited amount in the 2019 financial statement. In 2019, no remunerations were distributed through shares.

(IX) Shares repurchased by The Company:None

4.2 Execution status of issuing corporate bonds: None.

4.3 Issuance of preferred shares: None.

4.4 Disclosure relating to depository receipts: None.

4.5 Status of employee stock certificates: None.

4.6 The new shares from restricted employee stock option: None.

4.7 Disclosure on new shares issued in exchange of other company shares: None.

4.8 Progress on the use of funds

(I) Content of the plan

As of the end of the 1st quarter prior to the printing of this report, uncompleted offering of securities in tranches or through private placement, or offering of securities that was completed but the purpose of the plan has not been realized in the last 3 year: N/A.

(II) Execution:

Not applicable

V. Operation overview

5.1. Business content

(I) Business scope:

1. Business scope:

(1) Major contents:

The design, manufacturing, and sale of industrial computers and related peripherals.

(2) Business proportion:

Unit: NT$ 1,000

Item / Year	2018		2019	
	Amount	Percentage %	Amount	Percentage %
Industrial computers	3,971,676	85.82	3,434,820	87.47
Peripherals	627,788	13.56	468,312	11.93
Other (Note)	28,841	0.62	23,601	0.60
Total	4,628,305	100.00	3,926,733	100.00

Note: Others are revenues from the development and designed project to the appointment of the customers.

(3) The carrying items of products (services) and new products (services) of the Company planned for development

①Premium items of the Company:

All-in-one POS, Panel PC, Mobile POS, KIOSK, box PC, and POS Monitors.

②New products planned for development:

New specifications All-in-one POS, Panel PC, Mobile POS, KIOSK, box PC, and POS Monitors.

(II) Industry overview

1. Present state of the industry and development

(1) POS System

The POS system is a type of customized product aiming at the specific needs of the users in design, and is different from the standard specification mass production mode of consumer electronics such as the PC industry. The main targeted group of customers is system integration service providers and value adding distributors. For meeting the diversified specification standards of the firms and the wide array of customization in software, hardware manufacturers must have the capacity of integrating high stability and quality, and flexible design in manufacturing. As such, the high added value of the POS industry comes from the quality and service of the firms, and there is a relatively high entrance barrier and less likelihood to confront cut-throat competition from other competitors. The evolution of the information communication technology (ICT) compelled the leading firms of the industry to use technologies in satisfying the newly developed needs of the customers. The All-in-one Touch POS multiple function touch control screen has been used extensively in food and beverages, hotels, retail and department stores, supermarkets, lottery and entertainment, distribution services, finance and banking, and other service industries to provide the timely functions of massive sale, inventory, customer information inquiry, computing, analysis and management. The sustainable innovative function and well-developed hardware integrated technology allowed the entrance of POS into the extensive Point-of-Service application sector. The latest innovative AI has also become an important part of application in smart retailing, smart restaurants, and smart cashier service and related high added value services. The variety of new stimulations and the continued expansion of the demand market will continue to drive the POS industry toward further growth.

The popular application of mobile products in the market of consumer electronics, and the rise of the ideas of the IoT, cloud computing, and smart living provided ground for the stable and mature development of mobile product core technologies such as related hardware computing speed, system software, and wireless information communication. These devices provide a description of portable devices, product search, inventory inquiry, data search, portable account settlement printout, transmission of information to terminal servers and related functions, and could flexibly be used in different industries in a diversity of functions including acceleration service, no constraint of time and space, avoidance of account settlement over-the-counter, portable services, and other high added value services. It is still the biggest driving force for continuously pushing the Point-of-Service industry into a brand new application market.

In 2019, the company’s POS machine shipments continued to maintain the world’s top three market status and steadily ranked number one in Taiwan.

(2) Industrial Computers-Panel PC and KIOSK

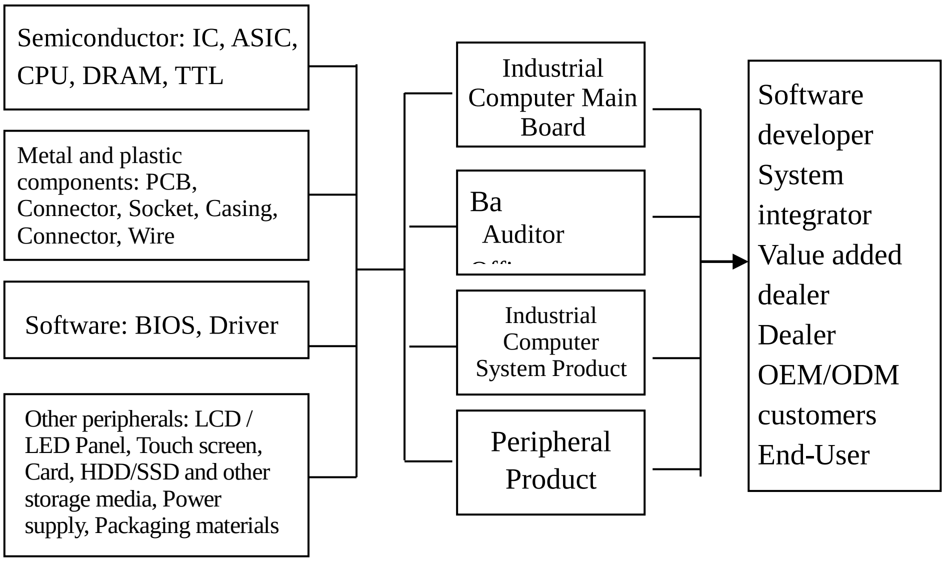
In the industrial computer sector, Panel PC integrates the system, hardware and monitor into a space saving panel. Panel PC is a solid device featuring water resistance, dust proof, shock proof and tamper-proof, and could be easily integrated to needs, energy efficient, light weight, and portable to meet application needs, and provides the best integrated services. Currently, this item has been extensively used in industrial control/medical devices/security control/traffic control/restaurant kitchens/transport vehicles/outdoor exhibition and others in an environment of mobility, high dust, high temperature, and humidity. The proper development of wireless network infrastructure allows Panel PC to provide a diversity of applications through data transmission from a server at the remote end that makes a much wider scope of applications available, including industrial control, medical use, commercial use, public information service, transportation, table reservation and ticket booking, e-home, games, KVS, and gaming and similar markets.

Artificial intelligence (AI) and automation trends are the most important technological innovation and revolution, while related applications are undergoing overwhelming development. It is expected that the future industrial development must combine AI applications to create more advanced smart convenience. Under this trend, related system products will also be widely applied to the application end. The company’s second production line Panel PC will also be applied in smart medicine, smart engineering control, smart management, and other related fields, while consumers’ preference and demand for self-service has opened up new markets for KIOSK widely applied in newly set self-service routes of general stores and unmanned store check-out machine products.

Panel PCs and KIOSK systems are the heavyweight stars in the industrial computer industry and entail innovative business opportunities, and remain the premium items of the Company.

2. The association of industries from upstream to downstream

The premium items of the Company are POS System, Panel PC, Mobile POS, and PC POS. The upstream industry is similar to PC and the key components are LCD/LED Panel, Touch screen, CPU, Chipset, DRAM, Storage device, PCB, logic IC, passive components, Power adapter, and input/output device. The downstream industry is different from PC and varies with customers. Most of them are system integration service providers, value adding distributors, or ODM customers and hardly sold directly to consumers. The following chart shows the association of the upstream, midstream, and downstream industries:



3. Trends of development of various products and competition

The features of the premium products of the Company:

(1) POS System

We are ahead of the industry peers in professional customized POS design, know-how and development of production process, and pioneered the trend of hardware specification in the POS industry. We have 84 patented intellectual property rights through in-depth development and innovation in technology. We were the first to invest in the POS market as early as 1999. From 2002 onwards, POS has emerged as the premium item of the Company. Accordingly, we positioned ourselves for selling projects for enterprises and international giant firms as our marketing strategy and provide research and development design, manufacturing, and service, and aim to emerge as a first rate international professional POS (Point-of-Service) hardware designer and manufacturer. The Company has launched a series of Touch POS integrated with touch control and LCD into one device since 2003, and integrated the peripherals into a Customer Display POS system. Currently, the key item for shipment is the 4th generation All-in-one Touch POS with touch control screen. From 2009 onwards, the Company has committed resources to the research and development of a micro embedded system platform for developing integrated devices with different screen sizes and processors with different levels of performance, and upgraded customized design with higher flexibility so that the system integration service providers could develop markets in a much broader horizon (highly acclaimed by the customers) and expand the business territory. The Company launched the PTS (Payment Terminal Solution) series in 2015, and effected mass production shipment in 2016. This move turned the traditional image of POS upside down. With the built-in thermal inductance paper printer, the touch control panel could be used as a tablet PC and also provides function as a desk-top printer. This will be an ideal item for the payment intermediaries with its compact appearance, portable application and price advantage, and will help the Company to penetrate into the market of the small shopping malls and shops which would otherwise be difficult for the launch of POS products, and develop the leasing or purchase market of a single device for the micro business.

In the wake of the rapid development of technologies and different needs of applications at the customer end, the application of smart POS systems is becoming increasingly diversified. We launched the 1st generation Mobile POS system at the 2014 COMPUTEX. This device performs the function of payment integration, and is a brand new item for mobile service in smart cities under the latest trend of development around the world. We also launched the new generation Mobile POS 274 in the 2018 COMPUTEX by matching Mobile POS with Wi-Fi and 3G module, MSR, IC card reader (accredited by EMV Level 1.2), Scanner, NFC, fingerprint, and related settings. This device performs the IP54 water repellent and resistance function, with long-life and replaceable battery, and could be used in conjunction with other mobile card reading devices and printing equipment to provide a description of a portable item, product search, inventory inquiry, data search, portable account settlement printout, and transmission of information to terminal servers. This item could be used flexibly in a number of industries for a simplified consumption process and occupies very little space for high added value portable service. Series of peripherals for using in iOS have also been developed so that customers can get a viable solution through fingerprint unlocking, mobile payment, and linking to peripheral equipment.

With the expansion of market demand for mobile products, the company launched a new Mobile POS series in 2019. The new products successfully overcame the space constraints of application sites, providing “code-scanning table ordering services weigh speedy connection and excellent quality and receiving positive feedback and orders from well-known international brands, thereby creating more application momentum for the POS system product series of Leyte has Technology Co., Ltd.

We make our own design from MB, and have 4 SMT process lines and perfect quality control systems since the operation started at the newly built facilities in Hwa Ya Technology Park. The vertical operation is completed in a single process from MB to the finished device. As compared with other suppliers, we are more seasoned and stable in research and development, production technology, and customization. We also have complete product lines with widely spread price ranges, high/mid/low-end models with different specifications and options for different solutions of different markets. We are ready to accept purchase orders from international giant firms and customization of projects for customers.

As always, we take the “Design For Service, Design for Cost, and Design for Quality” as the principal axis of POS design. Further to the continued expansion in the markets of Europe, Asia and America as well as the newly emerging economies for export, we also are continuing in the market of domestic demand and Greater China. Our core competence includes: serious commitment to the customers, unique product strategy, key professional technologies, good professional experience in systems, flexible manufacturing capacity, quick and good quality service, exclusive market positioning, proper market segmentation, and the development of high value-added differentiated products in different areas of applications. Our complete product lines could provide quick and good quality customized services including product design, manufacturing, supply management, and post-delivery service. The scope of services covers Point-of-Service value chain that differentiates us from our industry peers in market segmentation to avoid malicious competition. In the future, the Company will continue to provide full-range customized service packages with an attempt to secure more orders for enterprise projects and international giant firms, and form strategic alliances with these international giant firms so as to emerge as a benchmark enterprise of “Point-of-Service hardware Systems” with “complete product line, advanced know-how, outstanding manufacturing, and strong partnership commitment”.

(2) Industrial Computers-Panel PC and KIOSK

In the domain of industrial computers, the Panel PC is the product that integrates the system, hardware, and monitor into one device. The condensed, slim, and sturdy single board features simplicity in integration, energy efficient, light weight, and fool proof in assembly, and can be used in small or limited spaces, outdoors, as a mobile loading tool, and environments with wide fluctuations in temperature, humidity and impact, or dusty and can provide simple and easy integration service. The Company has successfully developed a series of Panel PC products, including the Bedside Terminal, a joint venture with international well-known manufacturers for using in ambulances and short-range care platform. The shipment volume of this item remains stable and can be used in information management/hospital bed management/hospital bed caring/inquiry of medical history in electronic format, and as telephone/video call/multimedia/network/inquiry/meal ordering services for the patients in clinics and hospitals. The customized designed and good quality allow the successful entrance of this item into the niche market of exclusive medical use with a substantial market share in the medical care industry where increasing demand for quality service is the trend.

The company has also successfully developed Panel PC series products that come in a full range of sizes and diverse functions for various automation applications, including catering, industrial control, commercial use, transportation, public information services, such as meal and ticket ordering, e-home, games, gaming, and other fields of innovative applications. The company's products developed through R&D have achieved industry-leading IP67-waterproof grade. The company launched the K770 series at the Embedded World 2016 Exhibition & Conference with the use of SUS304 food and medical-grade stainless steel, a flat multi-point touch screen, Intel's latest BayTrail® Processor, and IP69K-waterproof grade testing certified by SGSe, and 1Grms anti-shock and 20G anti-collision testing to provide customers with the most complete solutions. The products are suitable for food processing plants, restaurants and kitchens, and medical equipment applications; the K740 series provided embedded applications with the Intel BayTrail® Processor. The front panel passed IP66 waterproof grade testing and is applicable for harsh automated plant environments. The USB and switch are located at the front panel and have covers that can be closed and locked, so as to prevent an accidental bump under the operational environment that accidentally turns the machine on/off or unauthorized driver data transmission. The NFC/RFID/WiFi/Bluetooth are located at the front panel to optimize their signal transmission interface. There is an independent

I/O port that has passed anti-full testing. In addition to focusing on the industrial automation market, it can also be applied in medical products and commercial applications, providing enterprise users with the best industrial computer choice; the K750 product series is a flat 32" 10-point touch tablet PC with projected capacitance, with the latest Intel Skylake Processor. It provides a wide range of expansion functions and I/O interface intended for medical institutions and operation rooms, giving customers more diversified specifications, accommodating various installation sites, and offering solutions for differentiated applications.

In addition to the Panel PC machines, the company also successfully developed self-service KIOSK applied in unmanned stores, airport self-check in, and hotel self-check in/out machines. In 2019, the new-generation ultra-slim KIOSK solution was launched. It is not only in line with the ADA (American Disability Act) barrier-friendly design, but also has achieved zero shaking with the total weight reduced by more than half compared to other models available in the market, with substantive performance in well-known brand shipments.

With the development of artificial intelligence (AI) and industrial applications reaching maturity, the company has actively engaged in R&D combined with AI and innovative products with automation functions. In 2019, subsidiary Berry AI was established, and AI and deep learning related software technology R&D commenced, leading to the successful development of AI recognition check-out product service machines and providing a new speedy self-check-out experience, thereby creating new market demands with high added value.

The Panel PC series and KIOSK is the company’s second main business. Through the latest technology and innovative product functions, applications and innovations, business opportunities can be created; through customized differentiation, excellent quality, and good services, cooperation projects with well-known enterprises can see sought, which are successful factors contributing the company’s gaining a firm foothold in the niche market and seizing the market domain.

(III) Technology and R&D Overview

1. The R&D expenditure in the last 5 years to the date this report was printed.

Unit: NT$ 1,000

Year	2015	2016	2017	2018	2019	Up till April 30, 2020
R&D expenditure	177,802	189,051	194,757	189,990	169,628	58,000

2.Technologies or products successfully developed in the most recent year

Date of completion	R & D results
2017	1.Successfully developed industrial computer series and new peripherals (POS system, Mobil POS, Panel PC): P335N2, P455, P544, P274, PB41, PB53, PB55, PB57, PB61, PB62, PB63, PB65, PB66, PB77 2.Successfully developed new MB series: D33, D41, D56, D65, D86U, D91, D95, D96
2018	1.Successfully developed industrial computer series and new peripherals (POS system, Mobil POS, Panel PC, KIOSK) : P337N2, P655, T605A+, K75D, K959, PB99, PB81, PB82, PB85, PB88, K85B 2.Successfully developed new MB series: D01, D42, D42L, D86S, D87U, D89S
2019	1. Successfully researched and developed industrial computers (POS system, Mobil POS, Panel PC, KIOSK system) series and new peripheral products: P617, P667, P337, K757V, P274 Starbucks, K865, K86B, K889, K959, PB82, PB88, PB96, PC12. 2.Successfully developed new MB series: D16, D66, D84U, D86U, D97

(IV) Long and short-term business development plans

1. Short-term development plan

(1) Marketing strategy

①Develop different applications with different products, extend different applications in the depth and scope of products (restaurants/hotels/supermarkets/superstores/retailers/price inquiry/ticketing/food ordering/shopping/multimedia advertising/medical use/industrial control/traffic control/gaming) for enlargement of the territory of Point-of-Service product line application.

②Keep abreast and control of the trend of smart application technology and respond to the needs of mobility and self-service of the industry, launch new Mobile POS products capable of integrating payment and KIOSK products for using in unmanned shops, multilateral expansion to different applications with diversified product lines, and continue to develop innovative application markets.

③With the wealth of experience in system integration and flexible production under customization accumulated for years, we will continue to secure more orders for enterprise projects and international well-known brands for the effective use of differentiated R&D design, rapid manufacturing, superior quality, cost control and related core competence to heighten the entrance barrier against the competitors.

④Invest to establish subsidiaries for the pursuit of branding strategy and development of sale channels for new products. Provide resources to the subsidiaries in the mode of a “central kitchen”, keep up with the core competence including the development of advanced technologies, product design approximating market needs, procurement of key components, and flexible production and manufacturing, and continue to provide the customers with the best service.

⑤Focus on key customers and develop potential customers. Design and develop a new style and multi-functional niche items for the customers, and assist the customers to broaden their scope of applications, boost sales, and increase market share.

⑥Acquire overseas subsidiaries through equity control for expansion with their brand marketing expertise, existing clientèle base, and channels in Europe for yielding synergy under the vertical integration of supply chain.

⑦Based on the successful sale experience in Europe and America for further development into the markets of Asia, Greater China, and newly emerged economies. Establish regional market strategic partnerships to develop local markets for new customers through the service platform of the partners, and provide quick service for the customers.

(2) R&D and Production Policy

①We introduced cost management in design in the R&D phase aiming at simplicity, sturdiness, and practicality to develop the most efficient physical and electronic design. With the use of shared modules and the convergence of key components and materials in the specification to align with the strategic purchase plan for adaptation to the changes in the material supply market.

②The Company introduced a full-range of products in alignment with the global market trend. In the R&D phase, the Company adopted green design to mitigate the impact on the environment. Through green procurement, the Company moved the environmental protection requirements upstream to the supply of components and materials. This move was also extended to the entire life cycle of the product from the process of use to treatment after dumping.

③From the perspective of the users, we established an effective quality assurance system through SOP for strengthening the control of design quality/part quality/production process quality. From R&D to shipment, we upgraded the product quality throughout the full range with strict selection of parts/full-range/product inspection and validation.

④With the use of high-efficiency and high-quality automated equipment for significant enhancement of stability and capacity of production. With the use of a self-development production process management system, we could bolster process planning and scheduling management for the flexible use of production capacity, and perform flexible adjustment of scheduling and modularized production in line with the volume and content of purchase orders to enhance production efficiency and cost reduction. We provide customers with high quality services and products from design/production to post-delivery service through extensive and intact integration.

(3) The scale of operation is congruent with the financial position:

①The corporate headquarters in Taiwan serves as the base for R&D and production with globalization and in-depth local marketing through the subsidiaries in Taiwan, the UK, USA, Hong Kong, and Mainland China, as well as the strategic partners in different regions.

②The Company seeks to root in Taiwan with its corporate headquarters in Neihu Technology Park and proprietary plants located at Hwa Ya Manufacturing Center at Linkou Technology Park, which was completed in 2011, and bolster its global logistics mechanism and financial operation stability with an upgrade in operation efficiency.

③We will further our efforts in operation with innovative products and application functions, upgrade the capacity of the management team for in-depth development of the product market and competitive advantage of our core competence.

④We will create a positive training environment to provide the opportunity of continuing education in professional skills and internal control for the new and existing employees so as to upgrade their quality and improve coordination and communication, which in turn will help to enhance the overall operation performance.

2. Long-term development plan

(1) Marketing strategy

①We positioned ourselves as a "Service Manufacturer" with "a complete product line, advanced know-how, outstanding manufacturing, and strong partnership commitment". Under the corporate philosophy of honesty and integrity in business, and commitment to the stakeholders, we cultivated a profound partnership with the customers and provide product planning and post-delivery service with global, multilateral, and completed service and customized products.

②The corporate headquarters at Neihu Technology Park is the global logistics and R&D center, while the new facility at Hwa Ya in Linkou Technology Park is the manufacturing center. These two centers working in conjunction with the business locations at home and overseas in the form of strategic alliance could enlarge the business territory through in-depth development with key customers and supply of the best innovative design and manufacturing services. We also positioned ourselves as a hardware supplier to assist customers develop niche products for better business opportunities and markets, and emerge as a first class professional system manufacturer of the world.

③Integration with the technologies, products, application software and channels of the partner firms through strategic alliance in combination with the advantages of R&D and production in the industry, as well as the advantages of strategic partnership and technologies, we could create the soundest performance.

④Through the subsidiary's new technology APP R&D, machines with new specifications that combine new Apps have undergone development.

⑤The Company will increase its market share through the brand marketing and new sale channels of the subsidiaries.

⑥The Company will continue to develop new products, applications, and function from an innovative and differentiated perspective, and take sustainable growth in business performance as the perpetual goal.

⑦We aimed at the global market and will continue to expand the markets with innovative applications to strengthen the cooperation with the distribution and value adding distributors, and launch products of high/mid/low-end to different market segments with different positioning in different regions of applications for broadening the foundation of sales.

(2) Production policy and product development direction

①The Company will aim at the industry with innovation and high profit through proper market segmentation and positioning to improve the added value of products and keep abreast of key technology and professional experience to develop customized niche products with high added value.

②Development of models that could be used in different environments such as Desktop, Wall mount, Tower, Mobile, Mini, and Self Service and continuation in improving the embedded function and speed, innovative application areas, strengthening the design of physical appearance ID, and pioneered products in diversity and with competitive power in the innovative market.

③Targeting niche products from the high/mid/low-end product lines with the supply of the best models and customized service for diversified applications. In addition, the Company will design high quality and high added value standard item series, provide quick delivery service, and emerge as the best choice for the small and medium size customers so as to maximize the results of production, sales, research and development.

④Horizontalization of the organization helps to improve decision-making and execution of policies. Through the tight combination of upstream to downstream process including product planning, R&D, material control, procurement, warehouse management, manufacturing and quality control, the Company could provide a flexible production schedule through quick and accurate response.

⑤With the control of production, quality and delivery process on shop floors with timely feedback and records, the Company can bolster process planning and scheduling management and upgrade capacity efficiency and overall product quality to satisfy customer needs.

⑥The Company will continue the proper implementation of the ISO 9001 quality system, the ISO13485 product quality system of medical devices, and ISO 14001 environmental management system, and get closer to the customers through its exclusive technical support window by providing quick and good quality service. The Company will also fortify its customer service function for higher customer satisfaction, and improve the application capacity of the customers with the products and hence develop better business opportunities for related products.

(3) The scale of operation is congruent with the financial position

①With customized service and outstanding R&D and production capacity, the Company designed a wide array of niche products for the customers to increase its market share. It was matched with the series of standard items with added value for expanding the business territory of the small and medium size customers for creating revenue growth.

②Continue the proper implementation of the internal control system, internal audit system, and budget management for the overall improvement of operation efficiency.

③Continue the advocacy of corporate governance and focus in innovation and in-depth development of the operation under the corporate philosophy of honesty and integrity and sustainability in development to create value for the shareholders, employees, customers, suppliers and other stakeholders where all are the winners.

④Effective control of inventory levels, costs, and expenses with the budget system and performance indicator management for revenue growth and higher rate of return.

⑤Integration of all group enterprises on the basis of the scale of operation of the Company and the MIS system developed on the basis of the flexible production mode, and the information systems of the parent company and subsidiaries all over the world for multilateral logistics control of corporate resources and operation management. In addition, the Company seeks to implement the ISO 27001 information system in full effort to augment the security management of information assets.

5.2. Market and production and sales overview

(I) Market analysis

1. The regions for the sale of premium products

Unit: NT$ 1,000

Region \ Year		2018 Amount	2018 Percentage %	2019 Amount	2019 Percentage %
Domestic demand		401,931	8.68	300,982	7.66
Export	American	2,123,173	45.87	1,936,531	49.32
	Europe and Africa	1,672,594	36.14	1,287,372	32.79
	Asian	430,607	9.31	401,848	10.23
	Subtotal	4,226,374	91.32	3,625,751	92.34
Total		4,628,305	100.00	3,926,733	100.00

2. Market share, the supply/demand and growth of the market in the future

(1) POS System

In the wake of the ceaseless innovation and diversification of technologies, application areas, and function, the early definition of POS (Point-of-Sales), which was simply focused on the management of the sale and inventory system, has been surpassed by POS (Point-of-Service) designed with the integration of different application services. The target market not only includes the traditional restaurant business, hotels, retailing and distribution but also the diversity of commercial activities including food, clothing, transportation, education, and entertainment, even in the computer systems for industrial control, medical and healthcare, transportation, security control, and military use, and the smart functions of combining AI and automation management. The PC-based POS system could be linked to the back-end database and front-end operating system to achieve the objective of rapid control of sale and inventory information to precision management. The Touch POS that combined touch control screen and multiple functions in one device is the mainstream item for the time being. It features real-time data gathering/inquiry/processing/computing and interactive function, and is an indispensable tool for competition in business. The space for the growth of the POS business is growing perpetually in line with the ceaseless enlargement of the scope of application. It also triggers the needs for innovation. The evolutionary development of innovative technologies and the ever changing needs of the customer end has triggered the demand for innovative applications of a smart POS system. Realizing the exploding growth of the market of mobile items, the Company launched the Mobile POS in 2014 for a new horizon of POS application needs by combining the embedded module with mobile peripherals to provide portable service functions of product description, product search, inventory inquiry, data search, account settlement printout, and transmission of data to the terminal server, and is attuned to the latest mobile payment trend. The Company has pioneered the Point-of-Service business into an innovative and brand new market. In 2017, the Company developed the patented product, System Diagnostic Recorder (SDR), and corresponding cell phone APP. With this item, users could keep the key parts and components of the POS system under control with the use of the cell phone APP. Accordingly, users could just use their cell phone to control key parts and components, system CPU, cooler fan speed and system temperature. The Brand new application specification will bring about momentum for the demand of the POS market. With the rapid development of demand for Mobility products, the company launched the new Mobile POS series in 2019 to respond to the mobile market demand. The new products provide “code-scanning ordering at the table” service with excellent connection speed and quality, successfully receiving orders from customers (well-known international brands) and commencing shipments. With the brands’ store development in Asian regions, the company has gained market recognition and sound sales performance. The company also developed a series of smart retailing, smart catering, smart check-out, and other new high value adding applications applied on the POS system to meet the demand. The Company has also developed a series of smart retailing, smart restaurant, smart account settlement, and related high added value innovative applications in line with the development of AI.

