Stock Code: 3088

AXIOMTEK CO., LTD.

2018

Annual Report

Notice to readers

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

Printed on April 30, 2019

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw/mops/web/t57sb01_q5
Annual Report is available at:
http://www.axiomtek.com.tw/Default.aspx?MenuId=AboutUs&ItemId=201&C=ShareholdersMeeting

I. Spokesperson and Deputy Spokesperson:

Spokesperson

Name: Skin Huang

Title: Senior Special Assistant

Tel: +886-2-86462111

Email: skin.huang@axiomtek.com.tw

Deputy Spokesperson

Name: Jane Hsu

Title: Vice President

Tel: +886-2-86462111

Email: jane.hsu@axiomtek.com.tw

II. Headquarters and Plant

Headquarters

Address: 8F., No.55, Nanxing Road, Xizhi District, New Taipei City 221, Taiwan

Tel: +886-2-86462111 (Representative No.)

Plant

Address: No.432, Gongguan Road, Beitou District., Taipei City 112, Taiwan

Tel: +886-2-2893-0188 (Representative No.)

III. Stock Transfer Agency

Name: Taishin International Bank, Stock Transfer Agency Department

Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City

Website: http://www.taishinbank.com.tw

Tel: +886-2-25048125

IV. Auditors

Name of CPA: Feng Ming-Chuan, Hsu Shien-Chong

CPA Firm: PricewaterhouseCoopers, Taiwan

Address: 27F, No.333, Section 1, Keelung Road, Taipei City

Website: http://www.pwc.tw

Tel: +886-2-27296666

V. Overseas Securities Exchange: None.

VI. Company Website

http://www.axiomtek.com.tw/

Table of Contents

I. Letter to Shareholders

Dear Shareholders:

Axiomtek Co., Ltd. (hereinafter referred to as “the Company” or “Axiomtek”) and its subsidiaries (the Company and its subsidiaries are hereinafter referred to as “the Group”). The consolidated revenue in 2018 was NT$5.011 billion compared to NT$3.994 billion in 2017 grew by 25.46% and hit the record high.

It is evident that the integration of artificial intelligence and IoT (AIoT) will be the key growth drivers for the future. With the ongoing development of artificial intelligence and experience gained from continuous learning, the applicability of computer-based vision has expanded. Advanced study of the technology has created a new generation of video analysis tools that can differentiate a person, object, vehicle etc., in each frame, enabling further tracking and analysis. AI and deep learning, supported by big data and advanced algorithms, have created a new generation of video analytic capabilities. in this early development phase of artificial intelligence and IoT, the Group continues to invest in the automation of verticals like smart transportation, smart retail etc., expanding IoT application platforms, collaborating with technology partners to build an ecosystem, integrating both hardware and software techniques, laying the foundation for a sustainable value chain.

The Group operating performance in 2018 and business plan for 2019 are illustrated as follows:

1. Operating Performance in 2018:

(1) Outcome of business plan implementation:

In 2018, out of the Group’s consolidated revenue of NT$5.011 billion, we generated a total consolidated net income of NT$407 million, a total comprehensive income of NT$413 million and after-tax earnings per share of NT$5.12.

(2) Budget implementation:

Since the Group did not disclose the financial budget for 2018, we are not obliged to report on budgetary implementation.

(3) Financial income, expenditures and profitability

Item		2018	2017
Financial structure (%)	Debt to assets ratio	42.92	37.14
	Long-term capital to property, plant and equipment ratio	211.56	189.49
Solvency (%)	Current ratio	163.6	182.26
	Quick ratio	105.24	121.71
	Interest earned ratio (times)	6,097.24	11,203.19
Profitability	Return on assets (%)	10.49	26.32
	Return on equity (%)	17.19	44.73
	Income before tax to paid-in capital (%)	75.95	128.90
	Profit ratio (%)	8.12	23.26
	Earnings per share (NT$)	5.12	11.71

(4) Research and development status:

We have developed 5 mid to long-term plans to execute on our strategy to develop artificial intelligence and IoT solutions:

A. Use cutting-edge computing technology to better enable automation and further develop our plans machine vision, integrating core technologies in visuals, audio, robotics, automated cars etc., to provide a comprehensive suite of AIoT industrial automation solutions.
B. Focus on mission-critical smart transportation applications to develop AI application systems for outdoor facilities and multi-functional products with the aim of attaining professional certification. Collaborate with technology partners to implement comprehensive solutions.
C. Develop the AMS (Agent Mass Suite) software suite to provide programs for remote monitoring and data collection, used in environmental monitoring and smart healthcare.
D. Continue to cultivate the Gaming industry, smart retail and digital signage applications, providing partners with exclusive, customized and flexible value-added services.
E. Continue to develop cloud-based application products and network application hardware platforms, investing in new technology research and development, software and hardware integration and modular design.

2. Summary Business Plan for 2019:

(1) Business objective:

A. Stay focused on the integration of AI and IoT (AIoT) and the technology and products pertaining to Industrial 4.0. Continue to invest in factory automation, smart transportation, smart retail and smart energy.
B. Provide comprehensive product lines and customized service to targeted vertical application markets.
C. Establish alliances with strategic partners, integrating software and hardware to enhance product value, enabling long-term development and sustainability for the business.
D. Focus on expanding service centers overseas, foster closer relationships with customers across the global sales network and establish global sales partnerships.
E. Pay close attention to organizational development, corporate social responsibility and long-term talent development plans.

(2) Production and sales policy:

A. Introduce MES smart factory operations management and progress towards full factory automation.
B. Lay the groundwork for green product supply chain and supplier management using GPMS and SCM management systems for organic certification and regular supplier assessment.
C. Through the global information management and communication systems, obtain data on materials, semi-finished products, inventories and future market demands, reducing inventory management costs and losses due to price reduction on slow-moving stock.

3. The Group’s Development Strategy:

(1) Sales strategy:

A. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.
B. Actively establish sales and technical bases, expand marketing channels and realize localized services.
C. Align our strategy and tactical execution with the sales strategies of our global Key Accounts and Channel Partners, expanding our sales capability and supporting our customers in market expansion.
D. Enhance the added value of software and hardware integration in our products, replicate successful cases, shorten the timeline for customers to develop products, and create a win-win model.
E. Through cloud-based sales force programs and platforms, leverage IT technology to effectively manage customer relationships and specialized projects, and using integrated digital marketing to enhance customer experience.

(2) Product technology:

A. Embedded boards and SoM computer modules: Continuous development of next-generation MXM modular products and provide Design-in fast customization services.
B. Industrial and embedded computing systems & touch-screen computers: strive for professional certification in modular design and applications for targeted verticals. Adopt industrial aesthetic design, focus on user experience, and progress towards machine vision, AI and the IoT application market.
C. AMS (Agent MaaS Suite) smart remote monitoring software: upgrade the IoT remote monitoring and management capability, research and develop the AMS software components, support embedded application interface programs (eAPI), online management tools, monitoring systems and database management capabilities.
D. Gaming industry-specific computer platform and smart retail: Develop Video Mixer technology and game console Player Tracking System platform for the Gaming industry; cultivate our vertical expertise and integration capabilities. Develop specialized modules and platforms for the smart retail market and provide professional customized services.
E. Cloud application computers and network application software platform: target the cloud applications and network security applications markets, develop cloud-based edge computing servers, remote monitoring technology IPMI and high-speed Ethernet module and build the infrastructure for SDN network security.

4. The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Conditions:

In the external environment, the scale of artificial intelligence and IoT applications for vertical markets will continue to expand while globally, longer-term infrastructural plans will be formulated. The Group will continue to develop capability and capacity, and focus on vertical applications markets, integrating future 5G, AI, machine vision, robotics applications and other development trends to build our core competitiveness on differentiation and innovation. The emerging wave of AI and IoT has intensified the use of automation and smart technology in multiple areas. This wave of has increased the volume and speed of development of automation. In launching related products, the Group will invest in more software and hardware integration capabilities to drive growth through value-added services, and further develop wireless network technology to provide a diversified portfolio of products.

Looking ahead, we will continue to drive localized operations and marketing activities to raise brand awareness, laying the groundwork for sustainable operations and to attain our goal of being a globally recognized brand. Our Group’s strong organizational structure and clear growth directives, coupled with a well-managed global presence and strong branding, is well-positioned to fuel the growth engine with more success stories.

Yang Yu-Te

Chairman of Axiomtek Co., Ltd.

II. Company Profile

1. Date of Incorporation

   Founded: May 11, 1990

2. Company History

Month/Year	Important Events
May 1990	Axiomtek Co., Ltd. was established at Minquan Road, Xindian District with a capital of NT$5 million.
Apr 1992	Established subsidiary of Axiom Technology, Inc., U.S.A. in the United States.
Feb 1996	Awarded ISO-9001 Quality Assurance Certification.
July 1997	Established Willy Technology Co., Ltd. In British Virgin Islands. (Later renamed to Axiom Technology (BVI) Co., Ltd.).
Jan 1999	Axiomtek's stock initial public offering.
Apr 1999	Established subsidiary of Axiomtek Deutschland GmbH in Germany.
Aug 2001	Established subsidiary of Axiomtek SAS in France.
Dec 2002	Renamed Axiom Technology Co., Ltd. to Axiomtek Co., Ltd., and change the Company's Logo.
Sep 2004	Established subsidiary of Axiomtek (Shen Zhen) Co., Ltd. in mainland China
Dec 2004	Established offices in Shanghai and Beijing under Axiomtek (Shen Zhen) Co., Ltd.
Feb 2005	Invested in EtherWan Systems, Inc.
Apr 2005	The Company's common stock officially listed on Taipei Exchange under electronics category.
Oct 2005	Awarded ISO-14000 Environmental Management System Certification.
Jun 2007	Invested in Axiomtek Display Solutions Co., Ltd.
Oct 2008	Axiomtek Electronic (Dongguan) Co., Ltd. licensed to operate and became the operations center in China.
Feb 2010	Disposed all shares in subsidiary of Axiomtek Japan, Inc.
Jun 2010	Axiomtek launched paperless stock.
Oct 2010	Awarded SGS ISO-9001:2008 Quality Management System Certification.
Nov 2010	Awarded the TOSHMS Management System Certification. (Taiwan Occupational Safety and Health Management System).
Nov 2010	Issued 2,000,000 shares of 2010 Employee Stock Options
Mar 2011	Awarded SGS ISO-13485: 2003 "Healthcare Equipment Quality Control Management System Certification".
Mar 2011	Liquidation of Axiom Technology Trading (BVI) Co., Ltd.
Aug 2011	Axiomtek established Remuneration Committee and the first convener was independent director Liu Chun-Lian.
Oct 2011	Liquidation of Axiomtek SAS.
Jul 2012	Moved Axiomtek headquarter office to 8F., No. 4, Lane 235, Baoqiao Road, Xindian District, New Taipei City.
Dec 2012	Axiom Technology, Inc., U.S.A. acquired Suntron Corporation Embedded Computing Solutions(ECS) business unit for USD 3,600,000.
Dec 2013	Seven products were awarded the "22nd Taiwan Excellence Award", namely the tBOX321-870-FL, rBOX101-6COM(ATEX), eBOX660-872-FL, GOT3187W-832 -PCT, P1177E-871, OPS885, and NA341.

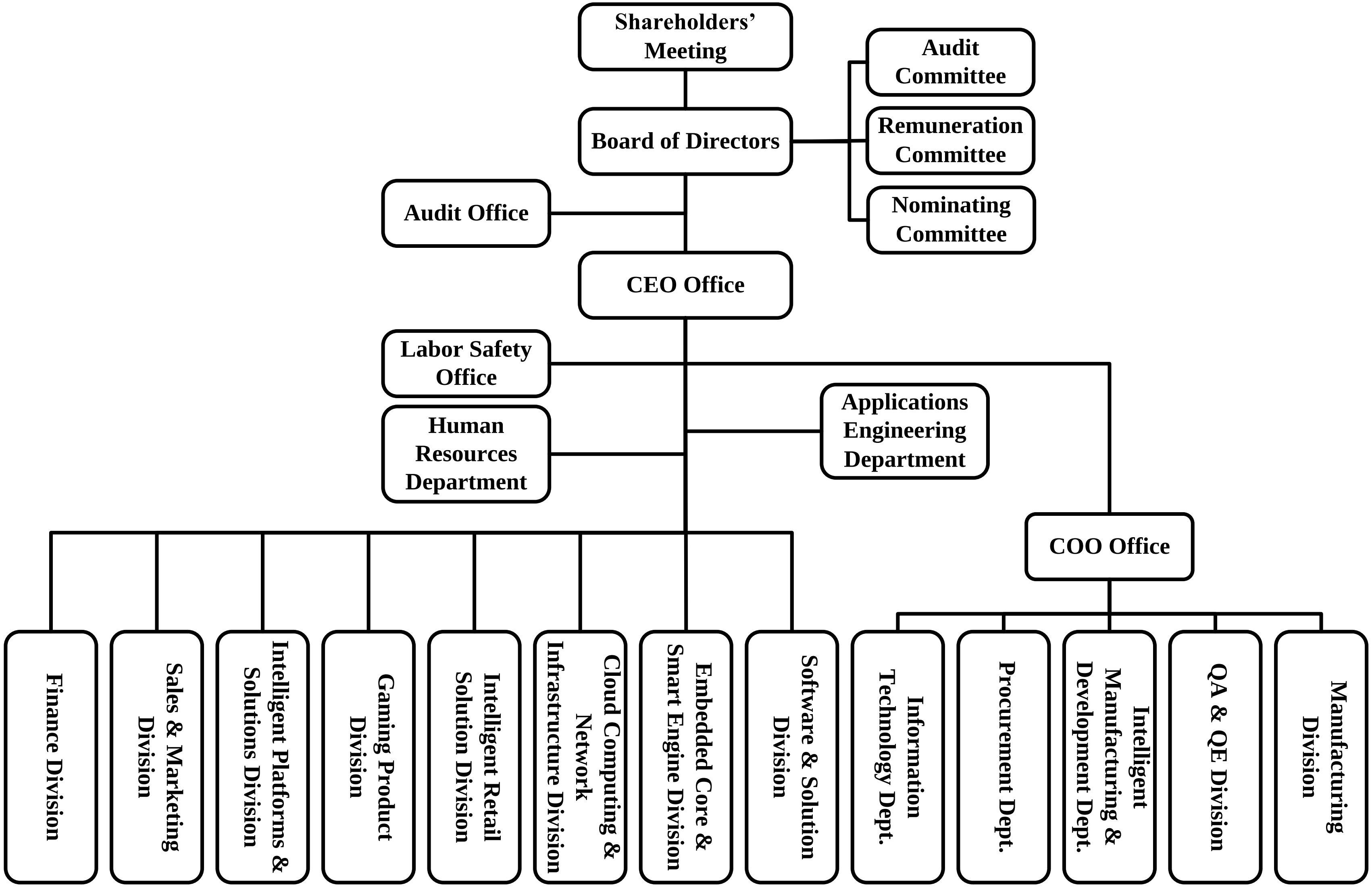
Month/Year	Important Events
Jun 2015	Aximtek established Audit Committee to replace the role of Supervisors and the first convener was independent director Chou Chih-Chen.
Aug 2015	Issued 1,500,000 shares of 2015 Employee Stock Options at the lower than market price.
Dec 2015	Six products were awarded the "24th Taiwan Excellence", namely the tBOX810-838-FL, rBOX510-6COM(ATEX/C1D2), eBOX671-885-FL, P1177S-881, GOT815-834 and MPC153-834.
Feb 2016	Establish subsidiary of Axiomtek UK Limited at GBP180,000.
Apr 2016	Axiomtek (Shen Zhen) Co., Ltd. merged Axiomtek Electronic (Dongguan) Co., Ltd., and relocated to 10F, Block B, Building 6, Baoneng Technology Park, No. 1, Qingxiang Road, Longhua New District, Shen Zhen.
Apr 2016	Axiomtek ranked in the range of 6% - 20% category in the 2nd (2015) Corporate Governance Evaluation Results.
Sep 2016	Axiomtek honored with the 2nd "Work-Life Balance Award 2016".
Oct 2016	A short-form merge between Axiomtek Co., Ltd. and Axiomtek Display Solutions Co., Ltd. whereby the latter was dissolved.
Oct 2016	Liquidation of Axiomtek Electronic (Dongguan) Co., Ltd.
Oct 2016	Axiomtek established the Nomination Committee with members of independent directors Lin Yih-Jong and Chou Chih-Chen, and Chairman Yang Yu-Te; and the first convener being was independent director Lin Yih-Jong.
Dec 2016	Issue the first Domestic Unsecured Convertible Corporate Bonds totaling NT$420 million.
Dec 2016	Three products were awarded the "25th Taiwan Excellence", namely the eBOX800-841-FL, GOT712-837, GOT812L(H)-880.
Apr 2017	Axiomtek disposed all shareholding of 10,660,889 shares of EtherWAN Systems, Inc. to a German company Elektrophoneix GmbH (a subsidiary solely owned by Phoenix Contact GmbH & Co. KG) at NT$ 94.50 per share.
Apr 2017	Axiomtek ranked as the top 5% in the 3rd (2016) Corporate Governance Evaluation Results.
May 2017	Ranked 523th (year 2016 performance) in the manufacturing section under the "2017 Top 2000 Survey" (Taiwan) by CommonWealth Magazine.
Jun 2017	Two products were awarded with the COMPUTEX d&i awards 2017, namely the eBOX800-841-FL and the tBOX324-894-FL.
Jul 2017	Established subsidiary of Axiomtek Japan Co., Ltd. at JPY 30 million.
Sep 2017	Launched e-commerce website in Taiwan.
Oct 2017	Five products were awarded the "26th Taiwan Excellence", namely the tBOX324 -894-FL, eBOX700-891-FL, GOT3177T-311-FR, P6105 and OPS500-501-H.
Nov 2017	Axiomtek Xindian head office relocated to Xizhi (8F., No.55, Nanxing Road, Xizhi District, New Taipei City, Taiwan).
Nov 2017	Axiomtk honored with the TCSA "New Comer Sustainability Report Awards 2017".
Feb 2018	Axiomtek Taichung office relocated to 18F.-6, No. 500, Shizheng Rd., Xitun Dist., Taichung City, Taiwan.
Mar 2018	Axiomtek increase paid-up capital to NT$793,860,000 for the excercising of 4th quarter 2017 increased Employee Stock Options.
Apr 2018	Issued 2018 employee stock options of 1,600,000 shares.
Apr 2018	Axiomtek ranked as the top 5% in the 4th (2017) Corporate Governance Evaluation Results for the 2nd consecutive years.
May 2018	Transformed the 11th Board of Directors, electing 7 directors, included 3 Independent The 11th directors were re-elected and seven directors were elected. Lin Yih-Jong, Chang Jen-Chih and Shon Zhen-Yi were elected as independent directors and served on the Audit Committee and Remuneration Committee. The Nomination Committee members were Lin Yih-Jong, Chang Jen-Chih and Yang Yu-Te.

Month/Year	Important Events
Jun 2018	Independent director Chang Jen-Chih was elected as the convener and chairman of the 2nd Audit Committee.
Jun 2018	Independent director Lin Yih-Jong was elected to be the convener and chairman of the 4th Remuneration Committee.
Jun 2018	Independent director Lin Yih-Jong was elected to be the convener and chairman of the 2nd Nomination Committee.
Jun 2018	Axiomtek increase paid-up capital to $794,180,000 for the excercising of 2nd quarter 2018 Employee Stock Options.
Oct 2018	Axiomtek additional invested of USD1.1 million to subsidiary of Axiom Technology (BVI) Co., Ltd.
Oct 2018	Axiom Technology (BVI) Co., Ltd. additional invested of HK$8.5 million to subsidiary of Axiomtek (Shen Zhen) Co., Ltd.
Nov 2018	Axiomtek increase paid-up capital to NT$796.21 million for the excercising of 3rd quarter 2018 Employee Stock Options.
Nov 2018	Axiomtek invested NT$29 million in Uni-innovate Technology with 26.7% equity acquired.
Jan 2019	Axiomtek invested Euro 1.586 million in Axiomtek Italia S.R.L. with 100% equity acquired.
Mar 2019	Axiomtek additional invested of USD2.194 million to subsidiary of Axiom Technology (BVI) Co., Ltd.
Mar 2019	Axiomtek increase paid-up capital to NT$796.84 million for the excercising of 1st quarter 2019 Employee Stock Options.
Mar 2019	Axiom Technology (BVI) Co., Ltd. additional invested of HK$8.6 million to subsidiary of Axiomtek (Shen Zhen) Co., Ltd. Axiom Technology (BVI) Co., Ltd.
Apr 2019	Axiomtek ranked as the top 5% in the 5th (2018) Corporate Governance Evaluation Results for the 3rd consecutive years.