The upgrade of the POS system application triggered the vigorous demand for replacement of new devices, and led to the continued expansion of the global market for replacement of new devices. In 1999, the Company was the first manufacturer in Taiwan to engage in the development of a POS exclusive device. The core competence includes: complete product line, the wealth of experience in system integration, the capacity in R&D of customization and engineering technology, successful cost control and supply chain management, multiple-line flexible production scheduling, stable quality, perfect customer service, and flexible sales strategy. The Company assisted the customers to prepare the most differentiated products at high customization level, specification from high to low-end, with competitive power in price, and quick delivery. With the continuous innovation of new specifications for application, the demand market continued to expand. The company’s key technology, mass production strength, and market shares steadily lead the domestic industry, and future growth remains promising. In 2019, the company’s POS machine shipments remained in the top three in the global market and firmly ranked first in Taiwan.

(3) Industrial Computers-Panel PC and KIOSK

A Panel PC is a slim light single board device combining the system, hardware, and monitor. It is light and compact in style, easy to integrate, energy efficient, light weight, and highly mobile without any constraint in time and space, and could provide durable and diversified application integration and interactive services.

In the wake of the evolution of ICT, proper development and stability of product technology, and the diversification of application functions, the sustained and rapid development of Panel PCs required a new market. “Medical service” is an area of innovative application with promising growth, among others. Seeing that the combination of advanced technology and good quality service will be an irreversible trend of development in the market of medical care products, the Company engaged in a joint venture with an internationally well-known firm to develop the Bedside Terminal, a successful device for the exclusive use in the medical care sector accredited with the ISO13485 medical system quality. This device is a compact Panel PC that allows the patients to use computer/Internet/telephone/video call/multimedia/food order/information search and tracking medical records for hospital room management/hospital bed caring/managing bedside medical records and history in an electronic format, and could be used in ambulances or as a remote healthcare platform, and has been highly accepted by the users. The Company will continue to develop a new generation of such devices for mass production shipment. The launch of this item is a success and the Company has received orders from many internationally well-known medical device manufacturers for developing different models for medical care control and has effected mass production shipments. The Company has also launched a series of Panel PC products further to medical use devices. These products were made from food and medical grade stainless steel, passed the water resistance, tamper-proof, impact resistance tests, with the best signal transmission interface in physical design, and the abundance of expandable function and I/O interface for adaptation to different rough environments such as: food processing industry/restaurant kitchens/medical equipment/factory automation/security control/traffic control/public information service/transportation/outdoor exhibition/KVS/gaming/food ordering and ticket reservation/eSports/e-home and others for continued development of Panel PC demand market. In addition to Panel PC, the shipments of KIOSK machines used in unmanned stores, airport self-check in, and hotel self-check in/out have also gradually increased. In 2019, the new-generation ultra-slim KIOSK solution was launched. It is not only in line with the ADA (American Disability Act) barrier-friendly design, but also has achieved zero shaking with the total weight reduced by more than half compared to other models available in the market, which successfully received large orders from chain stores in North America with representative significance. Mass shipments commenced beginning 2019, successfully seizing the market domain.

In addition, with the development of artificial intelligence (AI) and industrial applications gradually reaching maturity, the company established subsidiary Berry AI. Specialized in AI and deep learning software technology, combined with the parent company's complete product line and professional integration technology and the retail catering industry's rich channeling, goods shipments have commenced, with positive feedback from customers. The company will continue to create more demand momentum's and provide smart retailing, smart catering, smart checkout, and other high value adding services that cater to market needs.

The company will uphold Point-of-Service's years of R&D integration capabilities and manufacturing experience, with different industry-based innovative applications as the starting point to design specifications in line with various industry-based installation environment requirements, continue to expand new business opportunities in different application fields, and create the best customized machines with a compact appearance, durability, excellent quality, reasonable price, and diversified applications, which are expected to continue to seize the industrial computer market domain.

Based on the analysis of the overall market supply side, it shows that the POS system, Panel PC, and KIOSK are all highly customized products produced according to customers' specifications and all under the high-gross-profit niche market. The mass production economic scale itself is not the main competitive advantage, it is the individual customers' suppliers whose product application side of R&D technical capabilities in providing package solutions, customized and flexible production capabilities, new function R&D capabilities through new technologies, quality stability, and the provision of good after-sales services that constitute the primary factors for the supply-side competing vendors' market share. The company has accumulated years of experience in mature technology for system integrations and applications and has extensive experience in the flexible production of customized products, with good quality control and after-sales services, thus the good word-of-mouth in the market and high customer loyalty, which make up the customer’s niche to achieve market share expansion.

From the demand side, the evolution of technological development, the ever changing innovative application and the quest for an electronic version, and technological innovation brought about industrial innovation that triggered the continued development of new demand market. The global economic recovery also gave momentum for the market for replacement of new machines, the newly emerged demand for mobile payment as a form of new technology, or, the demand for devices with new function in market, will continue push the market for further growth.

3. The competitive edge, factors favorable and unfavorable for development in the long run, and responses

(1) Competitive edge

① Optimistic outlook of business opportunity for the industry

② Proper market positioning

③ Completed product lines

④ Wide-ranged price products and diversity in specifications from high to low-end devices.

⑤ Flexibility, quick response and stable quality in customized technologies

⑥ Proper control of fundamental technologies and system integration technology

⑦ Professional marketing, R&D, and manufacturing team

⑧ Flexible sale strategies and sounded sales channel

⑨ Firm commitment to the customers, suppliers, employees, shareholders and all stakeholders: “completed product lines, advanced know-how, outstanding manufacturing, and strong partnership commitment”.

(2) Factors favorable and unfavorable for development in the long run, and responses

① Favorable factors:

A. Innovative design, positioning in niche market
B. Short delivery lead-time in stable quality
C. A well-organized R&D, marketing, and manufacturing team
D. Control key R&D and manufacturing integration technology
E. Flexible and efficient use of production capacity
F. Proper control of cost
G. Flexibility in marketing
H. Complete product lines with expandability and wide range of applications
I. Customized customer service, promise to customers and strong long-term cooperative relation
J. Long-term and stable product supply

② Unfavorable factors:

Customized production is a form of small quantity production. The scale of production of one item is incomparable to mass production of standard items. As such, the cost of production and price for purchase of part will be relatively higher.

Responses:

A. Promotion through modularized projects and engagement in joint venture with system integration service providers for mitigating the impact from price competition.
B. Design customized items with a competitive advantage in the market with high added value for the customers and provide technical solutions to intensify the differentiation from standard items, and avoid price competition with industry peers.
C. Tighten cost control from the design end, and introduce shared use of materials and modularized design to enlarge the scale of purchase for particular item of materials to achieve a better bargaining position.
D. Control the cost and inventory of key parts and components through strategic purchase.
E. Offer mass production standard items to small and medium size customers for holding the cost down and bringing up

profit.

F. Intensify the service to key customers and potential customers, develop new and profitable areas of application and niche products, and create innovative business opportunities for Flytech and the customers.

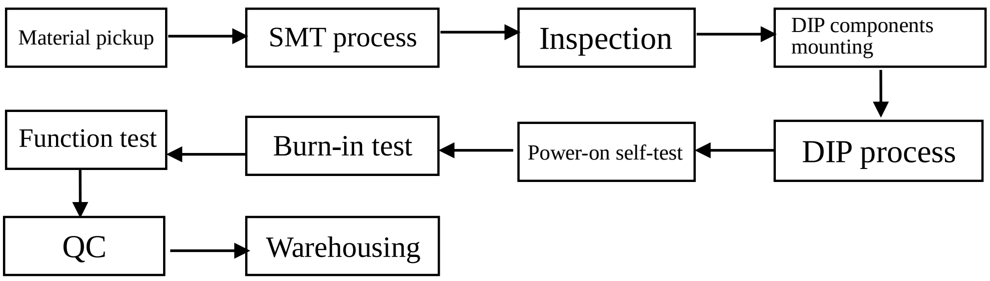
(II) The function and production process of key products

1. The function of key products:

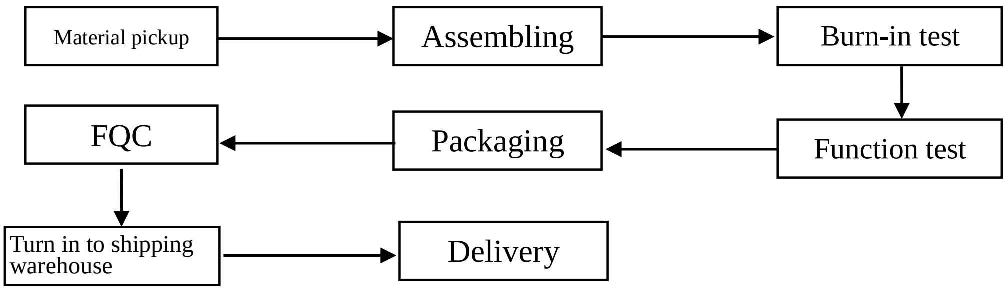
Product name	Primary scope of application
POS system All-in-One POS、PC POS Mobile POS	Areas of mobile applications such as chain stores/distribution industry/the cashier system of superstores, ordering and cashier system of restaurants, counter system of airlines/hotels, lottery machine of pleasure and entertainment industry, mobile food ordering/portable data search and account settlement.
Industrial computer Panel PC、KIOSK、KPC	Commercial and public information equipment, multimedia advertising, human-machine interface automation mechanical control, medical equipment, touch control display, industrial control, security control, transportation, touch control game and entertainment. Multimedia information inquiry system, unmanned retailer, self-service devices, multimedia sample audition device, self-service photo development device, self-service room reservation and food ordering value storage system, self-service/multimedia interactive service and self-service product identification.
Peripherals	Card reader, customer display.

2. The manufacturing process of key items

(1) Self-manufactured and outsourced semi-finished items:



(3) Self-manufactured and outsourced system server:



3. The supply of key materials

The key materials of the Company are electronic materials, physical part materials, and packing materials, including: LCD/LED Panel, Touch screen, CPU, Chipset, DRAM, Storage device, PCB, Power adapter, metal and plastic physical parts. For electronic materials, some IC semiconductors, LCD/LED Panels were purchased from abroad, and most were purchased from domestic suppliers. The physical metal and plastic structure were designed by the Company and produced by outsourced domestic suppliers after tooling. The diversification of the source of purchase is the strategy used for purchase with domestic suppliers or agents for assuring the diversity of supply and higher flexibility of price with stable and reliable sources of supply.

4. List of key customers for purchase and sale

(1) Information on suppliers accounted for more than 10% of the total purchase of the Company in the last 2 years to 2020 Q1:

Unit: NT$ 1,000

Item	2018				2019				2020 to the end of Q1 (note)			
	Name	Amount	Ratio to net purchase in the year (%)	Relationship with the company	Name	Amount	Ratio to net purchase in the year (%)	Relationship with the company	Name	Amount	Ratio to net purchase in the year to the end of Q1(%)	Relationship with the company
1	Synnex	457,290	15.64	None	Synnex	406,663	18.60	None	–	–	–	–
2	Other	2,467,450	84.36	None	Other	1,779,609	81.40	None	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–
	Net purchase	2,924,740	100.00	–	Net purchase	2,186,272	100.00	–	–	–	–	–

Note: As of April 30 2020, audited financial information covering 2020 Q1 was still unavailable.

(2) Note to the changes

The Company produces industrial use computers and there is a great variety of its parts and components. In light of the finer line of professional division of labor, IC suppliers are mostly agents or distributors. The other suppliers of electronic, electrical, or physical parts and components are mostly manufacturers. There is a wide array of parts and components in several brands and the purchase has been evenly distributed among the suppliers that none accounted for particular high or low share of total purchase.

(3) Information on customers accounted for more than 10% of the total sale in the last 2 years to 2020 Q1:

Unit: NT$ 1,000

Item	2018				2019				2020 to end of Q1 (Note)			
	Name	Amount	Ratio to net sale in the year (%)	Relationship with the company	Name	Amount	Ratio to net sale in the year (%)	Relationship with the company	Name	Amount	Ratio to net sale in the year to the end of Q1 (%)	Relationship with the company
1	TI	1,244,807	26.90	None	TI	775,764	19.76	None	—	—	—	—
2	AG	601,565	13.00	None	AG	468,766	11.94	None	—	—	—	—
3	BL	470,507	10.16	Subsidiaries	Other	2,682,203	68.30	None	—	—	—	—
	Other	2,311,426	49.94									
	Sales - net	4,628,305	100.00	—	Sales - net	3,926,733	100.00	—	—	—	—	—

Note: As of April 30 2020, audited financial information covering 2019 Q1 was still unavailable.

(4) Note to the changes

The Company is a professional manufacturer of industrial computer hardware and the key customers are hardware brands, system integration service providers, agents and channel marketers, corporate program/projects, and international well-known giant firms. The decrease in revenue compared to the previous year is due to the completion of the project. The changes in key customers in the last 2 years are explained below:

① TI is a POS hardware brand.

② AG is a major channel France marketer for the Company.

5. Production value and volume in the last 2 years

Unit: NT$ 1,000- set

Year / Production value and volume / Premium products	2018			2019		
	Production capacity (Note)	Volume	Value	Production capacity (Note)	Volume	Value
Industrial computers	250,000	229,880	2,726,882	250,000	216,572	2,331,602
Peripherals	—	—	486,209	—	—	356,081
Total	250,000	229,880	3,213,091	250,000	216,572	2,687,683

Note: Annual production capacity of front-end MB along the production process and cards of the Company is at 600,000 pieces. The back-end assembly line process is system integration service and varied with individual projects and orders for flexible production of various types of products with maximum capacity of 600,000 units.

6. Sale volume and value in the last 2 years

Unit: NT$ 1,000- set

Year / Sale volume and value / Premium products	2018				2019			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Industrial computers	17,093	239,645	219,381	3,732,031	14,211	217,799	193,592	3,217,021
Peripherals	—	151,954	—	475,834	—	80,265	—	388,047
Other (Note)	—	10,332	—	18,509	—	2,918	—	20,683
Total	17,093	401,931	219,381	4,226,374	14,211	300,982	193,592	3,625,751

Note: Others are revenues from the development and designed project to the appointment of the customers.

5.3 Number of employees in the last 2 years to the date this report was printed.

Unit: person

Year		2018	2019	Up till April 30, 2020
Number of employees	Production	250	238	225
	Research and Development	84	86	89
	Sale	43	48	49
	Administration	44	48	47
	Total	421	420	410
Average age		40.01	40.31	40.31
Average seniority		7.75 years	7.92 years	7.92 years
Education Background	Masters and higher	14.25 %	16.43%	17.07 %
	College	48.46 %	46.67%	49.76 %
	Senior high schools and vocational school	28.74 %	28.10%	25.61 %
	Junior high schools and below	8.55 %	8.81%	7.56 %

5.4 Environmental expenditure information

(I) Total amount of loss (including compensation for damages) and fines caused by environmental protection in the last 2 years to the date this report was printed, the remedies and possible expenditure: None.

(II) Projected expenditures on environmental protection in 3 years ahead: None.

(III) The company has set the “Code for corporate social responsibility” and obtained international environment management system ISO14001 certification in 2011 (passed the certificate reviewing in 2019; the 2015 version (validity period from September 22, 2019 through September 21, 2022). During the product design stage, the purpose of reducing environmental impacts was achieved through energy-saving and environmental protection green design and the low-pollution manufacturing of environmentally friendly consumables. In the area of procurement, the Company extends its environmental protection requirements to the production process and materials adopted by upstream suppliers through supplier management and green purchase. In the area of production, the specific nature of the industry of the Company allows for no water and air pollution in the production process of products. A lead-free process has been introduced all through the production process. All parts conform to RoHS of the EU and are accredited under RoHS. The Company also duly observes applicable laws and intensifies the recycling and reuse of resources, and prevents the pollution of water and air through proper monitoring and testing through its waste management plan. Furthermore, the Company also advocates a carbon reduction and energy saving, and proceeds to sustainable development of the environment by mitigating the impact on the environment to the expectation of the international trend and customers. The above activities were launched by the designated corporate social responsibility team for continued monitoring and enforcement as an integral part of the performance of corporate social responsibility.

(IV) The company commenced self-inspection of greenhouse gas emission beginning 2015, has formulated management strategies, methods, goals, and carbon emission reduction goals, and continues to conduct monitoring and improvement. Management policies pertaining to energy conservation, carbon reduction, greenhouse gas emission, water usage reduction, or other waste and their implementations are explained below:

1. Greenhouse Gas Management Strategies

The company's greenhouse gas emissions fall under indirect emissions, and the carbon dioxide emissions generated from power use are the company's main source of greenhouse gas emissions. The energy conservation and carbon reduction plan should focus on saving electricity.

(1) In terms of production processes: Motor operation control optimization is done, and relevant production waste is handed to a certified recycling unit for disposal in order to reduce its impact on the overall environment.

(2) Encourage employees to propose an energy conservation and carbon reduction plan.

(3) In terms of daily operations:

- Replace lighting in public areas with energy-saving LED lights.
- Promote video conferencing to save transportation energy consumption from commuting personnel.
- Install shades in sunlit areas to reduce solar radiation heat.
- Recover rainwater to water trees in the plant.
- Properly perform garbage sorting and recycling.
- Provision the average office air-conditioning temperature setting of not lower than 25℃.

(4) Promote electronic processes and move toward paperless to reduce paper and toner use, thereby reducing power consumption and carbon dioxide emissions.

- Promote electronic internal official document, signing and approval systems.
- Continue to promote the ERP form electronic signing and approval system.
- Set the office machines to power-saving mode and enter the power saving mode if machines are not in use for an extended period of time.

2. The company's 2018~2019 statistical results of direct emissions and indirect energy emissions include greenhouse gas, waste, and power and water consumption energy indirect emission reduction monitoring data. Refer to the description on Pages 46~47. Improvements continued to be made in 2019.

3. The company's current greenhouse gas reduction related plans undergoing implementation and planning are as follows:

(1) Use recycled paper for photocopying documents in the office as much as possible.

(2) Adjust production processes.

(3) Carry out energy conservation measures in the plant.

(4) Properly promote garbage sorting and recycling.

(4) Turn off lights in the office at all times, turn off lights during lunch breaks, and check all lights are turned off after work hours.

(6) Fresh air inlet, toilet ventilation and exhaust discharge,

time-controlled management of open office and cubicle office air-conditioning to reduce cold air loss and unnecessary power consumption.

(7) Adoption of Alternating Lighting in the Parking Lot

5.5 Labor-Management Relations

(I) Employee benefit policy, continuing education, training, and retirement system and the implementation of these systems, labor-management agreement and the protection of employee rights:

1. Benefit policy and the state of pursuit

Since its establishment, the Company has pursued the belief of putting the employees first and viewing them as important assets of the Company. The Company also places an emphasis on the communication between employers and employees. In addition to establishing the Employee Welfare Committee in 1992, the welfare committee members establish annual plans to host various welfare get-togethers, have monthly birthday parties and birthday cash gifts, quarterly domestic company trips, international company trips every 2 years, three gifts during three major Chinese holidays, year-end company meals, educational training sessions, club events, health inspections, labor insurance/health insurance/group insurance, recognition of senior staff, employee equity meetings, factory group lunches, a sports and games room, employee profit-sharing, wedding and funeral cash gifts, year-end bonuses, project bonuses and other welfare measures to fully take care of the Company’s employees.

2. Continuing education, training system and implementation

The Company has instituted the regulations governing ISO education and training and internal control procedures thereby specifying the training and credit point to be taken by the employees of all departments. The training could be held internally and externally, including: orientation for the new employees, On-the-Job training of specialized skills, training for employees at different levels, special training programs for the former and cooperative education between academics and the industry, and other external training for the latter. These training programs aimed at upgrading the specialized skills of the employees. Each department will present their annual training plans and budgets while the employees could apply for training as planned and as needed. After the training, employees are required to submit an insight report on the training or survey opinions to the training function of the administrative division for registration of credit points as reference for performance evaluation, job rotation, and promotion. The training materials should be forwarded to the training function for distribution to other employees for sharing the content of training and carrying on the knowledge. In addition, the Company also holds the routine training program of “Flytech Knowledge +” to select outstanding employees from the departments to give lecture so that the others could share the specialized skills. The “Intermediate and senior management training program” was launched since 2014 and the whole year will be the training period on professional programs for training employees with relevant specialized skills and leadership. In 2018, participants in the programs by head count and hours are shown below:

By department	Marketing Center	R&D Center	Manufacturing Center	Management Center
Actual number of participants by head count	224	689	4,402	165
Actual hours of training	790	1,330	4,831	470

The Company takes care of the employees and their retirement for motivating their morale in service with the Company throughout the duration of their careers. The Company has instituted the Regulations Governing Pension for Retirement and Bereavement in accordance with the Labor Standards Act and established the Labor Pension Reserve Monitoring Committee in accordance with applicable laws. Accordingly, the Company appropriates 2% of the total salaries of the employees to a pension reserve fund in accordance with the “Regulations for the Allocation and Management of the Workers’ Retirement Reserve Funds”. The funds will be deposited in a special account at the Central Trust of China under the title of the Pension Reserve Monitoring Committee and managed by the committee. The Labor Pension Act (hereinafter referred to as the “new system”) became effective as of July 1, 2005. The years of service of the employees who are entitled to the aforementioned regulations and the employees who registered for duties since the enactment of the new system are under the defined appropriation system thereby the Company shall appropriate 6% of their salaries as pension reserve funds to the individual special accounts of the employees for deposits.

The Company's applied regulations for the Labor Pension Statutes are as follows:

(1) Self-requested Retirement: Employees with one of the

following circumstances may request retirement:

①Employees that have worked for more than 15 years and have reached the age of 55.

②Employees that have worked for more than 25 years.

③Employees that have worked for more than 10 years and have reached the age of 60.

④Other employees that have their requests approved by the Company.

(2) Mandatory Retirement: Employees with one of the following circumstances are forced to retire:

①Employees that are 65 years old or older.

②Demented or physically disabled employees that are unfit to work.

The age specified in the preceding paragraph ① shall be reported to the central competent authority for adjustment, but employees manning positions that are dangerous or require a strong physique cannot be forced to retire if they are less than 55 years old.

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. Foreign subsidiaries with defined benefit plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2018 and 2019, the Company's labor pension fund account balance at Bank of Taiwan amounted to $28,983 and $27,351. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

4. Labor-management agreement

The Company has instituted the "Regulations Governing Labor-Management Conferences" in order to provide the mechanisms for labor-management consultation. The organization of the Company is managed under Horizontalization. The managers and the employees may engage in two-way communication through routine meetings or interviews. The labor-management relation of the Company has been harmonious since its establishment and there is no labor-management dispute.

5. The protection of employee rights

The responsibilities and rights of the employees have been explicitly stated in the internal control system and management regulations of the Company. In addition, the Company has established the Employee Welfare Committee to organize welfare activities. Employees are entitled to a bonus, salary adjustment, bonus, promotion or other incentives through routine performance evaluation. The company has also set up the "human rights policy" to prevent conduct infringing upon and violating human rights. In addition to providing a reasonable and safe environment and ensuring current employees are given reasonable and dignified treatment.

(II) The loss caused by labor-management disputes in the last 2 years to the date this report was printed, and disclose the estimated amount of loss at present and in the future, and the remedial action to be taken: None.

5.6 Important contracts: None.

5.7 Licensing and certification of personnel related to financial transparency by the competent authority

The financial, accounting, and internal auditing staff and the proxies of internal auditors have received proper professional training. The chief financial officer has been certified by the Accounting Research and Development Foundation as a professional accounting officer. Likewise, the internal auditors have been certified as CIA. The aforementioned auditors received continuing education every year as required by the competent authority.

5.8 Employee Code of Conduct and Ethical Corporate Management Best Practice Principles

The Company has instituted the "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Procedure and Code of Conduct", "Ethical Code of Conduct", "Service Regulations", "Regulations Governing the Reward and Punishment of Personnel", "Regulations Governance Attendance of Employees", “Regulations Governing Performance Evaluation” and other internal control procedures as the guidelines for the employees in business integrity and performance of duties, including: rules for work hours, rules for relevant grades and levels of the corporate hierarchy, rules for attendance and taking leave, prohibition of taking part-time jobs, confidentiality of business and business secrets, rules for business trips, environmental protection and responsibility of custody of company assets, rules for sharing resources and equipment, the use of information systems and network facilities, observation of internal control regulations, and routine evaluation.

The Company has posted related rules and regulations and the internal control system on the intranet of the Company for the viewing of the employees. In addition, the Company also holds OJT training for the employees and orientation of the new employees. Through annual evaluation of the old employees and new employees, the Company makes sure that the employees understand and observes related rules and regulations.

5.9 Procedure for handling internal information in materiality

The Company has instituted the “Procedure for Handling Internal Information in Materiality”, which is applicable to the Directors, Supervisors, Managers, and employees. Further to the requirements of consolidation, countersignature, review, and function for announcement of materiality and related operation procedures as set forth in related rules and regulations, the Company also tightened the procedure for confidentiality of materiality and established the “Designated Team for Handling Internal Materiality”, responses to exclusions, routine education and related management to ensure the information publicized by the Company have been approved in due procedure and in compliance with applicable laws.

5.10 Work environment and the protection of labor safety

(I) The Company conducts routine maintenance and inspection on all machines and equipment in accordance with the ISO 9001 quality management system to ensure normal running and avoid possible occupational accident.

(II) The Company monitors and manages the quality of the environment, air, and water in accordance with ISO 14001 environmental management system to maintain positive work environment.

(III) The company’s offices and manufacturing plants are not high-risk sites. In accordance with the ISO9001 quality management system, the company performs periodic maintenance and testing on machines and equipment to ensure normal operations and avoid industrial accidents. In compliance with the ISO14001 environmental management system, air and water quality monitoring and management are done in order to maintain a sound work environment.

In addition to providing a healthy work environment for all the employees in accordance with the regulations, management guidelines have been set up according to vocational safety and hygiene related regulations, including: “Standard operational regulations for preventing workload-induced cerebral vascular and heart diseases,” “Standard operational regulations for maternal health protection at work,” “Standard operational regulations for preventing human factor hazards,” and “Management operational guidelines for preventing workload-induced cerebral vascular and heart diseases” to implement checks and perform periodic assessments to continuously make improvement. In addition, the Labor Safety and Hygiene Committee has been set up, and professional nursing care providers have been hired to periodically conduct safety, hygiene, and fire related education training, adopt necessary preventive measures to prevent occurrences of vocational disasters, and reduce risk factors in the work environment, thereby creating and providing a safe and healthy workplace.

The implementation of other specific measures pertaining to the work environment and employee safety is as follows:

1. Take labor insurance, health insurance, and group insurance for the protection of the employees.
2. Ensure safe workplace environments and provide qualified operating equipment in accordance with the Labor Facilities Safety Regulations.
3. Have regular quarterly inspections and maintenances of fire-fighting facilities (fire extinguishers, fire prevention refuge facilities, emergency lights, electrical appliances, fire pumps and fire hydrants), annual inspections and maintenances of smoke ventilation equipment, employee safety educational training sessions and disaster prevention drills every 6 months
4. Conduct daily / weekly / month / quarterly maintenance for various types of manufacturing equipment according to the ISO’s “Equipment Maintenance Procedures.”
5. Appoint professional technicians to inspect electrical equipment monthly.
6. Daily patrols by the Company’s security personnel.
7. Routine health examination for the employees every year.
8. Maintenances, replacement of filters, and water quality inspections for the company drinking-water equipment every 3 months.
9. Providing nutritious and healthy group lunch services for employees of the Linkou factory
10. Planned to establish the ISO45001 Vocational Safety and Health Management System and obtain certification in 2020.

VI. Financial summary

6.1 Condensed balance sheet, comprehensive income statement, name of the CPAs, and their auditing opinions within the last five years

(I) Condensed balance sheet and consolidated income statement

1. The condensed and consolidated balance sheet for the last 5 years - consolidated

Unit: NTD thousand

Item \ Year		Financial information for the latest 5 years (Note 1)					2020 to end of Q1 (Note 2)
		2015	2016	2017	2018	2019	
Current assets		4,517,968	4,378,175	4,182,710	4,066,365	4,112,065	—
Property, plant, and equipment		1,156,416	1,145,713	1,207,027	1,167,147	1,141,842	—
Intangible assets		208,409	587,900	535,467	438,285	350,067	—
Other assets		63,927	62,004	83,358	7,335	4,363	—
Total assets		5,976,099	6,201,367	6,050,863	5,806,721	5,749,792	—
Current liabilities	Before dividend distribution	1,019,047	1,213,092	1,382,274	1,013,545	914,617	—
	After Distribution	1,897,257	1,944,934	2,026,054	1,657,325	Not yet appropriated	—
Non-current liabilities		62,397	134,604	114,179	109,393	136,812	—
Total liabilities	Before dividend distribution	1,081,444	1,347,696	1,496,453	1,122,938	1,051,429	—
	After Distribution	1,959,654	2,079,538	2,140,233	1,766,718	Not yet appropriated	—
Equity of the parent company		4,558,248	4,529,103	4,235,807	4,391,203	4,403,356	—
Capital stock		1,463,683	1,463,683	1,463,683	1,430,623	1,430,623	—
Capital surplus		756,228	761,822	762,804	745,778	674,247	—
Retained earnings	Before dividend distribution	2,322,362	2,325,968	2,332,494	2,255,146	2,347,888	—
	After Distribution	1,444,152	1,594,126	1,688,714	1,611,366	Not yet appropriated	—
Other equity		15,975	(22,370)	(37,221)	(40,344)	(49,402)	—
Treasury stock		—	—	(285,953)	—	—	—
Non-controlling interest		336,407	324,568	318,603	292,580	295,007	—
Total equity	Before dividend distribution	4,894,655	4,853,671	4,554,410	4,683,783	4,698,363	—
	After Distribution	4,016,445	4,121,829	3,910,630	4,040,003	Not yet appropriated	—

Note 1: The 5-year financial information has been checked by an accountant.
Note 2: As of April 30 2020, audited financial information covering 2020 Q1 was still unavailable.

2. The condensed and consolidated income statement for the last 5 years - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					2020 to end of Q1 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	5,213,056	5,633,782	6,565,317	6,569,769	5,330,472	—
Gross profit	1,793,747	1,893,789	1,944,203	1,926,378	1,869,256	—
Operating gains and losses	1,128,696	982,369	934,178	906,424	909,977	—
Non-operating revenues and expenses	75,218	21,111	(102,424)	13,461	(27,473)	—
Net profit before taxation	1,203,914	1,003,480	831,754	919,885	882,504	—
Current year profit of continuing business units	1,042,732	871,847	731,420	792,493	722,285	—
gain(loss) from discontinued operations	—	—	—	—	—	—
Net income or loss for current period	1,042,732	871,847	731,420	792,493	722,285	—
Current period other comprehensive income (post-tax profit or loss)	660	(39,251)	(13,422)	(3,081)	(11,059)	—
Current period other comprehensive income (Gross)	1,043,392	832,596	717,998	789,412	711,226	—
Net profit attributable to parent company	1,016,596	881,816	738,368	801,448	736,522	—
Net profit attributable to non-controlling interest	26,136	(9,969)	(6,948)	(8,955)	(14,237)	—
Total comprehensive income attributable to owners of the parent company	1,017,277	843,471	723,517	798,325	727,464	—
Comprehensive income, gross, attributable to non-controlling interest	26,115	(10,875)	(5,519)	(8,913)	(16,238)	—
Earnings per share (ex-right)	7.02	6.02	5.06	5.60	5.15	—

Note 1: The 5-year financial information has been checked by an accountant.
Note 2: As of April 30 2020, audited financial information covering 2020 Q1 was still unavailable.

3. The condensed individual balance sheet for the last 5 years - individual

Unit: NTD thousand

Item / Year		Financial information from the past five years (note)				
		2015	2016	2017	2018	2019
Current assets		3,630,029	3,237,330	2,834,223	2,931,119	2,843,326
Property, plant, and equipment		1,100,091	1,081,495	1,151,134	1,108,620	1,082,594
Intangible assets		8,884	8,534	6,265	3,837	3,434
Other assets		11,404	10,614	4,849	2,968	552
Total assets		5,517,089	5,532,203	5,153,895	5,196,354	5,077,694
Current liabilities	Before dividend distribution	896,784	918,643	868,746	751,529	618,835
	After Distribution	1,774,994	1,650,485	1,512,526	1,395,309	Not yet appropriated
Non-current liabilities		62,057	84,457	49,342	53,622	55,503
Total liabilities	Before dividend distribution	958,841	1,003,100	918,088	805,151	674,338
	After Distribution	1,837,051	1,734,942	1,561,868	1,448,931	Not yet appropriated
Capital stock		1,463,683	1,463,683	1,463,683	1,430,623	1,430,623
Capital surplus		756,228	761,822	762,804	745,778	674,247
Retained earnings	Before dividend distribution	2,322,362	2,325,968	2,332,494	2,255,146	2,347,888
	After Distribution	1,444,152	1,594,126	1,688,714	1,611,366	Not yet appropriated
Other equity		15,975	(22,370)	(37,221)	(40,344)	(49,402)
Treasury stock		—	—	(285,953)	—	—
Total equity	Before dividend distribution	4,558,248	4,529,103	4,235,807	4,391,203	4,403,356
	After Distribution	3,680,038	3,797,261	3,592,027	3,747,423	Not yet appropriated

Note: The 5-year financial information is examined and audited by an accountant

4. The condensed individual composite income statement for the last 5 years - individual

Unit: NTD thousand

Year / Item	Financial information from the past five years (note)				
	2015	2016	2017	2018	2019
Operating revenue	4,492,061	4,536,778	4,580,890	4,628,305	3,926,733
Gross profit	1,510,564	1,548,750	1,387,265	1,388,268	1,364,656
Operating gains and losses	1,056,484	1,068,316	935,507	919,636	916,709
Non-operating revenues and expenses	97,960	(64,577)	(105,809)	10,259	(33,613)
Net profit before taxation	1,154,444	1,003,739	829,698	929,895	883,096
Current year profit of continuing business units	1,016,596	881,816	738,368	801,448	736,522
gain(loss) from discontinued operations	—	—	—	—	—
Net income or loss for current period	1,016,596	881,816	738,368	801,448	736,522
Current period other comprehensive income (post-tax profit or loss)	681	(38,345)	(14,851)	(3,123)	(9,058)
Current period other comprehensive income (Gross)	1,017,277	843,471	723,517	798,325	727,464
Earnings per share (ex-right)	7.02	6.02	5.06	5.60	5.15

Note: The 5-year financial information is examined and audited by an accountant

(II) Names of financial statement auditors in the last 5 years, and their audit opinions:

Year	Name of CPA Firm	Name of CPAs	Auditor/s opinion
2015	KPMG	Huei-Chen Chang, Huang Bai-shu	Unqualified opinion
2016	KPMG	Huei-Chen Chang, Wei Ming Shih,	Unqualified opinion
2017	KPMG	Huei-Chen Chang, Wei Ming Shih,	Unqualified opinion
2018	KPMG	Wei Ming Shih, Yung-Sheng Wang	Unqualified opinion
2019	KPMG	Wei Ming Shih, Yung-Sheng Wang	Unqualified opinion

6.2 Financial analysis for the latest 5 years

(I) Financial Analysis - consolidated

Analysis items (Note 2) / Year		Financial analysis for the latest 5 years (Note 1)					2020 to end of Q1 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt to assets ratio	18.10	21.73	24.73	19.34	18.29	—
	Ratio of long-term capital to property, plant and equipment	428.66	435.39	386.78	410.67	423.45	—
Solvency (%)	Current ratio	443.35	360.91	302.60	401.20	449.59	—
	Liquid ratio	373.61	290.09	237.85	316.07	367.01	—
	Interest coverage ratio	960.29	685.5	216.54	280.18	311.85	—
Operating ability	Account receivable turnover (times)	4.93	5.12	5.22	5.96	6.38	—
	Days sales in account receivable	74.11	71.33	69.98	61.20	57.17	—
	Inventory turnover (times)	5.99	5.03	5.55	5.58	4.53	—
	Account payable turnover (times)	6.90	5.81	6.18	6.95	7.22	—
	Average days in sales	60.93	72.61	65.74	65.39	80.59	—
	Property, plant, and equipment turnover (times)	4.51	4.92	5.44	5.63	4.67	—
	Total assets turnover (times)	0.87	0.91	1.09	1.13	0.93	—
Profitability	ROA (%)	18.49	14.34	11.99	13.41	12.54	—
	Return on equity (%)	23.14	17.89	15.55	17.16	15.40	—
	Pre-tax profits to paid-up capital ratio (%)	82.25	68.56	56.83	62.85	61.69	—
	Net profit rate (%)	20.00	15.48	11.14	12.06	13.55	—
	After the earnings per share (yuan) is traced back	7.02	6.02	5.06	5.60	5.15	—
Cash flows	Cash flow ratio (%)	115.13	97.96	50.93	132.48	92.35	—
	Cash flow adequacy ratio (%)	105.93	122.12	111.68	118.81	118.43	—
	Cash flow reinvestment ratio (%)	6.52	6.16	-0.58	13.96	2.48	—
Leverage	Operating leverage	1.13	1.18	1.20	1.21	1.23	—
	Financial leverage	1.00	1.00	1.00	1.00	1.00	—

Note 1: The 5-year financial information has been checked by an accountant.

Note 2: As of April 30 2020, audited financial information covering 2020 Q1 was still unavailable.

Note 3: The formula for the table above is as follows

1. Financial structure
   (1) Liabilities to total assets =Total liabilities/total assets.

(2) Ratio of long-term capital to property, plant and equipment=(Total equities+noncurrent liabilities) /property, plant and equipment

2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio=(current assets-inventories-prepaid expense) /current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
   (1) Turnover of receivables (including accounts receivable and notes receivable due to business)
       = Net sales / balance of average receivables for each period (including accounts receivable and notes receivable due to business).
   (2) Days sales in account receivable = 365 / Account receivable turnover (times)
   (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
   (4) Turnover rate of payables (including accounts payable and notes payable due to business).
       = Cost of Sales / average of payables for each period (including accounts payable and notes payable due to business).
   (5) Average days in sales = 365 / Inventory turnover (times)
   (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
   (7) T Total assets turnover (times) = Net sales / Average total assets
4. Profitability
   (1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on shareholders' equity = after tax net profit/ total average equity.
   (3) Profit ratio=net income/net sales
   (4) Earnings per share=(profits or loss attributable to owners of the parent company-preferred stock dividend) /weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio=net cash flow from operating activities within five years / (capital expenditure+inventory increase +cash dividend) within five years
   (3) Cash re-investment ratio = (net cash flow from operating activity-cash dividend) /(gross property , plant, and equipment + long-term investment + other noncurrent assets + working capital)
6. Leverage
   (1) Operating leverage = (Net operating income - Changes in operating cost and expense) / Operating profit
   (2) Financial leverage = Operating profit / (Operating profit - interest expense)

(II) Financial Analysis - individual

Analysis items (Note 2)	Year	Financial analysis for the latest 5 years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to assets ratio	17.38	18.13	17.81	15.49	13.28
	Ratio of long-term capital to property, plant and equipment	419.99	426.59	372.25	400.93	411.87
Solvency (%)	Current ratio	404.78	352.43	326.24	390.02	459.46
	Liquid ratio	345.02	295.74	269.38	324.61	396.42
	Interest coverage ratio	920.88	20,912.23	12,572.18	92,990.50	29,437.53
Operating ability	Account receivable turnover (times)	4.59	4.72	4.66	5.25	5.49
	Days sales in account receivable	79.51	77.41	78.34	69.49	66.54
	Inventory turnover (times)	6.52	5.97	6.63	6.87	6.08
	Account payable turnover (times)	6.41	5.44	5.74	6.80	7.23
	Average days in sales	55.95	61.13	55.05	53.11	60.07
	Property, plant, and equipment turnover (times)	4.08	4.19	3.98	4.17	3.63
	Total assets turnover (times)	0.81	0.82	0.89	0.89	0.77
Profitability	ROA (%)	18.94	15.96	13.82	15.49	14.34
	Return on equity (%)	23.53	19.41	16.85	18.58	16.75
	Pre-tax profits to paid-up capital ratio (%)	78.87	68.58	56.69	65.00	61.73
	Net profit rate (%)	22.63	19.44	16.12	17.32	18.76
	After the earnings per share (yuan) is traced back	7.02	6.02	5.06	5.60	5.15
Cash flows	Cash flow ratio (%)	123.15	115.95	82.92	143.99	138.46
	Cash flow adequacy ratio (%)	104.43	125.83	107.72	109.60	112.26
	Cash flow reinvestment ratio (%)	5.41	5.41	-0.23	8.62	2.74
Leverage	Operating leverage	1.10	1.09	1.09	1.1	1.09
	Financial leverage	1.00	1.00	1.00	1.0	1.00

Note 1: All financial information for the 5 years has been audited

Note 2: The formula for the table above is as follows

1. Financial structure
   (1) Liabilities to total assets =Total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment=(Total equities+noncurrent liabilities) /property, plant and equipment
2. Solvency
   Current ratio = current assets / current liabilities.

(2) Quick ratio=(current assets-inventories-prepaid expense) /current liabilities

(3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating ability

(1) Turnover of receivables (including accounts receivable and notes receivable due to business)

= Net sales / balance of average receivables for each period (including accounts receivable and notes receivable due to business).

(2) Days sales in account receivable = 365 / Account receivable turnover (times)

(3) Inventory turnover (times) = Cost of goods sold / average inventory amount

(4) Turnover rate of payables (including accounts payable and notes payable due to business).

= Cost of Sales / average of payables for each period (including accounts payable and notes payable due to business).

(5) Average days in sales = 365 / Inventory turnover (times)

(6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment

(7) T Total assets turnover (times) = Net sales / Average total assets

4. Profitability

(1) Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.

(2) Return on shareholders' equity = after tax net profit/ total average equity.

(3) Profit ratio=net income/net sales

(4) Earnings per share=(profits or loss attributable to owners of the parent company-preferred stock dividend) /weighted average stock shares issued

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio=net cash flow from operating activities within five years / (capital expenditure+inventory increase +cash dividend) within five years

(3) Cash re-investment ratio = (net cash flow from operating activity-cash dividend) /(gross property , plant, and equipment + long-term investment + other noncurrent assets + working capital)

6. Leverage

(1) Operating leverage = (Net operating income - Changes in operating cost and expense) / Operating profit

(2) Financial leverage = Operating profit / (Operating profit - interest expense)

6.3 Audit report on the most recent year financial statements by the supervisor or the audit committee: please refer to page 142

6.4 The most recent annual financial report: please refer to pages 143-206

6.5 The Company's individual financial statements audited and certified by a certified public accountant in the most recent fiscal year. Please refer to page 207-270.

6.6 If the company or its affiliated enterprises have experienced financial difficulties during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, the annual report shall explain how said difficulties will affect the company's financial status: None.

VII. Review of financial status, business performance, and risk management issues

7.1 Financial status

Unit: NTD thousand

Item \ Year	2018	2019	Variation	
			Increase (decrease) in amount	%
Current assets	4,066,365	4,112,065	45,700	1.12
Non-Current assets	1,740,356	1,637,727	(102,629)	(5.90)
Total assets	**5,806,721**	**5,749,792**	**(56,929)**	**(0.98)**
Current liabilities	1,013,545	914,617	(98,928)	(9.76)
Non-current liabilities	109,393	136,812	27,419	25.06
Total liabilities	**1,122,938**	**1,051,429**	**(71,509)**	**(6.37)**
Capital stock	1,430,623	1,430,623	0	-
Capital surplus	745,778	674,247	(71,531)	(9.59)
Retained earnings	2,255,146	2,347,888	92,742	4.11
Total shareholders' equity	**4,683,783**	**4,698,363**	**14,580**	**0.31**

(I) The ratio of the changes between the early and later stages more than 20%, and the analysis of changes for amounts exceeding NTD 10 million is as follows:

Non-current liabilities/increase in total liability applicable beginning 2019 is the result of recognized right-of-use assets and lease in No. 16 of International Financial Reporting Standards (IFRS).

(II) Impact of changes in financial situation: There is no significant impact to the financial situation.

(III) The future response plan: Not applicable.

7.2 Financial Performance

(I) Comparative analysis of operating results

Unit: NTD thousand

Item \ Year	2018 Total	2019 Total	Increase (decrease)	Variation (%)
Operating revenue - net	6,569,769	5,330,472	(1,239,297)	(18.86)
Operating cost	(4,643,391)	(3,461,216)	(1,182,175)	(25.46)
Gross profit	1,926,378	1,869,256	(57,122)	(2.97)
Operating expenses	(1,019,954)	(959,279)	(60,675)	(5.95)
Operating profit	906,424	909,977	3,553	0.40
Non-operating revenues and	13,461	(27,473)	(40,934)	(304.09)
Net profit before taxation	919,885	882,504	(37,381)	(4.06)
Income tax expenses	(127,392)	(160,219)	32,827	25.77
Net income	$ 792,493	$ 722,285	(70,208)	(8.86)

Analysis of changes with ratios of more than 20% between the early and later stages are as follows:

1. The decrease in operating cost is the result of the ended project, reduced revenues, and subsequently reduced costs.
2. The decrease in non-operating income and expenditure is the result of increased exchange losses generated from foreign currency conversion.
3. The increase in income tax expenditure is the result of tax-free income and investment offset items.

(II) Analysis of changes in gross profit:

Unit: NTD thousand

	Number of increases and decreases from early to later periods	The root cause of the difference			
		Price differentiation	Cost price variance	Sales-mix variance	Quantity variance
Gross profit	(57,122)	(5,769)	(26,105)	(7,654)	(17,594)
Remark		Note 1	Note 2	Note 3	Note 4

Note 1: Develop regional markets based on different market characteristics. The fluctuation of product prices result in unfavorable price differentiations.

Note 2: Cost increases for important parts result in higher costs, therefore resulting in unfavorable cost price variance.

Note 3: The difference between the two terms caused by the product sales ratio resulted in a detrimental difference in sales portfolio.

Note 4: The company is committed to the promotion of various product series, resulting in differences in quantity and giving rise to detrimental quantity differences.

7.3 Cash flow

(I) Cash flow analysis in the most recent year

Unit: NTD thousand

Beginning of year cash balance (1)	Expected net operating cash flow for the whole year (2)	Net annual cash outflow (3)	Cash surplus (deficit) (1)+(2)-(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Wealth management
2,282,840	844,653	916,643	2,210,850	-	-

1. Changes of cash flow in current year analysis:

(1) Operating Activities: The net cash flow from operating activities was NT$ 844,653 thousand, which was mainly composed of cash flow from the net profit generated from 2019 operating activities.

(2) Investment activities: The net cash outflow of investment activities amounted to $167,429, mainly the result of a cash outflow of financing assets obtained measured in amortized cost for the current year.

(3) Financing Activities: The net cash flow from financing activities was NT$ 744,157 thousand, which was composed from shareholders’ cash dividends.

2. Responsive measures and liquidity analysis on cash flow deficits:

No cash shortages are expected.

(II) Liquidity analysis for the next year

The company does not need to provide financial forecasts for the coming year, including cash flow forecasts.

7.4 Material capital expenditures in the latest year and impacts on business performance

(I) The implementation of major capital expenditures and the sources of funds: Not applicable.

(II) Expected effects: Not applicable

7.5 The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

Unit: NTD thousand

Remark / Item	Re-investment policy	Invested Company's 2019 profit and loss	Main causes of profit or loss	Improvement Plan	Other future Investment plans
box Holdings	Achieve vertical integration synergy	30,576	Strategic success Greatly expand the UK market		–
Flytech USA	Expanding the American market and customer services	(225)	Customer service base fee Center		–
Flytech HK	Expanding the Asian market and customer services	9,082	Strategic success and operational growth		–
Flytech Shanghai	Expand the market of Mainland China, production and customer services	6,748	Strategic success and operational growth		–
WIMIsys Co., Ltd	Expand the market of Mainland China, production and customer services	(683)	New startup company	Break-even for 2 years	–
iSAPPOS Systems	Horizontal integration including large product lines	(1,594)	Fierce market competition	Expand the market	–
iRuggy Systems	Horizontal integration including large product lines	(2,335)	Fierce market competition	Expand the market	–
Berry AI	Achieve vertical integration synergy	(11,284)	New startup company	Break-even for 2 years	
Poindus system	Horizontal integration including large product lines	25,779	Strategic success Continuous operational growth		–
Poindus UK	Horizontal integration including large product lines	(1,234)	Fierce market competition	Enhance marketing	–
Poindus GE	Horizontal integration including large product lines	(60)			–
Adasys GmbH	Horizontal integration to expand product line	(4,286)	Fierce market competition	Enhance marketing	
box UK	Achieve vertical integration synergy	37,559	Strategic success Greatly expand the UK market		–
box Nordic	Achieve vertical integration synergy	(6,984)		Enhance marketing	–

7.6 Risk assessment

(I) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years to the date this report was printed, and future response measures

1. The impact of interest rate changes and response measures

Interest rate risks have an impact on the Company's income, which is divided into income and capital cost. For interest income, the Company evaluates the low-risk and high-liquidity investments, and most of the remaining funds are used in bank deposits as a conservative operating procedure to minimize the impact the changes in interest rates. There are no significant changes to future financial management policies. For capital costs, there are no debt plans. Therefore, the assessment is that interest rate changes have no significant impact to the Company's income.

2. The impact of exchange rate changes and response measures

The export of Company's products takes up approximately 90% of the revenue as product prices are mainly listed in US dollars, followed by the British pound. Since some of the imported key components are mostly denominated in US dollars, the exchange rate trends of the US dollar and the British pound is closely related to Company’s exchange gains and losses. The Company mainly uses natural hedging and forward exchange contracts as responses to the impact of exchange rate changes. The response measures are as follows:

(1) Pay attention to the domestic and foreign political and economic situations to quickly grasp the pace of the foreign exchange market and make advance/delayed payment transactions depending on the trending direction of the listed currency.

(2) Consider the exchange rate fluctuation factors to ensure reasonable Company profits and costs providing clients with a quotation and negotiating purchase conditions.

(3)Establish natural hedging for corresponding net positions holding foreign currencies, preferably use the same currency for sales quotations and purchases to reduce exchange rate risks.

(4)Regularly estimate the net import and export demand of foreign currencies, analyze domestic and foreign trade/economic information and recommendations for corresponding banks, study the trends of the foreign exchange market, and hedge risks with forward exchange contracts based on the “Procedures for Acquisition or Disposal of Assets.”

3. The impact of price changes and response measures

The company’s material costs are directly affected by the price fluctuation of raw materials. Influenced key components and structural materials include LCD / LED Panels, Touch screens, etc., accounting for approximately 40% of the total cost. As the Company's products are manufactured to client specifications, the products are uniquely tailored to client needs. Therefore, the company is at an advantageous position when pricing products and negotiating with clients. In order to reduce the impact of price changes on the company's profit, the measures for material purchase costs are as follows:

(1)Strengthen the “design for cost” cost control during the research and development stage, introduce modular design and converge material specifications when designing the electronics, reduce purchase costs by taking advantages of bulk purchases, and use core technology advantages to develop streamlined, sturdy and practical structural designs. The structural design can reduce size and weight, and also reduce the consumption of metal and plastic parts.

(2)Plan long-term procurement plans or the policy buy project procurements to ensure a constant supply of raw materials and effectively control the material costs for common materials, or for original materials with expected price fluctuations/material shortages/price increases.

(3)Analyze the cost structure of the manufacturer's quotation, assist suppliers to improve the efficiency and reduce consumption to save costs, provide forecasts to increase the visibility of procurement demands, increase manufacturers’ willingness to cooperate, and increase the amount of leverage when negotiating prices.

(4)Continue to enhance the information communication platform for production and sales procurement, accelerate the response speed of market information, and timely adjust procurement plans and sales quotations.

(II) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss in recent years to the date this report was printed, and future response measures:

1. The Company adopts a steady and conservative financial management policy, and the relevant operating procedures and announcements are handled in accordance with the Company’s “Procedures for Acquisition or Disposal of Assets,” “Procedures of Endorsements and Guarantees” and “Management of Loans to Others.”
2. The Company follows a steady and conservative financial management policy. In the past, the Company did not engage in high-risk and highly

leveraged investment activities. The Company will continue to carefully evaluate high-risk investments and financial activities to avoid potential risks. The situation of the Company and its subsidiaries for 2019 and up until the most recent annual report are as follows:

(1)Endorsement and guarantee

Subsidiary Box Technologies Limited (a subsidiary of Box Holdings) has applied for a £2 million credit line to Chang Hwa Commercial Bank in order to expand the operating turnover requirements of the European market. The Company has evaluated this case using the "Procedures of Endorsements and Guarantees" and reported it to the board of directors for approval providing a 100% guarantee for the aforementioned credit case, which did not exceed the limit. The subsidiary has not yet used the facilities as of the annual report's publication date. Apart from this case, all subsidiaries have not been endorsed or guaranteed by others.

(2) Loans to others

Poindus Systems has evaluated subsidiary Adasys GmbH using the "Management of Loans to Others," and reported the case to the board of directors for approval of a loan to Adasys GmbH. The loan balance at the end of 2018 was 1.1 million euros, which did not exceed the limit. After considering the overall financial planning and actual operational needs of the Group, the board of directors approved Poindus Systems' proposal of transferring 450 thousand euros from the loan to the Adasys GmbH's capital. In March 2008, the board of directors transferred the loan of 450,000 euros to the capital of Adasys GmbH. The balance is 650 thousand euros as of as of the annual report's publication date. Except for this case, the Company and the remaining subsidiaries have not released funds for external loans.

(3)Derivative transactions

The Company's derivatives trading strategies are hedge trades that are designed to circumvent the risk of exchange rate fluctuations of existing foreign currency assets or liabilities. Subsidiaries apart from Box Technologies Ltd. (a subsidiary of Box Holdings) used forward exchange contracts for hedging in accordance with the "Procedures for Acquisition or Disposal of Assets" regulations for derivative transactions, and have made monthly announcements according to company regulations. Other subsidiaries have never engaged in derivative transactions.

(III) Recent R&D investment plans and progress, and future R&D plans and estimated T&D investment expenses:

The Company's 2019 R&D plans were carried out according to schedule. Apart from a small number of products that have completed testing, verification and production trials for mass production during the first half of 2020, the rest have already been put into mass production and sales. Apart from completing unfinished products from the previous year, expand its product range and existing product series, the company’s 2019 R&D direction will continue to develop competitive new product lines with high added value for different market segments and application areas, and actively expand emerging demand markets to innovatively develop diverse application fields. In addition, the Company controls the R&D progress using projects, and pays constant attention to the development of technology, product trends, the situation of competitors, sales markets and demand changes in the material supply market. They are all factors that can potentially affect the success of the R&D, therefore all R&D plans must meet market demands and completed on schedule.