III. Corporate Governance Report

1. Organization

(1) Organizational chart



(2) Major corporate functions

Department	Function
Audit Office	Responsible for internal audits, the internal control system, the planning, assessment and execution of annual audits, analyses and recommendation for follow-up and improvement.
CEO Office	Responsible for the development of Axiomtek's vision, business strategies, operations policies, legal affairs and strategic investments.
Labor Safety Office	Responsible for the planning, promotion and execution of employee health & safety work environment.
Human Resources Department	Responsible for the planning & execution of activities like recruitment, training, reward & recognition, performance evaluation and employee relations.
Applications Engineering Department	Responsible, as the liaison between the Company and the customer to provide technical support and identify solutions to technical issues on a timely basis.
Finance Division	Responsible for the Company's financial accounting, tax planning, stock affairs, investment and cash management and operation analysis
Sales & Marketing Division	Responsible for planning and implementation of global market development and sales.
Intelligent Platforms & Solutions Products Division	Responsible for product planning and market development of intelligent embedded system and solution products
Gaming Product Division	Responsible for the development, planning and market development of gaming products.
Intelligent Retail Solution Division	Responsible for the development, planning and market development of intelligent retail products.
Cloud Computing & Network Infrastructure Division	Responsible for the development, planning and market development of Cloud Computing & network security products.
Embedded Core & Smart Engine Division	Responsible for the development, planning and market development of embedded platforms and industrial computer products.
Software & Solution Division	Responsible for the Company's software and firmware technological development, supporting related software post-sale services and applications support.
COO Office	Responsible for the effective operation of the Company's information technology system, procurement, quality assurance and manufacturing.
Information Technology Dept.	Responsible for the planning and execution of the IT systems & infrastructure.
Procurement Dept.	Responsible for the procurement (including strategic / planned request for proposal), assist product development in the search for materials, cost management, supplier management.
Intelligent Manufacturing & Development Dept.	Drive the implementation of the intelligent factory using MES (manufacturing operations system) core technology.
QA & QE Division	Responsible for the Company's product quality verification, RMA service and quality management system
Manufacturing Division	Responsible for the manufacture, testing, assembly, packaging, repair, product quality, inventory and EMS.

2. Directors and Management Team

(1) Directors

March 31, 2019

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman of the Board	Taiwan	Yang Yu-Te	Male	May 29, 2018	3	Mar 5, 2002	3,154,512	3.97	1,578,512	%	58,279	0.07	0	0.00	Founder of AXIOMTEK CO., Ltd. Head of Automation System Unit, Advantech Co., Ltd. Bachelor of Electrical Engineering, Fu Jen University	Note 1	None	None	None
Director	Taiwan	Advantech Co., Ltd. Representative : Liu Wei-Ting	Male	May 29, 2018	3	Jun 30, 2003	20,537,984	25.86	20,537,984	25.77	0	0.00	0	0.00	Advantech Co., Ltd. Representative of Corporate Investment Division Master's Degree, National Taiwan University Bachelor of Electrical Engineering, University of Illinois	Note 2	None	None	None
Director	Taiwan	Tsai Shih-Yang	Male	May 29, 2018	3	Jun 3, 2015	419,000	0.53	408,000	0.51	37,000	0.05	0	0.00	Chairman, Smart Management Consulting Co., Ltd. Co-founder, Advantech Co., Ltd. Electronic Engineering, MingHsin University of Science & Technology Department of Applied Mathematics (Information Dept.), Chinese Culture University	Note 3	None	None	None
Director	Taiwan	Huang Jui-Nan	Male	May 29, 2018	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Consultant, YUS Consultant Services Inc. VP, Advantech Industry Automation Group CEO, Cermate Technologies Inc. VP, Advantech iService Automation Group Masters in Management, Department of Management Sciences, Tamkang University Bachelor of National Taiwan University, Department of Information Technology	Note 4	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan	Lin Yih-Jong	Male	May 29, 2018	3	Jun 3, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Ufi Space Holding Ltd. President/COO, Advantech Automation Group VP, Computer Systems Organization, HP Taiwan Managing Director, Tektronix China BE Electrical Engineering, National Chengkung University	Note 5	None	None	None
Independent Director	Taiwan	Chang Jen-Chih	Male	May 29, 2018	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Hot Tai Public Accountant Firms Certified Public Accountant Department Head, Department of Accounting & Statistics, Chungyu College of Business Management Department Head, National Taipei College of Business Masters in Accountancy, National ChengChi University Department of Accountancy, National ChungHsin University	Note 6	None	None	None
Independent Director	Taiwan	Shon Zhen-Yi	Male	May 29, 2018	3	May 29, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Dean of College of Management & Professor of Department of International Business Management, Tainan University of Technology Director of Research Center for International Marketing & Global Logistics Management, Tainan University of Technology PhD in Transportation Communications Management, National Chengkung University	Note 7	None	None	None

Note 1: (1) President, Axiomtek Co., Ltd.
(2) Chairman of the following companies: Axiomtek Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek Japan Co., Ltd., Axiomtek UK Limited.
(3) Director, Axiom Technology, Inc. U.S.A.

Note 2: (1) Investment Representative, Corporate Investment Division, Advantech Co., Ltd.
(2) Chairman: ChuanTing Investments Co., Ltd.
(3) Director of the following companies: DeNeng Scientific Research Co., Ltd., Cermate Technologies Inc., K&M Investment Co., Ltd., CZ Investment Co., Ltd., Huan Yan, Jhih-Lian Co., Ltd., DotZero Co., Ltd.
(4) Supervisor, Tran-Fei Development Co., Ltd., iLink ICT Co., Ltd.

Note 3: (1) Chairman of the following companies: Smart Management Consulting Co., Ltd., Fudi Investment Co., Ltd., Junzhuang Comprehensive Investment Co., Ltd.
(2) Director of the following companies: Advantech Equipment Corp. JAYA Networks Corp., Legendaire Technology Co., Ltd., Winmate Inc.
(3) Non-profit organization Adviser, Global Talentrepreneur Innovation & Collaboration Association.

Note 4: (1) Independent Director, AVer Information Inc.
(2) Director, Zotech Co., Ltd.

Note 5: Chairman of the following companies:, Ufi Space Co., Ltd. Vossic Technology Co., Ltd.

Note 6: (1) Hot Tai Public Accountant Firms Certified Public Accountant
(2) Director, Liang Guan Investment Co., Ltd.

Note 7: (1) Dean of College of Management & Professor of Department of International Business Management, Tainan University of Technology
(2) Chairman of the following companies: Land mark Asset Management Co., Ltd., InComm Co., Ltd., InfoComm Integrated Development and Management Consultant Corporation
(3) Director, Ecobio Co., Ltd.

A. Major Shareholders of the institutional shareholders

March 31, 2019

Name of institutional shareholders	Major shareholders of the institutional shareholders (Note)
Advantech Co., Ltd.	ASUS Computer Technology Co Ltd. (14.39%) K&M Investment Co., Ltd. (11.88%) Research Investment Co., Ltd. (11.74%) Liu Ke-Chen (3.66%) HSBC managed Yuanwang Partner Fund Limited Partnership (3.52%) Tran-Fei Development Co., Ltd.(2.91%) Advantech Foundation (2.90%) Chuang Yong-Sun (2.28%) HSBC (Taiwan) Commercial Co., Ltd. Trustee Account (1.55%) Bank of Taiwan, Custodian, Hermes Investment Fund (1.27%)

Note: List of top 10 shareholders

B. List of major shareholders

March 31, 2019

Name of institutional shareholders	Major shareholders of institutional shareholders (Note)
ASUS Computer Technology Co., Ltd.	Shi Chong-Tang (4.05%) Citi (Taiwan) managed ASUS depository certificates (3.32%) Cathay United Bank managed Professional Alliance Company (2.76%) Silchester International Investors International Value Equity Trust(2.56%) Labor Insurance Fund (1.72%) Revised Labor Pension Fund (1.61%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.49%) Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds (1.49%) Citi Chase managed Norwegian central Bank Investment Specialty (1.41%) Citi hosts Royal FS Global Emerging Investment in Scotland (1.40%)
K&M Investment Co., Ltd.	Chang Mei-Ling (33.24%), Liu Ke-Chen (32.60%), Liu Wei-Zhi (1.39%) Liu Wei-Ting (1.28%)
Research Investment Co., Ltd.	Liu Ke-Chen (18.77%), Advantech Foundation (10.08%), Chang Mei-Ling (5.08%), Liu Wei-Zhi (1.00%)
Tran-Fei Development Co., Ltd.	Liu Wei-Zhi (13.05%), Liu Wei-Ting (12.87%), Weng Ah-Shi (10.39%) Huang Hui-Li (7.03%)

Note: List of top 10 shareholders

C. Professional qualifications and independence analysis of directors

Criteria / Name	Meet 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 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	
Yang Yu-Te			✓				✓	✓	✓	✓	✓	✓	✓	0
Advantech Co., Ltd. Representative: Liu Wei-Ting			✓			✓	✓			✓	✓	✓		0
Tsai Shih-Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang Jui-Nan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chang Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shon Zhen-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(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 a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".

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

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

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

(11) Audit Committee established on June 3, 2015 to replace the role of the Supervisor.

(2) Management Team:

March 31, 2019

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）(Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Taiwan	Yang Yu-Te	Male	Jun 1, 1990	1,578,512	1.98	58,279	0.07	0	0.00	Founder, Axiomtek Co., Ltd. Head of Automation System Unit, Advantech Co., Ltd. Bachelor's in Electrical Engineering, Fu Jen Catholic University	Chairman of the following companies: Axiomtek Deutschland GmbH Axiom Technology (BVI) Co., Ltd. Axiomtek UK Limited Axiomtek Japan Co., Ltd. Director, Axiom Technology, Inc. U.S.A.	None	None	None
COO Office Vice President	Taiwan	David Chang	Male	Dec 2, 1997	432,573	0.54	170,882	0.21	0	0.00	R&D Manager, Unitron Inc. Bachelor's in Electronic Engineering, Chung Yuan Christian University	None	None	None	None
Vice President, Finance Division Head of Accounting/Finance Head of Corporate Governance	Taiwan	Jane Hsu	Female	May 3, 2010	126,000	0.16	0	0.00	0	0.00	Vice President, Leadtek Research Inc. Manager, Deloitte & Touche EMBA, National Taiwan University Master's in Accounting, National Chengchi University	Director, Axiom Technology, Inc. U.S.A.	None	None	None
Intelligent Platforms & Solutions Products Division Vice President	Taiwan	William Wu	Male	Jul 1, 2011	80,000	0.10	0	0.00	0	0.00	Deputy Director, R&D Division, Chaintech Technology Corporation Bachelor's in Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）(Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Sales & Marketing Division Vice President	Taiwan	Joanne Lin	Female	Nov 1, 2016	5,000	0.01	0	0.00	0	0.00	Director, Foxconn (Far East) Ltd. Sales Director, Dell Taiwan Director, HP Services, Asia Pacific Region, Hewlett-Packard Co. Bachelor's in Science, Industrial and Operational Engineering, University of Michigan	None	None	None	None
Cloud Computing & Network Infrastructure Division Vice President	Taiwan	Charles Chang	Male	Dec 9, 2014	3,100	0.00	0	0.00	0	0.00	Assistant Vice President, Advansus Corp. Vice President, Kontron Embedded Tech. EMBA, National Chengchi University Master's in Mechanical Engineering, National Taiwan University	None	None	None	None
Manufacturing Division Vice President	Taiwan	Henry Lin	Male	Jan 8, 2007	871,172	1.09	0	0.00	0	0.00	Vice President, Hi-Top internal Co., Ltd. EMBA, National Chengchi University Bachelor's in Electronic Engineering, National	None	None	None	None
Software & Solution Division Assistant Vice President	Taiwan	Alex Pan	Male	Sep 1, 2014	222	0.00	0	0.00	0	0.00	Senior R&D Manager, EtherWAN Systems Inc. R&D Manager, Atop Technologies Inc. Master's in Electrical Engineering, National Tsing Hua University	None	None	None	None
Embedded Core & Smart Engine Division Assistant Vice President	Taiwan	Joseph Chou	Male	Aug 19, 2016	0	0.00	0	0.00	0	0.00	Sales Section Manager, Taiwan Mycomp Co., Ltd. Managing Director, Spring Circle Computer B.V. Bachelor's in Political Science, National Chengchi University	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education） (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Gaming Product Division Assistant Vice President	Taiwan	Gary Tsao	Male	Aug 19, 2016	1,000	0.00	0	0.00	0	0.00	Product Manager, Dynatrong Material Inc. Product Manager, Compal Electronics Inc. Project Manager, Simtec Holding Ltd. Master’s in China Studies, Tamkang University	None	None	None	None
Intelligent Retail Solution Division Assistant Vice President	Taiwan	Chiven Fan	Male	Aug 19, 2016	24,759	0.03	0	0.00	0	0.00	Sales Manager, eBizrise Technology Ltd. Sales Manager, Asiatek Inc. Associate’s degree in Electrical Engineering, Jinwen University of Science and Technology	None	None	None	None
QA & QE Division Assistant Vice President	Taiwan	Shang Hsieh	Male	Sep 1, 2017	933	0.00	0	0.00	0	0.00	Senior Quality Manager, Axiomtek Co., Ltd. R&D Manager, Axiomtek Co., Ltd. Electrical Engineering, St. John's and St. Mary's Institute of Technology	None	None	None	None
Sales & Marketing Division Senior Special Assistant	Taiwan	Randy Chi (Note 3)	Male	Aug 19, 2016	(Note 3)		(Note 3)		(Note 3)		Senior Sales Manager, Axiomtek Co., Ltd. Associate’s degree in Electrical Engineering, Taipei City University of Science and Technology	Axiomtek (Shen Zhen) Co., Ltd. President	None	None	None

Note 1: Should include data on the President, Vice President, Supervisors, the respective Heads in each department and subsidiary including those whose responsibilities are equivalent to that of the President, Vice President or Supervisor, regardless of their job titles.

Note 2: For work experience relevant for this role, if obtained in roles held in the audit firm or related companies during the past year, details of the past roles and scope of responsibilities must be disclosed.

Note 3: Dismissed from the list of managers since December 28, 2018.

3. Remuneration Paid during the Most Recent Fiscal Year to Directors, President and Vice Presidents

(1) Remuneration of Directors (including Independent Directors)

Unit: Thousand shares/NT$ thousands

Title	Name	Remuneration to directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowance (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company		All companies in the consolidated financial statements (Note 7)		The Company	All companies in the consolidated financial statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	Yang Yu-Te	0	0	0	0	1,387	1,387	5	5	0.34%	0.34%	5,111	5,111	0	0	5,000	0	5,000	0	2.83%	2.83%	None
Director	Advantech Co., Ltd. Representative: Liu Wei-Ting	0	0	0	0	709	709	5	5	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
Director	Tsai Shih-Yang	0	0	0	0	739	739	5	5	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
Director	Huang Jui-Nan (Note 13)	0	0	0	0	833	833	5	5	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	None
Director	Huang Ming-Ta (Note 14)	0	0	0	0	236	236	0	0	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	None
Independent Director	Lin Yih-Jong	0	0	0	0	860	860	5	5	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	None
Independent Director	Chang Jen-Chih (Note 13)	0	0	0	0	554	554	5	5	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	None
Independent Director	Shon Zhen-Yi (Note 13)	0	0	0	0	527	527	5	5	0.13%	0.13%	0	0	0	0	0	0	0	0	0.13%	0.13%	None
Independent Director	Liu Chun-Lian (Note 14)	0	0	0	0	307	307	0	0	0.06%	0.06%	0	0	0	0	0	0	0	0	0.08%	0.08%	None
Independent Director	Chou Chih-Chen (Note 14)	0	0	0	0	263	263	0	0	0.08%	0.08%	0	0	0	0	0	0	0	0	0.06%	0.06%	None
Except as disclosed in the above table, remuneration paid to the directors for the services provided to all companies in the consolidated financial report (such as consultancy services as non-employees): NT$0																						

Note 1: Directors' names to be duly listed (corporate shareholder name and representative name to be separately listed and total remuneration presented for each category. Complete Tables 3-1 and 3-2 if the director is not a President or Vice President.

Note 2: Refers to remuneration in the past year for the directors (including director's salaries, additional fees, severance pay, various bonuses, incentive payouts etc.)

Note 3: Director's remuneration for the past year, approved by the Board.

Note 4: Director's operating expenses in the past year (includes transportation, special fees, various allowances, lodging, allotted vehicles, other amenities etc.) In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration.

Note 5: Remuneration for directors who are also employees (includes Presidents, Vice Presidents, other managers and employees) including salaries, job add-on, severance pay, various bonuses, incentive payouts, transportation expenses, special skills fees, various allowances, lodging, allotted vehicles and other amenities. In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration. Per IFRS2 the salary expenses recognized in the "Share-based payment", including the acquisition of employee stock option certificates, restricted shares and participation in cash increase subscription shares, shall also be included in the remuneration.

Note 6: Past year's remuneration (including shares and cash) approved by the Board of Directors to Directors also serving as employees (includes the President, Vice Presidents, other managers and employees). If an estimate is not available, compute using the previous year's actual payouts and complete Table 1-3.

Note 7: All categories of remuneration paid to the Directors by the companies (including this Company) listed in the consolidated report, must be disclosed.

Note 8: Total remuneration paid to each director must be disclosed in the appropriate range against the Name of Director.

Note 9: All categories of remuneration paid to the Directors by the companies (including this Company) listed in the consolidated report, must be disclosed in the appropriate range against the Name of Director.

Note 10: Net profit after tax refers to the past year's net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 11: a. State clearly the remuneration amount paid to the director by investee who is not a subsidiary.

b. if the director has received remuneration amount paid by investee who is not a subsidiary, please specify the amount received in the relevant ranges tabled and denote these as "All Investees".

c. Remuneration here refers to any fees, compensation (including the salaries for employees, directors and supervisors) and reimbursement for expenses incurred while executing their duties in the appointments held by directors, supervisors or Presidents in non-subsidiary investee companies.

Note 12: Audit Committee established on June 3, 2015 to replace the role of the Supervisor.

Note 13: Assumed office May 29, 2018

Note 14: Resigned on May 29, 2018

* The income details listed here are purely for information disclosure and should not be used for taxation purposes.

(2) Remuneration to President and Vice Presidents

Unit: Thousand shares/NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus and Allowances (C) (Note 3)</th><th colspan="4">Remuneration to employees (D) (Note 4)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)</th><th rowspan="3">Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement. (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement. (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement. (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies included into the financial statement. (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statement (Note 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Yang Yu-Te</td><td rowspan="7">17,373</td><td rowspan="7">17,373</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">7,996</td><td rowspan="7">7,996</td><td rowspan="7">10,240</td><td rowspan="7">0</td><td rowspan="7">10,240</td><td rowspan="7">0</td><td rowspan="7">8.75%</td><td rowspan="7">8.75%</td><td rowspan="7">0</td></tr>
<tr><td>COO Office Vice President</td><td>David Chang</td></tr>
<tr><td>Finance Division Vice President</td><td>Jane Hsu</td></tr>
<tr><td>Intelligent Platforms & Software & Solution Division Vice President</td><td>William Wu</td></tr>
<tr><td>Sales & Marketing Division Vice President</td><td>Joanne Lin</td></tr>
<tr><td>Cloud Computing & Network Infrastructure Division Vice President</td><td>Charles Chang</td></tr>
<tr><td>Manufacturing Division Vice President</td><td>Henry Lin</td></tr>
</table>

* Regardless of job title, details about any position equivalent to the General Manage and Vice Presidents (for example: president, CEO, director...etc.) should be disclosed.

Breakdown of Remuneration to President and Vice Presidents

Range of Remuneration	Names of President and Vice President	
	The Company (Note 6)	All companies included in the consolidated financial statement (Note 7)
NT$2,000,001 ~ NT$5,000,000	David Chang, Henry Lin, Joanne Lin, Jane Hsu, Charles Chang	David Chang, Henry Lin, Joanne Lin, Jane Hsu, Charles Chang
NT$5,000,001 ~ NT$10,000,000	William Wu	William Wu
NT$10,000,001 ~ NT$15,000,000	Yang Yu-Te	Yang Yu-Te
NT$15,000,001 ~ NT$30,000,000	None	None
NT$30,000,001~ NT$50,000,000	None	None
NT$50,000,001 ~ NT$100,000,000	None	None
Over NT$100,000,000	None	None
Total	7	7

* Regardless of job title, details about any position equivalent to the General Manager and vice president (for example: president, CEO, director. etc.) should be disclosed.

Note 1: The names of the general manager and the deputy general manager shall be separately listed, and the amount of each payment shall be disclosed in a summary manner. A Director who is also serving as President or Vice President must complete this table and Table (1-1) or (1-2).

Note 2: Remuneration, job title and severance pay for the President and Vice President in the past year.

Note 3: Various bonuses, incentives, transportation expenses, special expenses, various allowances, accommodation, car, amenities and other remuneration in the past year. In the case of the provision of housing, cars and other means of transport or exclusive payments, the nature and cost of the assets provided, rental at actual or at a fair market price, fuel and other payments should be disclosed. Where a driver is assigned, include the payment made by the Company that is not already included in the remuneration. Per IFRS 2 the salary expenses recognized in the “Share-based payment”, including the acquisition of employee stock option certificates, restricted shares and participation in cash increase subscription shares, shall also be included in the remuneration.