Year	R&D Plan	Current progress of unfinished R&D Plans	Expected mass production completion time	Reinvested R&D expenses	The main factors affecting successful R&D in the future
2019	1. Industrial computer series: POS337/ POS458/ POS617/ POS667/ P274 Starbucks / K75V/ K865/ K86B/ K889/ K959/ PB82/ PB88/ PB96/ PC12 2. New motherboard series: D16/ D66/ D84U/ D86U/ D97	Most of them have been developed in 2019, and a small number of unfinished products will be mass-produced in the first half of 2019.	Mass production according to the original plan	None	None
2020	1. Industrial computer series: POS615/ POS665/ POS617N/ POS667N/ K728/ K736/ K737/ K738/ K739/ M276/ M278/ PC15/ PC16/ PC17/ DA01 2. New motherboard series: D66U/ D82Y/ F12/ F14/ F16/ F63U/ F64U/ F93	In progress	End of 2020	It is estimated that the research and development expenses will be NTD 153,699 thousand in 2020	None

(IV) The impact of the changes in domestic and foreign major policies and law on the Company’s finance and business in the most recent years to the date this report was printed, and the response measures:

The Company continues to pay attention to changes in domestic and foreign political and economic environments, important policies and laws. The company is always analyzing and reviewing the impact of these changes, and make revisions to company regulations when competent authorities issue important information on corporate governance and risk control. After assessments, the aforementioned changes up until the 2019 annual report publication date have not significantly impacted the Company's finances and businesses. Therefore, the response measures are not applicable.

(V) The impact of the changes in technology and industry on the Company's finance and business in the most recent years to the date this report was printed, and the response measures:

Since its inception, the Company has been actively involved in the design, sales channels and R&D of computer products. Since the Company's establishment, Taiwan's electronic industry has undergone dramatic changes and various innovative technologies have been introduced in recent years, such as mobility payments, big data applications, and unmanned stores self service. The Company fully understands the pace of technology and industry trends, and has introduced new product designs to provide innovative applications. Therefore, correct product positioning with flexible sales strategies and extensive market channels allows the company to be ahead of its competitors. The Company's products are customized products tailor-made to client specifications as the Company's competitive foundation is based on flexible customization and offering products to a wide range of applicative products, and is capable of maintaining stable profits. After assessments, the changes in technology and industries up until the Company's 2019 annual income and annual report publication dates have not significantly impacted the Company's finances and businesses. Therefore, the response measures are not applicable.

(VI) The impact of changes in corporate image on the Company's crisis management in the most recent years to the date this report was printed and the response measures:

Since inception, the company has adhered to the corporate philosophy of "pursuit of excellence, integrity, and steadiness." Focused on its trade, the company pursues "flexibility" and "innovation," attaching importance to corporate image and risk control. In terms of organizational operations and system launch, emphasis is given to "the system of a large company and the flexibility of a small company." Faced with changes in external environment and challenges, the company maintains a high degree of organizational flexibility to quickly respond to market changes. When disasters (including typhoons, floods, earthquakes, information system interruptions, raw material supply, epidemics, or power supply shortages, and other natural and manmade disasters) occur, emergency recovery plans, contingency plans, and task teams are set up, while periodic evaluations, corrections, and drills are conducted to ensure the company can quickly resume normal operations during occurrences of emergency events. In 2019 and as of the date of annual report printing, no crises affecting operations have occurred.

(VII) The expected benefits, potential risks and response measures for mergers and acquisitions for the most recent year and up to the date of publication of the annual report are as follows:

None

(VIII) The expected benefits, potential risks and response measures for the factory expansion for the most recent year and up to the date of publication of the annual report are as follows:

The Company has no plans to expand the factory for the most recent year of 2019 and publication date of the annual report.

(IX) The risks and corresponding measures faced with the purchase and sale of goods in the most recent year and up to the date of publication of the annual report are as follows:

1. Purchase: During 2019 and up until the publication date of the annual report, the company has not exceeded the net purchase amount of 10%, except for purchases from large-scale IC agency Synnex Technology. The purchases were not overly concentrated either.
2. Sales: The Company is a professional manufacturer of custom development and designs for industrial computers, and its main sales targets include system integrators, enterprise projects, and international companies. The types of clients are more dispersed as there are no concerns of excessive concentration.

(X) The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest in the most recent years to the date this report was printed and the responsive measures to such risks:

In 2019 and up until the publication date of the annual report, the Company’s directors, supervisors or shareholders holding more than 10% of the shares did not have large share transfers or replacements.

(XI) The impact, risks and response measures to the changes in management rights on the company in the most recent year and up until the date of publication of the annual report are as follows:

The Company has no circumstances or plans for the transfer of management rights in 2019 and up till the publication date of the annual report.

(XII) In the most recent year and up till the publication date of the annual report, lawsuits and non-contentious cases should clearly state the company and the company's directors, supervisors, general managers, substantive people in charge, major shareholders and subordinates with a shareholding ratio of more than 10%, major lawsuits, non-contentious cases, or major administrative disputes with determined judgements or still pending judgement. The results may have a significant impact on shareholders' equity or securities prices, and individuals should disclose the facts of the dispute, the bid amount, the commencement date of the lawsuit, main parties involved and the handling of the situation up until the publication date of the annual report:

The Company has no related lawsuits or non-contentious cases for 2019 and up until the publication date of the annual report.

(XIII) Other significant risks and responsive measures:

There are no other major risk matters in 2019. With the COVID-19 outbreak affecting the world at the beginning of 2020, the company established an emergency contingency task team starting late January to carry out propagandas and package control, including performing weekly health checks for all employees, conducting access quarantine and requiring a mask to be worn by all employees, conducting operational environment ventilation and disinfection, reducing business trips and implementing home isolation for returning employees, replacing group meetings with video conferencing, engaging in employee divergence to avoid direct contact, and other measures. As of the printing date of this annual report, no crises affecting operations have occurred.

7.7 Other important disclosures: None.

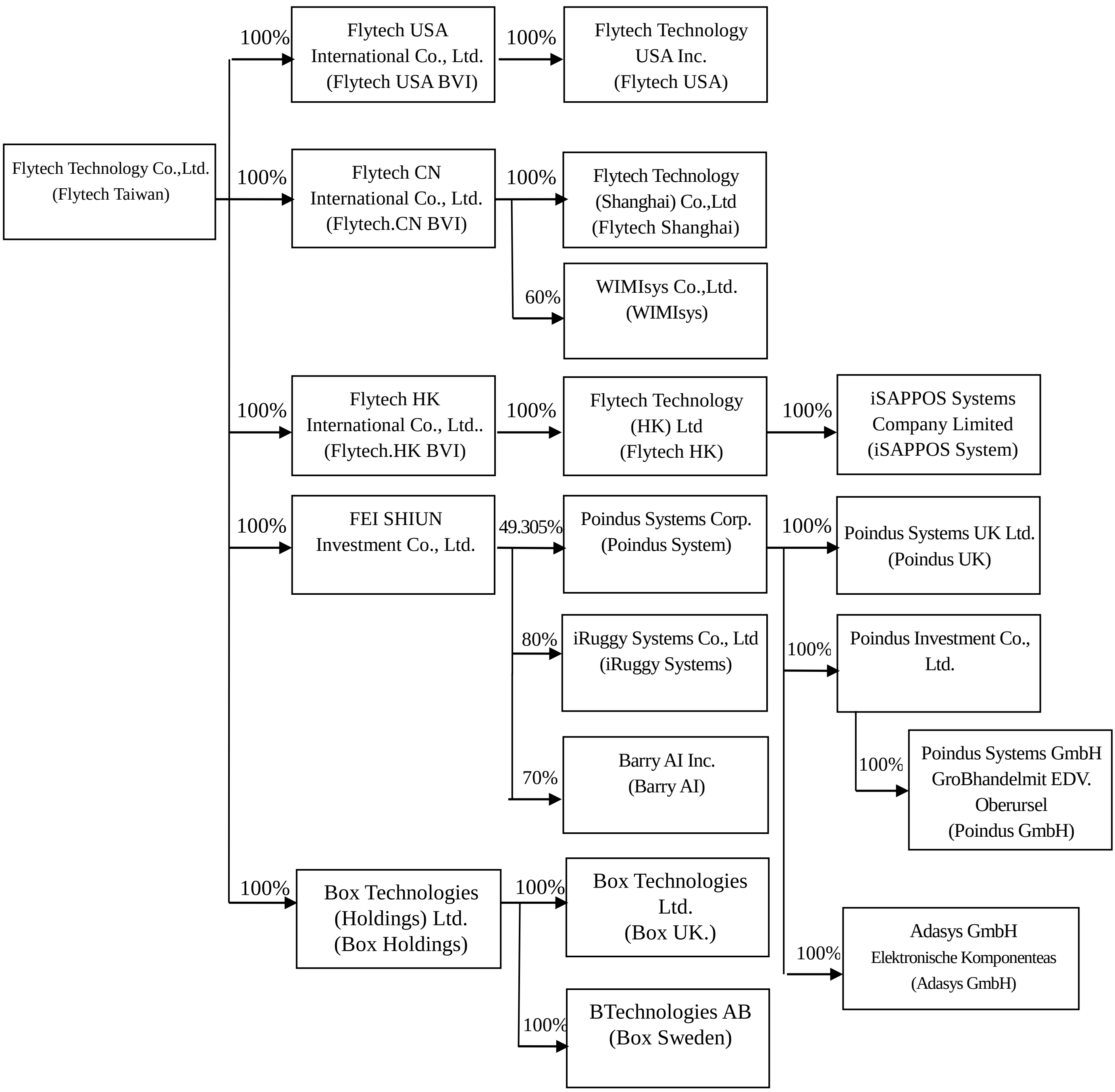
VIII. Special remarks

8.1 Affiliated companies

(I) Affiliates consolidated business report:

1. Affiliated Enterprises overview

(1) The investment relationship and shareholding ratio of the Company and its subsidiaries are as follows (data deadline: December 31st, 2019)



(2) Profiles of the Affiliated Enterprises

December 31, 2019; Unit: NTD thousand

Name of enterprise	Date of establishment	Address	Paid-in shares Capital	Major operations
Flytech USA BVI	2001.05	BVI Suzhou	3,355	Holdings
Flytech HK BVI	2001.05	BVI Suzhou	1,723	Holdings
Flytech CN BVI	2001.07	BVI Suzhou	6,544	Holdings
Fei-Syun investment Co. Ltd.	2008.01	Taipei City	190,000	General investment business
Box Holdings	2004.01	United Kingdom	189	General investment business
Flytech USA	1989.11	U.S.	23,741	Transactions of computers, instrument systems, peripheral equipment
Flytech HK	1989.12	Hong Kong	10,433	Transactions of computers, instrument systems, peripheral equipment
Flytech Shanghai	2001.10	Shanghai	69,089	Transactions of computers, instrument systems, peripheral equipment
WIMIsys Co., Ltd	2019.01	Shenzhen City	30,850	Transactions of computers, instrument systems, peripheral equipment
iSAPPOS Systems	2015.12	Hong Kong	31,690	Transactions of computers, instrument systems, peripheral equipment
iRuggy Systems	2015.12	Taipei City	60,000	Transactions of computers, instrument systems, peripheral equipment
Berry AI	2019.01	Taipei City	60,000	Manage data software and information management, integrate software and hardware service.
Poindus system	98.06	Taipei City	210,000	Transactions of computers, instrument systems, peripheral equipment
Poindus Investment	2009.07	Taipei City	14,297	General investment business
Poindus UK	2015.10	United Kingdom	3,292	Transactions of computers, instrument systems, peripheral equipment
Adasys GmbH	1994.03	Germany	1,721	Transactions of computers, instrument systems, peripheral equipment
Poindus GE	2015.10	Germany	472	Transactions of computers, instrument systems, peripheral equipment
Box UK	1992.06	United Kingdom	2,330	Transactions of computers, instrument systems, peripheral equipment
Box Sweden	2013.08	Sweden	210,000	Transactions of computers, instrument systems, peripheral equipment

(3) Presumed to have control and has affiliation according to Article 369-3 of the Company Act: None

(4) The industries housed in the same business location of the whole Affiliated Enterprises:

The relationship between the Company and the business operations of affiliated companies include: the electronics industry, the computer industry, the manufacturing industry, and merchandising-sector companies.

(4) Profiles of Directors, Supervisors and Presidents of the Affiliated Enterprises:

December 31, 2019

Name of enterprise	Title	Company name or representative	Status of shareholding: Number of shares or Contribution amount	Status of shareholding: Shareholding or contribution ratio (%)
Flytech USA BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei Wei	100,000 shares	100 %
Flytech HK BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei Wei	50,000 shares	100 %
Flytech CN BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei Wei	200,000 shares	100 %
Fei-Syun investment	Chairman	Feijie Technology Co., Ltd. Representative: Liu Chiu Tsao	19,000,000 shares	100 %
	Director	Feijie Technology Co., Ltd. Representative: Hsieh Sheng-wen		
	Director	Feijie Technology Co., Ltd. Representative: Liu Yun Ping		
	Supervisor	Feijie Technology Co., Ltd. Representative: Lee Mei Huei		
box Holdings	Chairman	Liu Chiu Tsao	—	—
	Director	Lin Yi-zhi		
	Director	Russell Willcox		
Flytech USA	Chairman	Lam Tai Seng	—	—
Flytech HK	Chairman	Wang Wei Wei	HKD 1,000,000	100 %
	Director	Flytech HK BVI		
Flytech Shanghai	Chairman	Flytech CN BVI Representative: Wang Wei Wei	USD 2,000,000	100 %
	Director	Flytech CN BVI Representative: Lam Tai Seng		
	Director	Flytech CN BVI Representative: Liu Chiu Tsao		
	Supervisor	Flytech CN BVI Representative: Lee Mei Huei		
WIMIsys	Chairman	ipos Samoa Representative: Lin Qiong Qi	USD 400,000	40 %
	Director	Flytech CN BVI Representative: Li Ying-Chen	USD 600,000	60 %
	Director	Flytech CN BVI Representative: Chuo Chun Hung		
	Supervisor	Flytech CN BVI Representative: Hsieh Sheng-Wen		
iSAPPOS Systems	Chairman	Pan Ming-an	HKD 7,500,000	100 %
	Director	Lin Yi-zhi		
iRuggy Systems	Chairman	Chang Zong-ju	480,000 shares	10 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Liu Chiu Tsao	4,800,000 shares	80 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Xiao Wen-Huei		
	Supervisor	Lee Mei Huei	—	—

December 31, 2019

Name of enterprise	Title	Company name or representative	Status of shareholding: Number of shares or Contribution amount	Status of shareholding: Shareholding or contribution ratio (%)
Berry AI Inc.	Chairman	Lin Yi-zhi	450,000 shares	7.5 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Hsieh Sheng-Wen	4,200,000 shares	70 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Teng Chun I		
	Supervisor	Lee Mei Huei	—	—
Poindus Systems	Chairman	Hu Mu-zhen	358,000 shares	1.70 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Liu Chiu Tsao	10,354,000 shares	49.305 %
	Director	FEI SHIUN Investment Co., Ltd. Representative: Chang Hong-rui		
	Director	Wang Sizhen	—	—
	Independent director	Liu Tian-lai	—	—
	Independent director	Huang Ren-qi	—	—
	Independent director	Li Yu-jing	—	—
Poindus Investment	Chairman	Poindus Systems Co., Ltd. Representative: Chang Hong-rui	NTD$ 4,100,000	100 %
	Director	Poindus Systems Co., Ltd. Representative: Hu Mu-zhen		
Poindus Systems UK	Director	Poindus Systems Co., Ltd. Representative: Hu Mu-zhen	GBP 300,000	100 %
	Director	Poindus Systems Co., Ltd. Representative: Chang Hong-rui		
Adasys GmbH	Executive Director	Thomas Schäfer	—	—
Poindus GE	Director	Poindus Systems Co., Ltd. Representative: Chang Hong-rui	EUR 25,000	100 %
box UK	Chairman	Russell Willcox	—	—
	Director	Liu Chiu Tsao		
	Director	Chuo Chun Hung		
	Director	Chang Zong-ju		
	Director	Lin Yi-zhi		
	Director	Stuart Walker		
	Director	Ian Patterson		
box Nordic	Executive Director	Ralf Hedvold	—	—
	Director	Russell Willcox		
	Director	Stuart Walker		

2. Business Performance of Affiliated Enterprises

December 31, 2019; Unit: NTD thousand

Name of enterprise	Capital	Total assets	Total Debt	Net value	Operating revenue	Operating profit	Net income (After income tax)	Earnings per share (After income tax)
Flytech USA BVI	3,355	18,612	0	18,612	0	0	(222)	–
Flytech HK BVI	1,723	136,329	0	136,329	0	0	9,082	–
Flytech CN BVI	6,544	121,202	0	121,202	0	(927)	7,539	–
Fei Shiun investment	190,000	396,182	82	396,100	0	(1,664)	(21,274)	–
box Holdings	189	242,473	40,671	201,802	0	0	30,576	–
Flytech USA	23,741	23,841	6,263	17,578	2,418	(26,795)	(225)	–
Flytech HK	10,433	157,330	21,023	136,307	119,226	8,824	9,082	–
Flytech Shanghai	69,089	124,194	21,581	102,613	97,031	6,126	6,748	–
WIMIsys	30,850	35,914	7,636	28,278	6,587	(610)	(683)	
iSAPPOS Systems	31,690	2,679	38	2,641	1,588	(1,413)	(1,594)	–
iRuggy Systems	60,000	32,920	7,111	25,809	29,195	(2,702)	(2,335)	–
Berry AI	60,000	52,439	3,723	48,716	0	(11,703)	(11,284)	
Poindus Systems	210,000	638,304	121,571	516,733	604,190	44,654	25,779	1.23
Poindus Investment	4,100	835	0	835	0	0	(62)	–
Poindus Systems UK	14,297	80,714	82,881	(2,167)	104,786	(1,059)	(1,234)	–
Adasys GmbH	3,292	126,884	122,871	4,013	274,752	(4,211)	(4,286)	–
Poindus GE	1,721	602	216	386	0	(60)	(60)	–
box UK	472	470,307	238,722	231,585	882,134	51,467	37,559	–
box Nordic	2,330	17,417	10,830	6,587	75,470	(5,879)	(6,984)	–

(II) Consolidated financial statement of affiliated enterprises:

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2019 (January 1 to December 31, 2019) pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the Statements of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

(III) Affiliated Company Affiliation Report: There is no need to prepare an affiliation report.

8.2 Private placement of securities during the latest year up till the publication date of this annual report: None

8.3 Holding or disposal of the company’s shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None

8.4. Other supplementary information: None

8.5 Occurrences of events defined under Article 36-3-2 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None

Audit Committee's Review Report

To: The 2020 Annual Meeting of Shareholders of This Company

We reviewed the financial statements (including the consolidated financial statements) of Flytech Technology Co., Ltd. in 2019, which have been audited by Shih Wei Ming, CPAs Wang Yung Sheng,CPA of KPMG Taiwan, with the issuance of the Auditors' Report. We also reviewed the business report and the proposal for the distribution of earnings, which we found to be conforming to applicable laws and principles. We hereby report on our review pursuant to Article 219 of the Company Act.

Best regards

Flytech Technology Co., Ltd.

The head of Audit Committee: Chen Kuo Hung

March 19, 2020

Representation Letter

The entities that are required to be included in the combined financial statements of Flytech Technology 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 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission, In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Flytech Technology Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Flytech Technology Co., Ltd.

Chairman:Tai-Seng, Lam

Date: March 19, 2020

Independent Auditors' Report

To the Board of Directors
Flytech Technology Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Flytech Technology Co., Ltd. (the "Company") 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, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Valuation of inventories

   Please refer to Note 4(h) "Inventories" for the significant accounting policies, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and Note 6(e) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and innovation of production technology, the stocks for materials may become obsolete and cannot meet the market demand. Furthermore, the product price may fluctuate due to fierce market competition. Accordingly, the management need to determine its net realizable value at the end of the reporting date based on its judgment and estimation to recognize the possible write-down of inventories. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the inventory valuation documentation to inspect whether inventories were measured in accordance with the Group’s accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and understanding and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

2. Impairment of Goodwill

Please refer to Note 4(m) “Impairment of non-financial assets” for the significant accounting policy on goodwill impairment, Note 5(b) “Critical accounting judgments and key sources of estimation uncertainty” for estimation uncertainty of impairment of goodwill, and Note 6(j) “Intangible assets” for the related disclosures.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are annually subject to impairment test or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management’s judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the assessment of assets impairment provided by the management and inspecting whether all assets subject to impairment test are included in the assessment; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of the key assumptions and results. In addition to the above audit procedures, we have also inquired from a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital and its underlying assumptions; and assessed the adequacy of the Group’s disclosures with respect to the related information.

Other Matter

The Company 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.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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 exercised professional judgment and maintained professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 remained 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 identified 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 determined 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 described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Wei-Ming Shih and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 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)

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019			December 31, 2018	
	Assets		**Amount**	**%**	**Amount**	**%**
	Current assets:					
1100	Cash and cash equivalents (note 6(a))	$	2,210,850	38	2,282,840	39
1110	Financial assets at fair value through profit or loss－current (note 6(b))		120	-	846	-
1136	Financial assets at amortised cost－current (note 6(c))		287,575	6	107,945	2
1150-1170	Notes and accounts receivable (notes 6(d) and (s))		858,194	15	811,631	14
130X	Inventories (notes 6(e) and 8)		712,229	12	816,271	14
1410-1470	Prepayments and other current assets (note 6(d) and 8)		43,097	1	46,832	1
	Total current assets		4,112,065	72	4,066,365	70
	Non-current assets:					
1535	Financial assets at amortised cost－non-current (note 6(c))		17,220	-	25,938	-
1960	Prepayments for investments (note 6(g))		-	-	42,000	1
1600	Property, plant and equipment (note 6(h))		1,141,842	20	1,167,147	20
1755	Right-of-use assets (note 6(i))		54,023	1	-	-
1780	Intangible assets (note 6(j))		350,067	6	438,285	8
1840	Deferred income tax assets (note 6(p))		70,212	1	59,651	1
1915	Prepayments for equipment		903	-	1,624	-
1980	Other financial assets－non-current		3,460	-	5,711	-
	Total non-current assets		1,637,727	28	1,740,356	30
	Total assets	**$**	**5,749,792**	**100**	**5,806,721**	**100**

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(k) and 8)	$ 8,530	-	8,800	-
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))	417	-	-	-
2150-2170	Notes and accounts payable	394,221	7	564,962	10
2200	Other payables (note 6(t))	285,809	5	260,819	4
2230	Current income tax liabilities	120,271	2	110,262	2
2250	Provisions—current (note 6(m))	36,005	1	34,022	-
2280	Lease liabilities－current (note 6(l))	23,506	-	-	-
2300	Other current liabilities	45,858	1	34,680	1
	Total current liabilities	914,617	16	1,013,545	17
	Non-current liabilities:				
2570	Deferred income tax liabilities (note 6(p))	61,680	1	67,043	1
2640	Net defined benefit liabilities (note 6(o))	44,581	1	42,350	1
2580	Lease liabilities－non-current (note 6(l))	30,551	-	-	-
	Total non-current liabilities	136,812	2	109,393	2
	Total liabilities	1,051,429	18	1,122,938	19
	Equity (notes 6(q) and (r)):				
3110	Common stock	1,430,623	25	1,430,623	25
3200	Capital surplus	674,247	12	745,778	13
	Retained earnings:				
3310	Legal reserve	995,739	17	915,594	16
3320	Special reserve	40,344	1	37,221	1
3350	Unappropriated earnings	1,311,805	23	1,302,331	22
3400	Other equity	(49,402)	(1)	(40,344)	(1)
	Equity attributable to shareholders of the Company	4,403,356	77	4,391,203	76
36XX	Non-controlling interests	295,007	5	292,580	5
	Total equity	4,698,363	82	4,683,783	81
	Total liabilities and equity	**$ 5,749,792**	**100**	**5,806,721**	**100**

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Revenue (notes 6(s) and 14)**	$ 5,330,472	100	6,569,769	100
5000	**Cost of revenue (notes 6(e), (h), (j), (l), (m), (n), (o) and (t) and 12)**	(3,461,216)	(65)	(4,643,391)	(71)
	Gross profit	1,869,256	35	1,926,378	29
	Operating expenses (notes 6(d), (h), (i), (j), (l), (n), (o) and (t), 7 and 12):				
6100	Selling expenses	(478,801)	(9)	(540,999)	(8)
6200	Administrative expenses	(281,643)	(5)	(275,702)	(4)
6300	Research and development expenses	(198,835)	(4)	(203,253)	(3)
	Total operating expenses	(959,279)	(18)	(1,019,954)	(15)
	Operating income	909,977	17	906,424	14
	Non-operating income and loss (note 6(l) and (u)):				
7010	Other income	23,992	-	14,711	-
7020	Other gains and losses	(48,286)	-	2,045	-
7050	Finance costs	(2,839)	-	(3,295)	-
7370	Share of loss of associates accounted for using equity method	(340)	-	-	-
	Total non-operating income and loss	(27,473)	-	13,461	-
	Income before income tax	882,504	17	919,885	14
7950	**Less: Income tax expenses (note 6(p))**	(160,219)	(3)	(127,392)	(2)
	Net Income	722,285	14	792,493	12
	Other comprehensive income (loss) (notes 6(o), (p) and (q)):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(5,624)	-	(112)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	1,767	-	263	-
		(3,857)	-	151	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(7,202)	(1)	(3,232)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(7,202)	(1)	(3,232)	-
	Other comprehensive income (loss) for the year	(11,059)	(1)	(3,081)	-
	Total comprehensive income for the year	**$ 711,226**	**13**	**789,412**	**12**
	Net income attributable to:				
8610	Shareholders of the Company	$ 736,522	14	801,448	12
8620	Non-controlling interests	(14,237)	-	(8,955)	-
		$ 722,285	**14**	**792,493**	**12**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 727,464	14	798,325	12
8720	Non-controlling interests	(16,238)	(1)	(8,913)	-
		$ 711,226	**13**	**789,412**	**12**
	Earnings per share (in New Taiwan dollars) (note 6(r)) :				
9750	Basic earnings per share	**$**	**5.15**		**5.60**
9850	Diluted earnings per share	**$**	**5.10**		**5.55**

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY 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 Dollars)

	Equity attributable to shareholders of the Company												
			Retained earnings				Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 1,463,683	762,804	841,757	22,370	1,468,367	2,332,494	(32,398)	(4,823)	(37,221)	(285,953)	4,235,807	318,603	4,554,410
Effects of retrospective application	-	-	-	-	851	851	-	-	-	-	851	(1,141)	(290)
Equity at beginning of period after adjustments	1,463,683	762,804	841,757	22,370	1,469,218	2,333,345	(32,398)	(4,823)	(37,221)	(285,953)	4,236,658	317,462	4,554,120
Appropriation of earnings:													
Legal reserve	-	-	73,837	-	(73,837)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	14,851	(14,851)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)	-	(643,780)
Retirement of treasury share	(33,060)	(17,026)	-	-	(235,867)	(235,867)	-	-	-	285,953	-	-	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(15,969)	(15,969)
Net income in 2018	-	-	-	-	801,448	801,448	-	-	-	-	801,448	(8,955)	792,493
Other comprehensive income (loss) in 2018	-	-	-	-	-	-	(3,334)	211	(3,123)	-	(3,123)	42	(3,081)
Total comprehensive income (loss) in 2018	-	-	-	-	801,448	801,448	(3,334)	211	(3,123)	-	798,325	(8,913)	789,412
Balance at December 31, 2018	1,430,623	745,778	915,594	37,221	1,302,331	2,255,146	(35,732)	(4,612)	(40,344)	-	4,391,203	292,580	4,683,783
Appropriation of earnings:													
Legal reserve	-	-	80,145	-	(80,145)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	3,123	(3,123)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)	-	(643,780)
Cash dividends from capital surplus	-	(71,531)	-	-	-	-	-	-	-	-	(71,531)	-	(71,531)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	29,311	29,311
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,646)	(10,646)
Net income in 2019	-	-	-	-	736,522	736,522	-	-	-	-	736,522	(14,237)	722,285
Other comprehensive income (loss) in 2019	-	-	-	-	-	-	(7,457)	(1,601)	(9,058)	-	(9,058)	(2,001)	(11,059)
Total comprehensive income (loss) in 2019	-	-	-	-	736,522	736,522	(7,457)	(1,601)	(9,058)	-	727,464	(16,238)	711,226
Balance at December 31, 2019	**$ 1,430,623**	**674,247**	**995,739**	**40,344**	**1,311,805**	**2,347,888**	**(43,189)**	**(6,213)**	**(49,402)**	**-**	**4,403,356**	**295,007**	**4,698,363**

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 882,504	919,885
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	119,226	92,806
Amortization	92,813	94,265
Expected credit loss	(1,620)	(654)
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	1,147	4,277
Interest expense	2,839	3,295
Interest income	(19,384)	(7,370)
Share of loss of associates accounted for using equity method	340	-
Loss on disposal of propety, plant and equipment	382	382
Net loss on disposal of investments	641	-
Impairment loss on goodwill	-	6,248
Total non-cash profit and loss	196,384	193,249
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(44,952)	580,373
Inventories	105,835	27,029
Prepayments and other current assets	8,620	(1,748)
Net changes in operating assets	69,503	605,654
Changes in operating liabilities:		
Notes and accounts payable	(171,794)	(206,062)
Other payables	24,131	(27,780)
Provisions－current	1,983	2,700
Other current liabilities	10,586	(17,400)
Net defined benefit liabilities	(3,526)	(878)
Net changes in operating liabilities	(138,620)	(249,420)
Total changes in operating assets and liabilities	(69,117)	356,234
Cash provided by operations	1,009,771	1,469,368
Income taxes paid	(165,118)	(126,609)
Net cash provided by operating activities	844,653	1,342,759

(Continued)

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at amortised cost	(170,912)	-
Payment of contingent consideration arising from business combination	-	(39,992)
Acquisition of investments accounted for using equity method	(12,340)	-
Decrease (increase) in prepayments for investments	42,000	(42,000)
Additions to property, plant and equipment (including prepayments for equipment)	(63,566)	(46,604)
Proceeds from disposal of property, plant and equipment	12	1,350
Net cash flows from acquisition of a subsidiaries	16,601	-
Additions to intangible assets	(3,538)	(3,470)
Decrease in other financial assets	2,251	37,577
Interest received	15,805	8,948
Net cash flows used in investing activities	(173,687)	(84,191)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	52	(105,676)
Payment of lease liabilities	(27,155)	-
Cash dividends	(715,311)	(643,780)
Cash dividends paid to non-controlling interests	(10,646)	(15,969)
Increase in non-controlling interest	18,000	-
Interest paid	(2,839)	(3,295)
Net cash flows used in financing activities	(737,899)	(768,720)
Effect of foreign exchange rate changes	(5,057)	(3,807)
Net increase (decrease) in cash and cash equivalents	(71,990)	486,041
Cash and cash equivalents at beginning of period	2,282,840	1,796,799
Cash and cash equivalents at end of period	**$ 2,210,850**	**2,282,840**

See accompanying notes to consolidated financial statements.