Note 4: Past year’s remuneration (including shares and cash) approved by the Board of Directors to the President and Vice Presidents. If estimate is not available, compute using the previous year’s actual and complete Table 1-3. Net profit after tax refers to the past year’s net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 5: The total of each category of remuneration paid to the President and Vice Presidents of this Company by the companies (including this Company) listed in the consolidated report, must be disclosed.

Note 6: For all categories of remuneration paid to the President and Vice Presidents by the companies (including this Company) listed in the consolidated report, each total must be disclosed in the appropriate range against the names of president and vice presidents.

Note 7: All categories of remuneration paid to the President and Vice Presidents by the companies (including this Company) listed in the consolidated report, must be disclosed in the appropriate range against the names of president and vice presidents.

Note 8: Net profit after tax refers to the past year’s net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 9: a. State clearly the remuneration amount paid to the director by investee who is not a subsidiary.

b. If the director has received remuneration amount paid by investee who is not a subsidiary, please specify the amount received in the relevant ranges tabled and denote these as "All Investees".

c. Remuneration here refers to any fees, compensation (including the salaries for employees, directors and supervisors) and reimbursement for expenses incurred while executing their duties in the appointments held by directors, supervisors or Presidents in non-subsidiary investee companies.

* The income details listed here are purely for information disclosure and should not be used for taxation purposes.

(3) Names of managers receiving remuneration to employees, and the status of allocation

Unit: NT$ thousands

<table>
<tr><th></th><th>Title
(Note 1)</th><th>Name
(Note 1)</th><th>Stock Amount</th><th>Cash Amount</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="13">Manager</td><td>President</td><td>Yang Yu-Te</td><td rowspan="13">0</td><td rowspan="13">11,361</td><td rowspan="13">11,361</td><td rowspan="13">2.79%</td></tr>
<tr><td>COO Office
Vice President</td><td>David Chang</td></tr>
<tr><td>Vice President, Finance Division
Head of Accounting/Finance
Head of Corporate Governance</td><td>Jane Hsu</td></tr>
<tr><td>Intelligent Platforms & Solutions Products Division
Vice President</td><td>William Wu</td></tr>
<tr><td>Vice President, Sales & Marketing Division</td><td>Joanne Lin</td></tr>
<tr><td>Cloud Computing & Network Infrastructure Division</td><td>Charles Chang</td></tr>
<tr><td>Vice President, Manufacturing Division</td><td>Henry Lin</td></tr>
<tr><td>Supervisor, Software & Solution Division</td><td>Alex Pan</td></tr>
<tr><td>Supervisor, Embedded Core & Smart Engine Division</td><td>Joseph Chou</td></tr>
<tr><td>Supervisor, Gaming Product Division</td><td>Gary Tsao</td></tr>
<tr><td>Supervisor, Intelligent Retail Solution Division</td><td>Chiven Fan</td></tr>
<tr><td>Supervisor, QA & QE Division</td><td>Shang Hsieh</td></tr>
<tr><td>Senior Special Assistant, Sales & Marketing Division</td><td>Randy Chi
(Note 5)</td></tr>
</table>

Note 1: Illustrate individual names and title of each manager and disclose the distribution of earnings in a lump sum.

Note 2: Past year's remuneration (including shares and cash) approved by the Board of Directors to the President and Vice Presidents. If estimate is not available, compute using the previous year's actual payout. Net profit after tax refers to the past year's net profit after tax. Per the international financial reporting standards, net profit after tax refers to the net profit after tax of the parent company or individual companies in the past year.

Note 3: The scope of application of the manager is stipulated in the letter of the letter No. 0920001301 of the Taiwanese financial certificate on March 27, 1992. The scope of the manager is as follows:

(1) President and someone of similar rank

(2) Vice President and someone of similar rank

(3) Supervisor and someone of similar rank

(4) Finance Department Head

(5) Accounting Department Head

(6) Other managers and authorized signatories

Note 4: Directors, Presidents and Vice Presidents that are paid employees' salaries (shares or cash) must, in addition to filling out Table 1-2, also complete this table.

Note 5: Dismissed from the list of managers since December 28, 2018.

(4) Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents.

A. Analysis of the proportion of total remuneration paid by the company and all companies listed in the consolidated financial statements - to Directors, President and Vice Presidents - to the net income in the parent company only or individual company's financial statements in the past two years:

Title	Proportion of 2018 Total Remuneration to Net Income		Proportion of 2017 Total Remuneration to Net Income	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Director	1.59%	1.59%	0.57%	0.57%
President and Vice President	8.75%	8.75%	3.19%	3.19%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance:

The directors' remuneration of the Company is in accordance with the provisions of Article 27 of the Articles of Incorporation: if the Company is profitable in the current year (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings), directors' payout should be no more than 2%. However, if the Company has accumulated losses (including the adjustment of unappropriated retained earnings) these losses should first be offset. Directors' remuneration is reasonable compensation paid in cash only, having taken into account the Company's operating results and their contribution to the Company's performance. The payout policy for the President and Vice President is based on the Company's compensation and benefits management process and the market competitive remuneration for a role of the same capacity; the scope of responsibilities of the role in the Company and the contribution to the Company's operational goals. The payout computation process is based on the Company's "Performance Assessment Method" and "Process of Assessment by the Board". The assessment criteria include not only the Company's operating performance, potential risks to assets and development trends, but also the incumbent's personal goal achievements and contribution to the Company's results.

4. Implementation of Corporate Governance

(1) Operations of the Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in in 2018. The attendance of directors were as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman of the Board	Yang Yu-Te	8	0	100	None
Director	Advantech Co., Ltd. Representative: Liu Wei-Ting	8	0	100	None
Director	Tsai Shih-Yang	8	0	100	None
Director	Huang Jui-Nan	5	0	100	Assumed office on May 29, 2018. Attended 5 Board meetings in 2018.
Independent Director	Lin Yih-Jong	8	0	100	None
Independent Director	Chang Jen-Chih	5	0	100	Assumed office on May 29, 2018. Attended 5 Board meetings in 2018.
Independent Director	Shon Zhen-Yi	5	0	100	Assumed office on May 29, 2018. Attended 5 Board meetings in 2018.
Director	Huang Ming-Ta	2	0	67	Resigned on May 29, 2018. Attended 3 Board meetings in 2018.
Independent Director	Liu Chun-Lian	3	0	100	Resigned on May 29, 2018. Attended 3 Board meetings in 2018.
Independent Director	Chou Chih-Chen	3	0	100	Resigned on May 29, 2018. Attended 3 Board meetings in 2018.

Attendance record of independent directors in various Board meetings in 2018

◎ attended in person☆ attended by proxy △ did not attend

2018	February 27, 2018 the 10th Meeting 19th sitting	April 12, 2018 the 10th Meeting 20th sitting	April 26, 2018 the 10th Meeting 21st sitting	June 7, 2018 the 11th Meeting 1st sitting	July 26, 2018 the 11th Meeting 2nd sitting	August 20, 2018 the 11th Meeting 3rd sitting	October 25, 2018 the 11th Meeting 4th sitting	December 5, 2018 the 11th Meeting 5th sitting
Lin Yih-Jong	◎	◎	◎	◎	◎	◎	◎	◎
Chang Jen-Chih	Note 1	Note 1	Note 1	◎	◎	◎	◎	◎
Shon Zhen-Yi	Note 1	Note 1	Note 1	◎	◎	◎	◎	◎
Liu Chun-Lian	◎	◎	◎	Note 2	Note 2	Note 2	Note 2	Note 2
Chou Chih-Chen	◎	◎	◎	Note 2	Note 2	Note 2	Note 2	Note 2

Note 1. Assumed office at the Shareholders' Meeting on May 29, 2018

Note 2. Resigned at the Shareholders' Meeting on May 29, 2018

Other mentionable items:

I. State the date, period, content of the proposal, the opinions of all independent directors and the Company's handling of these opinions if one of the following circumstances occurs:
   (I) Securities and Exchange Act Article 14-3
   The Company has established an Audit Committee. As such, the circumstances listed under Securities Exchange Regulation 14-3 do not apply.
   (II) In addition to the above, any matters submitted to the Board which the independent directors have raised their objection to or have reserved their opinion as recorded or in written form: None

II. In handing matters pertaining to conflict of interest, the directors shall state the name of the directors, the content of the proposal, the reasons for the abstention due to conflict of interest and the outcome of the vote: None

III. The objective of enhancing the roles and operating procedures of the Board of Directors (for example, establishing the audit committee to increase transparency etc.) in the current and most recent past years, and evaluation of the procedures:
   (I) In order to improve corporate governance and strengthen relevant functions of the Board of Directors, the Company has installed three independent directors in accordance with the Articles of Association and Article 14-2 of the Securities and Exchange Act, and established a Remuneration Committee since August 2011 to assist the Board of Directors in implementing relevant compensation management. Since its establishment on June 3, 2015, the Audit Committee has, in accordance with Article 14-5 of the Securities Exchange Act conducted audits of the relevant operations and the scope of responsibilities of the inspectors. Since October 26, 2016; the Company has set up a Nominating Committee to improve the functionality of the Board of Directors and strengthen the management mechanism.
   (II) Established the remuneration Committee in 2011 with no issues in operation since.
   Audit Committee established in 2015 and operating per Article 14-5 of the Securities and Exchange Act; assumed the responsibilities of the Supervisor. No issues with operation.
   Established the Nominating Committee in 2016. No issues with operation.
   Protect shareholders' rights, the Company complies with the principle of transparency of information and publishes important resolutions made at the Board meetings, on the relevant public sites and company website.

Note 1: Where the director or supervisor is a member of a legal entity, the names of the respective corporate shareholder and their representative shall be disclosed.

Note 2: (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(2) Where an election may be held to fill the vacancies of committee members before the end of the fiscal year, please list both the new and the discharged committee members, and specify if they are former members or newly elected, re-elected, and also the date of the reelection. Actual (list) attendance rate (%) at the respective committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings attended, during the term of office.

(2) Audit Committee Operation

In 2018, the Audit Committee held 7 meetings (A). Attendance by independent directors as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Chang Jen-Chih (Note 1)	5	0	100	Note 1. Assumed office on May 29, 2018. Attended 5 Audit Committees in 2018. Note 2. Resigned on May 29, 2018. Attended 2 Audit Committees in 2018.
Independent Director	Lin Yih-Jong	7	0	100	
Independent Director	Shon Zhen-Yi (Note 1)	5	0	100	
Independent Director	Chou Chih-Chen (Note 2)	2	0	100	
Independent Director	Liu Chun-Lian (Note 2)	2	0	100	

Other mentionable items:

I. If any of the following circumstances occurs in the operation of the Audit Committee, it shall describe the date, period, the meeting content, the resolution results of the Audit Committee and the Company's treatment for the opinions of the Audit Committee.

(I) The provision of the Securities and Exchange Act, Article 14-5:

Board of Directors	Subjects & Follow Up	Securities and Exchange Act, Article 14-5	Not Passed by the Audit Committee but Approved by More Than Two-thirds of All Directors
The seventeenth of the 10th term Feb 27,2018	1. 2017 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company.	V	
	2. 2017 effectiveness of Internal Control Systems and Statement of International Control System.	V	
	3. The Company to raise the loan of funds to Axiom Technology Inc. U.S.A. by US$2 million to increase working capital.	V	
	4. Revision of Articles in the "Internal Control Systems"and"Internal Audit Implementation Rules"of the Company.	V	
	5. Issuance of the 2018 Employee Stock Option certificate.	V	
	6. Evaluate the Company's investment plan.	V	
	Audit Committee resolution result (February 27, 2018): Unanimously approved by Audit Committee.		
	The Company's follow-up action of the Audit Committee's opinion: Unanimously approved by the directors in attendance.		

The third of the 11th term Aug 20,2018	The Company intends to indirectly invest RMB 13.6 million in Axiomtek (Shen Zhen) Co., Ltd. through the capital increase of UDS$2.2 million in subsidiary Axiom Technology (BVI) Co., Ltd.	V	
	Audit Committee resolution result (February 20, 2018): Unanimously approved by Audit Committee.		
	The Company's follow-up action of the Audit Committee's opinion: Unanimously approved by the directors in attendance.		
The fourth of the 11th term Oct 25,2018	1. PwC audit fee for 2018 and 2019 audits.	V	
	2. The Company to indirectly loan RMB 8.5 million to Axiomtek (Shen Zhen) Co., Ltd. to increase working capital.	V	
	3. The Company plan to invest in Uni-Innovate Technology Co., Ltd.	V	
	Audit Committee resolution result (October 25, 2018): Unanimously approved by Audit Committee.		
	The Company's follow-up action of the Audit Committee's opinion: Unanimously approved by the directors in attendance.		
The fifth of the 11th term Dec 5,2018	1. The Company intends to invest in Axiomtek Italia S.R.L.	V	
	2. The Company intends to dispose of Xindian inveatment property.	V	
	Audit Committee resolution result (December 5, 2018): Unanimously approved by Audit Committee.		
	The Company's follow-up action of the Audit Committee's opinion: Unanimously approved by the directors in attendance.		

(II) In addition to the previous provisions, other resolutions of the Board meeting against which independent directors make objections or reserve opinions or submit written statements: None.

II. Upon the execution of the stakeholder's conflict of interest motion, the affected independent director must disclose their name, content of the proposal, reason for avoidance and status of their voting: no such incident. Each Audit Committee member has duly expressed their opinion at the meeting.

III. Communication between the independent directors, Head of Internal Audit and the CPA (should include significant matters pertaining to the Company's Finance, business conditions, mode and outcome of communication):

(I) Elected 3 independent directors and established the Audit Committee at the shareholders' meeting on June 3rd, 2015.

(II) The CPA reviews and audits the Company's financial status, makes adjusted entries and publishes reports per IFRS, issues an opinion on the impact of the Company's corporate and regulatory policies, tax and labor management policies, and comprehensive fiscal and taxation strategy. At least every 6 months, the Audit Committee will report out to the independent directors and, in the event of significant extraordinary matters, will call for a meeting. Every year, the CPA will communicate with the independent directors and come to a common understanding about the extraordinary matters to be audited.

(III) The Company's audit unit submits internal audit reports on a regular basis to the independent directors. Additionally, since its establishment, the Audit Committee meets with the independent directors at least once a quarter to report out on the findings and corresponding improvements made in the previous quarter, and report the results of the meeting to the board of directors. If the internal audit encounters revisions to the "internal control system" and "Internal Audit

Operations Guide", the related content must be first discussed with the Audit Committee before submission for Board approval.

(IV) The independent directors and Head of internal audit must communicate with the CPA via email, phone or face to face meetings for effective communication.

(V) Communication between our independent directors, Head of internal audit and CPA (re sharing of financial reports, financial business status, incidents and outcomes) has been disclosed on the Corporate Governance page of the Company's official website.

(VI) Summary of matters discussed between the independent directors, Head of Internal Audit and the CPA.

Participant	Date	Key Matters	Outcome of Execution
Head of Audit	February 27, 2018 Audit Committee	1. 2017Q4 Audit report 2. Explain to the Audit Committee the status of the execution of the internal control system and the results of the self-audits. Discuss the effectiveness of the 2017 internal control system and the internal control system guide. 3. Motion to revise the Company's "Internal Control System" and "Internal Audit Implementation Guide"	The defect part has been improved immediately. Report to the Board of Directors after discussion.
	April 26, 2018 Audit Committee	1. 2018 Q1 Audit report	The defect part has been improved immediately. Report to the Board of Directors after discussion.
	July 26, 2018 Audit Committee	1. 2018Q2 Audit report	The defect part has been improved immediately. Report to the Board of Directors after discussion.
	October 25, 2018 Audit Committee	1. 2018Q3 Audit report 2. 2019 Audit plan	The defect part has been improved immediately. Report to the Board of Directors after discussion.
Certified Public Accountant	February 27, 2018 Audit Committee	1. CPA reported on the audit results for the 2017 of the parent company only and consolidated financial statements, analyses of the financial and operational performance and related reviews and adjustments. 2. 2018 comprehensive financial and taxation strategy report: explain for future changes in accounting & audit, labor regulations and tax regulations etc.	The accountant explained the results of the financial report and discussed with three independent directors. Report to the Board of Directors after discussion.

		3. CPA's response to questions raised by the Audit Committee.	
	July 26, 2018 Audit Committee	1. CPA reported on 2018 Q2 consolidated financial statement audit results, analyses of the financial and operational performance and the impact of applying the new standards. 2. 2018 H1 comprehensive financial and taxation strategy report: explain the impact of the amended Company Act on corporate governance, taxation and financial reports. 3. CPA's response to questions raised by the Audit Committee.	The accountant explained the results of the financial report and discussed with three independent directors. Report to the Board of Directors after discussion.

IV. Key tasks of the Audit Committee for the year:

(I) Discuss operation plan

(II) Discuss the business report and earnings distribution or loss allocation.

(III) Audit for annual and semi-annual financial reports.

(IV) Amend the internal control system an evaluate the effectiveness of the internal control system.

(V) Amend the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.

(VI) Approve the audit fee the CPA firm and evaluate CPA independence.

(VII) Meet with the Head of Audit and CPA once every 6 months.

(VIII) Other material matters as may be required by this Corporation or by the competent authority.

V. Review of financial reports

The Board of Directors has created the Company's 2018 annual business report, financial statements and earnings distribution proposals. The financial statements have been audited by PwC CPAs Feng Ming-Chuan and Hsu Shien-Chong, and issued an audited report. The above-mentioned business report, financial statements and surplus distribution proposal have been checked by the Audit Committee and it is considered that there is no disagreement.

VI. Evaluate the effectiveness of the internal control system

Based on the judgment of the effectiveness of the internal control system as stipulated in the "Guidelines for the Establishment of Internal Control System by Public Issuance Companies", the Company judges that the design and implementation of the internal control system is effective, and it can reasonably ensure the achievement of the objectives of the internal control system. The Audit Committee believes that the Company's risk management and internal control systems are effective and that the company has adopted the necessary controls to monitor and correct violations.

VII. Appointment of CPAs

According to the "Code of Practice for Corporate Governance on the Listed Companies" and Article 29 of the "Code of Practice for Corporate Governance" of the Company, the Company shall assess the independence and competence of the appointed accountant on a

regular basis (once per year/first appointment). Internal self-assessment of the independence and eligibility of the accredited accountants, Feng Ming-Chuan and Hsu Shien-Chong, and the independence statement of the accountant, did not find that the company's accountants may affect the independence. The second audit committee of the second session on July 26, 2018 and the second Board of Directors of the eleventh session on July 26, 2018, reviewed and approved Feng Ming-Chuan and Hsu Shien-Chong, both of them can be the Company's financial and tax CPAs.

Note:

* Where an independent director is relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks" Section. His/her actual attendance rate (%) at the Audit Committee meeting shall be calculated on the basis of the total number of meetings called and actual number of meetings he/she attended, during his/her term of office.