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

1. Organization and business

Flytech Technology Co., Ltd. (the "Company") was incorporated on August 13, 1984, as a company limited by shares under the Company Act of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 168, Sing-Ai Road, Neihu, Taipei, Taiwan. The Company and its subsidiaries (collectively the "Group") are engaged in the design, manufacture and sale of computers and peripherals.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2020.

3. Application of new and revised accounting standards and interpretations

(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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16"Leases"

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

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).

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 offices and leases of factories.

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 an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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.
- 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.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $63,608 thousands of both right-of-use assets and 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 3.87%.

(Continued)

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	$	64,741
Recognition exemption for:		
short-term leases		(883)
Extension and termination options reasonably certain to be exercised		1,992
	$	65,850
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	$	63,608

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

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

(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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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

The Group is currently 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.

(Continued)

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group’s accompanying consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”) and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively “Taiwan-IFRSs”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments and contingent consideration);
2) The defined benefit liabilities are measured at present value of the benefit obligation less the fair value of plan assets.

(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 Group’s consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances, transactions, and the resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

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

Name of Investor	Name of Investee	Principal activities	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018	Note
The Company	Flytech USA International Co., Ltd. (Flytech USA BVI)	Investment holding	100.00%	100.00%	-
The Company	Flytech HK International Co., Ltd. (Flytech HK BVI)	Investment holding	100.00%	100.00%	-
The Company	Flytech CN International Co., Ltd. (Flytech CN BVI)	Investment holding	100.00%	100.00%	-
The Company	Fei Shiun Investment Co. Ltd. (Fei Shiun Investment)	Investment holding	100.00%	100.00%	-
The Company	Box Technologies (Holdings) Ltd. (Box Holdings)	Investment holding	100.00%	100.00%	
Flytech USA BVI	Flytech Technology (U.S.A.) Inc. (Flytech USA)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech CN BVI	Flytech Technology (Shanghai) Co., Ltd. (Flytech CN)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech CN BVI	Flytech Inc. Beijing (Flytech BJ)	Sale of computers and peripherals	-	100.00%	Note 1
Flytech CN BVI	Qijie Electronics(Shenzhen) Co.,Ltd (Qijie)	Sale of computers and peripherals	60.00%	-	Note 2
Flytech HK	iSAPPOS System co., Ltd. (iSAPPOS)	Sale of computers and peripherals	100.00%	100.00%	
Fei Shiun Investment	aiXpert Solutions Inc. (aiXpert Solutions)	Operating software design and data processing services, and integrating software and hardware services	70.00%	-	Note 3
Fei Shiun Investment	iRuggy System Co., Ltd. (iRuggy System)	Sale of computers and peripherals	80.00%	80.00%	-
Fei Shiun Investment	Poindus Systems Corporation (Poindus Systems)	Sale of computers and peripherals	49.31%	49.31%	
Poindus Systems	Poindus America Corp. (Poindus America)	Sale of computers and peripherals	-	49.31%	Note 4
Poindus Systems	Poindus Investment Co., Ltd. (Poindus Investment)	Investment holding	49.31%	49.31%	-
Poindus Systems	Poindus Systems UK Limited (Poindus UK)	Sale of computers and peripherals	49.31%	49.31%	
Poindus Systems	Adasys GmbH Elektronische Komponenteas (Adasys)	Sale of computers and peripherals	49.31%	49.31%	-
Poindus Investment	Poindus Systems GmbH GroBhandel mit EDV. Oberursel (Poindus GmbH)	Sale of computers and peripherals	49.31%	49.31%	
Box Holdings	Box Technologies Limited (Box UK)	Sale of computers and peripherals	100.00%	100.00%	
Box Holdings	BTechnologies AB (Box Nordic)	Sale of computers and peripherals	100.00%	100.00%	

Note 1: In March 2019, Flytech BJ was liquidated and excluded from the consolidated financial statements.

Note 2: Formerly Qijie was an associate accounted for using equity method, the Group increased ownership of Qijie and took control over it starting October 2019. Therefore, Qijie has been included in the consolidated financial statements from the date the control commenced.

(Continued)

Note 3: aiXpert Solutions was newly established in January 2019.
Note 4: In April 2019, Poindus America was liquidated and excluded from the consolidated financial statements.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 an investment in equity securities designated as at fair value through other comprehensive income are recognized in other comprehensive income.

(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.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Group are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting date; or
(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL). Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

The Group shall reclassify all affected financial assets on the first day of the first reporting period only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, 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.

3) 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 receivables, financial assets at amortised cost and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL 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.

(Continued)

ECL 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). ECL are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. 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.

4) Derecognition of financial assets

The Group derecognized 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

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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 obligation has been fulfilled or cancelled, or has expired. 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.

 (Continued)

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.

(iii) 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 has the 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.

(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other cost incurred in bringing them to a location and condition ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Investment in associates

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

Investments in associates are accounted for using the equity method and are recognized initially at cost, plus, any transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, 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. When changes in an associate’s equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes such change in its associate’s equity in “capital surplus” in proportion to its ownership.

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

When an associate issues new shares and the Group does not subscribe to the new shares in proportion to its original ownership percentage, the Group’s interest in the associate’s net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Group’s capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group’s interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

Adjustments are made to associates’ financial statements to conform to the accounting polices applied by the Group.

(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 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.

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

(ii) Subsequent costs

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 and 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 for property, plant and equipment are as follows: machinery and equipment - 3 to 12 years; mold equipment - 4 to 5 years; office equipment - 3 to 15 years; other equipment - 2 to 10 years; buildings are depreciated over the following useful lives of significant individual components: main structure - 50 years; mechanical & electrical power equipment - 20 years; and air-conditioning system - 10 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(k) Leases

<u>Applicable from January 1, 2019</u>

(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

3) the customer has the right to direct the use of the asset 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.

(ii) As a leasee

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.

(Continued)

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.

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 of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications in lease subject, scope of the lease or other terms.

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 balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Applicable before January 1, 2019</u>

Leases are classified as finance leases when the Group assumes substantially all of the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases and are not recognized in the Group's balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis.

(l) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Trademarks, patents and technology, and customer relationships acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, such intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: Trademarks - 5 to 7 years; patents and technology - 5 years; customer relationships - 5 to 7 years; acquired software - 3 to 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 and deferred tax assets) 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.

(Continued)

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

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and the weighting of all possible outcomes against their associated probabilities.

(o) Revenue from contracts with customers

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 its control of goods or services 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 its control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its customers the right to return the faulty goods under the standard warranty terms and has recognized warranty provisions for this obligation, please refer to note 6(m).

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.

(ii) Revenue from service rendered

Revenue from service rendered is recognized by reference to the stage of completion at the reporting date.

(p) 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 discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. All current and deferred taxes are recognized in profit or loss except for expenses related to business combinations or recognized directly in equity or other comprehensive income.

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 income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (losses) at the time of 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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off currenttax 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 unused tax losses, 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

(s) Business combinations

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

Components of non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured individually at either fair value or the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values or other measurement basis in accordance with Taiwan-IFRSs.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments. The Group’s accounting treatment should be based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement will be accounted for within equity.

Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(t) Earnings per share ("EPS")

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic EPS are calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(u) 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 on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

There is no information involving critical judgments in applying the accounting policies in the consolidated financial statements.

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) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value, and the Group uses judgment and estimates to determine the net realizable value of inventory at each reporting date. Due to the rapid development of technology and innovation of production technology, the Group estimates the net realizable value of inventory, taking into account of obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Refer to note 6(e) for more details of the valuation of inventories.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(j) for more details of the impairment of goodwill.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 1,297	2,117
Demand deposits and checking accounts	1,964,291	2,148,582
Time deposits with original maturities less than 3 months	245,262	132,141
	$ 2,210,850	2,282,840

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 120	846

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Foreign currency forward contracts	$ (417)	-

Refer to note 6(u) for the detail of the changes in fair value recognized in profit or loss.

The Group entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities classified. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss:

	December 31, 2019			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial assets—foreign currency forward contracts	GBP	1,400	GBP/NTD	2020.1.31~2020.2.27
Financial liabilities－foreign currency forward contracts	GBP	650	GBP/NTD	2020.1.31
	USD	250	GBP/USD	2020.3.20~2020.10.09

(Continued)

	December 31, 2018			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial assets—foreign currency forward contracts	GBP	1,400	GBP/NTD	2019.1.31~2019.2.27
	USD	2,000	USD/NTD	2019.1.31
	USD	223	GBP/USD	2019.1.15~2019.6.28

(c) Financial assets measured at amortised cost

	December 31, 2019	December 31, 2018
Time deposits with original maturities more than 3 months	$ 304,795	133,833
Presented as:		
Current	$ 287,575	107,945
Non-current	17,220	25,938
	$ 304,795	133,883

The Group intended to hold to maturity in order to receive the contractual cash flows and the contractual cash flows were solely payments of principal and interest on the principal outstanding.

(d) Notes and accounts receivable, and other receivables

	December 31, 2019	December 31, 2018
Notes receivable－from operating activities	$ 5,871	5,332
Accounts receivable－measured as amortized cost	862,315	818,348
Less: loss allowance	(9,992)	(12,049)
	858,194	811,631
Other receivables (Classified as other current assets)	6,312	5,699
	$ 864,506	817,330

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, trade receivables have been based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 657,714	0.04%	279
Past due 0-30 days	148,948	0.89%	1,319
Past due 31-60 days	57,987	11.27%	6,536
Past due 61-180 days	2,301	27.03%	622
Past due over 180 days	1,236	100.00%	1,236
	$ 868,186		9,992

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 540,488	0.29%	1,555
Past due 0-30 days	213,165	0.67%	1,436
Past due 31-60 days	61,009	8.20%	5,005
Past due 61-180 days	6,449	23.01%	1,484
Past due over 180 days	2,569	100.00%	2,569
	$ 823,680		12,049

Movements of the loss allowance for notes and accounts receivable were as follows:

	2019	**2018**
Balance at January 1	$ 12,049	13,382
Impairment loss reversed	(1,620)	(654)
Write-off	(454)	(600)
Effect of exchange rate changes	17	(79)
Balance at December 31	$ 9,992	12,049

The subsidiary of the Company, Adasys, entered into factoring contracts with several banks to sell parts of its accounts receivable without recourse. At each reporting date, details of these contracts were as follows:

	December 31, 2019					
Underwriting bank	**Amount Derecognized**	**Amount advanced (Unpaid)**	**Amount advanced (Paid)**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Significant Transferring Terms**
Deutsche Factoring Bank	$ 13,978	-	12,564	1,414	2.75%	Nil

	December 31, 2018					
Underwriting bank	**Amount Derecognized**	**Amount advanced (Unpaid)**	**Amount advanced (Paid)**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Significant Transferring Terms**
Deutsche Factoring Bank	$ 8,562	-	7,680	882	2.75%	Nil

Please refer to note 8 for a description of the Group's notes and accounts receivable collateralized for short-term borrowings.

(e) Inventories

(i) The information of inventories was as follows:

	December 31, 2019	**December 31, 2018**
Raw materials	$ 278,721	386,115
Work in process	141,249	120,794
Finished goods	116,013	93,049
Merchandise	176,246	216,313
	$ 712,229	816,271

(ii) The amounts of inventories recognized as cost of revenue were as follows:

	2019	**2018**
Costs of inventories sold	$ 3,365,219	4,538,078
Write-downs of inventories (Reversal of write-downs)	(5,420)	8,006
Losses on scrap in inventories	33,460	40,754
Gain (loss) on physical inventories	(190)	736
Transfer for repairment costs	59,563	49,751
	$ 3,452,632	4,637,325

(iii) Please refer to note 8 for a description of the Group's inventory collateralized for short-term borrowings.

(f) Subsidiaries

(i) Acquisition of subsidiaries－Qijie Electronics(Shenzhen) Co.,Ltd (“Qijie”)

In April, 2019, the group invested in Qijie Electronics(Shenzhen) Co., Ltd through Flyteh BVI CN with a cash investment of $12,340, and obtained 40% of Qijie shares and significant influence over it. On October 1, 2019, the Group acquired additional 20% shares of Qijie with a cash investment of $6,258, therefore obtain control over Qijie. Qijie engaged in the manufacturing and sales of low-end POS or Panel PC products in China.

1) The identifiable assets and liabilities assumed at the acquisition date are measured at fair value is as follows:

Consideration transferred－cash		$ 6,258
Add: Fair value of pre-existing interest in the acquiree		10,708
Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		11,311
Less: Identifiable assets acquired and liabilities assumed at fair value:		
Cash and cash equivalents	$ 22,859	
Account receivable	12	
Inventories	3,401	
Prepayments and other current assets	2,378	
Right-of-use assets	1,112	
Prepayments for equipment	2,160	
Account payable	(1,053)	
Other payables	(859)	
Lease liabilities(current and non-current)	(1,141)	
Othe current liabilities	(592)	28,277
		$ -

2) Pro forma information
From the acquisition date to December 31, 2019, Qijie contributed a revenue of $1,372 and a net loss of $100. If the acquisition had occurred on January 1, 2019, the management estimates that the consolidated revenue in 2019 would have been $5,331,648, and consolidated net income would have been $736,351.

(ii) Subsidiaries that have material non-controlling interest:
Subsidiaries that have material non-controlling interest were as follows:

Subsidiaries	Principal place of business /Registration country	The Percentage of ownership and voting rights held by non-controlling interests December 31, 2019	December 31, 2018
Poindus System Co., Ltd.	Taiwan	50.69%	50.69%

The summarized financial information of Poindus System Co., Ltd. were as follows, the information was prepared in accordance with Taiwan-IFRSs. Intra-group transactions were not eliminated in this information:

	December 31, 2019	December 31, 2018
Current assets	$ 586,651	639,821
Non-current assets	114,275	135,855
Current liabilities	(143,014)	(189,102)
Non-current liabilities	(37,313)	(20,542)
Net assets	$ 520,599	566,032
The carrying amount of non-controlling interests	$ 263,918	286,951

	2019	2018
Net sales	$ 800,114	1,014,080
Net losses	$ (20,618)	(17,730)
Other comprehensive income (loss)	(3,814)	81
Total comprehensive income (loss)	$ (24,432)	(17,649)
Net losses attributable to non-controlling interests	$ (10,452)	(8,989)
Total comprehensive income (loss) attributable to non-controlling interests	$ (1,934)	42
Cash flow from operating activities	$ (18,448)	66,521
Cash flow from investing activities	(7,332)	(8,568)
Cash flow from financing activities	(31,610)	(39,788)
Effects of foreign exchange rate changes	522	117
Net increase (decrease) in cash and cash equivalents	$ (56,868)	18,282

(g) Prepayments for investments

The Group invested in aiXpert Solutions Inc. (aiXpert Solutions) through Fei Shiun Investment and held 70% of aiXpert shares. As of December 31, 2018, the balance for prepayment for investments was $42,000 thousand. In January 4, 2019, aiXpert Solutions was established and included in the consolidated entities of the Group.

(h) Property, plant and equipment

	Land	Buildings	Machinery	Mold equipment	Furniture and fixtures	Other equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2019	$ 382,446	658,438	290,423	440,822	90,699	42,994	41,887	1,947,709
Additions	-	-	7,312	37,610	5,122	261	11,027	61,332
Reclassification	(63,208)	116,122	-	5,115	-	1,595	(52,914)	6,710
Disposals	-	-	(238)	(1,788)	(1,631)	(101)	-	(3,758)
Effect of exchange rate changes	-	(1,235)	2	(62)	(486)	(537)	-	(2,318)
Balance at December 31, 2019	$ 319,238	773,325	297,499	481,697	93,704	44,212	-	2,009,675
Balance at January 1, 2018	$ 382,446	657,515	321,366	419,964	91,523	38,047	33,914	1,944,775
Additions	-	685	1,964	16,747	4,261	790	7,973	32,420
Reclassification	-	-	-	27,546	911	6,419	-	34,876
Disposals	-	-	(32,735)	(23,435)	(5,312)	(2,046)	-	(63,528)
Effect of exchange rate changes	-	238	(172)	-	(684)	(216)	-	(834)
Balance at December 31, 2018	$ 382,446	658,438	290,423	440,822	90,699	42,994	41,887	1,947,709
Accumulated depreciation:								
Balance at January 1, 2019	$ -	148,393	184,108	351,540	67,933	28,588	-	780,562
Depreciation	-	15,597	22,140	44,379	6,416	3,525	-	92,057
Reclassification	-	-	-	-	-	(13)	-	(13)
Disposals	-	-	(218)	(1,664)	(1,384)	(98)	-	(3,364)
Effect of exchange rate changes	-	(725)	(28)	-	(372)	(284)	-	(1,409)
Balance at December 31, 2019	$ -	163,265	206,002	394,255	72,593	31,718	-	867,833
Balance at January 1, 2018	$ -	133,251	195,518	319,240	65,754	23,985	-	737,748
Depreciation	-	15,345	21,410	45,873	6,834	3,344	-	92,806
Reclassification	-	-	-	9,702	909	2,151	-	12,762
Disposals	-	-	(32,735)	(23,275)	(4,928)	(858)	-	(61,796)
Effect of exchange rate changes	-	(203)	(85)	-	(636)	(34)	-	(958)
Balance at December 31, 2018	$ -	148,393	184,108	351,540	67,933	28,588	-	780,562
Carrying amount:								
Balance at December 31, 2019	$ 319,238	610,060	91,497	87,442	21,111	12,494	-	1,141,842
Balance at December 31, 2018	$ 382,446	510,045	106,315	89,282	22,766	14,406	41,887	1,167,147
Balance at January 1, 2018	$ 382,446	524,264	125,848	100,724	25,769	14,062	33,914	1,207,027

(i) Right-of-use assets

	Buildings	Other equipment	Total
Cost:			
Balance at January 1, 2019	$ -	-	-
Effects of retrospective application	58,609	4,999	63,608
Additions	1,599	-	1,599
Acquisition through business combination (note 6(f))	13,223	3,866	17,089
Write-off/lease modifications	(602)	(217)	(819)
Effect of exchange rates changes	(809)	(82)	(891)
Balance at December 31, 2019	$ 72,020	8,566	80,586

		Buildings	Other equipment	Total
Accumulated depreciation:				
Balance at January 1, 2019	$	-	-	-
Acquisition through business combination (note 6(f))		487	-	487
Depreciation		23,682	3,487	27,169
Write-off/lease modifications		(552)	(217)	(769)
Effect of exchange rates changes		(286)	(38)	(324)
Balance at December 31, 2019	$	23,331	3,232	26,563
Carrying amount:				
Balance at December 31, 2019	$	48,689	5,334	54,023

The Group leases buildings and other equipment under an operating lease for the year ended December 31, 2018, please refer to note 6(n).

(j) Intangible assets

		Trademarks	Patents and technology	Customer relationships	Goodwill	Others	Total
Cost:							
Balance at January 1, 2019	$	99,908	102,847	320,021	202,652	42,817	768,245
Additions		-	-	-	-	3,538	3,538
Reclassification		-	-	-	-	1,023	1,023
Disposals		-	-	-	-	(24,740)	(24,740)
Effect of exchange rate changes		-	-	-	-	(21)	(21)
Balance at December 31, 2019	$	99,908	102,847	320,021	202,652	22,617	748,045
Balance at January 1, 2018	$	99,692	102,847	320,021	202,652	39,635	764,847
Additions		-	-	-	-	3,470	3,470
Reclassification		216	-	-	-	(273)	(57)
Effect of exchange rate changes		-	-	-	-	(15)	(15)
Balance at December 31, 2018	$	99,908	102,847	320,021	202,652	42,817	768,245
Accumulated amortization:							
Balance at January 1, 2019	$	64,304	80,562	142,046	6,248	36,800	329,960
Amortization		18,032	20,569	49,328	-	4,884	92,813
Disposals		-	-	-	-	(24,740)	(24,740)
Effect of exchange rate		-	-	-	-	(55)	(55)
Balance at December 31, 2019	$	82,336	101,131	191,374	6,248	16,889	397,978
Balance at January 1,2018	$	46,103	59,993	92,718	-	30,566	229,380
Amortization		18,032	20,569	49,328	-	6,336	94,265
Impairment loss		-	-	-	6,248	-	6,248
Reclassification		169	-	-	-	(92)	77
Effect of exchange rate changes		-	-	-	-	(10)	(10)
Balance at December 31, 2018	$	64,304	80,562	142,046	6,248	36,800	329,960

(Continued)

		Trademarks	Patents and technology	Customer relationships	Goodwill	Others	Total
Carrying amount:							
Balance at December 31, 2019	$	17,572	1,716	128,647	196,404	5,728	350,067
Balance at December 31, 2018	$	35,604	22,285	177,975	196,404	6,017	438,285
Balance at January 1, 2018	$	53,589	42,854	227,303	202,652	9,069	535,467

The amortization of intangible assets was included in the following line items of the consolidated statement of comprehensive income:

		2019	2018
Cost of revenue	$	690	734
Selling expenses		210	314
Administrative expenses		89,505	89,903
Research and development expenses		2,408	3,314
	$	92,813	94,265

The carrying amounts of goodwill resulted from business acquisition were allocated to the respective CGUs identified as the following subsidiaries as of December 31, 2019 and 2018:

		December 31, 2019	December 31, 2018
Box	$	175,358	175,358
Poindus Systems		9,115	9,115
Adasys		11,931	11,931
	$	196,404	196,404

Each CGU to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. As of December 31, 2019 and 2018, the recoverable amounts exceeded their carrying amounts based on the results of the impairment tests conducted by the Group; therefore, no impairment losses were recognized except for that the expected recoverable amount of CGU-Adasys was less than its carrying amount, as a result, the Group recognized an impairment loss on goodwill of $6,248 in 2018. The recoverable amounts of a CGU were determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2019		December 31, 2018	
	Box	Adasys	Box	Adasys
Revenue growth rates	3%~19.77%	5%~54%	-8%~5%	12%~54%
Discount rates	11.47%	12.49%	12.76%	14.39%

(i) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period. Cash flows beyond that 5-year period have been extrapolated using 0.5%~1% growth rate.

(ii) The discount rate used to determine value in use is based on the weighted average cost of capital.

(k) Short-term borrowings

The information of short-term borrowings were as follows:

	December 31, 2019	December 31, 2018
Secured bank loans	$ 1,812	-
Unsecured loan from non-financial institution (short-term borrowings from individuals)	6,718	8,800
	$ 8,530	8,800
Unused credit facilities	$ 1,703,957	2,315,492
Interest rate	3%~7.11%	4%

For more information about the Group's exposure to interest rate risk and liquidity risk see note 6(w). Refer to Note 8 for detail on related assets pledged as collateral for secured loans.

(l) Lease liabilities

	December 31, 2019
Current	$ 23,506
Non-current	$ 30,551

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 1,431
Expenses relating to short-term leases	$ 3,196
Expenses relating to leases of low-value assets	$ 169

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

	2019
Total cash outflow for leases	$ 31,951

(i) Real estate leases

The Group leases buildings for its offices, factories and staff dormitary, the leases typically run for a period of one to four years. If the Group needed to renew the lease of contract amount at the end of contract term, and the Group to remeasure lease liabilities and right-of-use assets. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases parking spaces, transportation equipments and other equipments, with lease terms of one to three years. These leases are short-term or low-value assets, the Group apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(m) Provision for warranties

	2019	2018
Balance at January 1	$ 34,022	31,322
Provisions made	2,403	9,865
Amount utilized	(2,419)	(6,536)
Effect of exchange rate changes	1,999	(629)
Balance at December 31	**$ 36,005**	**34,022**

The provision for warranties is estimated based on historical warranty data associated with similar products. The Group expects to settle most of the warranty liability in one to three years from the date of the sale of the product.

(n) Operating lease (the Group as lessee)

Non-cancellable rentals payable of operating leases were as follows:

	December 31, 2018
Not later than 1 year	$ 24,860
Later than 1 year but not later than 5 years	39,881
	$ 64,741

The Group leases offices, factories and parking spaces under operating leases. The leases typically run for a period of 1 to 5 years. In 2018, the rental expenses of operating leases amounted to $31,096.