* Where an election is held to re-elect independent directors before the end of the fiscal year, please list the new and the discharged independent directors, and specify if they are former members or newly elected, re-elected, and also the date of the reelection. Actual attendance rate (%) calculated on the basis of the total number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(3) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies":

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
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 developed "Corporate Governance Best Practice Principles" and posted on the Company website and public evaluation sites.	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?	 V V		 We have established the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct". Our spokesperson is the contact channel responsible for handling shareholders' recommendation, doubts, disputes and litigation matters to ensure compliance with the guideline. Shareholding operations is managed by a professional stock agency that monitors the shareholders' structure. The major shareholders report their shareholding changes to the Company on a monthly basis, and also publish the	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			list of the top ten shareholders and the final ownership of the major shareholders in the annual report.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The financial operations of the Company and its related companies are independent of one another with clear lineation of management rights and responsibilities. The Company has established the "Operation guide for transactions between specific Group activities and related parties", and corporate transactions are always executed in accordance with internal control, internal audit and other relevant regulations, for effective risk management.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has established the "Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management", clearly prohibiting insider trading; the "Operating Procedures for Handling Material Inside Information" and other internal control procedures like "CB-103 Preventing insider Trading" etc. to protect the shareholders and the rights and interests of the Company. At least once a year, the company conducts educational announcements on "internal major information processing procedures" and related laws and regulations for directors, managers and employees. In the current year, on November 30, 2018, the current directors, managers and employees were educated. The contents of the announcement included important internal information, integrity management, and internal transactions.	
3. Composition and Responsibilities of the Board of Directors				None

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status
(Note 1)</th><th rowspan="2">Deviations from “the Corporate Governance 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>(1) Does the Board develop and implement a diversified policy for the composition of its members?</td><td>V</td><td></td><td>The Board passed a resolution to establish the “Corporate Governance Best Practice Principles”. Chapter 3 “Enhancing the Function of Board of Directors” highlights a diversified approach. The nomination and re-election of the members of the Board is in accordance with the Company’s Articles of Association, applying the method of nominating candidates. In addition to assessing the candidates’ eligibility in regards to academic qualification and experience, we also adhere to the “Methods for Election of Directors” and the “Corporate Governance Best Practice Principles” to ensure the diversity and independence of the elected directors.
Diversity must be considered in the composition of the Board, taking into account the Company’s operation and business model and development needs in addition to the basic values like gender, age, nationality and culture. The candidate’s professional knowledge and capabilities, including professional background (e.g. legal, accounting, industrial, finance, sales or technology), professional capability and industrial experience. The current 7 directors, 3 of whom are independent directors, have leadership, business acumen, operations management, crisis management, industrial knowledge and international market perspective. Their backgrounds include industrial, management, manufacturing and finance; these senior managers are able to provide advice from various perspectives and support the Company’s growth initiatives with appropriate risk management.
The strategy for diversity of the Board</td><td></td></tr>
</table>

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			of directors is published on the Company's website and public access sites.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		The Company has established the Remuneration Committee since August 29, 2011; the Audit Committee since June 3, 2015; the Nominating Committee since October 26, 2016; amended the election process to adopt the nomination method in 2015; established the corporate social responsibility committee in 2016 and proceeded to execute the related program.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		The Board resolved on October 28, 2015, the motion to apply the "Operating Procedures for Performance Evaluation of Board of Directors" which was revised on February 26, 2019. The director's assessment must be completed and submitted to the unit in charge, before the end of the 1st quarter of the following year, to finalize before forwarding to the Board for review and improvement. Assessment criteria got the effectiveness of the Board are in 5 categories as follows: 1. Participation and scope of participation in the Company's operation 2. upgrading the quality of the Board's decision-making 3. Composition and structure of the Board 4. Election of the directors & continuous education 5. Internal Control Assessment criteria for directors are as follows: 1. Clear understanding of the Company's goals and related scope of responsibility	

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status
(Note 1)</th><th rowspan="2">Deviations from “the Corporate Governance 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>2. Acceptance of Director’s responsibilities
3. Participation and scope of participation in the Company’s operation
4. Management of internal relationships and communication
5. Director’s professionalism and continuous education
6. Internal Control
Results of the Board’s self-assessment 2018”
1. Assessment period: January 1, 2018 to December 31, 2018
2. Results of the Board’s self-assessment:
<table>
<tr><th>Assessment Target</th><th>Outcome</th></tr>
<tr><td>Participation and scope of participation in the Company’s operation</td><td>Good</td></tr>
<tr><td>upgrading the quality of the Board’s decision-making</td><td>Good</td></tr>
<tr><td>Composition and structure of the Board</td><td>Good</td></tr>
<tr><td>Election of the directors & continuous education</td><td>Note A</td></tr>
<tr><td>Internal Control</td><td>Note B</td></tr>
</table>
Note A: Except for the fact that the individual director’s assessment result has not been included in the election process; others are good.
Note B: Except that internal audit members do not need to be approved by the Board, the internal audit members’ assessment and remuneration will, from 2019, be submitted to the remuneration committee and Board for review; others are good.
3. Internal directors self-assessment result: except for Notes A and B, the results were good (medium).
4. The result of the assessment of the effectiveness of the Board has been</td><td></td></tr>
</table>

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			discussed with and approved by the nominating committee on February 26, 2019 and submitted to the Board.	
(4) Does the company regularly evaluate the independence of CPAs?	V		Result of the annual assessment by the Finance Division to sign off on the independence of the CPA submitted to the Audit Committee for review on July 26, 2018. Based on the assessment by the Company's Finance Division, PwC's Feng Ming-Chuan and Hsu Shen-zhong have met the Company's standard for independent assessors (Note 2). Company has signed off on the CPA's independence declaration. Assessment results for the past 2 years have been separately submitted to the Board on July 26, 2017 and July 26, 2018.	
4. Has the Company appointed corporate governance (full or part-time) specialists or employee responsible for managing related governance matters (including but not restricted to providing the directors, supervisors information pertaining to business operations, organize Board meetings and shareholders' meetings as per regulations, managing company registration and changes in registration, document Board and shareholders' meetings?	V		Motion to appoint Vice President, Jane Hsu as Head of Corporate Governance to protect shareholders' rights and strengthen the function of the Board of Directors. Jane Hsu is a qualified accountant with more than 3 years' experience in listed companies in managing finance, shares-related services and activities. The main responsibility of the Head of Corporate Governance is to handle matters relating to Board meetings and Shareholders Meeting according to laws, produce minutes of Board meetings and Shareholders Meeting, assist in the onboarding and continuous development of directors and supervisors, provide information required for business execution by directors and supervisors, assist directors and supervisors with legal compliance and handle other matters set out in the articles or corporation or	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			contracts. Business operations 2018: 1. Assist in the continuous development of directors, provide information required for business execution by directors: (1) The Board members are regularly notified of the revision of the Company's business areas and the latest laws and regulations related to corporate governance. (2) Review the relevant information confidentiality level and provide company information required by the directors, maintain smooth communication between the directors and business executives. (3) In accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, independent directors assist in arranging relevant meetings with the internal audit supervisor or the CPA to understand the needs of the Company's financial business. (4) In consideration of industry-specific needs and the respective director's background and experience, assist the independent director or director with annual refresher courses and schedule them accordingly. 2. Support the processes related to the Board and shareholders' meetings and ensure compliance: (1) Report to the Board,	

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			independent directors, audit committee the state of Corporate Governance, confirming that the Board and shareholders’ meetings are conducted in accordance with related regulations and the Company’s corporate governance guidelines. (2) Assist and remind the directors of the rules that should be followed in business operations the business or when making a formal resolution, and offer suggestions when the Board is about to make a resolution that contravenes the law. (3) After the meetings, check the content of the critical resolutions planned for publication, to ensure accuracy and compliance with regulation, protecting the investors’ interests. 3. Maintaining investor relations: Arrange for directors to communicate and communicate with major shareholders, institutional investors or general shareholders as needed, so that investors can obtain sufficient information to evaluate the reasonableness of the Company’s capital market value, and maintain good shareholders’ rights. 4. A notice consisting of the agenda and meeting information for the Board meeting must be sent to each director 7 days in advance of the actual meeting. Prior notice must be given if any director has a	

Evaluation Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			personal interest in any of the resolutions to be reviewed. The minutes of the meeting must be produced and distributed within 20 days after the close of the meeting. 5. In accordance with the law, register the meeting prior to the meeting date and, within the statutory time limit, create the necessary notifications, meeting handbook, minutes and register these during the amendment of the Charter or re-election of the directors. Prior to the publication of the “Significant Matters for the Board of Directors”, a corporate governance head meeting the qualifying criteria had been appointed. From January 1, 2019 to December 31, complete 18 hours of continuing education which cannot be brought forward into the following fiscal year. The scope of the training, system and other training matters shall be in accordance with the recommendations made by the directors and supervisors.	
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 established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct” to establish a reporting channel and corresponding window for shareholders and investors, external suppliers and customers, and internal colleagues. Set up stakeholder sections on the Company’s website for appointed specialists to respond to issues of concern to stakeholders on a timely basis. (Note 3)	None
6. Does the company appoint a professional shareholder service agency to deal with	V		Taishin International Bank, Stock-Affairs Agency Dept. Department, appointed to manage the	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
shareholder affairs?			Company's shareholder services.	
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)?	V V		The Company has a website setup and the financial business and corporate governance information disclosed accordingly. The Company has set up an English website and appointed specialists to manage the collation and distribution of content. Appointed spokesperson for reporting to the relevant institutions. Information on corporate briefings is posted on the Company website.	None
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		(I) Employees rights: The Company has always treated employees with integrity and safeguarded the legitimate rights and interests of employees in accordance with the law. (II) Employee Care: Through the development of a stable employee welfare system and a good education and training system, we have established a good relationship of mutual trust and reliance. Example: Support employees' social activities and provide cultural entertainment, health check subsidies and medical advice, subsidized car parking, flexi-hours, transportation to/from work, fitness center, yoga classes and semi-annual bonus. (III) Investor relations: Spokesperson fully responsible for	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			handling shareholders opinions. To encourage shareholder participation, votes on motions in shareholders' meetings are recorded respectively; Yes, No, Abstain votes are counted and recorded against each motion. And included in the meeting minutes. (IV) Supplier Relations: The Company has always maintained good relationships with our suppliers. (V) Stakeholders' Rights: The Company has established the "Code of Conduct for Reporting Illegal and Unethical or Dishonest Behavior" to establish a reporting channel and corresponding window for shareholders and investors, external suppliers and customers, and internal colleagues. Set up stakeholder sections on the Company's website for appointed specialists to respond to issues of concern to stakeholders on a timely basis. Stakeholders must communicate with the Company, make suggestions to protect their legal rights. Directors' continuous education: The number of directors' training hours has been met, please refer to (Note 4). (VI) Implementation of risk management policies and risk measurement standards: Various internal guidelines are formulated in accordance with the law to conduct risk management and evaluation. (VII) Execution status of Customer Strategy:	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			The Company maintains a stable and good relationship with its customers to drive growth in corporate profits. (VIII) The Company has purchased liability insurance for directors. (IX) Operating license of personnel involved in financial information: refer (Note 5) (X) Planning for succession and execution status for directors and key management personnel The Company's succession plan considers characteristics like integrity, passion and innovation, exemplary performance and alignment with the Company's values as mandatory requisites. The Company follows the example of well-known entrepreneurs in Japan to develop the Amoeba Profit Center organization, cultivating talent with business acumen, ensuring that the heads of each business unit (BU) in the Company are equipped with the appropriate business mindset to manage products or the market. The remuneration committee of the Company regularly reviews the performance appraisal and salary remuneration of directors and managers to maintain the professionalism and experience of board members and senior management. In addition, through the planning of rewards and financial tools, we can effectively implement the process for corporate talent to retain outstanding talent. For high-level executives, the Company conducts corporate MBA training, which includes upward and peer team management, emotional management	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			and stress management, time and goal management training, actively equipping the successors with leadership and professional capabilities.	

IX. Please indicate the improvements made to the Company's corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the past year, and propose a plan to prioritize and execute improvements on the remaining issues.

No.	Assessment Criterion	Note
1.11	Does the Company upload an English version of the annual report 7 days before the shareholders' meeting?	As planned, the Company will upload an English version of the annual report 7 days before the shareholders' meeting
3.5	Is the public information observatory uploading the English version of the annual financial report 7 days before the shareholders' meeting?	As planned, an English version of the annual report will be uploaded 7 days before the shareholders' meeting

Note 1: Regardless of whether the operation is checked "Yes" or "No", it should be stated in the summary description field.

Note 2: CPA's Independent status assessment

Items under Independent Evaluation	Evaluation Outcome	Meets Standard for Independence
The CPA and audit team members have no direct or significant indirect financial relationship with the Company or its directors.	Yes	Yes
The CPA and audit team members have no close commercial relationship with the Company or its directors.	Yes	Yes
The CPA and audit team members have no potential employment relationship with the Company or its directors.	Yes	Yes
The CPA and audit team members have no financing or guarantee activities with the Company or its directors.	Yes	Yes
Joint CPAs that have left the role in the past one year do not now or in the past 2 years have responsibility in the Company as a director, manager or have significant influence over its audits.	Yes	Yes
The CPA does not provide the Company with non-audit services that may directly affect the audit work.	Yes	Yes
The CPA does not act on the Company's behalf or represent the Company in mediation with other 3rd parties.	Yes	Yes
The CPA, together with the audit team, do not have close personal relationship with the Company directors, managers or employees who have significant influence on the audit.	Yes	Yes

Items under Independent Evaluation	Evaluation Outcome	Meets Standard for Independence
The CPA or audit team have not received high-value gifts from the Company directors or managers.	Yes	Yes
The CPA does not hold the shares of the Company.	Yes	Yes
The Company has obtained the CPA's declaration of independence.	Yes	Yes

Note 3: Stakeholder's particulars, issues of concern, communication channel and response method:

Stakeholders	Issues of Concern	Communication Channel & Response Method	Outcome of Execution
Shareholder / Investor	Economic performance Market Position Labor relations: Compliance	Contact: Senior Special Assistant Spokesperson Skin Huang Phone: 886-2-8646-2111 #8010 Shareholders' Meeting2 Corporate briefing Phone & Email Company website stakeholder's section	Disclosed 37 Material Information and was invited to participate 2 Investors Conferences.
Director	Economic performance Health & safety Labor Relationship Training & education	Contact person: Head of Finance & Corporate Governance Jane Hsu Phone: 886-2-8646-2111 #8600 Board of Directors/Nominating Committee/Remuneration Committee/Audit Committee Phone/LINE/email Internal audit report CPA / Head of Audit and Corporate Governance Team Communication	In 2018, 8 Board meetings, 7 Audit Committees, 5 Remuneration Committees, and 3 Nomination Committees were held.
Customer	Customer confidentiality Compliance environmental matters Customer health & safety	Contact: Senior Special Assistant Spokesperson Skin Huang Phone: 886-2-8646-2111 #8010 Customer satisfaction survey Customer business review meeting Interactive forums / Domestic & international exhibitions Company website stakeholder's section	In 2018, Facebook published 80 products, exhibitors and forum related information. The community has received more than 700 praises and the total number of followers is over 700. Joined Twitter in February 2009, has accumulated more than 1,000, and has nearly 300 followers YouTube has uploaded 120 videos and viewed 147,208 views LinkedIn has 184 employees and has more than 4,000 followers INSTAGRAM has a total of 76 posts, and has more than 100 followers.

Stakeholders	Issues of Concern	Communication Channel & Response Method	Outcome of Execution
Employee	Economic performance Job Health & safety Labor relations: Employee diversity and equal opportunities	Contact: Senior HR Manager Sonny Hsu Phone: 886-2-8646-2111 #8110 Intranet site & email Employee welfare committee departmental meetings / Heads' meetings Employee feedback box / employee hotline	Announced more than 24 times about employee benefits, activities, training and e-newsletters in 2018.
Main supplier	Job Health & safety Customer confidentiality Labor relations: Training & education	Contact: Senior Special Assistant Spokesperson Skin Huang Phone: 886-2-8646-2111 #8010 Sharing of CSR with supplier & readiness evaluation Supplier survey On-site evaluation of supplier Company website stakeholder's section	Supplier evaluation of quality, delivery and service once a quarter, and determine the degree of follow-up with suppliers based on the results of the evaluation.
Government	Anti-corruption Labor Relationship Job Health & safety No discrimination Marketing and labeling	Contact: Senior Special Assistant Spokesperson Skin Huang Phone: 886-2-8646-2111 #8010 Phone & Email Official correspondence Email	The results of the third to fifth (2016-2018) Corporate Governance evaluation result, Axiomtek ranked as the top 5% for 3 consecutive years.
Others (bank, neighborhood groups etc.)	Customer confidentiality Marketing and labeling Customer health & safety	Contact: Senior Special Assistant Spokesperson Skin Huang Phone: 886-2-8646-2111 #8010 Phone & Email Company website stakeholder's section	Axiomtek sponsored the "DIT Robotics" team of the National Tsing Hua University to represent the Eurobot 2018 European Robotics Competition on behalf of Taiwan

In addition to the above methods of communication, stakeholders can contact us via the channels below

Spokesperson	
Contact person	Skin Huang
Title	Senior Special Assistant
Email	skin.huang@axiomtek.com.tw
Address	Address: 8F., No.55, Nanxing Road, Xizhi District, New Taipei City 221, Taiwan
Phone	+886-2-86462111#8010
Fax	+886-2-86462555

Note 4: Directors' continuous education:

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
Chairman of the Board	Yang Yu-Te	2018/09/19	2018/09/19	Chinese Corporate Governance Association	[Summit] 14th International forum for corporate governance	6
Director	Liu Wei-Ting	2018/09/28	2018/09/28	Taiwan Financial Research Institute	Corporate Governance and Corporate Sustainability Management Workshop	3
		2018/10/24	2018/10/24	Chinese Corporate Governance Association	Risk Seminar for Directors and Supervisors	3
Director	Tsai Shih-Yang	2018/03/02	2018/03/02	Chinese Corporate Governance Association	Leading the Company in response to rapidly evolving technology	3
		2018/05/10	2018/05/10	Chinese Corporate Governance Association	Industrial 4.0 & Leading Transforming in the Company	3
Director	Huang Jui-Nan	2018/07/24	2018/07/24	Republic of China Securities and Futures Market Development Foundation	Forum on Compliance with Insider Trading regulation	3
		2018/07/25	2018/07/25	Securities counter trading center	Briefing on insider equity for TWSE/TPSE listed companies	3
		2018/09/10	2018/09/10	Taiwan Stock Exchange Corporation Taipei Lawyers Association	Seminar series on Amended Blueprint for Corporate Governance - the Director's "Role" and "Authority"	3
		2018/09/19	2018/09/19	Chinese Corporate Governance Association	[Summit} 14th International forum for corporate governance	6
Independent Director	Lin Yih-Jong	2018/08/31	2018/08/31	Chinese Corporate Governance Association	Analysis of Legal Responsibilities and Cases of Insider Trading	3
		2018/11/09	2018/11/09	Chinese Corporate Governance Association	Analysis of Corporate Operational risks	3
Independent Director	Chang Jen-Chih	2018/07/06	2018/07/06	Federation of CPA Associations of Chinese Taiwan	H1 2018 latest updates on taxation regulations	7
		107/07/18	107/07/18	Securities counter trading center	Briefing on insider equity for TWSE/TPSE listed companies	3
		2018/07/27	2018/07/27	Federation of CPA Associations of Chinese Taiwan	What you need to know about the new anti-money laundering law	3

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
		2018/12/19	2018/12/19	Federation of CPA Associations of Chinese Taiwan	Supervisory Responsibility for Information Disclosure & Fraudulent Financial Reporting	3
Independent Director	Shon Zhen-Yi	2018/07/25	2018/07/25	Securities counter trading center	Briefing on insider equity for TWSE/TPSE listed companies	3
		2018/10/15	2018/10/15	Financial Supervisory Committee	12th Seminar on Taipei Corporate Governance	6
		2018/10/24	2018/10/24	Chinese Corporate Governance Association	Risk Seminar for Directors and Supervisors	3
Director	Huang Ming-Ta	2018/03/23	2018/03/23	Chinese Corporate Governance Association	Global & Cross-Straits Anti-tax Evasion Strategy & Execution	3
Independent Director	Chou Chih-Chen	2018/03/07	2018/03/07	Republic of China Corporate Operation Association	Lecture series on “2018 - How to run shareholders’ meetings”	3
		2018/03/12	2018/03/12	Republic of China Corporate Operation Association	Lecture series on “2018 - How to run shareholders’ meetings”	3
		2018/03/30	2018/03/30	Republic of China Corporate Operation Association	Lecture series on “Analysis and practical planning of the latest revision of company laws and regulations”	3
		2018/04/11	2018/04/11	Taiwan Academy of Banking & Finance	Corporate Governance Seminar - Family-owned enterprise legacy	3

Note 5: Operating license of personnel involved in financial information

Job Title	Name	License
Vice President, Finance Div. Head of Accounting/Finance Head of Corporate Governance	Jane Hsu	CPA Certificate (78) -303

(4) Composition, responsibilities and operations of each functional committee

A. Composition, responsibilities and operations of the remuneration committee

(A) Professional qualifications and independence analysis of remuneration committee members

Personal (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independent Criteria (Note 2)								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	Lin Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chang Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Shon Zhen-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a "✓"in the appropriate space.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(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 a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

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

(B) Role & Responsibility of the Remuneration Committee members

The remuneration committee was set up on August 20, 2011. The Remuneration Committee comprises 3 independent directors. A member of this committee must fulfill their responsibilities with the mindset of a compassionate manager while at the same be accountable to the Board, putting forward relevant recommendations for the Board's deliberation:

a. Schedule regular review sessions with the directors and managers to evaluate remuneration strategies, system, standards and structure.
b. Regularly evaluate and confirm he remuneration for the directors and managers.

(C) Operations of Remuneration Committee:

a. The Company's Remuneration Committee consists of three (3) members.
b. Current term of office: The term of office commences from June 7, 2018 until May 28, 2021. The Committee held 5 meetings (A) in 2018, and the attendance of the Committee members is summarized as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person (B)</th><th>Attendance by Proxy</th><th>Attendance Rate (%) 【B/A】</th><th>Remarks</th></tr>
<tr><td>Independent Director</td><td>Lin Yih-Jong</td><td>5</td><td>0</td><td>100</td><td rowspan="5">Note 1. Assumed office on June 7, 2018. Attended 3 Committee meetings in 2018.
Note 2. Resigned on May 29, 2018. Attended 2 Committee meetings in 2018.</td></tr>
<tr><td>Independent Director</td><td>Chang Jen-Chih (Note 1)</td><td>3</td><td>0</td><td>100</td></tr>
<tr><td>Independent Director</td><td>Shon Zhen-Yi (Note 1)</td><td>3</td><td>0</td><td>100</td></tr>
<tr><td>Independent Director</td><td>Chou Chih-Chen (Note 2)</td><td>2</td><td>0</td><td>100</td></tr>
<tr><td>Independent Director</td><td>Liu Chun-Lian (Note 2)</td><td>2</td><td>0</td><td>100</td></tr>
<tr><td colspan="6">Other mentionable items:
I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the board of directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None
II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.</td></tr>
</table>

Note:

1. Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
2. Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members, and specify if they are the former members or newly elected, re-elected, and also the date of the reelection. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

c. Outcome of the discussion and decision of the remuneration committee and the Company's handling of the members' recommendation.