(o) Employee benefits

(i) Defined benefit plans

The present value of defined benefit obligations and the fair value of plan assets were as follows:

	December 31, 2019	December 31, 2018
Present value of benefit obligations	$ 87,392	83,433
Fair value of plan assets	(42,811)	(41,083)
Net defined benefit liabilities	**$ 44,581**	**42,350**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement. The foreign subsidiary, Adasys, also has defined benefit pension plan based on its respective local laws and regulations.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. Foreign subsidiaries with defined benefit plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2019 and 2018, the Company's labor pension fund account balance at Bank of Taiwan amounted to $28,983 and $27,351. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

2) Movements in present value of defined benefit obligations

	2019	2018
Defined benefit obligations at January 1	$ 83,433	83,226
Current service costs and interest expense	1,583	1,727
Remeasurement of net defined benefit liabilities:		
－Actuarial losses arising from experience adjustments	22	135
－Actuarial losses arising from changes in financial assumptions	6,213	255
Benefits paid by plan	(2,406)	(1,593)
Effect of exchange rate changes	(1,453)	(317)
Defined benefit obligations at December 31	**$ 87,392**	**83,433**

(Continued)

3) Movements of fair value of plan assets

		2019	2018
Fair value of plan assets at January 1	$	41,083	39,939
Interest income		617	662
Remeasurement on net defined benefit liabilities:			
–Return on plan assets (excluding current interest expense)		611	278
Contributions by plan participants		3,565	1,942
Benefits paid by the plan		(2,406)	(1,593)
Effect of exchange rate changes		(659)	(145)
Fair value of plan assets at December 31	$	42,811	41,083

4) Changes in the effect of the asset ceiling

In 2019 and 2018, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or losses were as follows:

		2019	2018
Current service cost	$	331	353
Net interest expense		635	712
	$	966	1,065
Operating expenses	$	966	1,065

6) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

		2019	2018
Accmulated amount at January 1	$	(3,341)	(3,229)
Recognized during the period		(5,624)	(112)
Accmulated amount at December 31	$	(8,965)	(3,341)

The remeasurement of net defined benefit liabilities (net of taxes) were recognized in other equity.

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1%~1.17%	1.1%~2.25%
Future salary increases rate	0%~2.00%	0%~2.00%

(Continued)

The weighted-average duration of the defined benefit plans is 12.2~17.3 years. The Group expects to make contribution of $1,406 to the defined benefit plans in the year following December 31, 2019.

8) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation:

	Impact on defined benefit obligation	
	0.25% Increase	**0.25% Decrease**
December 31, 2019		
Discount rate	(2,344)	2,559
Future salary increase rate	958	(837)
December 31, 2018		
Discount rate	(2,356)	2,551
Future salary increase rate	1,209	(1,055)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets. The method used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under these defined contribution plans, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

The Group recognized expense of the defined contribution plans were as follow:

	2019	**2018**
Cost of revenue	$ 5,159	5,662
Operating expenses	18,600	18,929
	$ 23,759	**24,591**

(p) Income taxes

		2019	2018
Current income tax expense			
Current period	$	174,644	147,631
Adjustments for prior periods		478	749
		175,122	148,380
Deferred tax benefit			
Origination and reversal of temporary differences		(14,903)	(20,988)
Income tax expense	$	160,219	127,392

The Group's income tax benefits recognized in other comprehensive income were as follows:

		2019	2018
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	$	1,767	263

The reconciliation of the expected income tax expense calculated based on the R.O.C. statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income were as follows:

		2019	2018
Income before income tax	$	882,504	919,885
Income tax using the Company's statutory tax rate	$	176,501	183,977
Effect of different tax rates in foreign jurisdictions		18,588	15,234
Tax-exempt income		(34,077)	(47,658)
Investment tax credits		(872)	(11,467)
Changes in unrecognized temporary differences		1,842	(1,300)
Undistributed earnings additional tax		3,720	1,100
Alternative minimum tax		25	48
Prior-year adjustments		478	749
Adjustments in tax rate		-	(1,459)
Others		(5,986)	(11,832)
	$	160,219	127,392

(i) Deferred income tax assets and liabilities

As the Group is able to control the timing of the reversal of temporary differences associated with the loss on its investments in its subsidiaries, and concludes that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax assets.

1) Unrecognized deferred income tax assets

		December 31, 2019	December 31, 2018
Loss related to investments in subsidiaries	$	17,530	15,688

(Continued)

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

		Defined benefit plans	Inventory provisions	Others	Total
Balance at January 1, 2019	$	10,200	14,525	34,926	59,651
Recognized in profit or loss		(429)	(1,171)	11,129	9,529
Recognized in other comprehensive (loss) income		1,767	-	-	1,767
Effect of exchange rate changes		(255)	(124)	(356)	(735)
Balance at December 31, 2019	$	11,283	13,230	45,699	70,212
Balance at January 1, 2018	$	9,839	11,436	21,026	42,301
Recognized in profit or loss		145	3,123	13,901	17,169
Recognized in other comprehensive (loss) income		263	-	-	263
Effect of exchange rate changes		(47)	(34)	(1)	(82)
Balance at December 31, 2018	$	10,200	14,525	34,926	59,651

Deferred income tax liabilities:

		Unremitted earnings from subsidiaries	Intangible assets acquired through business combination	Others	Total
Balance at January 1, 2019	$	27,155	38,480	1,408	67,043
Recognized in profit or loss		3,280	(8,562)	(92)	(5,374)
Effect of exchange rate changes		-	-	11	11
Balance at December 31, 2019	$	30,435	29,918	1,327	61,680
Balance at January 1, 2018	$	22,696	47,042	1,154	70,892
Recognized in profit or loss		4,459	(8,562)	284	(3,819)
Effect of exchange rate changes		-	-	(30)	(30)
Balance at December 31, 2018	$	27,155	38,480	1,408	67,043

(ii) The Company’s income tax returns for the years through 2015 have been examined and approved by the R.O.C. income tax authorities.

(q) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company’s authorized shares of common stock consisted of 180,000 thousand shares, with par value of $10 (dollars) per share, both of which 143,062 thounsand shares were issued and outstanding.

(ii) Capital surplus

	December 31, 2019	December 31, 2018
Premium derived from the issuance of shares in excess of par value:		
Preumium on common stock issued of conversion of convertible bonds	$ 668,638	736,754
Forfeited employee stock options	-	2,433
Difference between the proceeds and the carring amounts arising from the acquisition or disposal of shares in subsidiaries	-	982
Changes in ownership interest in subsidiaries	5,594	5,594
Gain on disposal of assets	15	15
	$ 674,247	745,778

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

(Continued)

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

The distribution of earnings for 2018 and 2017 had been approved in the meetings of shareholders held on June 12, 2019, and June 8, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Dividends per share (in dollars)	**Total amount**	**Dividends per share (in dollars)**	**Total amount**
Dividends distributed to shareholders:				
Cash	$ 4.50	643,780	4.50	643,780

On June 12, 2019, the Company's shareholders decided to distribute cash of $0.5 dollars per share from capital surplus. Total distributed cash dividend for 2018 is $5.0 per share.

On March 19, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Dividends per share (in dollars)	**Total amount**
Dividends distributed to shareholders:		
Cash	$ 4.00	572,249

In addition, the Company's Board of Directors proposed to distribute cash of $0.5 dollars per share from capital surplus. Total distributed cash dividend for 2019 is $4.5 per share.

Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Treasury stock

The Board of Directors approved a resolution to purchase treasury stock in order to maintain the credit of the Company and the right of the shareholders. The Company purchased 3,306,000 shares of its own common shares for the amount of $285,953 from September, 2017 to November, 2017. On February, 2018 the related registration process to retire the aforementioned treasury stock has been completed.

(v) Other equity items (net after tax)

		Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2019	$	(35,732)	(4,612)	(40,344)
Exchange differences on subsidiaries accounted for using equity method (net of tax)		(7,457)	-	(7,457)
Remeasurement of defined benefit plans (net of tax)		-	593	593
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method (net of tax)		-	(2,194)	(2,194)
Balance at December 31, 2019	**$**	**(43,189)**	**(6,213)**	**(49,402)**
Balance at January 1, 2018	$	(32,398)	(4,823)	(37,221)
Exchange differences on subsidiaries accounted for using equity method (net of tax)		(3,334)	-	(3,334)
Remeasurement of defined benefit plans (net of tax)		-	270	270
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method (net of tax)		-	(59)	(59)
Balance at December 31, 2018	**$**	**(35,732)**	**(4,612)**	**(40,344)**

(vi) Non-controlling interests (net after tax)

		2019	2018
Balance at January	$	292,580	317,462
Equity attributable to non-controlling interest:			
Net losses		(14,237)	(8,955)
Cash dividends of subsidiaries distributed to non-controlling interests		(10,646)	(15,969)
Increase in non-controlling interests		29,311	-
Foreign currency translation differences		255	102
Remeasurement of defined benefit plans (net of tax)		(2,256)	(60)
	$	**295,007**	**292,580**

(Continued)

(r) Earnings per share ("EPS")

(i) Basic EPS

		2019	2018
Profit attributable to shareholders of the Company	$	736,522	801,448
Weighted-average number of ordinary shares outstanding (in thousands)		143,062	143,062
Basic EPS (dollars)	**$**	**5.15**	**5.60**

(ii) Diluted EPS

		2019	2018
Profit attributable to shareholders of the Company (diluted)	$	736,522	801,448
Weighted-average number of ordinary shares outstanding (in thousands)		143,062	143,062
Effect of employee bonuses		1,295	1,310
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)		144,357	144,372
Diluted EPS (dollars)	**$**	**5.10**	**5.55**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Domestic sales	$	146,466	229,688
Export:			
Asia		643,314	778,775
America		2,043,572	2,226,709
Europe and Africa		2,497,120	3,334,597
	$	5,184,006	6,340,081
	$	**5,330,472**	**6,569,769**
Major products:			
Industrial computers	$	4,403,277	5,153,871
Peripherals		804,321	1,290,605
Others		122,874	125,293
	$	**5,330,472**	**6,569,769**

(Continued)

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable	$ 868,186	823,680	1,404,654
Less: loss allowance	(9,992)	(12,049)	(13,382)
Total	**$ 858,194**	**811,631**	**1,391,272**

Please refer to note 6(d) for details on notes and accounts receivable and its loss allowance.

(t) Remuneration of employees and directors and supervisors

Pursuant to the Company's articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors.　Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors.　The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements.

For the year ended December 31, 2019 and 2018, the Company accrued the remuneration to its employees amounting to $77,000 and $80,000, respectively, and the remuneration to its directors amounting to $3,500 and $2,400, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as cost of revenue and operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year. The aforementioned accrued compensation of employees, directors and supervisors is the same as the amounts approved by the Board of Directors, and will be paid in cash. The related information would be available at the Market Observation Post System website.

(u) Non-operating income and loss

(i) Other income

	2019	2018
Interest income from bank deposits	$ 19,384	6,845
Interest income from debt instruments	-	525
Others	4,608	7,341
	$ 23,992	**14,711**

(ii) Other gains and losses

	2019	2018
Loss on disposal of property, plant and equipment	$ (382)	(382)
Disposal of inventments loss	(641)	-
Foreign currency exchange gain (loss), net	(46,076)	13,650
Loss on financial assets and liabilities at fair value through profit or loss	(1,147)	(4,277)
Impairment loss on goodwill	-	(6,248)
Others	(40)	(698)
	$ (48,286)	**2,045**

(iii) Finance costs

	2019	2018
Interest expense from bank loans	$ 1,408	3,295
Interest expense from lease liabilities	1,431	-
	$ 2,839	**3,295**

(v) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	**$ 120**	**846**
Financial assets measured at amortized cost:		
Cash and cash equivalents	$ 2,210,850	2,282,840
Financial assets measured at amortized cost	304,795	133,883
Notes and accounts receivable	858,194	811,631
Other receivables(classified as other current assets)	6,312	5,699
Other financial assets－non-current	3,460	5,711
	$ 3,383,611	**3,239,764**

2) Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities at fair value through profit or loss:		
Financial liabilities held-for-trading – foreign currency forward contracts	$ 417	-
Financial liabilities measured at amortized cost:		
Short term borrowings	$ 8,530	8,800
Notes and accounts payable	394,221	564,962
Lease liabilities	54,057	-
Other payables	78,381	63,036
	$ 535,189	636,798

(ii) Fair value valuation-financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Financial instruments that are measured at fair value

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

3) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2019				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 120	-	120	-	120
Financial liabilities mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 417	-	417	-	417

	December 31, 2018				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 846	-	846	-	846

There were no transfers between fair value levels for the years ended December 31, 2019 and 2018.

Movement in financial liabilities included Level 3 fair value hierarchy:

	2019	2018
Balance at January 1	$ -	32,088
Recognized in profit or loss	-	7,904
Repaid	-	(39,992)
Balance at December 31	$ -	-

(iv) Valuation techniques and assumptions used in fair value measurement

1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. In 2018, discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the present value of the consideration to pay.

2) Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

(w) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Group has disclosed the information on exposure to the aforementioned risks, the Group's policies and procedures to measure and manage those risks, and the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. 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 adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

As of December 31, 2019 and 2018, four clients accounted to a total of 58% and 46%, respectively, of the Group's notes and accounts receivable. In order to reduce credit risk, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, and maintaining adequate cash and banking facilities. As of December 31, 2019 and 2018, the Group had unused credit facilities of $1,703,957 and $2,315,492, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Contractual cash flows	Within 1 years	1-2 years	More than 2 years
December 31, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	$ 8,530	8,530	-	-
Notes and accounts payable	394,221	394,221	-	-
Lease liabilities	55,117	24,242	17,512	13,363
Other payables	78,381	78,381	-	-
	$ 536,249	505,374	17,512	13,363
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	$ 88,539	88,539	-	-
Inflow	(88,242)	(88,242)	-	-
	$ 297	297	-	-

	Contractual cash flows	Within 1 years	1-2 years	More than 2 years
December 31, 2018				
Non-derivative financial liabilities:				
Short-term borrowings	$ 8,800	8,800	-	-
Notes and accounts payable	564,962	564,962	-	-
Other payables	63,036	63,036	-	-
	$ 636,798	**636,798**	**-**	**-**
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	$ 123,039	123,039	-	-
Inflow	(123,885)	(123,885)	-	-
	$ (846)	**(846)**	**-**	**-**

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

(iii) Market risk

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

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

1) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable(payables), other payables and other long-term liabilities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Amount in Thousands of Dollars)

	December 31, 2019				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 52,249	29.98	1,566,425	1%	15,664
RMB	33,542	4.31	144,566	1%	1,446
EUR	1,918	33.59	64,426	1%	644
GBP	4,039	39.36	158,975	1%	1,590
Financial liabilities					
Monetary items					
USD	6,018	29.98	180,420	1%	1,804
GBP	143	39.36	5,628	1%	56

	December 31, 2018				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 31,523	30.72	968,387	1%	9,684
EUR	1,813	35.20	63,818	1%	638
GBP	2,540	38.88	98,755	1%	988
Financial liabilities					
Monetary items					
USD	9,602	30.72	294,973	1%	2,950
GBP	648	38.88	25,194	1%	252

Due to the varieties of functional currency within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. For the years ended December 31, 2019 and 2018, the aggregate of realized and unrealized foreign exchange gain (loss) amounted to $(46,076) and $13,650, respectively.

2) Interest rate risk

The Group's short-term borrowings carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the years ended December 31, 2019 and 2018, would have been $85 and $88, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(x) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(y) Investing and financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under operating lease for the year ended December 31, 2019, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

			Cash flows	**Non-cash changes**		
		January 1, 2018	**Increase in short-term borrowings and payment of lease liabilities**	**Change in lease liabilities**	**Foreign exchange movement**	**December 31, 2019**
Short-term borrowings	$	8,800	52	-	(322)	8,530
Lease liabilities		63,608	(27,155)	18,180	(576)	54,057
Total liabilities from financing activities	**$**	**72,408**	**(27,103)**	**18,180**	**(898)**	**62,587**

			Cash flows	**Non-cash changes**	
		January 1, 2018	**Decrease in short-term borrowings**	**Foreign exchange movement**	**December 31, 2018**
Short-term borrowings (Total liabilities from financing activities)	**$**	**114,569**	**(105,676)**	**(93)**	**8,800**

7. Related-party transactions

(a) Significant related-party transactions: None.

(b) Compensation of key management personnel

		2019	2018
Short-term employee benefits	$	72,510	71,573
Post-employment benefits		4,077	3,512
	$	76,587	75,085

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure		December 31, 2019	December 31, 2018
Time deposits(classified as other current assets)	Credit lines of short-term borrowings	$	224	222
Accounts receivable	Secured bank loans		-	64,731
IT equipment	Secured bank loans		1,132	-
Inventories	Credit lines of bank loans		74,277	64,658
		$	75,633	129,611

9. Significant commitments and contingencies:None

10. Significant losses due to major disasters:None

11. Significant subsequent events:None

12. Others

Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

By function / By item	2019 Cost of sales	2019 Operating expenses	2019 Total	2018 Cost of sales	2018 Operating expenses	2018 Total
Employee benefits:						
Salaries	149,865	491,114	640,979	169,341	458,249	627,590
Insurance	13,066	27,000	40,066	14,414	26,668	41,082
Pension	5,159	19,566	24,725	5,662	19,994	25,656
Others	5,546	12,243	17,789	6,192	17,067	23,259
Depreciation	76,119	43,107	119,226	76,213	16,593	92,806
Amortization	690	92,123	92,813	734	93,531	94,265

(Continued)

13. Additional 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:

(i) Financing provided to other parties:

(Amounts in Thousands of New Taiwan Dollars/Euro)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Poindus Systems	Adasys	Long term other receivables	Yes	38,852 (EUR1,100)	21,834 (EUR 650)	21,834 (EUR 650)	4%	1	53,502		-		-	51,673	206,693

Note 1: Represents the Company.
1. "0" represents the Company
2. Subsidiaries are numbered from "1"
Note 2: Nature of financing
1. Business transaction purpose
2. Short-term financing
Note 3: The individual financing amounts shall not exceed the lower amounts of transaction amounts of the most recent year and 10% of the most recent audited or reviewed net worth of Poindus Systems. The aggregate financing amount shall not exceed 40% of the most recent audited or reviewed net worth of Poindus Systems.

(ii) Guarantees and endorsements provided to other parties:

(Amount in Thousands of New Taiwan Dollars)

No.	Endorsement Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	The Company	Box Technologies limited	2	880,671	200,000	80,000	-	-	1.82%	2,201,678	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
1. The Company is "0"
2. The subsidiaries are numbered in order starting from "1"
Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as "2" the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.
Note 3: The Company provides guarantee to a subsidiary which the parent company owns directly 100% of its voting shares; the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the Company should not exceed 50% of its net worth.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):None

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed $300 million or 20% of the paid-in capital:None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/ (Sales)	Amount (Note 3)	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable (Payable)	
The Company	Poindus systems	Subsidiary	(Sales)	162,906	3.06%	EM 60	(Note 1)	(Note 2)	26,797	3.12%	
The Company	Box UK	Subsidiary	(Sales)	250,092	4.69%	EM 75	(Note 1)	(Note 2)	78,349	9.13%	

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.
Note 2: The trade terms of sales with related parties are EOM 60~75 days, and the trade terms with third parties are OA 30~75 days.
Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:None

(Amounts in Thousands of New Taiwan Dollars)

(ix) Transactions in derivative instruments: Refer to note 6(b)

(x) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counter-party	Relationship	Transaction Details			
				Account (Note 2)	Amount	Transaction Terms	Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	The Company	Box UK	Subsidiary	Sales	250,092	EM 75	4.69%
0	The Company	Poindus System	Subsidiary	Sales	162,906	EM 60	3.06%
0	The Company	Flytech CN	Subsidiary	Sales	75,378	EM 90	1.41%
1	Poindus System	Adasys	Subsidiary	Sales	88,609	EM 90	1.66%
1	Poindus System	Poindus UK	Subsidiary	Sales	90,156	EM 120	1.69%
0	The Company	Box UK	Subsidiary	Accounts receivable	78,349	EM 75	1.36%
1	Poindus System	Poindus UK	Subsidiary	Accounts receivable	75,936	EM 120	1.32%

Note 1: Parties to intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1"

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated revenue or total assets. The corresponding purchases and accounts payables are not disclosed.
Note 3: Based on the transaction amount divided by consolidated revenue or total assets.
Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

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

(Amounts in Thousands of shares/ foreign currency and New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Maximum Percentage of Ownership during 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying value	Shares	Percentage of Ownership			
The Company	Flytech USA BVI	British Virgin Islands	Investment and holding activity	38,652	38,652	100	100.00%	18,601	100	100.00%	(222)	(222)	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	134,828	50	100.00%	9,082	9,082	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	90,601	84,343	350	100.00%	116,678	350	100.00%	7,539	7,539	
The Company	Fei Shiun Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	384,985	19,000	100.00%	(21,274)	(21,274)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	511,307	4	100.00%	456,570	4	100.00%	30,576	(489)	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	17,578 (USD586)	700	100.00%	(225) (USD(7))	-	

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	Balance as of December 31, 2019: Shares	Balance as of December 31, 2019: Percentage of Ownership	Balance as of December 31, 2019: Carrying value	Maximum Percentage of Ownership during 2019: Shares	Maximum Percentage of Ownership during 2019: Percentage of Ownership	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	136,308 (USD4,547)	1,000	100.00%	9,082 (USD294)	-	
Flytech HK	iSAPPOS	Hong Kong	Sale of computers and peripherals	31,690 (HKD7,500)	31,690 (HKD7,500)	(Note 2)	100.00%	2,641 (HKD686)	(Note 2)	100.00%	(1,594) (HKD(404))	-	
Fei Shiun Investment	aiXpert Solutions	Taiwan	Operating software design and date processing services, and integrating software and hardware services	42,000	-	4,200	70.00%	34,101	4,200	70.00%	(11,284)	-	Note 3
Fei Shiun Investment	iRUGGY System	Taiwan	Sale of computers and peripherals	48,000	48,000	4,800	80.00%	20,647	4,800	80.00%	(2,335)	-	
Fei Shiun Investment	Poindus Systems	Taiwan	Sale of computers and peripherals	308,070	308,070	10,354	49.31%	265,797	10,354	49.31%	25,779	-	
Poindus Systems	Poindus Investment	Taiwan	Investment and holding activity	4,100	4,100	(Note 2)	100.00%	835	(Note 2)	100.00%	(62)	-	
Poindus Systems	Adasys	Germany	Sale of computers and peripherals	57,712 (EUR 1,730)	42,134 (EUR 1,280)	-	100.00%	11,453	-	100.00%	(4,286)	-	
Poindus Systems	Poindus America	USA	Sale of computers and peripherals	-	32,195 (USD 1,000)	-	-	-	1,000	100.00%	(1,255)	-	Note 4
Poindus Systems	Poindus UK	United Kingdom	Sale of computers and peripherals	14,297 (GBP 300)	14,297 (GBP 300)	300	100.00%	(16,579)	300	100.00%	(1,234)	-	
Poindus Investment	Poindus GmbH	Germany	Sale of computers and peripherals	1,721 (EUR 40)	1,195 (EUR 25)	(Note 2)	100.00%	386	(Note 2)	100.00%	(60)	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP 10)	472 (GBP 10)	10	100.00%	235,886 (GBP 5,993)	10	100.00%	37,559 (GBP 952)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	2,330 (GBP 49)	2,330 (GBP 49)	5	100.00%	6,587 (GBP 167)	5	100.00%	(6,984) (GBP (177))	-	

Note 1: The intercompany transactions have been eliminated when preparing the consolidated financial statements.
Note 2: There were no shares as the company is a limited liability company.
Note 3: In January 2019, aiXpert Solutions was newly established company.
Note 4: In April 2019, Poindus America was liquidated.
Note 5: Included the movement in unrealized gross profit and the difference between investment cost and net shares value which is recognized as amortization.

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Maximum Percentage of Ownership during 2017: Shares (in thousands)	Maximum Percentage of Ownership during 2017: Percentage of Ownership	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
Flytech CN	Sale of computers and peripherals	69,089 (USD 2,000)	(Note 1)	69,089 (USD 2,000)	-	-	69,089 (USD 2,000)	6,748 (USD 218)	100.00%	(Note 4)	100.00%	6,748 (USD 218)	102,613 (USD 3,423)	-
Flytech BJ	Sale of computers and peripherals	-	(Note 2)	15,420 (USD 500)	-	-	15,420 (USD 500)	-	-	(Note 4)	100.00%	-	-	-
Qijie	Sale of computers and peripherals	30,850 (USD 1,000)	(Note 3)	-	6,258 (USD 200)	-	6,258 (USD 200)	(683) (USD (22))	60.00%	(Note 4)	60.00%	(240) (USD (8))	16,966 (USD 566)	-

Note 1: Indirect investment in Mainland China through a holding company, Flytech CN BVI, established in a third country
Note 2: In March 2019, Flytech BJ was liquidate.
Note 3: Flytech CN BVI reinvest the shares money from dissolution of Flytech BJ USD 392(amounts in thousands) and its own funds in the company in Mainland China.
Note 4: There were no shares as the company is a limited liability company.
Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Accumulated investment in Mainland China as of December 31, 2019	Investment amount authorized by Ministry of Economic Affairs Investment Commission	Upper Limit onInvestment
90,767 (USD 2,700)	103,107 (USD 3,100)	2,642,014

(iii) Significant transactions with the investee in Mainland China:None

14. Segment information

(a) General information

The three current reportable segments of the Group are: (i) the domestic sales segment, (ii) the European sales segment and (iii) the Poindus Systems. The domestic sales segment engages mainly in the development, design, manufacture, sales and provide after sale service of the products; the European sales segment engages mainly in the sales and provide after sales service of the products in Europe; and the Poindus Systems engages mainly in the sales and provide after sale service for Poindus Systems' products globally.

The classification of the segments is based on the products, services or geographical location of each respective segment. Each segment manages and caters to the different needs of their customers, as well as needs different marketing strategies, and thus, should be managed separately.

The Group uses income (loss) before income tax as the measurement for each segment's profit and the basis of resource allocation and performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. Sales and transfers among reportable segments are recorded in line with sales to third-party customers.

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

	2019					
	Domestic sale segment	**European sale segment**	**Poindus Systems**	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 3,370,389	943,734	777,653	238,696	-	5,330,472
Intra-group revenue	556,344	13,870	22,461	13,063	(605,738)	-
Total segment revenue	$ 3,926,733	957,604	800,114	251,759	(605,738)	5,330,472
Segment income before income tax	$ 883,096	44,576	31,677	3,019	(79,864)	882,504

	2018					
	Domestic sale segment	**European sale segment**	**Poindus Systems**	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 3,812,547	1,540,283	979,836	237,103	-	6,569,769
Intra-group revenue	815,758	9,490	34,244	21,715	(881,207)	-
Total segment revenue	$ 4,628,305	1,549,773	1,014,080	258,818	(881,207)	6,569,769
Segment income before income tax	$ 929,895	47,731	27,690	3,038	(88,469)	919,885

(Continued)

(b) Product information

Revenues from external customers are detailed below:

Products	2019	2018
Industrial computers	$ 4,403,277	5,153,871
Peripherals and others	927,195	1,415,898
	$ 5,330,472	6,569,769

(c) 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.

Revenues:

Region	2019	2018
Europe and Africa	$ 2,497,120	3,334,597
Americas	2,043,572	2,226,709
Asia	643,314	778,775
Taiwan	146,466	229,688
	$ 5,330,472	6,569,769

Non-current assets:

Region	December 31, 2019	December 31, 2018
Taiwan	$ 1,131,363	1,133,853
Asia	28,923	26,330
Americas	6,130	1,499
Europe	380,419	445,374
	$ 1,546,835	1,607,056

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets－non-current, but do not include financial instruments and deferred income tax assets.