<table>
<tr><th>Remuneration Committee</th><th>Content of the Motion & Follow Up</th></tr>
<tr><td rowspan="4">3rd Meeting
14th Sitting
February 27, 2018</td><td>1. 2017 H2 Amoeba Incentive for managers.</td></tr>
<tr><td>2. 2017 Remuneration to employees and Remuneration to directors' and the related distribution policy.</td></tr>
<tr><td>Result of Remuneration Committee meeting (February 27, 2018): Unanimously approved.</td></tr>
<tr><td>The Company's follow-up action of the Remuneration Committee's opinion: Unanimously approved by the directors in attendance.</td></tr>
<tr><td rowspan="6">3rd Meeting
15th Sitting
April 12, 2018</td><td>1. 2017 Allocation of remuneration to managers.</td></tr>
<tr><td>2. 2017 Allocation of remuneration to directors.</td></tr>
<tr><td>3. 2018 Incentive package plan for managers.</td></tr>
<tr><td>4. Approve the name list for 2018 employee stock options distribution.</td></tr>
<tr><td>Result of Remuneration Committee meeting (April 12, 2018): Unanimously approved.</td></tr>
<tr><td>The Company's follow-up action of the Remuneration Committee's opinion: Unanimously approved by the directors in attendance.</td></tr>
<tr><td rowspan="3">4th Meeting
1st Sitting
July 26, 2018</td><td>1. 2018H1non-sales incentive program.</td></tr>
<tr><td>Result of Remuneration Committee meeting (July 26, 2018): Unanimously approved.</td></tr>
<tr><td>The Company's follow-up action of the Remuneration Committee's opinion: Unanimously approved by the directors in attendance.</td></tr>
<tr><td rowspan="5">4th Meeting
2nd Sitting
August 20, 2018</td><td>1. 2018 H1 Amoeba Incentive for managers.</td></tr>
<tr><td>2. 2018 salary package adjustment for managers.</td></tr>
<tr><td>3. Manufacturing bonus for managers.</td></tr>
<tr><td>Result of Remuneration Committee meeting (August 20, 2018): Unanimously approved.</td></tr>
<tr><td>The Company's follow-up action of the Remuneration Committee's opinion: Unanimously approved by the directors in attendance.</td></tr>
<tr><td rowspan="4">4th Meeting
3rd Sitting
October 25, 2018</td><td>1. 2018 Remuneration to employees and Remuneration to directors' and the related distribution policy.</td></tr>
<tr><td>2. Establish the method for director's remuneration distribution.</td></tr>
<tr><td>Result of Remuneration Committee meeting (October 25, 2018): Unanimously approved.</td></tr>
<tr><td>The Company's follow-up action of the Remuneration Committee's opinion: Unanimously approved by the directors in attendance.</td></tr>
</table>

B. Composition, Responsibilities and Operations of the Nomination Committee

(A) Professional Qualifications and Independence Analysis of Nomination Committee Members

Personal (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independent Criteria (Note 2)								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	Lin Yih-Jong			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chang Jen-Chih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Director	Yang Yu-Te			✓				✓	✓	✓	✓	✓	0	

Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a "✓"in the appropriate space.

(1) Not an employee of the Company or its affiliates.
(2) Not a director or supervisor of the Company or its affiliates except for independent directors of the Company or its parent company or subsidiaries set up in accordance with this Law or local laws
(3) Non-person and his spouse, minor children or in the name of another person holding more than 1% of the total issued shares of the Company or the top 10 shareholders of natural persons.
(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.
(8) Not under any of the categories stated in Article 30 of the Company Law.

(B) Nominating Committee's Responsibilities

In order to improve the functions of the board of directors and strengthen the management mechanism, a nominating committee has been set up. The committee is composed of at least three directors, of which more than half of the independent directors should participate.

The committee is authorized by the board of directors to perform the following functions and powers, and submit the recommendations to the board of directors for discussion:

a. Develop a standard of diversified background and independence for the knowledge, skills, experience and gender required by board members and senior managers, and seek, review and nominate candidates for directors and senior managers.
b. Build and develop the organizational structure of the board of directors and committees, conduct performance evaluations of the board of directors, committees, directors and senior managers, and assess the independence of independent directors.
c. Establish and regularly review the director’s progress plan and the succession plan for directors and senior managers.
d. Formulate the Company’s corporate governance code of practice.

When performing the above functions, if anyone has conflict of interest, the details must be discussed in the said committee meeting; and if deemed to be harmful to the Company, must be exempted from and not be present in further discussions or decision-making. This person cannot represent any other members in the decision-making.

(C) Information about the operational status of Nominating Committee

a. The Company’s Nominating Committee consists of three (3) members.
b. Current term of office: The term of office commences from June 7, 2018 until May 28, 2021. The Committee held 3 meetings (A) in 2018, and the attendance of the Committee members is summarized as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person (B)</th><th>Attendance by Proxy</th><th>Attendance Rate (%) 【B/A】</th><th>Remarks</th></tr>
<tr><td>Independent Director</td><td>Lin Yih-Jong</td><td>3</td><td>0</td><td>100</td><td rowspan="4">Note 1. Assumed office on June 7, 2018. Attended 2 Nominating Committee in 2018.
Note 2. Resigned on May 29, 2018. Attended 1 Nominating Committee in 2018.</td></tr>
<tr><td>Independent Director</td><td>Chang Jen-Chih (Note 1)</td><td>2</td><td>0</td><td>100</td></tr>
<tr><td>Director</td><td>Yang Yu-Te</td><td>3</td><td>0</td><td>100</td></tr>
<tr><td>Independent Director</td><td>Chou Chih-Chen (Note 2)</td><td>1</td><td>0</td><td>100</td></tr>
</table>

(5) Corporate Social Responsibility

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		The Company has formulated Corporate Social Responsibility Best Practice Principles and issues a Corporate Social Responsibility Report annually with a meeting held at least once a year to review the effectiveness of the implementation.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		Members of the CSR Committee will provide the relevant information and awareness training at the meeting.	
(3) 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		1. Our Corporate Social Responsibility (CSR) Committee is set up by representatives from the HR Dept., Finance Division, QA&QE Division, Procurement Division and Sales & Marketing Division and is led by the Chairman of the Board. (Note 3) The operation office, jointly set up and managed by the HR Dept. and QA&QE Division, comprises 4 sub-teams. There is no fixed meeting schedule but meetings can be held where necessary to discuss the effectiveness of the CSR program. 2. The "Corporate Social Responsibility (CSR) Committee "Operates on the principle of PLAN - DO - CHECK - ADJUST (PDCA). Every year, survey feedback from stakeholders will be reviewed and assessed for the appropriate response to be taken and plans put in place for execution. 3. The Corporate Social Responsibility (CSR) Committee's promotions team reports to the Board once a year on the effectiveness of the CSR program (including communication with the stakeholders) and the stakeholders'	

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		concerns, the corresponding actions of which will be reported out in the following year. The report will also be posted on the Company website for stakeholders to review. The Company's Article of Association stipulates that profits must be distributed to employees within a range of 1% to 20%. In addition, bonuses are paid to employees in R&D, sales or non-sales every quarter or every 6 months. Annually, salary adjustment is computed based on a combination of employee performance, business performance of the related unit and execution status of the CSR program.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) 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 V V		The Company is committed to improving from the basics, upgrading the usefulness of each category of material to achieve the goals of reducing raw material usage and waste, thereby lowering the impact on the environment. The Company has obtained ISO-14001 (International Standard for Environmental Management) and OHSAS-18001 (Occupational Safety and Health Management System) certification (Note 4), and regularly audits and evaluates. The Company is committed to reducing energy consumption, and has established energy-saving measures such as water saving/saving/paper saving and computer recycling and re-use (Note 5). Please refer to Chapter 6 of the Company's '2017 Axiomtek Corporate Social Responsibility Report for Environmental Protection' (page 64).	None

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
3. Preserving Public Welfare				None
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complies with relevant labor regulations. In order to protect the legitimate rights and interests of employees, the Company's policy guidance and employee's opinions and understandings are all conducted in an open two-way communication manner.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		The Company has established the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct" to establish an internal and external reporting pipeline and handling system. Staff can reflect their opinions and grievances through the "Employee Opinion Mailbox" and the "Employee Hotline".	
(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?	V		The Company has obtained the TOSHMS Taiwan Occupational Safety and Health Management System Certification of the Labor Committee and regularly conducts employee health inspections and safety and hygiene lectures every year. The Company also has appointed a medical caregiver 3 times a month, and a physician once every 2 months to provide on-site services. In addition to routine attendance to employee health and health guidance, maternal health protection and abnormal workload, any employee who has physical and mental health issues can make an appointment for consultation.	
(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? (V) Does the Company have an effective career capacity development	V		In addition to the official announcement of important information in real time, the Company regularly publishes in the monthly Axiom E-News, various information such as the reading club column, operation, personnel, legal affairs and the welfare committee.	

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
training program established for the employees?				
(5) Does the company provide its employees with career development and training sessions?	V		The Company provides relevant internal and external professional education and training to enrich employees' career skills. The Company also encourages employees to assess their interests, skills, values and goals and communicate their personal career intentions with managers to plan future career plans.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		The Company has established the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct", establishing internal and external reporting channels and handling systems. External customers, suppliers and contractors can report by phone, email or report. In an effort to achieve the goal of "customer satisfaction," we will pay attention to and immediately handle customer complaints to provide customers with complete product information.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		The Company's products have been labelled in accordance with relevant regulations and international guidelines.	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		The Company will conduct a "Supplier/Outsourcer Environmental Management and CSR Questionnaire" assessment for new suppliers, covering environmental management and corporate social responsibility issues.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact	V		The Company has established a "Ethical Corporate Management Best Practice Principles" which requires a contract with its agents, suppliers, customers or other business transactions, and its content should include compliance with the integrity management policy and the transaction of the relatives, such as dishonest behavior. The terms of the	

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	
on the environment and society?			contract may be terminated or terminated at any time. The Company works closely with suppliers to promote corporate social responsibility. The Company requires major suppliers to sign the "Axiomtek Integrity Commitment Letter" to establish a pure and honest long-term trading relationship, and jointly pursue the sustainable growth of the performance of both parties.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The Company has established a corporate social responsibility zone on the Company's website to share relevant information on corporate social responsibility.	None

5. 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:
In accordance with the "Code of Practice for Corporate Social Responsibility of Listed Companies", the Company has established a CSR Guide. Led by the Chairman, the CSR Committee is coordinated by the HR Division with sub-teams set up to actively participate and execute on the related events. In 2018, the CSR report for 2017 was completed per GRI standards.

6. Other important information to facilitate better understanding of the company's corporate social responsibility practices：

(1) In addition to pursuing the development of environmentally friendly products, the Company is committed to becoming a green enterprise that values and advocates environmental ecology. Due to global warming, global citizens have the responsibility to participate in activities that integrate the core values and business operations of enterprises innovatively. Promote a culture of corporate volunteerism, making the volunteers a key resource for constructing a good citizen environment, working together to care for the society and contribute towards changing the world.
The Company's social welfare activities in the last two years are as follows:

Evaluation Item	Operational Situation (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation (Note 2)	

Year	Month	Day	Item
2017	July	07	" Yu Meng Xiang Song" , 3E Taipei Philharmonic Youth Orchestra
	October	05	Axiomtek sponsored the Apollo Solar Car team from National KaoHsiung University of Applied Technology in the R&D for the 8th generation "Low wind resistance modernized solar-powered car" to enter the 14th World Solar Challenge and their 30th anniversary, held from October 8th to 15th.
	October	07	Collaborated with the Taipei City Cultural Bureau's "2017 Taipei White Nights" event, enabling people to connect with the arts naturally and freely within the city space through a varied range of works of art and performances.
2018	May	15	Axiomtek sponsored the DIT Robotics team at National Tsinghua University to represent Taiwan in the Eurobot. 2018 European Automated robots competition. Through this collaboration opportunity, we hope to promote industry-institution collaboration, recruiting technology talent from National Tsinghua University and join hands to generate global competitiveness for Taiwan.
	July	17	Axiomtek has been running welfare programs for a long time, working with the Children Are Us Foundation to sell hand-made cookies which were sold out on the 2nd day of the sale.
	October	23~ 31	In response to the used shoes collection program organized by the International Soles4Souls Charity, the Company encouraged colleagues to donate old shoes, and collected 65 pairs of shoes donated with love to impoverished villages in East Africa.

(2) Number of participants in welfare activities and cash input in the past 2 years: Unit: NT$

Participant	Participation Total Number of Person	2018		2017	
		Donation	Organize in-house Caring Sales Activities	Donation	Fanless Vehicle -Specific Monitoring System
National Tsinghua University		50,000	-	-	-
Children Are Us Foundation	All employees	-	1,820	-	-

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Operational Situation
(Note 1)</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation
(Note 2)</th></tr>
<tr><td colspan="5">

Participant	Participation Total Number of Person	2018		2017	
		Donation	Organize in-house Caring Sales Activities	Donation	Fanless Vehicle -Specific Monitoring System
‘Old Shoes, help’ International Christian Care Association	All employees	65 pairs	-	-	-
National Kaohsiung Applied Technology University		-	-	-	600,000
The Garden of Hope Foundation	Total of 33 employees participated	-	-	50,000	-

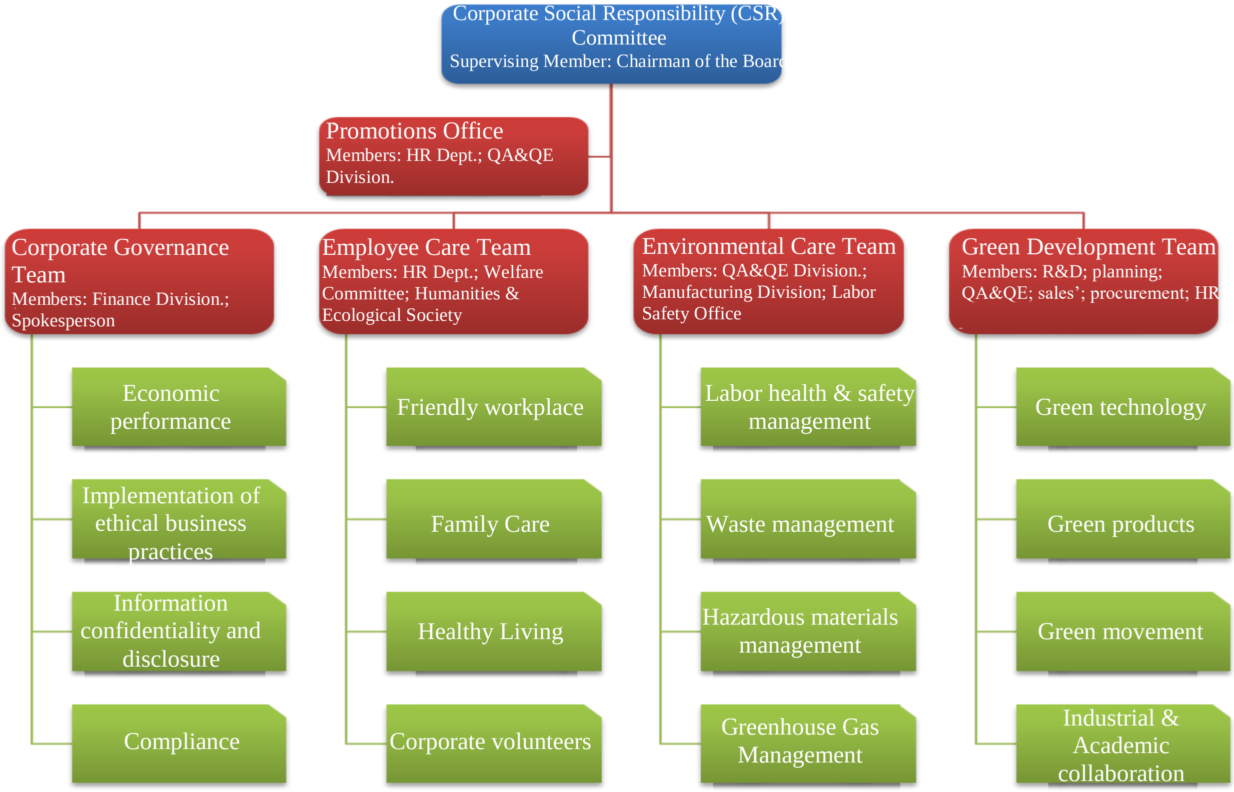
(3) Completed the 2017 CSR report.

(4) The Company continues to pursue sustainable development and is committed to practicing corporate social responsibility, fulfilling corporate social responsibility, paying attention to the rights and interests of stakeholders, and attaching importance to environmental, social and corporate governance in order to comply with international development trends. On November 23, 2017, the Company was awarded the “Rookie Award” in the 10th Taiwan Business Sustainability Report for 2017, reaffirming the Company’s achievements in fulfilling corporate responsibility.
</td></tr>
<tr><td colspan="5">7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:
The Company has completed the 2017 corporate social responsibility report, and will not rule out reviews by the relevant verification agencies in the future.</td></tr>
</table>

Note 1: Regardless of whether the operation is checked “Yes” or “No”, it should be stated in the summary description field.

Note 2: The Company has already compiled a corporate social responsibility report, and the summary indicates the method by which the CSR report is reviewed and change in the index.

Note 3: Corporate Social Responsibility (CSR) Committee



Team	Team Functionality
Promotions Office	Co-ordination, formulating and reviewing corporate social responsibility development policies, systems and objectives Assess & review performance and implementation Report implementation results to the board of directors on a regular basis Summary, compilation, review and issuance of corporate social responsibility reports
Corporate Governance Team	Corporate governance management, financial information disclosure, compliance
Employee Care Team	Responsible for human resource development, human rights management, and building a healthy and friendly workplace Environment, cultural and educational charity promotion and care for disadvantaged groups
Environmental Care Team	Management of environmental policy and management systems, pollution prevention, energy use efficiency, product environmental responsibility, environmental problem management, occupational safety and health policy
Green Development Team	Customer service and satisfaction, reducing the impact of raw materials used on the environment Research and development of green products, product quality and reliability management and customer relationship management

Note 4: Certification Data

Category	Environmental Management System	Job Health & safety Management System
Name of Certification	ISO14001 Environmental Management System	OHSAS 18001 Job Health & Safety Management System
Date of Certification	2004/10/14	2016/12/11
Effective Period	2017/10/31-2019/10/14	2016/12/11-2019/12/11
Certification Unit	SGS	SGS
Certificate	 SGS Certificate TW04/00549 The management system of Axiomtek Co., Ltd. 8F., No. 55, Nanxing Rd., Xizhi District, New Taipei City 221, Taiwan has been assessed and certified as meeting the requirements of ISO 14001:2015 For the following activities The scope of registration appears on page 2 of this certificate. This certificate is valid from 31 October 2017 until 14 October 2019 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 27 September 2019 Issue 7. Certified since 14 October 2004 This is a multi-site certification. Additional site details are listed on the subsequent page. Authorised by UKAS MANAGEMENT SYSTEMS 0005 Page 1 of 2	 SGS Certificate TW16/01224 The management system of Axiomtek Co. Ltd. Beitou Plant / Axiomtek Co., Ltd. Xindian Plant II 8F., No. 4, Lane 235, Baoqiao Road, Xindian District, New Taipei City 231, Taiwan Has been assessed and certified as meeting the requirements of OHSAS 18001:2007 For the following activities The scope of this certification appears on page two of this certificate. This certificate is valid from 11 December 2016 until 11 December 2019 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 26 November 2016 Issue 1. Certified since 11 December 2016 This is a multi-site certification. Additional site details are listed on subsequent pages. Authorised by TAF Occupational Health and Safety Management OC007 Page 1 of 2

Note 5: Greenhouse gas inventory, corporate energy conservation and carbon reduction and greenhouse gas reduction strategies

I. Environmental management policy

Axiomtek introduced the ISO14001 environmental management system in 2005 and completed the ISO14001:2015 certification in 2006. Its environmental policy is “Environmental Protection and Sustainable Resources”. The participation of all staff, continuous improvement, improvement of working methods and management skills, so that the Company’s products, service quality, environmental management can meet the needs of customers, the annual environmental policy, goals, measures to achieve are listed as follows:

Environmental Policy	
Policy goal	Boundary less environmental protection; sustainable resources
Target	1. Workplace environment measurement pass rate is 100% 2. The pass rate of drinking water quality testing is 100% 3. Energy consumption is reduced by 1.5% per year. 4. Greenhouse gas emission reduction of 1.5% per year
Strategy to meet targets	Strictly abide by environmental laws and regulations, implement environmental education management, and reduce the impact of the global environment
Measures to achieve targets	1. Workplace environment compliance every 6 months. 2. Test drinking water quality 4 times a year 3. Full-time monitoring and improving the maximum power consumption

Axiomtek has been using the lead-free manufacturing process since 2006. In order to avoid cross-contamination of production equipment, lead-free Wave Flow is uniformly used. During the manufacturing process, ventilation facilities are installed in the reflow furnace, tin furnace, repair area to protect the employees from smoke and other harmful emissions. Waste generated from the manufacturing process is collected every 2 hours, per Axiomtek's policy. The waste collected is consolidated and then removed by a company appointed waste management vendor.