(d) Major customer information

	2019	2018
Total consolidated revenue from Customer A	$ 776,298	1,244,807

Independent Auditors' Report

To the Board of Directors
Flytech Technology Co., Ltd.:

Opinion

We have audited the accompanying parent-company-only financial statements of Flytech Technology Co., Ltd. (the "Company"), which comprise the accompanying parent-company-only balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Valuation of inventories

   Please refer to Note 4(g) "Inventories" for the significant accounting policies, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and Note 6(e) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and innovation of production technology, the stocks for materials may become obsolete and cannot meet the market demand. Furthermore, the product price may fluctuate due to fierce market competition. Accordingly, the management need to determine its net realizable value at the end of the reporting date based on its judgment and estimation to recognize the possible write-down of inventories. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the inventory valuation documentation to inspect whether inventories were measured in accordance with the Company's accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and understanding and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

2.Impairment of Goodwill included in investments in subsidiaries accounted for using equity method

Please refer to Note 4(l) "Impairment of non-financial assets" for the significant accounting policy on goodwill impairment, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of impairment of goodwill, and Note 6(f) "Intangible assets" for the related disclosures.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are annually subject to impairment test or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the assessment of assets impairment provided by the management and inspecting whether all assets subject to impairment test are included in the assessment; assessing the appropriateness of the valuation model and key assumptions, including the discount rate and expected growth rate, used by the management in measuring the recoverable amount; performing a sensitivity analysis of the key assumptions and results. In addition to the above audit procedures, we have also inquired from a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital and its underlying assumptions; and assessed the adequacy of the Company's disclosures with respect to the related information.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using equity method to express an opinion on these parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

We communicated 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 identified 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 determined those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Wei-Ming Shih and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2020

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,624,116	32	1,686,065	32
1110	Financial assets at fair value through profit or loss－current (note 6(b))	120	-	744	-
1136	Financial assets at amortised cost－current (note 6(c))	149,900	3	-	-
1150-1170	Notes and accounts receivable (notes 6(d) and (p))	546,507	11	583,501	11
1180	Accounts receivable due from related parties (notes 6(d), (p) and 7)	132,562	3	169,214	3
130X	Inventories (note 6(e))	372,781	7	469,991	9
1410-1470	Prepayments and other current assets(notes 6(d) and 8)	17,340	-	21,604	1
	Total current assets	2,843,326	56	2,931,119	56
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(f))	1,111,662	22	1,122,046	22
1600	Property, plant and equipment (note 6(g))	1,082,594	21	1,108,620	21
1755	Right-of-use assets(note 6(h))	2,600	-	-	-
1780	Intangible assets	3,434	-	3,837	-
1840	Deferred income tax assets (note 6 (m))	33,526	1	27,764	1
1915	Prepayments for equipment	267	-	682	-
1980	Other financial assets－non-current	285	-	2,286	-
	Total non-current assets	2,234,368	44	2,265,235	44
	Total assets	**$ 5,077,694**	**100**	**5,196,354**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Balance Sheets (Continued)
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (notes 6 (b))	$ 26	-	-	-
2150-2170	Notes and accounts payable	284,737	6	411,021	8
2180	Accounts payable to related parties (note 7)	4,138	-	8,185	-
2200	Other payables (note 6(q))	199,789	4	196,011	4
2230	Current income tax liabilities	103,563	2	100,730	2
2250	Provisions－current (notes 6(j))	10,646	-	12,735	-
2280	Lease liabilities－current(note6(i))	1,032	-	-	-
2300	Other current liabilities	14,904	-	22,847	-
	Total current liabilities	618,835	12	751,529	14
	Non-current liabilities:				
2570	Deferred income tax liabilities (note 6(m))	30,822	1	27,635	-
2640	Net defined benefit liabilities (note 6(l))	23,100	-	25,987	1
2580	Lease liabilities－non-current (note 6(i))	1,581	-	-	-
	Total non-current liabilities	55,503	1	53,622	1
	Total liabilities	674,338	13	805,151	15
	Equity (notes 6(l), (m) and (n)):				
3110	Common stock	1,430,623	28	1,430,623	28
3200	Capital surplus	674,247	13	745,778	14
	Retained earnings:				
3310	Legal reserve	995,739	20	915,594	18
3320	Special reserve	40,344	1	37,221	1
3350	Unappropriated earnings	1,311,805	26	1,302,331	25
3400	Other equity	(49,402)	(1)	(40,344)	(1)
	Total equity	4,403,356	87	4,391,203	85
	Total liabilities and equity	**$ 5,077,694**	**100**	**5,196,354**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Revenue (notes 6(p) and 7)**	$ 3,926,733	100	4,628,305	100
5000	**Cost of revenue (notes 6(e), (g), (i), (j), (k), (l) and (q), 7 and 12)**	(2,560,450)	(65)	(3,227,059)	(70)
	Gross profit before unrealized gross profit	1,366,283	35	1,401,246	30
5910	Unrealized gross profit from sales	1,627	-	12,978	-
	Gross profit	1,364,656	35	1,388,268	30
	Operating expenses (notes 6(d), (g), (h), (i), (k), (l) and (q), 7 and 12):				
6100	Selling expenses	(156,285)	(4)	(165,622)	(4)
6200	Administrative expenses	(122,034)	(3)	(113,020)	(2)
6300	Research and development expenses	(169,628)	(4)	(189,990)	(4)
	Total operating expenses	(447,947)	(11)	(468,632)	(10)
	Operating income	916,709	24	919,636	20
	Non-operating income and loss (note 6(i) and (r)):				
7010	Other income	12,831	-	7,012	-
7020	Other gains and losses	(41,050)	(1)	15	-
7050	Finance costs	(30)	-	(10)	-
7375	Share of profit (loss) of associates accounted for using equity method	(5,364)	-	3,242	-
		(33,613)	(1)	10,259	-
	Income before income tax	883,096	23	929,895	20
7950	Less: Income tax expenses(note 6(m))	(146,574)	(4)	(128,447)	(3)
	Net income	736,522	19	801,448	17
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	741	-	56	-
8330	Share of remeasurements of defined benefit plans of associates accounted for using equity method	(2,194)	-	(59)	-
8349	Income tax related to items that may be reclassified subsequently to profit or loss	(148)	-	214	-
		(1,601)	-	211	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(7,457)	-	(3,334)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(7,457)	-	(3,334)	-
	Other comprehensive income (loss) for the year	(9,058)	-	(3,123)	-
	Total comprehensive income for the year	$ 727,464	19	798,325	17
	Earnings per share (in New Taiwan dollars) (note 6(o)) :				
9750	Basic earnings per share	$	5.15		5.60
9850	Diluted earnings per share	$	5.10		5.55

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury stock	Total equity
Balance at January 1, 2018	$ 1,463,683	762,804	841,757	22,370	1,468,367	2,332,494	(32,398)	(4,823)	(37,221)	(285,953)	4,235,807
Effects of retrospective application	-	-	-	-	851	851	-	-	-	-	851
Equity at beginning of period after adjustments	1,463,683	762,804	841,757	22,370	1,469,218	2,333,345	(32,398)	(4,823)	(37,221)	(285,953)	4,236,658
Appropriation of earnings:											
Legal reserve	-	-	73,837	-	(73,837)	-	-	-	-	-	-
Special reserve	-	-	-	14,851	(14,851)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)
Retirement of treasury share	(33,060)	(17,026)	-	-	(235,867)	(235,867)	-	-	-	285,953	-
Net income in 2018	-	-	-	-	801,448	801,448	-	-	-	-	801,448
Other comprehensive income (loss) in 2018	-	-	-	-	-	-	(3,334)	211	(3,123)	-	(3,123)
Total comprehensive income (loss) in 2018	-	-	-	-	801,448	801,448	(3,334)	211	(3,123)	-	798,325
Balance at December 31, 2018	1,430,623	745,778	915,594	37,221	1,302,331	2,255,146	(35,732)	(4,612)	(40,344)	-	4,391,203
Appropriation of earnings:											
Legal reserve	-	-	80,145	-	(80,145)	-	-	-	-	-	-
Special reserve	-	-	-	3,123	(3,123)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)
Cash dividends from capital surplus	-	(71,531)	-	-	-	-	-	-	-	-	(71,531)
Net income in 2019	-	-	-	-	736,522	736,522	-	-	-	-	736,522
Other comprehensive income (loss) in 2019	-	-	-	-	-	-	(7,457)	(1,601)	(9,058)	-	(9,058)
Total comprehensive income (loss) in 2019	-	-	-	-	736,522	736,522	(7,457)	(1,601)	(9,058)	-	727,464
Balance at December 31, 2019	**$ 1,430,623**	**674,247**	**995,739**	**40,344**	**1,311,805**	**2,347,888**	**(43,189)**	**(6,213)**	**(49,402)**	**-**	**4,403,356**

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 883,096	929,895
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	81,268	80,639
Amortization	3,189	4,732
Expected credit loss	-	60
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	650	6,009
Share of loss (profit) of subsidiaries accounted for using equity method	5,364	(3,242)
Interest expense	30	10
Interest income	(11,381)	(3,861)
Unrealized (realized) gross profit on sales to subsidiaries	1,627	12,978
Total non-cash profit and loss	80,747	97,325
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	36,994	204,625
Accounts receivable from related parties	36,652	54,277
Inventories	97,210	(784)
Prepayments and other current assets	6,411	3,148
Net changes in operating assets	177,267	261,266
Changes in operating liabilities:		
Notes and accounts payable	(126,284)	(111,775)
Accounts payable to related parties	(4,047)	866
Other payables	4,691	(1,927)
Provisions－current	(2,089)	116
Other current liabilities	(7,943)	4,925
Net defined benefit liabilities	(2,146)	(407)
Net changes in operating liabilities	(137,818)	(108,202)
Total changes in operating assets and liabilities	39,449	153,064
Cash provided by operations	1,003,292	1,180,284
Income taxes paid	(146,464)	(98,126)
Net cash provided by operating activities	856,828	1,082,158

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Cash Flows (Continued)
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at amortised cost	(149,900)	-
Acquisition of investments accounted for using equity method	(6,258)	-
Payment of contingent consideration arising from business combination	-	(39,992)
Additions to property, plant and equipment (including prepayments for equipment)	(54,757)	(44,412)
Additions to intangible assets	(2,786)	(2,304)
Increase (decrease) in other financial assets	2,001	(3)
Interest received	9,234	3,861
Net cash flows used in investing activities	(202,466)	(82,850)
Cash flows from financing activities:		
Payment of lease liabilities	(970)	-
Cash dividends	(715,311)	(643,780)
Interest paid	(30)	(10)
Net cash flows used in financing activities	(716,311)	(643,790)
Net increase (decrease) in cash and cash equivalents	(61,949)	355,518
Cash and cash equivalents at beginning of year	1,686,065	1,330,547
Cash and cash equivalents at end of year	**$ 1,624,116**	**1,686,065**

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

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

1. Organization and business

Flytech Technology Co., Ltd. (the "Company") was incorporated on August 13, 1984, as a company limited by shares under the Company Act of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 168, Sing-Ai Road, Neihu, Taipei, Taiwan. The Company is engaged in the design, manufacture and sale of computers and peripherals.

2. Authorization of the parent company only financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 19, 2020.

3. Application of new and revised accounting standards and interpretations

(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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its 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.

(Continued)

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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 Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of other 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 Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- 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.

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $926 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.70%.

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 Company's financial statements	$	506
Extension and termination options reasonably certain to be exercised		427
	$	**933**
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	**$**	**926**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 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 Company assesses that the adoption of the abovementioned standards would not have any material impact on its 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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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

(Continued)

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

4. Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments and contingent consideration);

2) The defined benefit liabilities are measured at present value of the benefit obligation less the fair value of plan assets.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 an investment in equity securities designated as at fair value through other comprehensive income are recognized in other comprehensive income.

(Continued)

(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.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting date; or
(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL). Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

The Company shall reclassify all affected financial assets on the first day of the first reporting period only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, 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.

3) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company 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 Company 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 Company’s historical experience and informed credit assessment as well as forward-looking information.

ECL 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. The Company 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 Company 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 Company’ s procedures for recovery of amounts due.

(Continued)

4) Derecognition of financial assets

The Company derecognized 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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 Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company 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.

(iii) 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 Company has the 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.

(Continued)

(iv) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other cost incurred in bringing them to a location and condition ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(h) Investments in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under equity method, the net income, other comprehensive income and equity in the parent-company-only financial statement are the same as those attributable to the shareholders of the Company in the consolidated financial statements. Changes in the Company's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

The Company uses acquisition method for the acquisitions of its new subsidiaries. Goodwill is measured at the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquired) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Contingent consideration as part of the consideration transferred is measured at the acquisition date fair value. Any fluctuation of the fair value during the measurement period after the acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of the contingent consideration that occurred not during the measurement period, the accounting treatment will be based on the classification of contingent consideration. Contingent consideration classified as equity can not be re-measured and has to be adjusted under owner’s equity.

Other contingent consideration will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(Continued)

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

(i) 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 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.

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated on the cost of and 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 for property, plant and equipment are as follows: machinery and equipment - 3 to 12 years; mold equipment - 4 years; office equipment - 3 to 15 years; other equipment - 2 to 10 years; buildings are depreciated over the following useful lives of significant individual components: main structure - 50 years; mechanical & electrical power equipment - 20 years; and air-conditioning system - 10 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(j) Leases

<u>Applicable from January 1, 2019</u>

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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

3) the customer has the right to direct the use of the asset 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.

(ii) As a leasee

The Company 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 Company's incremental borrowing rate. Generally, the Company 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.

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 of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications in lease subject, scope of the lease of other terms

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 Company 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 Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company 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 are classified as finance leases when the Company assumes substantially all of the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases and are not recognized in the Company’s balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis.

(k) Intangible assets

The Company's intangible assets are acquired software, which are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over 3 to 5 years.

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) 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 Company 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.

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.

(m) Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and the weighting of all possible outcomes against their associated probabilities.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring its control of goods or services to a customer.

(i) Sale of goods

The Company recognizes revenue when its control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company grants its customers the right to return the faulty goods under the standard warranty terms and has recognized warranty provisions for this obligation, please refer to note 6(j).

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

(Continued)

(ii) Revenue from service rendered

Revenue from service rendered is recognized by reference to the stage of completion at the reporting date.

(o) 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 Company'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 discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. All current and deferred taxes are recognized in profit or loss except for expenses related to business combinations or recognized directly in equity or other comprehensive income.

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 income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (losses) at the time of transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it isprobable 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 reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off currenttax 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 unused tax losses, 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

(r) Earnings per share ("EPS")

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the parent-company-only financial statements. Basic EPS are calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares include profit
sharing for employees to be settled in the form of common stock.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, it does not disclose the operating segment information in the parent-company-only financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations and IFRSs endorsed by 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

There is no information involving critical judgments in applying the accounting policies in the parent-company-only financial statements.

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) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value, and the Company uses judgment and estimates to determine the net realizable value of inventory at each reporting date. Due to the rapid development of technology and innovation of production technology, the Company estimates the net realizable value of inventory, taking into account of obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Refer to note 6(e) for more details of the valuation of inventories.

(b) Impairment of goodwill

The entire carrying amount of investments in subsidiaries includes goodwill arising from initial recognition. The assessment of impairment of goodwill requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(f) for more details of the impairment of goodwill.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 774	932
Demand deposits and checking accounts	1,613,342	1,685,133
Time deposits with original maturities less than 3 months	10,000	-
	$ 1,624,116	1,686,065

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

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 120	744

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Foreign currency forward contracts	$ (26)	-

Refer to note 6(r) for the detail of the changes in fair value recognized in profit or loss.

The Company entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss:

	December 31, 2019			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial assets－foreign currency forward contracts	GBP	1,400	GBP/NTD	2020.1.31~2020.2.27
Financial liabilities－foreign currency forward contracts	GBP	650	GBP/NTD	2020.1.31

	December 31, 2018			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial assets－foreign currency forward contracts	GBP	1,400	GBP/NTD	2019.1.31~2019.2.27
	USD	2,000	USD/NTD	2019.1.31

(Continued)

(c) Financial assets measured at amortised cost－current

	December 31, 2019	December 31, 2018
Time deposits with original maturities more than 3 months	$ 149,900	-

The Company intended to hold to maturity in order to receive the contractual cash flows and the contractual cash flows were solely payments of principal and interest on the principal outstanding.

(d) Notes and accounts receivable (including related parties), and other receivables

	December 31, 2019	December 31, 2018
Notes receivable－from operating activities	$ 4,061	5,048
Accounts receivable－measured as amortized cost	550,745	586,752
Less: loss allowance	(8,299)	(8,299)
	546,507	583,501
Accounts receivable from related parties	132,562	169,214
Other receivables (Classified as other current assets)	2,194	2,457
	$ 681,263	755,172

The Company 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, trade receivables have been based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 424,962	0.04%	166
Past due 0-30 days	78,776	1.45%	1,141
Past due 31-60 days	51,068	13.69%	6,992
	$ 554,806		8,299

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 370,979	0.35%	1,310
Past due 0-30 days	167,654	0.65%	1,095
Past due 31-60 days	49,073	8.93%	4,382
Past due 61-180 days	4,094	36.93%	1,512
	$ 591,800		8,299

There were no loss allowance provision for accounts receivable from related parties after the assessment.

Movements of the loss allowance for notes and accounts receivable were as follows:

	2019	2018
Balance at January 1	$ 8,299	8,239
Impairment loss recognized	-	60
Balance at December 31	$ 8,299	8,299

(e) Inventories

(i) The information of inventories was as follows:

	December 31, 2019	December 31, 2018
Raw materials	$ 204,398	324,459
Work in process	119,423	111,036
Finished goods	48,960	34,496
	$ 372,781	469,991

(ii) The amounts of inventories recognized as cost of revenue were as follows:

	2019	2018
Costs of inventories sold	$ 2,527,840	3,178,084
Write-downs of inventories	-	2,500
Losses on scrap in inventories	21,779	36,456
Transfer for repairment costs	7,954	3,475
	$ 2,557,573	3,220,515

(f) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries	$ 1,111,662	1,122,046

(i) Please refer to the consolidated financial statements for the year ended December 31, 2019.

(ii) Impairment test on goodwill

At the end of each reporting period, the carrying amount of goodwill included in the investments in subsidiaries is tested for impairment. No impairment losses were recognized. Please refer to the consolidated financial statements for the year ended December 31, 2019.

(g) Property, plant and equipment

		Land	Buildings	Machinery	Mold equipment	Furniture and fixtures	Other equipment	Construction in progress	Total
Cost:									
Balance at January 1, 2019	$	382,446	613,347	284,239	390,728	48,189	17,580	41,887	1,778,416
Additions		-	-	7,076	29,088	2,314	-	11,027	49,505
Reclassification		(63,208)	116,122	-	4,754	-	-	(52,914)	4,754
Balance at December 31, 2019	$	319,238	729,469	291,315	424,570	50,503	17,580	-	1,832,675
Balance at January 1, 2018	$	382,446	612,662	315,933	385,137	50,403	17,726	33,914	1,798,221
Additions		-	685	1,041	12,961	2,004	185	7,973	24,849
Reclassification		-	-	-	13,276	-	-	-	13,276
Disposals		-	-	(32,735)	(20,646)	(4,218)	(331)	-	(57,930)
Balance at December 31, 2018	$	382,446	613,347	284,239	390,728	48,189	17,580	41,887	1,778,416
Accumulated depreciation:									
Balance at January 1, 2019	$	-	128,078	180,698	316,511	32,487	12,022	-	669,796
Depreciation		-	13,967	21,538	38,957	4,488	1,335	-	80,285
Balance at December 31, 2019	$	-	142,045	202,236	355,468	36,975	13,357	-	750,081
Balance at January 1, 2018	$	-	114,362	192,654	297,281	31,692	11,098	-	647,087
Depreciation		-	13,716	20,779	39,876	5,013	1,255	-	80,639
Disposals		-	-	(32,735)	(20,646)	(4,218)	(331)	-	(57,930)
Balance at December 31, 2018	$	-	128,078	180,698	316,511	32,487	12,022	-	669,796
Carrying amount:									
Balance at December 31, 2019	$	319,238	587,424	89,079	69,102	13,528	4,223	-	1,082,594
Balance at December 31, 2018	$	382,446	485,269	103,541	74,217	15,702	5,558	41,887	1,108,620
Balance at January 1, 2018	$	382,446	498,300	123,279	87,856	18,711	6,628	33,914	1,151,134

(h) Right-of-use assets

		Other equipment
Cost:		
Balance at January 1, 2019	$	-
Effects of retrospective application		926
Additions		2,657
Balance at December 31, 2019	$	3,583
Accumulated depreciation:		
Balance at January 1, 2019	$	-
Depreciation		983
Balance at December 31, 2019	$	983
Carrying amount:		
Balance at December 31, 2019	$	2,600

The Company leases other equipment under an operating lease for the year ended December 31, 2018, please refer to note 6(k).

(i) Lease liabilities

	December 31, 2019
Current	$ 1,032
Non-current	$ 1,581

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 30
Expenses relating to leases of low-value assets	$ 17

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

	2019
Total cash outflow for leases	$ 1,017

(i) Other leases

The Company lease parking space and other equipment, with lease terms of three years. These leases are short-term or low-value assets, the Company apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(j) Provision for warranties

	2019	2018
Balance at January 1	$ 12,735	12,619
Provisions made	2,898	6,544
Amount utilized	(4,987)	(6,428)
Balance at December 31	$ 10,646	12,735

The provision for warranties is estimated based on historical warranty data associated with similar products. The Company expects to settle most of the warranty liability in one to three years from the date of the sale of the product.

(k) Operating lease (the Company as lessee)

Non-cancellable rentals payable of operating leases were as follows:

		December 31, 2018
Not later than 1 year	$	506

The Company leases parking space under operating leases. The leases typically run for a period of 3 years. In 2018, the rental expenses of operating leases amounted to $1,031.

(l) Employee benefits

(i) Defined benefit plans

The present value of defined benefit obligations and the fair value of plan assets were as follows:

		December 31, 2019	December 31, 2018
Present value of benefit obligations	$	52,083	53,338
Fair value of plan assets		(28,983)	(27,351)
Net defined benefit liabilities	$	23,100	25,987

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2019 and 2018, the Company's labor pension fund account balance at Bank of Taiwan amounted to $28,983 and $27,351. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

(Continued)

2) Movements in present value of defined benefit obligations

		2019	2018
Defined benefit obligations at January 1	$	53,338	53,229
Current service costs and interest expense		917	1,072
Remeasurement of net defined benefit liabilities:			
–Actuarial loss arising from changes in financial assumptions		234	630
Benefits paid by plan		(2,406)	(1,593)
Defined benefit obligations at December 31	$	52,083	53,338

3) Movements of fair value of plan assets

		2019	2018
Fair value of plan assets at January 1	$	27,351	26,779
Interest income		304	366
Remeasurement on net defined benefit liabilities:			
–Return on plan assets (excluding current interest expense)		975	686
Contributions by plan participants		2,759	1,113
Benefits paid by the plan		(2,406)	(1,593)
Fair value of plan assets at December 31	$	28,983	27,351

4) Changes in the effect of the asset ceiling

In 2019 and 2018, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2019	2018
Current service cost	$	331	354
Net interest expense		282	352
	$	613	706
Operating expenses	$	613	706
Actual return on plan assets	$	1,279	1,052

6) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

		2019	2018
Accumulated amount at January 1	$	(7,467)	(7,523)
Recognized during the period		741	56
Accumulated amount at December 31	$	(6,726)	(7,467)

The remeasurement of net defined benefit liabilities (net of taxes) were recognized in other equity.

(Continued)

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.00%	1.10%
Future salary increases rate	2.00%	2.00%

The weighted-average duration of the defined benefit plans was 12.2 years. The Company expects to make contribution of $600 to the defined benefit plans in the year following December 31, 2019.

8) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation:

	Impact on defined benefit obligation	
	0.25% Increase	0.25% Decrease
Balance at December 31, 2019		
Discount rate	(883)	919
Future salary	958	(837)
Balance at December 31, 2018		
Discount rate	(1,116)	1,161
Future salary	1,209	(1,055)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets. The method used to carry out the sensitivity analysis is the same as in the prior year.

(Continued)

(ii) Defined contribution plans

The Company contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

The Company recognized expense of the defined contribution plans were as follow:

	2019	2018
Cost of revenue	$ 4,510	4,981
Operating expenses	8,454	8,711
	$ 12,964	**13,692**

(m) Income taxes

(i) The components of income tax expense were as follows:

	2019	2018
Current income tax expense		
Current period	$ 149,297	130,114
Deferred tax benefit		
Origination and reversal of temporary differences	(2,723)	(1,667)
Income tax expense	**$ 146,574**	**128,447**

The Company's income tax benefits (expenses) recognized in other comprehensive income were as follows:

	2019	2018
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**$ (148)**	**214**

The reconciliation of the expected income tax expense calculated based on the R.O.C. statutory tax rate and the actual income tax expense reported in the parent company only statements of comprehensive income were as follows:

	2019	2018
Income before income tax	$ 883,096	929,895
Income tax using the Company's statutory tax rate	$ 176,619	185,979
Non-deductible expenses	5	-
Tax-exempt income	(34,077)	(47,658)
Investment tax credits	(872)	(10,297)
Share of loss of domestic subsidiaries	4,254	1,704
Changes in unrecognized temporary differences	98	(1,901)
Adjustments for prior years	(3,173)	(429)
Undistributed earnings additional tax	3,720	590
Adjustments in tax rate	-	459
	$ 146,574	128,447

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

As the Company is able to control the timing of the reversal of temporary differences associated with the loss on its investments in its subsidiaries, and concludes that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax assets.

	December 31, 2019	December 31, 2018
Loss related to investments in subsidiaries	$ 9,347	9,249

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Defined benefit plans	Inventory provisions	Others	Total
Balance at January 1, 2019	$ 5,644	6,500	15,620	27,764
Recognized in profit or loss	(429)	-	6,339	5,910
Recognized in other comprehensive income (loss)	(148)	-	-	(148)
Balance at December 31, 2019	$ 5,067	6,500	21,959	33,526
Balance at January 1, 2018	$ 4,877	5,100	11,163	21,140
Recognized in profit or loss	553	1,400	4,457	6,410
Recognized in other comprehensive income (loss)	214	-	-	214
Balance at December 31, 2018	$ 5,644	6,500	15,620	27,764

(Continued)

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Others	Total
Balance at January 1, 2019	$ 27,154	481	27,635
Recognized in profit or loss	3,280	(93)	3,187
Balance at December 31, 2019	**$ 30,434**	**388**	**30,822**
Balance at January 1, 2018	$ 22,696	196	22,892
Recognized in profit or loss	4,458	285	4,743
Balance at December 31, 2018	**$ 27,154**	**481**	**27,635**

(iii) The Company's income tax returns for the years through 2015 have been examined and approved by the R.O.C. income tax authorities.

(n) Capital and other equity

(i) Common stock

As of December 31, 2019 and 2018, the Company's authorized shares of common stock consisted of 180,000 thousand shares, with par value of $10 (dollars) per share, both of which 143,062 thousand shares were issued and outstanding.