For raw materials, due to the characteristics of Axiomtek's industrial computers, the procurement policy is to use non-renewable raw materials to provide high-reliability products to customers. The raw material categories that have been examined and put into production operation are mainly divided into three categories, including electronic materials, institutional materials and packaging materials. In accordance with the material recognition process and in compliance with environmental regulations, international product recycling regulations and waste packaging materials regulations. In the procurement of raw materials from 2017 to 2018, electronic materials accounted for 68% of the bulk, followed by machine components of 30% and packaging materials of 2%.

In order to launch CSR and supplier/outsourcer environmental management mechanism, Axiomtek has used environmental standards to screen new manufacturers since 2017, requiring all manufacturers to fill out environmental management and CSR questionnaires, with air, water, waste, soil and noise used as a benchmark to audit the information replied by the supplier. The inspection results show that there are no manufacturers with material actual or potential negative impacts.

In order to comply with international environmental regulations and customer needs, Axiomtek requires the presentation of inspection reports or compliance declarations for restricted hazardous substances when materials and suppliers acknowledge the presence of these substances; and require manufacturers to use ROHS/REACH/PFOS/non-conflict metal/package directives. etc., Manufacturers need to provide evidence to become qualified suppliers. In order to effectively manage the relevant information provided by the manufacturer, Axiomtek introduced the GPM green substance management system from 2017, allowing suppliers to log in to the GPM system to fill in the guarantee details, test report, substance composition table and other information. The system will remind the supplier to update the test report regularly, thus ensuring continuous monitoring.

In 2017, Axiomtek held a "Green Supply Chain Management System" introduction briefing at the Taipei Shibuya International Conference Center, inviting all suppliers to participate in the event, attended by more than 150 suppliers participated. This demonstrated Axiomtek's determination and focus on the management of hazardous substances.

In the inspection and management of incoming materials, X-Ray equipment is used for sampling inspection during the inspection of incoming materials. On a regular basis, sampling and inspection of the soldering process in the tin furnace is done to ensure that the products meet the requirements of environmental protection regulations.

II. Energy Consumption

(I) Energy consumption inventory

1. Electrical Power

Electrical power is the main source of energy in Axiomtek's production and business operations. From the perspective of energy intensity, the per capita electricity consumption is calculated based on the electricity consumption and the number of electricity users.

Year	2018	2017
Electricity Consumption	219,671	232,853
Electricity Users	530	508
Average per Person / Year	415	458

2. Water

Axiomtek's manufacturing process does not require water or industrial wastewater, so water is consumed only in common daily use. Since the Company is located in a public park and is not a privately owned factory, it is difficult to recycle and reuse, and the emissions are fully managed by the park administration for centralized treatment and discharge.

Examining the trend of water consumption in the past two years, we can see that the per capita water consumption in 2017 has declined. The reason for the decrease in the water consumption is that the foreign workers' dormitory in the Beitou factory area has been moved from within the factory area to outside and factory colleagues have also moved out of the dormitory, drastically reducing water consumption, causing the significant drop in per capita water consumption.

Year	2018	2017
Water Consumption	18,614	21,643
Number of People	530	508
Average per Person / Year	35.12	42.60

3. Greenhouse Gases

In addition to data on power and water usage, Axiomtek's environmental team has since 2015 begun ISO14064 greenhouse emission inspections on direct emissions (scope 1), indirect emissions from energy sources (scope 2) , indirect emissions from other sources (scope 3), the scope of which is as follows:

Scope	Category	Equipment (Emimission Source)
Scope 1 Direct greenhouse gas emissions	Fixed combustion source: Refers to combustion of fixed facilities e.g. emergency power generators.	No such facility.
	Mobile combustion source: refers to combustion from transportation e.g. cars	Business vehicles - gasoline(CO^2, CH^4, N^2O)
	Emission source: refers to intentional or unintentional emission e.g.,: methane from equipment connections, leakage from fissures or during waste water management; carbon dioxide from firefighting equipment; HFCs released from air-conditioners, coolers and household freezers.	CO^2 fire extinguisher(CO^2) Drinking fountain, air-conditioner, refrigerator , AC units in business vehicles, dryer, Chamber(HFCS) Septic tank (CH4)

Scope	Category	Equipment (Emimission Source)
Scope 2 Energy indirect greenhouse gas emissions	Originate from externally sourced power, heat, steam or other fossil fuel-derived energy sources.	Externally sourced power (CO^2)
Scope 3 Other indirect greenhouse gas emissions	Example: Employee business travel; transportation of damaged / unwanted material or packages by 3rd parties; foreign aid activities, outsourced manufacturer and authorized distributors; when the greenhouse emissions originate outside the facility boundaries or from waste generated by the facility; employee commute to/from the workplace (includes emissions from non-energy raw materials).	Transportation of documents and parcels - gasoline, diesel (CO^2, CH^4, N^2O), refrigerant(HFCs) Clearing and transportation of waste - gasoline, diesel (CO^2, CH^4, N^2O), refrigerant(HFCs) Employee commute to/from workplace and business travel - gasoline, diesel (CO^2, CH^4, N^2O), refrigerant(HFCs) Vending machines - refrigerant(HFCs)

The 2018 and 2017 greenhouse emission survey reports indicate that more than 95% came from externally sourced power energy. In accordance with our love the earth concept, Axiomtek's greenhouse gas reduction strategy stipulates a reduction of 1.5% every year to achieve the goal of power conservation /reduction of greenhouse emissions.

Year	2018	2017
Total emission (ton CO^2e/year)	1,563.617	1,568.712

The inspection results indicate that the reduction in greenhouse emissions from 2016 to 2017was only 0.325% and did not meet the target of 1.5%. The reason for this: 95% of Axiomtek's greenhouse emissions are from power usage. Due to the increase in the number of users from 508 to 530, even though the average usage per person has decreased, the overall power usage has remained flat with the greenhouse emission data staying unchanged.

(II) Conserving energy

Axiomtek loves the earth and has implemented measures for saving water/ energy/ paper and recycling of computers for re-use.

Water conservation measures to conserve electricity	1. Use energy-saving lamps 2. Use sunshade to reduce sun exposure 3. Install air circulating fan to AC air outlets, adjust indoor temperature (1st floor of Beitou Plant), reduce compressor starting frequency 4. Spread the word about not using electrical power during lunch breaks and after hours 5. Increase the ice water temperature of the air conditioner main unit, reduce the compressor starting frequency, and avoid waste of resources. 6. Set the SLEEP function for the water dispenser during

	non-working hours to reduce power consumption. 7. Implement air conditioning main unit ice water pipeline insulation measures 8. Understand the actual power consumption and count the power statistics of each region as the basis for improvement. 9. Use water-saving taps in the bathrooms.

Save paper other measures	1. Implement electronic sign-off system, digitize document signing, digitize technical documents, and promote double-sided printing internally to save paper. 2. Do not print the fax number on the business card. Replace faxes with electronic file transfer. 3. In addition to the employees using their own eco-cups, visiting customers to also use eco-cups to reduce the use of paper cups. 4. Promote waste sorting, increase the amount of recyclable resources, and reduce the amount of general waste 5. Encourage employees to go to work by public transport or car pool. 6. Advocate employees to use environmentally friendly tableware to reduce waste generation and related resource consumption 7. Donate used PCs or NBs to related agencies for use by vulnerable groups

(III) Waste & resource recovery

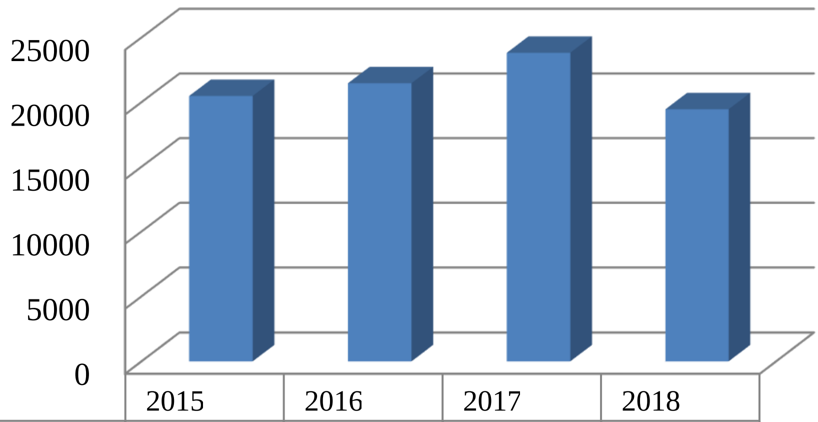
1. Domestic waste

   Domestic waste generated by Axiomtek is collected and handled by the park management committee, and is divided into general garbage and resource waste (waste paper, glass bottles, plastics, iron and aluminum cans, aluminum foil) according to the regulations of the committee. In addition to waste that can be recycled and reused, general waste is disposed of by sanitary burial or incineration

2. Business waste management

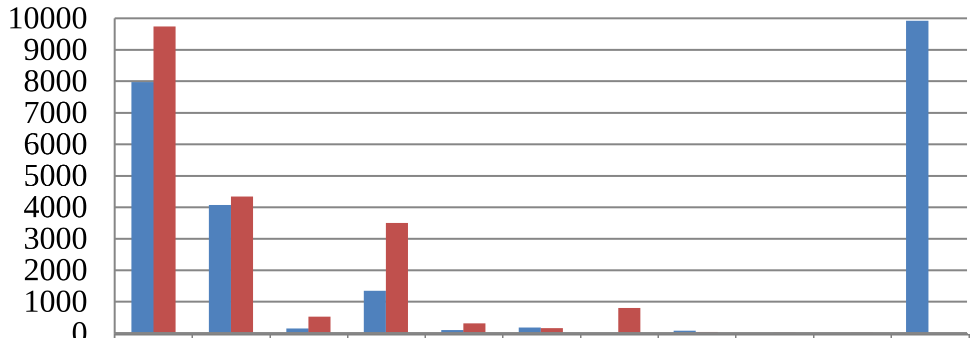
   The business waste committee shall be assisted by legal removal and disposal manufacturers, and must report to the Environmental Protection Agency to entrust or jointly handle the triple bill, waste including board edge, circuit board, waste wire, electronic components, tape, etc. Per the waste handling plan which divides the waste into waste plastics, waste paper, scrap iron, waste tin, waste liquid and metal-containing printed circuit board waste and related waste. To be handled by legal vendors for waste treatment and different types of waste disposal. Depending on the category, this waste can be sold, recycled, incinerated or buried under sanitary conditions, in compliance with legal regulations. From the following figure, we can see the weight of Axiomtek’s annual recycling of business waste, and explore the reasons for the decline in the amount of business waste recovered in 2018. The main reason for the decline is that the processing value for the recycling of the tape is too low, and the manufacturer has not included it in the recycling list.

Annual Business Waste Recycling Statistics



	2015	2016	2017	2018
Recycling waste (kg)	20482	21464	23821	19452

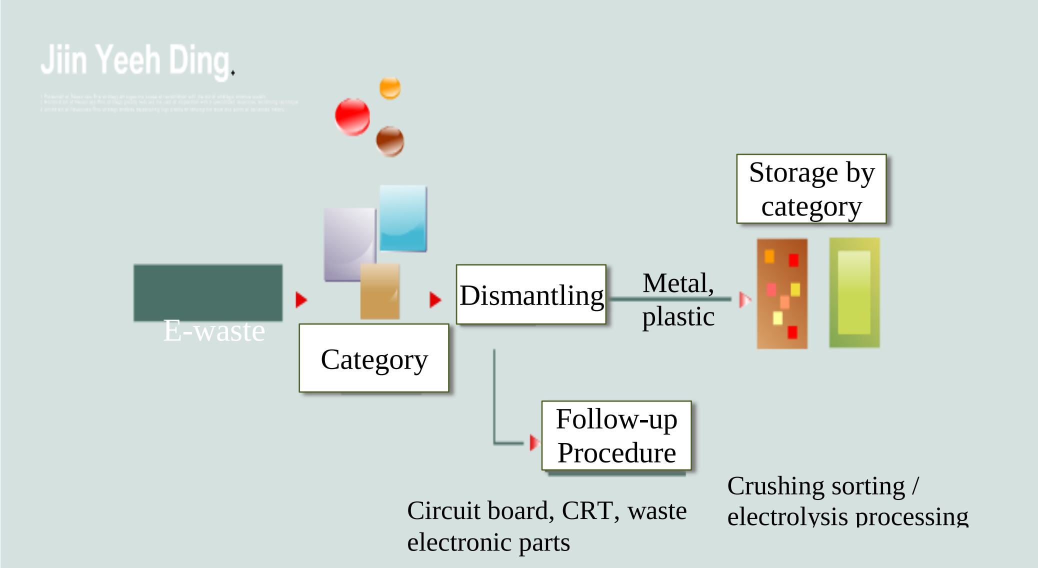
2017 ~ 2018 Business Waste Management Categories



	Plastic	Board / plate edges	Aluminum	Steel parts	PCB with IC	PCB empty board	Electronic parts	Waste wiring	Motherboard	Display screen	Parts strip
2017	7970	4070	150	1350	100	180	0	80	0	0	9921
2018	9740	4340	520	3500	310	160	800	35	23	24	0

In addition to having the business waste removed by appointed vendors, Axiomtek is also very concerned about the final disposal method used by the vendor and will appoint them once the final disposal method applied has been assessed.

Flow chart of the final disposal method of the vendor:



3. Steel plate recycling
   In order to protect the earth and reduce consumable waste, Axiomtek advocates the steel recycling and reuse policy. Because the steel plate is often scrapped due to revision and damage, the scrapped steel plate can be transformed into a pallet truck and a large wall board to improve its usability. The aluminum frame can also be recycled to the steel plate factory for re-use. Axiomtek can recover an average of 130 steel plates per year.
4. Recycling lunch boxes
   Employee meal times generate a huge amount of bento lunch boxes that not only take up space but also attract vermin to the kitchen waste left behind. In 2016 Axiomtek introduced the kitchen waste recycling program and encouraged the stacking up of used lunch boxes. Kitchen waste is stored in a designated covered bin while the space taken up by lunch boxes has drastically reduced.
5. Paper carton recycling
   The manufacturing process creates a high volume of paper cartons. Each unit will bundle their respective cartons and pack them in the collection trucks which, when full, will deliver the cartons to the recycle centers to be sold. On average, the annual sale proceeds for this recycling effort is NT$140,000, an amount which is given back to the employees as an employee welfare fund.

(IV) Biodiversity

In November 2017, Axiomtek moved from their office in Xindian District, New Taipei City to Xizhi District, New Taipei City. Investigation of the surrounding environment revealed that the nearby KangGao River had been designated in 2015 to be a conservation area for fish until December 31 2018. The locals and community groups rallied the Administration's Agricultural Committee and have obtained approval for the conservation area to remain as is.

The KangGao River is a freshwater river and a tributary of the Keelung River with a basin that stretches to the southern half of the XiZhi District. The middle and upper reaches of the basin are currently conserved for its water quality and are protected areas for tap water. The water is clear with a stable flow and is home to the native fish species Xige, bitter flowers etc., and a place where nature thrives. Cherry trees line both sides of the bank and when in full bloom during the spring, are a pleasant sight indeed!

III. Adherence to environmental protection regulations: Since its establishment, Axiomtek has never been implicated in violation of environmental protection laws or regulations, nor has it been penalized or fined for such offences.

(6) Ethical Corporate Management

Evaluation Item	Operational Situation (Note 1)			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) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V V V		(1) Our "Ethical Corporate Management Best Practice Principles" lays the foundation for a corporate culture of ethical business practice and ongoing improvement. AXIOMTTEK employees, including the Board of Directors and management must adhere to this code in all their dealings. (2) The Company has established the "Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management" to execute on the operating integrity policy, actively guarding against dishonesty. And set up the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct" to launch the system for internal/external reporting of such behaviors and how they are managed, enabling the implementation of the ethical code of conduct and integrity management guidelines established by the Company. (3) The Company's directors, managers, servants or persons with substantial control of the Company are strictly forbidden to directly, or indirectly, provide, accept, accept or accept any illegitimate interests or make other violations of integrity, or lawlessness or breach of fiduciary duty. (4) The employees of the Company are self-disciplined in the principle of honesty and integrity, honestly treating customers,	None

Evaluation Item	Operational Situation (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			investors, colleagues, suppliers, and adhering strictly to the rule of not accepting any improper gifts and hospitality. (5) The Company has established the “AXIOMTEK CO., LTD. Rules of Procedure for Adoption of Codes of Ethical Conduct” to guide the Company’s directors, managers and all employees in complying with ethical standards.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		The Company has established a “Ethical Corporate Management Best Practice Principles” which requires a contract with its agents, suppliers, customers or other business transactions, and its content should include compliance with the integrity management policy and the transaction of the relatives, such as dishonest behavior. The terms of the contract may be terminated or terminated at any time. The Company requires major suppliers to sign the “Axiomtek Integrity Commitment Letter” to establish a pure and honest long-term trading relationship, and jointly pursue the sustainable growth of the performance of both parties.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		The Company has established the “Ethical Corporate Management Best Practice Principles” for the management of integrity in business operations. The human resources unit and the financial unit form a full-time unit to be responsible for the formulation of the integrity management policy and prevention plan, and report to the board of directors on a regular basis once a year. In 2018, the execution report was submitted to the Board of Directors on October 25.	

Evaluation Item	Operational Situation (Note 1)			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?	V		The Company has established "Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management" to provide guidance on the conduct of employees of the Company in the execution of their business in the event of a situation of conflict of interest. If the directors or their legal representatives have a stake in the motions set forth by the board of directors, they shall disclose the nature of their interest and not be included in the related discussion or vote on the said motion, or represent other directors in exercising their voting rights.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		The Company has established a "Ethical Corporate Management Best Practice Principles" to establish an effective accounting system and internal control system and should review it at any time to ensure that the design and implementation of the system continues to be effective. The internal auditing unit of the Company regularly checks the compliance of the system of the preceding paragraph and submits an audit report to the board of directors.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		The Company has established a "Ethical Corporate Management Best Practice Principles". The chairman, general manager or senior management of the Company shall regularly communicate the importance of integrity to the directors, servants and assignees Integrity, enthusiasm and innovation are the core values of the Company. The Company regularly organizes education, training and promotion for directors, managers, servants, assignees and substantive controllers to fully understand the Company's determination, policies, preventive measures and violations of dishonest	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Operational Situation
(Note 1)</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>behavior. In 2018, internal and external education training (including compliance with integrity management, accounting system and internal control and other related courses) related to the integrity management issue was held for 125 people, totaling 10 hours.</td><td></td></tr>
<tr><td>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?</td><td>V</td><td></td><td>The Company has established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct”. The feedback / reporting can be sent via the channel on the Company’s website. All interested parties can report by phone, email or report. Information received is categorized accordingly and followed through by dedicated staff.</td><td rowspan="3">None</td></tr>
<tr><td>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</td><td>V</td><td></td><td>The Company has established the “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct”. It will provide confidentiality and protection for the whistleblower and the contents of the report. It will clearly communicate the investigation procedure and the investigation results.</td></tr>
<tr><td>(3) Does the company provide proper whistleblower protection?</td><td>V</td><td></td><td>The Company will provide confidentiality and protection for the whistleblower and the content of the report. The personnel involved in the investigation of the reported case shall not disclose it without authorization, so as to avoid unfair treatment, retaliation or threat.</td></tr>
<tr><td>4. Strengthening information disclosure
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>V</td><td></td><td>Post the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct” on the Company website and MOPS.</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Operational Situation
(Note 1)</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">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.
In order to establish a corporate culture of business integrity and sound development of business integrity, the Company has established a “Ethical Corporate Management Best Practice Principles” to be disclosed on internal and external websites of the Company but with no regular advocacy. The Company has long upheld a business philosophy of integrity, fairness, transparency and self-discipline, establishing good corporate governance and risk control mechanism to ensure sustainable development of the Company.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).
(1) In order to enable new employees to fully understand the Company’s determination, policies, preventive measures and violations of dishonest behavior, the Company plans to strengthen the Company’s new personnel education and training courses.
(2) Manufacturers who have ongoing business transactions, in addition to engaging with the Company in various business activities, should also comply with the Company’s “Axiomtek Co., Ltd. Operating Procedures and Conduct Principles for Ethical Corporate Management”. They should also be informed that they can use the Company’s reporting line to report on the Company’s colleagues who violate the code of conduct or are unethical.</td></tr>
</table>

Note 1: Regardless of whether the operation is checked “Yes” or “No”, it should be stated in the summary description field.

(7) Please disclose the method to access to the Company’s Corporate Governance Best Practice Principles and related rules and regulations, if any: None
The Company has formulated the “Ethical Corporate Management Best Practice Principles” and related regulations, posted on public information sites. The Company’s corporate governance regulations can be found on the Company’s website “Corporate Governance Zone”. The website address is as follows:
http://www.axiomtek.com.tw/Default.aspx?MenuId=AboutUs&ItemId=201&C=ShareholdersMeeting

(8) Other information enabling better understanding of the Company’s corporate governance: None
Public information site: http://mops.twse.com.tw/mops/web/t57sb01_q5

(9) Internal Control System

A. Internal Control Statement:

Axiomtek Co., Ltd.

Statement of Internal Control System

February 26, 2019

Based on the result of a self-assessment, Axiomtek Co., Ltd. (Axiomtek) States the following with regard to its internal control system during the year 2018:

I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to the "Operations Guide".

IV. The Company has implemented the criteria of the internal control system referred to above to evalute the effectiveness of internal control system design and implementation.

V. The Company based on the assessment result referred to above have concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2018 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance with related regulations.

VI. This statement will be a key content in the Company's annual report and public documents. For public access. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

VII. The Statement of Internal Control System was approved by the Board of Directors on February 26, 2019 with all the 7 attending directors all affairming the contents of this statement.

Axiomtek Co., Ltd.

Chairman of the Board: Yang Yu-Te

President: Yang Yu-Te

B. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None

(10) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report: None

(11) Major Resolutions of Shareholders' Meeting and Board Meetings in the most recent year and up to the date of publication of the Annual Report:

Date	Major Resolutions of Shareholders' Meeting	Status
May 29, 2018	2018 General Shareholders' Meeting Important resolution: Reports Items: (1) 2017 Business Report (2) 2017 Consent Report of Audit Committee (3) 2017 Report of Remuneration Distribution to Employees and Directors (4) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion	
	Proposals and Acknowledgement (1) 2017 Business Report and Financial Statements (including Parent Company Only and Consolidated financial statements)	
	(2) 2017 Profit Distribution (cash dividend per share NT$5.53)	Determined record date on August 8, 2018 and distributed cash dividends on August 24, 2018.
	Election and Discussion Items (1) Election of Directors	Approved by the Ministry of Economic Affairs and updated company website on June 13, 2018.
	(2) Release of the Prohibition on Directors from Participation in Competitive Business	Passed by the present shareholders unanimously.

Date	Major Resolutions of Board of Directors
March 27, 2019	Discussion Items (1) Revision of partial Articles in the "Operating Procedures for Loaning of Funds and Making of Endorsement/Guarantee". (2) Revise the dates, venues and objectives of 2019 Shareholders' Meeting. (3) Proposed renewal of the contract with Mega Bank for NTD loan. (4) Approve for proposals provided by the Remuneration Committee.
February 26, 2019	Discussion Items (1) 2018 Remuneration Distribution to Employees and Directors. (2) The Company's 2018 Business Report and Financial Statements (3) 2018 Profit Distribution

Date	Major Resolutions of Board of Directors
	(4) Effectiveness of the Internal Control System in 2018 and Statement of International Control System. (5) 2019 Operation Plan (6) Decide the capital increase date for 2015 employee stock options exercising. (7) The Company to raise the loan to Axiom Technology Inc. U.S.A. by US$2 million to increase working capital. (8) Ratify the Company's contract renewal with the Hua Nan Bank for the application of NTD loans and derivative financial commodity transactions (9) Revise the Company's "Internal Control System" and "Internal Audit Implementation Guide" (10) Amendments the partial articles of "Articles of Incorporation" (11) Amend the "Operation procedures for the performance evaluation of the Board of Directors" (12) Amend the "Corporate Governance Best Practice Principle" (13) Amendments to the Company's "Operating Procedure for Acquisition and Disposal of Assets" (14) Appoint legal director representative for Axiomtek Italia subsidiary (AXIT) (15) Release the prohibition on Directors from participation in competitive business. (16) The dates, venues and subject for convening 2019 Shareholders' Meeting (17) Approve the proposals provided by the Remuneration Committee.
December 5, 2018	Discussion Items (1) The Company intends to invest in Axiomtek Italia S.R.L. (2) The Company intends to dispose of Xindian investment property.
October 25, 2018	Discussion Items (1) The capital increase date for the 2015 employee stock option exercising and bondholders to apply for conversion of corporate bonds to convert new shares (2) Amend the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct". (3) Proposed renewal of the contract with Taiwan Cooperative Bank for NTD loan (4) 2019 Audit Plan (5) Approve PwC audit fees for 2018 and 2019. (6) The Company to indirectly loan RMB 8.5 million to Axiomtek (Shen Zhen) Co., Ltd.to increase working capital. (7) The Company intends to invest in Uni-Innovate Technology Co., Ltd. (8) Approve the proposals provided by the Remuneration Committee.
August 20, 2018	Discussion Items (1) The Company intends to indirectly invest RMB 13.6 million in Axiomtek (Shen Zhen) Co., Ltd. through the capital increase of UDS$2.2 million in subsidiary Axiom Technology (BVI) Co., Ltd. (2) Approve the proposals provided by the Remuneration Committee.
July 26, 2018	Discussion Items (1) Annual assessment of the auditors' independence (2) Axiomtek Japan Co., Ltd. (AXJP) change in person responsible (3) Approve the proposals provided by the Remuneration Committee.
June 7, 2018	Discussion Items (1) Election the Chairman of the Board of Directors. (2) Appoint the member for the 4th Remuneration Committee, the convener and chairman of the meetings (3) Appoint the member for the 2nd Nominating Committee, the convener and

Date	Major Resolutions of Board of Directors
	chairman of the meetings (4) Proposed renewal of the contract with Far Eastern Bank for NTD loan (5) Proposed renewal of the contract with Land Bank for NTD loan (6) Decide the capital increase date for the 2015 employee stock option exercising.
April 26, 2018	Discussion Item (1) Ratify the Company's contract renewal with the Taishin Bank for the application of NTD loans and derivative financial commodity transactions (2) Change the deputy of audit. (3) Appoint corporate governance personnel according to regulations, protect shareholders' rights and strengthen the functions of the board of directors.
April 12, 2018	Discussion Item (1) Assess the eligibility of nominated directors (including independent directors) (2) Approval of the "2018 employee stock option certificate issuance and subscription method" (3) Issuance of 2018 employee stock option certificate and allocation list (4) Proposed renewal of the contract with Mega Bank for NTD loan
February 27, 2018	Discussion Item (1) 2017 Remuneration to employees and Directors. (2) The Company's 2017 annual business report and financial statements (including parent company only and consolidated financial statements) (3) 2017 profit distribution (4) Effectiveness of the Internal Control System and the Statement of Internal Control System in 2017. (5) 2018 operation plan (6) Set the date for the exercise of 2015 employee stock options and new issuance (7) The Company to raise the capital loan to Axiom Technology Inc. U.S.A. by US$2 million to increase working capital. (8) Ratify the Company's contract renewal with the Hua Nan Bank for the application of Taiwanese currency loans and derivative financial commodity transactions (9) Revise the Company's "Internal Control System" and "Internal Audit Implementation Guide" (10) Amend the "Corporate Governance Best Practice Principles" (11) Amend the "Rules of Procedure for informing of Illegal, Unethical or Unseemly Conduct" (12) Issuance of the 2018 employee stock option certificate (13) Evaluation of the Company's investment plan (14) Directors' overall re-election (15) List of candidates for election to the Board (including independent directors) (16) Release of the prohibition on Directors from participation in competitive business. (17) Approve the proposals provided by the Remuneration Committee. (18) The dates, venues and subject for convening 2019 Shareholders' Meeting.

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent year and up to the date of Publication of the Annual Report: None

(13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D in the Most Recent year and up to the date of Publication of the Annual Report: None

5. Information Regarding the Company's Audit Fee

(1) CPA Information

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PwC Taiwan	Feng Ming-Chuan, Hsu Shien-Chong	2018/01/01~2018/12/31	

(2) Audit Fee — Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-Audit Fee	Total
1	Under NT$ 2,000,000		141	141
2	NT$2,000,001 ~ NT$4,000,000	2,740		2,740
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			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PwC Taiwan	Feng Ming-Chuan Hsu Shien-Chong	2,740					2,740	2018/01/01~ 2018/12/31	
HeTai Accounting Firm	Wu Shu-Yuan					120	120	2018/01/01~ 2018/12/31	Transfer Fee Report
Cheng Yang Certified Public Accountants	Lin Rui-Xing			21			21	2018/01/01~ 2018/12/31	Change registration

(3) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: None

(4) If reduced audit fees were 15% more than that of the previous year, disclose the reduced amount, percentage per previous year and reasons: None

6. Replacement of CPA

None.

7. The Chairman, President, and Financial or Accounting Manager of the Company Who Had Worked for the Independent Auditor or the Related Party in the Most Recent Year.

The chairman, president, and financial or accounting manager of the Company who in the past year, has held a role in the CPA's firm or its affiliates. The CPA firm's affiliates refer to those in which the accountants at the CPA firm hold more than 50% of the shares; or hold half the seats on the Board; or have been listed as affiliates or related institutions in the external communications or publications of the CPA firm : None.

8. Changes in Shares Held and Pledged by Directors, Managers, and Major Shareholders Holding over 10% of Outstanding Shares in the Most Recent Year and up to the Date of Publication of the Annual Report.

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

Unit: Thousand shares

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & President	Yang Yu-Te	(1,576)	0	0	0
Director	Advantech Co., Ltd.	0	0	0	0
Corporate Representative	Liu Wei-Ting	0	0	0	0
Director	Tsai Shih-Yang	(11)	0	0	0
Director	Huang Jui-Nan (Note 1)	0	0	0	0
Independent Director	Lin Yih-Jong	0	0	0	0
Independent Director	Chang Jen-Chih (Note 1)	0	0	0	0
Independent Director	Shon Zhen-Yi (Note 1)	0	0	0	0
Director	Huang Ming-Ta (Note 2)	0	0	0	0
Independent Director	Liu Chun-Lian (Note 2)	0	0	0	0
Independent Director	Chou Chih-Chen (Note 2)	0	0	0	0
COO Office	David Chang	0	0	0	0
Vice President & Head of Finance & Corporate Governance	Jane Hsu	(9)	0	0	0
Vice President	William Wu	0	0	0	0
Vice President	Joanne Lin	0	0	0	0
Vice President	Charles Chang	0	0	0	0
Vice President	Henry Lin	0	0	0	0
Assistant Vice President	Alex Pan	0	0	0	0
Assistant Vice President	Joseph Chou	0	0	0	0
Assistant Vice President	Gary Tsao	(23)	0	0	0
Assistant Vice President	Chiven Fan	0	0	8	0
Assistant Vice President	Shang Hsieh	0	0	0	0
Senior Special Assistant	Randy Chi (Note 3)	18	0	0	0

Note 1: Assumed office on May 29, 2018
Note 2: Resigned on May 29, 2018
Note 3: Dismissed from the list of Managers since December 28, 2018

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

9. Relationship among the Top 10 Shareholders, Specify any Spousal or Within Two Degrees of Kinship.

Name (Note 1)	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	%	Name	Relation	
Advantech Co., Ltd.	20,537,984	25.77	0	0.00	0	0.00	None	None	
Liu Ke-Chen	0	0.00	0	0.00	0	0.00	None	None	
Wei-Te Investment Co., Ltd.	2,112,940	2.65	0	0.00	0	0.00	None	None	
Yan,Ya-Xian	58,279	0.07	1,578,512	1.98	0	0.00	Yang Yu-Te	Spouse	
Yang Yu-Te	1,578,512	1.98	58,279	0.07	0	0.00	Yan,Ya-Xian	Spouse	
US merchants Morgan Chase Bank Taipei Branch entrusted with the custody of the Bank of Robur Global Emerging Markets fund investment specialty	1,510,144	1.90	0	0.00	0	0.00	None	None	
SinoPac Bank subject to Cai Shiyang Trust Property Account	1,000,000	1.26	0	0.00	0	0.00	None	None	
HSBC hosts Goldman Sachs International investment specialty	975,478	1.22	0	0.00	0	0.00	None	None	
Li Mei-Hui	891,835	1.12	0	0.00	0	0.00	None	None	
TransGlobe Life Insurance Inc.	888,000	1.11	0	0.00	0	0.00	None	None	
Peng Teng-Fei	0	0.00	0	0.00	0	0.00	None	None	
Henry Lin	871,172	1.09	0	0.00	0	0.00	None	None	
Deng Meng-Hui	742,279	0.93	0	0.00	0	0.00	None	None	

Note 1: List the top 10 shareholders and where there are corporate shareholders, please specify the names of the corporate shareholder and their representative.

Note 2: Ratio of shareholding computed by names of own, spouse, underage children or others

Note 3: For the shareholders listed above, including corporate and natural persons, please specify the relationships in accordance with the reporting guideline for share issuer.

10. The Shares of the Invested Company, the Company's Directors, Managers, and Companies Controlled Directly or indirectly, and the Aggregated Overall Shareholding Ratio.

None

IV. Capital Overview

1. Capital & Shares

(1) Source of Capital

April 30, 2019
Unit: Thousand shares / NT$ thousands

Month/Year	Par Value (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NT$)	Capital Increased by Assets Other than Cash	Others
May 1990	10	500	5,000	500	5,000	Capital increase in cash NT$5 million	None	
October 1993	10	2,500	25,000	2,500	25,000	Capital increase in cash NT$20 million	None	October 22, 1993 built 3- 468933
July 1997	10	6,600	66,000	6,600	66,000	Capital increase upon recapitalization of earnings by NT$13.2 million Capital increase upon recapitalization of employee bonus by NT$1.8 million Capital increase in cash NT$26 million	None	July 1, 1997 built 3A-191380
December 1997	10	10,000	100,000	10,000	100,000	Capital increase in cash NT$34 million	None	December 6, 1997 (86)-125056
October 1998	10	20,000	200,000	18,150	181,500	Capital increase upon recapitalization of earnings by NT$24 million Capital increase upon recapitalization of employee bonus by NT$1.5 million Capital surplus recapitalization NT$6 million Capital increase in cash NT$50 million	None	October 23, 1998 (087)- 132915
October 1999	10	48,000	480,000	27,111	271,115	Capital increase upon recapitalization of earnings by NT$28,132,500 Capital increase upon recapitalization of employee bonus by NT$2.5 million Capital surplus recapitalization NT$9,982,500 Capital increase in cash NT$49 million	None	July 9, 1999 (88) Taiwan Financials (1)- 63808
September 2000	10	48,000	480,000	31,773	317,735	Capital increase upon recapitalization of earnings by NT$35,244,950 Capital increase upon recapitalization of employee bonus by NT$3,242,000 Capital surplus recapitalization NT$8,133,450	None	September 21, 1999 (89) Taiwan Financials (1)- 80073
October 2001	10	48,000	480,000	37,256	372,569	Capital increase upon recapitalization of earnings by NT$44,482,960 Capital increase upon recapitalization of employee bonus by NT$3,954,040 Capital surplus recapitalization NT$6,396,600	None	September 24, 2001 (90) Taiwan Financials (1)- 159299
September 2002	10	48,000	480,000	37,850	378,506	Capital increase upon recapitalization of employee bonus by NT$5,937,000	None	September 19, 2002 Taiwan Financials (1)- 0910151937
September 2003	10	55,000	550,000	41,966	419,666	Capital increase upon recapitalization of employee bonus by NT$10,880,000 Capital increase upon recapitalization of earnings by NT$30,280,480	None	August 19, 2003 Taiwan Financials (1)- 0920137556
September 2004	10	73,000	730,000	49,800	498,000	Capital increase upon recapitalization of employee bonus by NT$19,580,000 Capital increase upon recapitalization of earnings by NT$58,753,300	None	August 31, 2004 Taiwan Financials (1)- 0930138236

Month/Year	Par Value (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NT$)	Capital Increased by Assets Other than Cash	Others
March 2005	10	73,000	730,000	50,695	506,950	Issued Employee stock options NT$8,950,000	None	March 7, 2005 No.09401036770
March 2005	10	73,000	730,000	51,300	513,000	Issued Employee stock options NT$6,050,000	None	March 25, 2005 No.09401045930
September 2005	10	73,000	730,000	55,470	554,700	Issuance of new shares due to acquisition of shares of another company NT$41,700,370	None	September 29, 2005 No.09401191220
December 2005	10	110,000	1,100,000	59,844	598,440	Capital increase upon recapitalization of employee bonus by NT$16,000,000 Capital increase upon recapitalization of earnings by NT$27,735,000	None	December 1, 2005 No.09401240760
January 2006	10	110,000	1,100,000	60,075	600,750	Issued Employee stock options NT$2,312,500	None	January 26, 2006 No.09501011230
April 2006	10	110,000	1,100,000	60,270	602,698	Issued Employee stock options NT$1,950,000	None	April 14, 2006 No.09501066830
May 2006	10	110,000	1,100,000	61,295	612,948	Issuance of new shares due to acquisition of shares of another company NT$10,250,000	None	May 25, 2006 No.09501093740
July 2006	10	110,000	1,100,000	61,482	614,823	Issued Employee stock options NT$1,875,000	None	July 17, 2006 No.09501146430
September 2006	10	110,000	1,100,000	65,073	650,728	Capital increase upon recapitalization of employee bonus by NT$17,000,000 Capital increase upon recapitalization of earnings by NT$18,905,550	None	September 4, 2006 No.09501191500
October 2006	10	110,000	1,100,000	66,348	663,478	Issued Employee stock options NT$12,750,000	None	October 18, 2006 No.09501234950
January 2007	10	110,000	1,100,000	66,819	668,191	Issued Employee stock options NT$4,712,500	None	January 16, 2007 No.09601007650
April 2007	10	110,000	1,100,000	66,879	668,791	Issued Employee stock options 600,000 NT$	None	April 26, 2007 No.09601083520
August 2007	10	110,000	1,100,000	71,501	715,005	Capital increase upon recapitalization of employee bonus by NT$19,000,000 Capital increase upon recapitalization of earnings by NT$27,214,000	None	August 29, 2007 No.09601208700
October 2007	10	110,000	1,100,000	72,198	721,980	Issued Employee stock options NT$6,975,000	None	October 22, 2007 No.09601259870
April 2008	10	110,000	1,100,000	72,792	727,925	Issued Employee stock options NT$5.945,000	None	April 22, 2008 No. 09701093000
July 2008	10	110,000	1,100,000	72,830	728,300	Issued Employee stock options NT$375,000	None	July 17, 2008 No. 09701177410
September 2008	10	160,000	1,600,000	75,886	758,858	Capital increase upon recapitalization of earnings by NT$30,558,500	None	September 24, 2008 No.09701246410
October 2008	10	160,000	1,600,000	76,361	763,608	Capital increase upon recapitalization of earnings by NT$4,750,000	None	October 23, 2008 No. 09701266930

Month/Year	Par Value (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NT$)	Capital Increased by Assets Other than Cash	Others
September 2009	10	160,000	1,600,000	78,557	785,565	Capital increase upon recapitalization of earnings by NT$15,014,460 Capital increase upon recapitalization of employee bonus by NT$6,942,680	None	September 2, 2009 No. 09801199630
September 2009	10	160,000	1,600,000	78,832	788,320	Issued Employee stock options NT$2.755,000	None	September 17, 2009 No.09801211840
April 2011	10	160,000	1,600,000	77,343	773,430	Treasury stock written off - reduction NT$14,890,000	None	April 6, 2011 No. 10001066460
October 2013	10	160,000	1,600,000	77,431	774,310	Issued Employee stock options NT$880,000	None	October 31, 2013 No. 10201218350
January 2014	10	160,000	1,600,000	77,654	776,540	Issued Employee stock options NT$2,230,000	None	January 23, 2014 No. 10301009960
April 2014	10	160,000	1,600,000	78,074	780,740	Issued Employee stock options NT$4,200,000	None	April 18, 2014 No. 10301068460
July 2014	10	160,000	1,600,000	78,093	780,930	Issued Employee stock options NT$190,000	None	July 30, 2014 No. 10301145850
January 2015	10	160,000	1,600,000	78,345	783,450	Issued Employee stock options 2,520,000 NT$	None	January 23, 2015 No. 10401009090
April 2015	10	160,000	1,600,000	78,807	788,070	Issued Employee stock options 4,620,000 NT$	None	April 29, 2015 No. 10401077580
November 2015	10	160,000	1,600,000	79,031	790,310	Issued Employee stock options 2,240,000 NT$	None	November 12, 2015 No. 10401238090
November 2017	10	160,000	1,600,000	79,313	793,130	Issued Employee stock options 2,820,000 NT$	None	November 10, 2017 No. 10601154790
March 2018	10	160,000	1,600,000	79,386	793,860	Issued Employee stock options 730,000 NT$	None	March 14, 2018 No. 10701026710
June 2018	10	160,000	1,600,000	79,418	794,180	Issued Employee stock options 320,000 NT$	None	June 13, 2018 No. 10701065620
November 2018	10	160,000	1,600,000	79,621	796,206	Issued Employee stock options 1,680,000 NT$ Convertible bonds conversion 346,150 NT$	None	November 21, 2018 No. 10701143180
March 2019	10	160,000	1,600,000	79,684	796,836	Issued Employee stock options 630,000 NT$	None	March 19, 2019 No. 10801028580

March 31, 2019
Unit: share

Type of Share	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Stock	79,683,649	80,316,351	160,000,000	traded since April 28 2005

(2) Composition of Shareholders

March 31, 2019

Items / Shares	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	8	42	9,074	64	9,189
Shareholding (shares)	4	1,997,000	24,516,032	43,359,335	9,811,278	79,683,649
Percentage	0.00	2.51	30.77	54.41	12.31	100.00

Note: The Company must disclose the ratio of shares held by mainland investments, meaning investors from the mainland who are, as stipulated in Article 3 in the investment permit, citizens, corporations, community groups, and other organizations or their companies in 3rd party regions.