(ii) Capital surplus

	December 31, 2019	December 31, 2018
Premium derived from the issuance of share in excess of par value:		
Premium on common stock issued for conversion of convertible bonds	$ 668,638	736,754
Forfeited employee stock options	-	2,433
Difference between the proceeds and the carrying amounts arising from the acquisition or disposal of shares in subsidiaries	-	982
Changes in ownership interest in subsidiaries	5,594	5,594
Gain on disposal of assets	15	15
	$ 674,247	**745,778**

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock dividends or dividends as cash didvidends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

The distribution of earnings for 2018 and 2017 had been approved in the meetings of shareholders held on June 12, 2019, and June 8, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		**2017**	
	Dividends per share (in dollars)	**Total amount**	**Dividends per share (in dollars)**	**Total amount**
Dividends distributed to shareholders:				
Cash	$ 4.50	**643,780**	4.50	**643,780**

(Continued)

On June 12, 2019, the Company's shareholders decided to distribute cash of $0.5 dollars per share from capital surplus. Total distributed cash dividend for 2018 is $5.0 per share.

On March 19, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Dividends per share (in dollars)	**Total amount**
Dividends distributed to shareholders:		
Cash	$ 4.00	$ 572,249

In addition, the Company's Board of Directors proposed to distribute cash of $0.5 dollars per share from capital surplus. The distributed cash dividend for 2019 is $4.5 per share.

Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Treasury stock

The Board of Directors approved a resolution to puchase treasury stock in order to maintain the credit of the Company and the right of the shareholders. The Company purchased 3,306,000 shares of its own common shares for the amount of $285,953 from September, 2017 to November, 2017. On February, 2018 the related registration process to retire the aforementioned treasury stock has been completed.

(v) Other equity items (net after tax)

	Foreign currency translation differences	**Remeasurement of defined benefit plans**	**Total**
Balance at January 1, 2019	$ (35,732)	(4,612)	(40,344)
Exchange differences on subsidiaries accounted for using equity method (net of tax)	(7,457)	-	(7,457)
Remeasurement of defined benefit plans (net of tax)	-	593	593
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method	-	(2,194)	(2,194)
Balance at December 31, 2019	$ (43,189)	(6,213)	(49,402)

	Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2018	$ (32,398)	(4,823)	(37,221)
Exchange differences on subsidiaries accounted for using equity method (net of tax)	(3,334)	-	(3,334)
Remeasurement of defined benefit plans (net of tax)	-	270	270
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method	-	(59)	(59)
Balance at December 31, 2018	**$ (35,732)**	**(4,612)**	**(40,344)**

(o) Earnings per share ("EPS")

(i) Basic EPS

	2019	2018
Profit attributable to shareholders of the Company	$ 736,522	801,448
Weighted-average number of ordinary shares outstanding (in thousands)	143,062	143,062
Basic EPS (dollars)	**$ 5.15**	**5.60**

(ii) Diluted EPS

	2019	2018
Profit attributable to shareholders of the Company (diluted)	$ 736,522	801,448
Weighted-average number of ordinary shares outstanding (in thousands)	143,062	143,062
Effect of employee bonuses	1,295	1,310
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	144,357	144,372
Diluted EPS (dollars)	**$ 5.10**	**5.55**

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Domestic sales	$	300,982	401,931
Export:			
Asia		401,848	430,607
America		1,936,531	2,123,173
Europe and Africa		1,287,372	1,672,594
	$	3,625,751	4,226,374
	$	**3,926,733**	**4,628,305**
Major products:			
Industrial computers	$	3,434,820	3,971,676
Peripherals		468,312	627,788
Others		23,601	28,841
	$	**3,926,733**	**4,628,305**

(ii) Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$	687,368	761,014	1,019,916
Less: loss allowance		(8,299)	(8,299)	(8,239)
	$	**679,069**	**752,715**	**1,011,677**

Please refer to note 6(d) for details on notes and accounts receivable and its loss allowance.

(q) Remuneration of employees and directors and supervisors

Pursuant to the Company's articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors. The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements.

(Continued)

For the year ended December 31, 2019 and 2018, the Company accrued the remuneration to its employees amounting to $77,000 and $80,000, respectively, and the remuneration to its directors amounting to $3,500 and $2,400, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as cost of revenue and operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year. The abovementioned estimated remuneration to employees, directors and supervisors is the same as the amount approved by the Board of Directors and will be paid in cash. The related information would be available at the Market Observation Post System website.

(r) Non-operating income and loss

(i) Other income

	2019	2018
Interest income from bank deposits	$ 11,381	3,861
Others	1,450	3,151
	$ 12,831	**7,012**

(ii) Other gains and losses

	2019	2018
Loss on financial assets and liabilities at fair value through profit or loss	$ (650)	(6,105)
Foreign currency exchange gain (loss), net	(40,360)	6,120
Others	(40)	-
	$ (41,050)	**15**

(iii) Finance costs

	2019	2018
Interest expense from bank loans	$ -	10
Interest expense from lease liabilities	30	-
	$ 30	**10**

(Continued)

(s) Categories and fair value of financial instruments

(i) Categories of financial instruments

1) Financial assets

		December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	$	120	744
Financial assets measured at amortized cost:			
Cash and cash equivalents	$	1,624,116	1,686,065
Financial assets measured at amortized cost–current		149,900	-
Notes and accounts receivable (including related parties)		679,069	752,715
Other receivables (classified as other current assets)		2,194	2,457
Other financial assets – non-current		285	2,286
	$	2,455,564	2,444,267

2) Financial liabilities

		December 31, 2019	December 31, 2018
Financial liabilities at fair value through profit or loss :			
Financial liabilities held-for-trading－foreign currency forward contracts	$	26	-
Financial liabilities measured at amortized cost:			
Notes and accounts payable (including related parties)	$	288,875	419,206
Lease liabilities		2,613	-
Other payables		34,271	37,861
	$	325,759	457,067

(ii) Fair value information—financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Financial instruments that are measured at fair value

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

3) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2019				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 120	-	120	-	120
Financial liabilities mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 26	-	26	-	26

	December 31, 2018				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:					
Foreign currency forward contracts	$ 744	-	744	-	744

There were no transfers between fair value levels for the years ended December 31, 2019 and 2018.

Movement in financial liabilities included Level 3 fair value hierarchy:

	2019	2018
Balance at January 1	$ -	32,088
Recognized in profit or loss	-	7,904
Repaid	-	(39,992)
Balance at December 31	$ -	-

(iv) Valuation techniques and assumptions used in fair value measurement

1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. In 2018, discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the present value of the consideration to pay.

2) Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

(t) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Company has disclosed the information on exposure to the aforementioned risks, the Company's policies and procedures to measure and manage those risks, and the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operations.

The Company's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, notes and receivables from customers (including related parties). The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

The Company maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

As of December 31, 2019 and 2018, four clients accounted to a total of 58% and 49%, respectively, of the Company's notes and accounts receivable (including related parties). In order to reduce credit risk, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

For credit risk exposure and loss allowance of notes and accounts receivables, please refer to note 6(d). Cash, accounts receivable from related parties and other financial assets are considered as low-credit-risk financial assets, and thus, the loss allowance are measured using 12-mondths ECL, please refer to note 4(f) for descriptions about how the Company determines the credit risk. As of December 31, 2019, no loss allowance was provided for these financial assets after management's assessment.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and maintaining adequate cash and cash equivalents, and banking facilities. As of December 31, 2019 and 2018, the Company had unused credit facilities of $1,179,880 and $1,715,005, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Contractual cash flows	Within 1 years	1-2 years	More than 2 years
December 31, 2019				
Non-derivative financial liabilities:				
Accounts payable (including related parties)	288,875	288,875	-	-
Lease liabilities	2,667	1,067	1,067	533
Other payables	34,271	34,271	-	-
	$ 325,813	324,213	1,067	533
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	$ 80,673	80,673	-	-
Inflow	(80,767)	(80,767)	-	-
	$ (94)	(94)	-	-
December 31, 2018				
Non-derivative financial liabilities:				
Accounts payable (including related parties)	$ 419,206	419,206	-	-
Other payables	37,861	37,861	-	-
	$ 457,067	457,067	-	-

(Continued)

	Contractual cash flows	Within 1 years	1-2 years	More than 2 years
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	$ 116,378	116,378	-	-
Inflow	(117,122)	(117,122)	-	-
	$ (744)	(744)	-	-

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

1) Foreign currency risk

The Company's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (payables)(including related parties). At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Company entities were as follows:

(Amount in Thousands of Dollars)

	December 31, 2019				
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss
Financial assets					
Monetary items					
USD	$ 42,621	29.98	1,277,778	1%	12,778
RMB	33,542	4.31	144,566	1%	1,446
GBP	2,100	39.36	82,656	1%	827
Financial liabilities					
Monetary items					
USD	4,681	29.98	140,336	1%	1,403

	December 31, 2018				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 21,670	30.72	665,702	1%	6,657
GBP	1,404	38.88	54,588	1%	546
Financial liabilities					
Monetary items					
USD	7,694	30.72	236,360	1%	2,364

For the years ended December 31, 2019 and 2018, the aggregate of realized and unrealized foreign exchange gain (loss) amounted to $(40,360) and $6,120, respectively.

2) Interest rate risk

The Company operates primarily with its own working capital and there is no liabilities bearing floating interest rates at the end of the reporting period.

The changes in interest rate would not cause significant potential financial impact on the Company’s financial assets, and therefore the management believes that there is no significant interest risk.

(u) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(v) Investing and financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under operating lease for the year ended December 31, 2019, please refer to note 6(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2019	**Cash flows**	**Changes in lease liabilities**	**Changes in foreign exchange rates**	**December 31, 2019**
Lease liabilities	$ 926	(970)	2,657	-	2,613

(Continued)

7. Related-party transactions

(a) Name and relationship with related parties

The following are the Company's subsidiaries:

Name of related parties	Relationship with the Company
Flytech USA International Co., Ltd. (Flytech USA BVI)	The Company's subsidiary
Flytech HK International Co., Ltd. (Flytech HK BVI)	The Company's subsidiary
Flytech CN International Co., Ltd. (Flytech CN BVI)	The Company's subsidiary
Fei Shiun Investment Co., Ltd. (Fei Shiun Investment)	The Company's subsidiary
Box Technologies (Holdings) Ltd. (Box Holdings)	The Company's subsidiary
Flytech Technology (U.S.A.) Inc. (Flytech USA)	The Company's subsidiary
Flytech Technology Hong Kong Ltd. (Flytech HK)	The Company's subsidiary
Flytech Technology (Shanghai) Co., Ltd. (Flytech CN)	The Company's subsidiary
Qijie Electronics (Shenzhen) Co.,Ltd	The Company's subsidiary
iSappos System co., Ltd. (iSappos)	The Company's subsidiary
aiXpert Solutions Inc. (aiXpert Solutions)	The Company's subsidiary
iRuggy System Co., Ltd. (iRuggy System)	The Company's subsidiary
Poindus Systems Corporation (Poindus Systems)	The Company's subsidiary
Poindus Investment Co., Ltd. (Poindus Investment)	The Company's subsidiary
Poindus Systems UK Limited (Poindus UK)	The Company's subsidiary
Adasys GmbH Elektronische Komponenteas (Adasys)	The Company's subsidiary
Poindus Systems GmbH GroBhandel mit EDV. Oberursel (Poindus GmbH)	The Company's subsidiary
Box Technologies Limited (Box UK)	The Company's subsidiary
BTechnologies AB (Box Nordic)	The Company's subsidiary

(b) Significant related-party transactions:

(i) Revenue

	2019	2018
Subsidiaries:		
Box UK	$ 250,092	470,624
Others	306,252	345,134
	$ 556,344	**815,758**

The selling price and payment terms of sales of related parties depend on the economic environment and market competition, the trade terms of sales with related parties are EOM 60~120 days, and the trade terms with third parties are OA 30~75 days. Receivables from related parties were not secured with collateral and did not require provisions for expected credit loss.

(Continued)

(ii) Purchases

	2019	2018
Subsidiaries	$ 19,168	22,613

The purchases price for the abovementioned transactions were not comparable to the purchases price for third-party vendors as the specifications of products were different. The payment terms of 60 days shows no significant difference between related parties and third-party vendors.

(iii) Operating expenses

Operating expenses related to the commissions and product development by related parties were as below:

Account	Related-party categories	2019	2018
Operating expenses	Subsidiaries	$ 26,677	28,963

(iv) Receivables from related parties

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts receivable-related parties	Subsidiaries—Box UK	$ 78,349	59,194
Accounts receivable-related parties	Other subsidiaries	54,213	110,020
		$ 132,562	169,214

(v) Payables to related parties

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable related parties	Subsidiaries	$ 4,138	8,185

(c) Compensation of key management personnel

	2019	2018
Short-term employee benefits	$ 41,820	39,325
Post-employment benefits	1,158	660
	$ 42,978	39,985

(Continued)

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2019	December 31, 2018
Time deposits(classified as other current assets)	Guarantee deposit for custom duties	$ 224	222

9. Significant commitments and contingencies:None

10. Significant losses due to major disasters:None

11. Significant subsequent events:None

12. Others

Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

By function / By item	2019 Cost of revenue	2019 Operating expenses	2019 Total	2018 Cost of revenue	2018 Operating expenses	2018 Total
Employee benefits:						
Salaries	136,982	239,489	376,471	155,800	249,421	405,221
Insurance	11,849	16,380	28,229	13,134	15,759	28,893
Pension	4,510	9,067	13,577	4,981	9,417	14,398
Remuneration to directors	-	5,040	5,040	-	3,760	3,760
Others	4,829	5,119	9,948	5,419	5,261	10,680
Depreciation	69,275	11,993	81,268	69,462	11,177	80,639
Amortization	62	3,127	3,189	106	4,626	4,732

	2019	2018
The number of employees	428	483
The number of non-employee directors	5	4
Average employee benefits	$ 1,012	959
Average employee salaries	$ 890	846
Average employee salaries increased by	5.20%	

(Continued)

13. Additional disclosures

(a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company discloses the following information on significant transactions for the year ended December 31, 2019:

(i) Financing provided to other parties:

(Amounts in Thousands of New Taiwan Dollars/Euro)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
1	Poindus Systems	Adasys	Long term other receivables	Yes	38,852 (EUR 1,100)	21,834 (EUR 650)	21,834 (EUR 650)	4%	1	53,502		-		-	51,673	206,693

Note 1. Parties to intercompany transactions are identified and numbered as follows:
1. "0" represents the Company
2. Subsidiaries are numbered from "1".

Note 2. Nature of financing
1. Business transaction purpose
2. Short-term financing

Note 3. The individual financing amounts shall not exceed the lower amounts of transaction amounts of the most recent year and 10% of the most recent audited or reviewed net worth of Poindus Systems. The aggregate financing amount shall not exceed 40% of the most recent audited or reviewed net worth of Poindus Systems.

(ii) Guarantees and endorsements provided to other parties:

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guarantee Party Name	Guarantee Party Name of Relationship (Note 2)	Limit on Endorsement/ Guarantee Amount Provided to Each Guarantee Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	The Company	Box Technologies limited	2	880,671	200,000	80,000	-	-	1.82%	2,201,678	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
1. The Company is '0'
2. The subsidiaries are numbered in order starting from "1"

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as "2", the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.

Note 3: The Company provide guaranteed to subsidiary that the company owns directly 100% voting shares, the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the company should not exceed 50% of its net worth.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):None

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed $300 million or 20% of the paid-in capital:None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

			Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		
Company Name	**Related Party**	**Relationship**	**Purchases/ (Sales)**	**Amount (Note 3)**	**% of Total Purchases/ (Sales)**	**Payment Terms**	**Unit Price**	**Payment Terms**	**Ending Balance**	**% of Total Notes/Accounts Receivable (Payable)**	**Note**
The Company	Poindus systems	Subsidiary	(Sales)	162,906	4.15%	EM 60	(Note 1)	(Note 2)	26,797	3.95%	
The Company	Box UK	Subsidiary	(Sales)	250,092	6.37%	EM 75	(Note 1)	(Note 2)	78,349	11.54%	

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.
Note 2: The trade terms of sales with related parties are EOM 60~75 days, and the trade terms with third parties are OA 30~75 days.
Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:None

(ix) Transactions in derivative instruments: Refer to note 6(b)

(b) Information on investees:

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

(Amounts in Thousands of shares/ foreign currency and New Taiwan Dollars)

			Main	Original Investment Amount		Balance as of December 31, 2019			Net Income	Investment	
Investor	**Investee**	**Location**	**Businesses and Products**	**December 31, 2019**	**December 31, 2018**	**Shares**	**Percentage of Ownership**	**Carrying value**	**(Loss) of the Investee**	**Income (Loss)**	**Note**
The Company	Flytech USA BVI	British Virgin Islands	Investment and holding activity	38,652	38,652	100	100.00%	18,601	(222)	(222)	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	134,828	9,082	9,082	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	90,601	84,343	350	100.00%	116,678	7,539	7,539	
The Company	Fei Shiun Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	384,985	(21,274)	(21,274)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	511,307	4	100.00%	456,570	30,576	(489)	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	17,578 (USD586)	(225) (USD(7))	-	
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	136,308 (USD4,547)	9,082 (USD294)	-	
Flytech HK	iSAPPOS	Hong Kong	Sale of computers and peripherals	31,690 (HKD7,500)	31,690 (HKD7,500)	(Note 1)	100.00%	2,641 (HKD686)	(1,594) (HKD(404))	-	
Fei Shiun Investment	aiXpert Solutions	Taiwan	Operating software design and date processing services, and integrating software and hardware services	42,000	-	4,200	70.00%	34,101	(11,284)	-	Note 2
Fei Shiun Investment	iRUGGY System	Taiwan	Sale of computers and peripherals	48,000	48,000	4,800	80.00%	20,647	(2,335)	-	
Fei Shiun Investment	Poindus Systems	Taiwan	Sale of computers and peripherals	308,070	308,070	10,354	49.31%	265,797	25,779	-	
Poindus Systems	Poindus Investment	Taiwan	Investment and holding activities	4,100	4,100	(Note 1)	100.00%	835	(62)	-	
Poindus Systems	Adasys	Germany	Sale of computers and peripherals	57,712 (EUR 1,730)	42,134 (EUR 1,280)	-	100.00%	11,453	(4,286)	-	
Poindus Systems	Poindus America	USA	Sale of computers and peripherals	-	32,195 (USD 1,000)	-	-	-	(1,255)	-	Note 3
Poindus Systems	Poindus UK	United Kingdom	Sale of computers and peripherals	14,297 (GBP 300)	14,297 (GBP 300)	300	100.00%	(16,579)	(1,234)	-	
Poindus Investment	Poindus GmbH	Germany	Sale of computers and peripherals	1,721 (EUR 40)	1,195 (EUR 25)	(Note 1)	100.00%	386	(60)	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP 10)	472 (GBP 10)	10	100.00%	235,886 (GBP 5,993)	37,559 (GBP 925)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	2,330 (GBP 49)	2,330 (GBP 49)	5	100.00%	6,587 (GBP 167)	(6,984) (GBP (177))	-	

Note 1: There were no shares as the company is a limited liability company.
Note 2: In January 2019, aiXpert Solutions was newly established company.
Note 3: In April 2019, Poindus America was liquidated.

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	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 (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Flytech CN	Sale of computers and peripherals	69,089 (USD 2,000)	(Note 1)	69,089 (USD 2,000)	-	-	69,089 (USD 2,000)	6,748 (USD 218)	100.00%	6,748 (USD 218)	102,613 (USD 3,423)	-
Flytech BJ	Sale of computers and peripherals	-	(Note 2)	15,420 (USD 500)	-	-	15,420 (USD 500)	-	-	-	-	-
Qijie	Sale of computers and peripherals	30,850 (USD 1,000)	(Note 3)	-	6,258 (USD 200)	-	6,258 (USD 200)	(683) (USD (22))	60.00%	(240) (USD (8))	16,966 (USD 566)	-

Note 1: Indirect investment in Mainland China through a holding company, Flytech CN BVI, established in a third country

Note 2: In March 2019, Flytech BJ was liquidate.

Note 3: Flytech CN BVI reinvest the shares money from dissolution of Flytech BJ USD 392 (amounts in thousands) and its own funds in the company in Mainland China.

Note 4: Investment income or loss was recognized based on financial statements audited by the auditors of the parent company.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Accumulated investment in Mainland China as of December 31, 2019	Investment amount authorized by Ministry of Economic Affairs Investment Commission	Upper limit on investment
90,767 (USD 2,700)	103,107 (USD 3,100)	2,642,014

(iii) Significant transactions with the investee in Mainland China:None

14. Segment information

Please refer to the consolidated financial statements for the years ended December 31, 2019 and 2018 for disclosure of segment information.

Flytech Technology Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and cash in foreign currency		$ 774
Demand deposits		887,373
Checking accounts		8
Foreign currency deposits (Note 1)	USD：24,254 thousand	725,961
	CNY：33,542 thousand	
Time deposits		10,000
		$ 1,624,116

Note 1: Foreign currency deposits were translated at the spot exchange rate on December 31, 2019 as follows:

Currency	Exchange rate
USD	29.98
CNY	4.31

(Continued)

Flytech Technology Co., Ltd.

Statement of Notes and Accounts Receivable

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of Customers	Description	Amount	Note
Customer A		$ 144,089	
Customer B		122,741	
Customer C		47,443	
Customer D		28,474	
Customer E		28,098	
Other (less than 5%)		183,961	
Less : Loss allowance		(8,299)	
		$ 546,507	

Statement of Accounts Receivable From Related Parties

Name of related parties	Amount
Poindus Systems Corp.	$ 26,797
Box Technologies Limited	78,349
Flytech CN	16,249
Other (less than 5%)	11,167
	$ 132,562

(Continued)

Flytech Technology Co., Ltd.

Statement of Inventories

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount: Carrying amount	Amount: Net realizable value	Note
Raw materials	$ 204,398	206,090	
Work in porcess	119,423	166,229	
Finished goods	48,960	67,397	
	$ 372,781	**439,716**	

Statement of Prepayments and Other Current Assets

Item	Description	Amount	Note
VAT refund		$ 12,116	
Interest receivable		2,147	
Prepaid insurance expense		1,144	
Other (less than 5%)		1,933	
		$ 17,340	

(Continued)

Flytech Technology Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of investees	Balance at January 1, 2019		Adjustments to initial adoption of IFRS 9	Addition		Decrease		Investment income (loss) for using equity method	Foreign currency translation difference	Changes in remeasurement of defined benefit plan	Realized (unrealized) gross profit	Balance at December 31, 2018			Total equity	Collateral or pledge
	Shares	Amount		Shares	Amount	Shares	Amount					Shares	%	Amount		
Flytech USA BVI	100	$ 19,266	-	-	-	-	-	(222)	(455)	-	12	100	100.00%	18,601	18,620	No
Flytech HK BVI	50	128,619	-	-	-	-	-	9,082	(2,605)	-	(268)	50	100.00%	134,828	136,415	No
Flytech CN BVI	150	110,893	-	200	6,258	-	-	7,539	(5,792)	-	(2,220)	350	100.00%	116,678	121,202	No
Fei-Syun Investment	19,000	409,707	-	-	-	-	-	(21,274)	314	(2,194)	(1,568)	19,000	100.00%	384,985	397,863	No
Box Holdings	4	453,561	-	-	-	-	-	(489)	1,081	-	2,417	4	100.00%	456,570	203,037	No
		$ 1,122,046	-		6,258		-	(5,364)	(7,457)	(2,194)	(1,627)			1,111,662		

(Continued)

Flytech Technology Co., Ltd.

Statement of Change in of Intangible Assets

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Begining balance	Increase during 2019	Transferred from advance equipment	Decrease during 2019	Ending balance	Note
Cost：						
Computer software	$ 34,549	2,786	-	-	37,335	
Amortization：						
Computer software	(30,712)	(3,189)	-	-	(33,901)	Amortizing by straight-line method
	$ 3,837	**(403)**	**-**	**-**	**3,434**	

(Continued)

Flytech Technology Co., Ltd.

Statement of Notes and Accounts Payable

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of cusomers	Description	Amount	Note
Vendor A		$ 45,229	
Vendor B		18,875	
Other (less than 5%)		220,633	
		$ 284,737	

Statement of Other Payables

Item	Description	Amount	Note
Accrued remuneration to employees, and directors and supervisors		$ 88,577	
Accrued Bonus		46,825	
Salaries and wages payable		21,301	
Other (less than 5%)		43,086	
		$ 199,789	

(Continued)

Flytech Technology Co., Ltd.

Statement of Other Current Liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Contract liabilities		$ 11,765	
Deferred revenue for extend warranty		3,053	
Receipts under custody		86	
		$ 14,904	

(Continued)

Flytech Technology Co., Ltd.

Statement of Lease Liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Lease period	Discount Rate	Ending balance
Other equipment	2019/7/15~2022/7/14	1.70%	$ 2,613
Current			$ 1,032
Non-current			$ 1,581

Statement of Revenue

For the year ended December 31, 2019

Item	Amount	Note
Industries computers	$ 3,434,820	
Other peripheral products	468,312	
Service, repairs and other income	23,601	
	$ 3,926,733	

(Continued)

Flytech Technology Co., Ltd.

Statement of Cost of Revenue

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of year	$ 351,861
Add : Net purchase	2,020,016
Transferred from outsourcing processing	29,288
Less : Ending balance	231,711
Transferred to expenses and others	19,050
Cost of sales on raw materials	66,504
Raw materials used	2,083,900
Direct labor	61,812
Manufacturing overhead	194,530
Manufacturing cost	2,340,242
Add : Work in process, beginning of year	115,443
Purchases	158,766
Less：Work in process, end of year	124,394
Transferred to expenses and others	19,360
Cost of sales on work in process	180,809
Cost of goods manufactured	2,289,888
Add : Finished goods, beginning of year	35,186
Less：Finished goods, end of year	49,175
Transferred to expenses and others	1,633
Cost of sales	2,274,266
Cost of sales on raw materials	66,504
Cost of sales on work in process	180,809
Losses on scrap of inventories	21,779
Others	17,092
Cost of Revenue	**$ 2,560,450**

(Continued)

Flytech Technology Co., Ltd.

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries and wages	$ 64,923	65,321	109,245
Commission expense	33,381	-	-
Advertising expense	9,536	969	5
Insurance expense	7,766	5,312	7,578
Depreciation expense	1,014	7,502	3,477
Research expense	-	-	29,445
Professional service expense	2,881	6,639	839
Other expense (less than 5%)	36,784	36,291	19,039
Total	**$ 156,285**	**122,034**	**169,628**

Please refer to note 6(g) for statement of movement of property, plant and equipment.

Please refer to note 6(h) for statement of movement of right-of-use assets.

Please refer to note 6(m) for deffered tax assets and liabilities.

Please refer to note 6(j) for statement of provisions.

Please refer to note 6(l) for statement of net defined benefit liabilities.

Please refer to note 6(r) for statement of other income, other gain or loss and finance costs.

Flytech Technology Co., Ltd.

Statement of Internal Control System

Date: Mar 19th 2020

Based on the findings of a self-assessment, Flytech Technology Co., Ltd. (Flytech) states the following with regard to its internal control system during the year 2019:

1. Flytech's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and Flytech has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.

2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of Flytech contains self-monitoring mechanisms, and Flytech takes immediate remedial actions in response to any identified deficiencies.

3. Flytech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.

4. Flytech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, Flytech believes that, on December 31, 2019, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.

6. This Statement will be an integral part of Flytech's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This Statement has been passed by the Board of Directors in their meeting on March 19th, 2020, with none of the seven attending directors expressing dissenting opinions, and remainders all affirming the content of this Statement.

Flytech Technology Co.,Ltd.

Chairman
Lam Tai Seng

President
Chuo Chun Hung

飛捷科技股份有限公司

負責人：林大成