(3) Shareholding Distribution Status

March 31, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 - 999	1,621	215,470	0.27
1,000 - 5,000	6,125	11,886,268	14.92
5,001 - 10,000	744	5,948,542	7.46
10,001 - 15,000	212	2,746,415	3.45
15,001 - 20,000	147	2,687,010	3.37
20,001 - 30,000	115	2,926,677	3.67
30,001 - 40,000	65	2,279,499	2.86
40,001 - 50,000	28	1,289,028	1.62
50,001 - 100,000	64	4,510,826	5.66
100,001 - 200,000	31	4,192,973	5.26
200,001 - 400,000	18	5,241,355	6.58
400,001 - 600,000	7	3,300,573	4.14
600,001 - 800,000	3	2,092,948	2.63
800,001 - 1,000,000	5	4,626,485	5.81
1,000,0001 or over	4	25,739,580	32.30
Total	9,189	79,683,649	100.00

(4) List of Major Shareholders

Ratio of shares held > 5% or ranked in the top 10, number of shares held and ratio:

March 31, 2019

Name of Major Shareholders \ Shares	Shareholding (Shares)	Percentage (%)
Advantech Co., Ltd.	20,537,984	25.77
Wei-Te Investment Co., Ltd.	2,112,940	2.65
Yang Yu-Te	1,578,512	1.98
US merchants Morgan Chase Bank Taipei Branch entrusted with the custody of the Bank of Robur Global Emerging Markets fund investment specialty	1,510,144	1.90
SinoPac Bank Cai Shiyang Trust Property Account	1,000,000	1.26
HSBC hosts Goldman Sachs International investment specialty	975,478	1.22
Li Mei-Hui	891,835	1.12
TransGlobe Life Insurance Inc.	888,000	1.11
Henry Lin	871,172	1.09
Deng Meng-Hui	742,279	0.93

(5) Market Price, Net Worth, Earnings, and Dividends per Share in the past 2 years

Unit: NT$ / Thousand shares

Item \ Year			2018	2017	1/1/2019-3/31/2019
Market Price per Share (Note 1)	The Highest		68.40	67.50	59.40
	The Lowest		48.00	50.30	50.00
	Average		59.48	56.41	56.06
Net Worth per Share (Note 2)	Before Distribution		29.66	29.86	31.15
	After Distribution		(Note 2)	24.33	(Note 2)
Earnings per Share	Weighted Average Shares		79,471	79,115	79,678
	Earnings Per Share (Note 3)		5.12	11.71	1.46
Dividend per Share	Cash Dividends		3.75	5.53	None
	Stock Dividends	From Retained Earnings	0	0	None
		From Capital Surplus	0	0	None
	Accumulated Undistributed Dividends (Note 4)		0	0	None
Return on Investment Analysis	Price-Earnings Ratio (Note 5)		11.00	4.72	None
	Price / Dividend Ratio(Note 6)		15.02	9.99	None
	Cash Dividend Yield Rate (Note 7)		6.66%	10.01%	None

* if recapitalizing surplus or capital reserve, please disclose the market price and cash dividend data adjusted retrospectively after the shares have been distributed.

Note 1: List the highest and lowest market prices of common stocks for each year, and calculate the average market price for each year based on the annual transaction value and volume.

Note 2: based on the number of shares already issued at the end of the year and the number approved for distribution at the shareholders' meeting.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: if the issuance condition stipulates that undistributed cash dividends must be accumulated until the year in which surplus is made, please disclose separately the accumulated but undistributed dividends at the cut-off date.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

(6) Dividend Policy and the Implementation Status

A. The dividend policy defined by the Articles of Incorporation

Article 27-1:

When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to shareholders' meeting to get resolution.

The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.

B. Proposal for distribution of dividends at the Shareholders' Meeting

February 26, 2019 the Board meeting resolved to distribute the 2018 earnings in dividends amounting to NT$298,783,684. Based on the total shares distributed as at February 26, 2019 of 79,675,649 shares, each share is allotted dividend of NT$3.75. Pending approval at the shareholders' meeting, the Chairman will decide on the ex-dividend and distribution dates. In the event that the share capital of the Company is affected by the change in the share capital of the Company, the Chairman of the Board will be authorized to handle the situation. The cash dividend is to be computed to the nearest dollar with the decimals truncated. All the truncated decimals will be summed up and will be adjusted among the shareholders - in the descending order of decimal of each cash dividend as well as in the order of the account number from top to bottom - until the total amount of cash dividend is matched.

C. Description of significant changes to the upcoming dividend policy: None

(7) The effect of stock dividend as proposed in Shareholders' Meeting to the operation performance and earnings per share of the Company: None

This Shareholders' Meeting does not have a proposed of stock dividend distribution and therefore does not apply.

(8) Remuneration to Employees and Directors

A. Information Relating to Remuneration of Employee and Directors in the Articles of Incorporation:

Article 27:

This Corporation shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as directors' compensation if the Corporation has profit (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).

The Corporation may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, the remuneration of directors only can receive the profit in the form of cash.

The Corporation shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed and such distribution shall be submitted to the Shareholders' Meeting.

B. The accounting in the case of deviation from the basis for stating remuneration to employees and Directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

(A) The ratio of employee's remuneration 11.0% and director's remuneration 1.0% for the current period are based on the pre-tax net profit, net of employee compensation and directors' compensation. In 2018, the estimated employee's remuneration was NT$70,566,000 and the directors' remuneration was NT$6,415,000; all paid in cash.

In addition to the employee compensation estimates set out in the above charter, the Company's remuneration policy stipulates that the employee's annual salary is 14 months, including 12 months monthly salary and 2 months year-end bonus, based on the business performance and individual performance goals achieved by the Company or unit during the year. Achieved the situation, quarterly or semi-annual business, research and development and non-business bonuses.

Per the Company's salary policy, performance evaluation twice a year, annual salary and promotion adjustments in August, the average salary adjustment of employees in 2018 is between 3% and 5%.

(B) Basis for calculating the number of shares remunerated by the employees of the stock: None, the employee's remuneration for the current period will be paid in cash.

(C) The accounting treatment if the actual distribution amount differs from the estimated number of shares: If the amount of the distribution of the resolution is different from the estimated number of shares, it shall be treated according to the changes in the accounting estimates and adjusted into the profit and loss of the current year in the resolution year of the shareholders' meeting.

C. Remuneration of Employee and Directors' approved by the Board of Directors:

(A) Remuneration of employees and directors' remuneration to be distributed in cash or stock. If there is a difference between the estimated annual amounts of the recognized expenses, the number of differences, the reason and the situation should be disclosed.

On February 26, 2019 the Board approved the distribution plan of the 2018 annual employee compensation and the amount of directors' compensation, and the difference with the annual estimated amount of the recognized expenses is as follows:

Unit: NT$

Item	Remuneration to Employees	Remuneration to Directors	Deal with Discrepancy
Recognition of the annual estimated expenses (A)	70,566,000	6,415,000	None
Proposed allocation by the Board of Directors (B)	70,566,000	6,415,000	
Difference (B) - (A)	0	0	

(B) The proportion of the employee's remuneration distributed by stock and the total net profit after tax and the total amount of employee compensation for the individual or individual financial report for the current period: Not applicable, the employee compensation for 2018 will be paid in cash.

D. The actual allocation for Remuneration Employee and Directors in the previous year (including the number, amount and stock price of allocated shares), the discrepancy between the actual allocation and the estimated figures, if any, and cause and treatment thereof:
On February 27, 2018 the Directors' resolution on the 2017 annual employee compensation and the amount of directors' compensation, and the difference with the annual estimated amount of the recognized expenses is as follows:

Unit: NT$

Item	Remuneration to Employees	Remuneration to Directors	Deal with Discrepancy
Recognition of the annual estimated expenses (A)	41,595,000	5,294,000	None
Proposed allocation by the Board of Directors (B)	41,595,000	5,294,000	
Difference (B) - (A)	0	0	

(9) Buyback of Treasury Stock : None

2. Corporate Bonds

(1) Issuance of Corporate Bonds April 30, 2019

Type of Corporate Bond (Note 2)	1st Domestic Unsecured Convertible Bonds (Note 5)
Issue (offering) date	December 13, 2016
Denomination	NT$100,000
Issuing and transaction location (Note 3)	None
Issue price	NT$100 (issue price)
Total price	NT$420,000,000
Coupon rate	Coupon rate 0%
Tenure	5 years, expiry date: December 13, 2021
Guarantee agency	None
Consignee	Mega International Commercial Bank
Underwriting institution	KGI Securities
Certified lawyer	Handsome Attorney-at-Law, Lawyer Qiu Ya-Wen
CPA	PwC CPAs Feng Min-Chuan, Hsu Hsien-Chong
Repayment method	One-time payment of face value in cash upon expiration
Outstanding principal	NT$418,200,000
Terms of redemption or advance repayment	Please refer to the Company's "First domestic issuance of unsecured conversion of corporate bonds and conversion measures"
Restrictive clause (Note 4)	None
Name of credit rating agency, rating date, rating of corporate bonds	None

Type of Corporate Bond (Note 2)		1st Domestic Unsecured Convertible Bonds (Note 5)
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Already converted to common stock totaling NT$1,800,000
	Issuance and conversion (exchange or subscription) method	Please refer to the Company's "First domestic issuance of unsecured conversion of corporate debt and conversion measures"
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		No significant impact
Transfer agent		None

Note 1:The corporate bonds include public offering corporate bonds and private placement corporate bonds. The public offering corporate bonds mean those validated (approved) by the Commission. The private placement corporate bonds mean those resolved and approved by the Board of Directors.
Note 2: The number of fields depends on the actual number of adjustments.
Note 3: To be filled out by overseas corporate debtors.
Note 4: For example, limiting the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets.
Note 5: Private investors should be marked clearly.
Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(2) Convertible Bonds

Type of Corporate Bond (Note 1)		1st Domestic Unsecured Convertible Bonds	
Item / Year		2018	1/1/2019-4/30/2019 (Note 4)
Market price of the convertible bond (Note 2)	The Highest	124.00	115.00
	The Lowest	104.50	106.60
	Average	113.32	112.89
Convertible Price		52.00	52.00
Issue date and conversion price at issuance		Issued Date: December 13, 2016 Conversion price at issuance: NT$60.80/share	
Conversion methods (Note 3)		Issuing of new stocks	

Note 1: The number of fields depends on the actual number of adjustments.
Note 2: In the case of multiple trading locations, please identify each of the trading locations.
Note 3: Deliver issued shares, or issue new shares.
Note 4:Specify the information available in the current year until the date of publication of the annual report.

3. Preferred Stock

None

4. Global Depository Receipts

None

5. Employee Stock Options

(1) For Employee Stock Option that have not yet expired, disclose their status as at the date of printing of the Annual Report and the impact on shareholders' equity

April 30, 2019

Type of Employee Stock Options (Note 2)	2015 Employee Stock Options (Note 5)	2017 Employee Stock Options (Note 5)
Approved date	July 07, 2015	April 02, 2018
Issue (offering) date (Note 4)	August 19, 2015	April 12, 2018
Unit issued	1,500 (each unit 1,000 shares)	1,600 (each unit 1,000 shares)
Shares of stock options to be issued as a percentage of outstanding shares (%)	1.88%	2.01%
Duration	6 years	5 years
Conversion measures (Note 3)	Issue new shares	Issue new shares
Conditional conversion periods and percentages	holding period 2 years 40% holding period 3 years 60% holding period 4 years 80% holding period 5 years 100%	holding period 2 years 40% holding period 3 years 70% holding period 4 years 100%
Converted shares	618,000 (shares)	0 share
Exercised amount	NT$ 14,470,500	NT$ 0
Number of shares yet to be converted	882,000 shares	1,600,000 shares
Adjusted exercise price for those who have yet to exercise their rights	NT$ 22.1	NT$ 52.7
Unexercised shares as a percentage of total issued shares	1.11%	2.01%
Impact on possible dilution of shareholdings	This issue of the employee stock option certificates can only be exercised two years after issuance in accordance with the rights period and the ratio of the rights under the conditions of the subscription. The ratio of the number of shares subscribed to the total number of issued shares is 1.11%. There is no significant impact on equity.	This issue of the employee stock option certificates can only be exercised two years after issuance in accordance with the rights period and the ratio of the rights under the conditions of the subscription. The ratio of the number of shares subscribed to the total number of issued shares is 2.01%. There is no significant impact on equity.

Note 1: Employee stock option certificate handling includes the public offering and private equity employee stock option certificates. The public stock employee stock option certificate in the process refers to that which has already taken effect in this meeting; the private equity employee stock option certificate in the process refers to the resolution passed by the shareholders' meeting.

Note 2: The number of positions is adjusted according to the actual number of times.

Note 3: The delivery of the issued shares or the issue of new shares should be indicated.

Note 4: If the date of issue (handling) is different, they should be filled out separately.

Note 5: Private investors should be highlighted accordingly.

(2) List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options.

A. 2015 Employee Stock Options

April 30, 2019

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">No. of Stock Options (1,000 shares)</th><th rowspan="2">Stock Options as a Percentage of Shares Issued (Note 4)</th><th colspan="4">Exercised (Note 2)</th><th colspan="4">Unexercised (Note 2)</th></tr>
<tr><th>No. of Shares Converted (1,000 shares)</th><th>Strike Price (NT$) (Note 5)</th><th>Amount (NT$ thousands)</th><th>Converted Shares as a Percentage of Shares Issued (Note 4)</th><th>No. of Shares Converted (1,000 shares)</th><th>Strike Price (NT$) (Note 6)</th><th>Amount (NT$ thousands)</th><th>Converted Shares as a Percentage of Shares Issued (Note 4)</th></tr>
<tr><td rowspan="3">Manager</td><td>Assistant Vice President</td><td>Alex Pan</td><td rowspan="3">160</td><td rowspan="3">0.20%</td><td rowspan="3">480</td><td rowspan="3">23.85</td><td rowspan="3">1,145</td><td rowspan="3">0.05%</td><td rowspan="3">112</td><td rowspan="3">22.1</td><td rowspan="3">2,475</td><td rowspan="3">0.14%</td></tr>
<tr><td>Assistant Vice President</td><td>Gary Tsao</td></tr>
<tr><td>Assistant Vice President</td><td>Chiven Fan</td></tr>
<tr><td rowspan="11">Employee (Note 3)</td><td>Senior Special Assistant</td><td>Randy Chi</td><td rowspan="11">440</td><td rowspan="11">0.55%</td><td rowspan="11">223</td><td rowspan="11">23.47</td><td rowspan="11">5,235</td><td rowspan="11">0.28%</td><td rowspan="11">217</td><td rowspan="11">22.1</td><td rowspan="11">4,796</td><td rowspan="11">0.27%</td></tr>
<tr><td>Senior Manager</td><td>Michelle Lu</td></tr>
<tr><td>Senior Manager</td><td>Wen Wang</td></tr>
<tr><td>Senior Manager</td><td>Candice Hsieh</td></tr>
<tr><td>Manager</td><td>Eric Lin</td></tr>
<tr><td>Manager</td><td>Kevin Hsu</td></tr>
<tr><td>Manager</td><td>Joe Hsiao</td></tr>
<tr><td>Manager</td><td>Carolyn Sung</td></tr>
<tr><td>Manager</td><td>Pojung Chen</td></tr>
<tr><td>Deputy Manager</td><td>William Au</td></tr>
<tr><td>Deputy Manager</td><td>Allen Tsai</td></tr>
</table>

Note 1. Includes managers and employees (please specify if resigned or deceased), disclose individual name and role, total options awarded

Note 2: The number of fields depends on the actual number of adjustments.

Note 3. Top 10 employees with exercisable options refers to non-managerial employees.

Note 4: Total quantity shares issued refers to the shares from the registration changes by the Economics Division

Note 5: For exercised options, price must be disclosed at the time of exercise.

Note 6: For unexercised options, disclose adjusted option price as computed by the issuer.

B. 2018 Employee Stock Options

April 30, 2019

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">No. of Stock Options (1,000 shares)</th><th rowspan="2">Stock Options as a Percentage of Shares Issued (Note 4)</th><th colspan="4">Exercised (Note 2)</th><th colspan="4">Unexercised (Note 2)</th></tr>
<tr><th>No. of Shares Converted (1,000 shares)</th><th>Strike Price (NT$) (Note 5)</th><th>Option amount (thousand NT$)</th><th>Percentage of options to total issued shares (Note 4)</th><th>No. of Shares Converted (1,000 shares)</th><th>Strike Price (NT$) (Note 5)</th><th>Option amount (thousand NT$)</th><th>Percentage of options to total issued shares (Note 4)</th></tr>
<tr><td rowspan="12">Manager</td><td>President</td><td>Yang Yu-Te</td><td rowspan="12">1,040</td><td rowspan="12">1.31%</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">1,040</td><td rowspan="12">52.70</td><td rowspan="12">54,808</td><td rowspan="12">1.31%</td></tr>
<tr><td>Vice President</td><td>David Chang</td></tr>
<tr><td>Vice President</td><td>Jane Hsu</td></tr>
<tr><td>Vice President</td><td>William Wu</td></tr>
<tr><td>Vice President</td><td>Joanne Lin</td></tr>
<tr><td>Vice President</td><td>Charles Chang</td></tr>
<tr><td>Vice President</td><td>Henry Lin</td></tr>
<tr><td>Assistant Vice President</td><td>Alex Pan</td></tr>
<tr><td>Assistant Vice President</td><td>Joseph Chou</td></tr>
<tr><td>Assistant Vice President</td><td>Gary Tsao</td></tr>
<tr><td>Assistant Vice President</td><td>Chiven Fan</td></tr>
<tr><td>Assistant Vice President</td><td>Shang Hsieh</td></tr>
<tr><td rowspan="6">Employee (Note 3)</td><td>Senior Special Assistant</td><td>Randy Chi</td><td rowspan="6">560</td><td rowspan="6">0.70%</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">560</td><td rowspan="6">52.70</td><td rowspan="6">29,512</td><td rowspan="6">0.70%</td></tr>
<tr><td>Subsidiary President</td><td>Bill Shen</td></tr>
<tr><td>Subsidiary President</td><td>Stanley Chang</td></tr>
<tr><td>Subsidiary Vice President</td><td>Eric Chiang</td></tr>
<tr><td>Subsidiary Vice President</td><td>Norm Chian</td></tr>
<tr><td>Subsidiary Vice President</td><td>STARRET TDAVID PETER</td></tr>
</table>

Note 1: includes managers and employees (please specify if resigned or deceased), disclose individual name and role, total options awarded

Note 2: The number of fields depends on the actual number of adjustments.

Note 3: Top 10 employees with exercisable options refers to non-managerial employees.

Note 4: Total quantity shares issued refers to the shares from the registration changes by the Economics Division

Note 5: For exercised options, price must be disclosed at the time of exercise.

Note 6: For unexercised options, disclose adjusted option price as computed by the issuer.

6. Issuance of New Restricted Employee Shares

(1) Restricted employee shares that, as of the publication date of the Annual Report, have not met the vesting conditions and their impact on equity rights must be disclosed.

(2) Cumulative to the publication date of the Annual Report, the name and subscription status of the top ten employees holding restricted shares certificates and quantity: None

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

(1) Those who have completed the merger or the transfer of new shares of the Company's shares in the most recent year and up to the date of publication of the annual report, disclose the following:

A. Appraisal opinion issued by the underlying securities underwriter of the latest quarter's merger or acquisition of new shares of his company's shares: None.

B. In the most recent quarter, if the implementation progress or the benefits are not up to the target, the impact on shareholders' equity and improvement plan should be specified: None.

(2) In the most recent year and the date of publication of the annual report, the board of directors has resolved to pass the merger or transfer of shares of the Company to issue new shares, the implementation of the Company and the basic information of the Company being acquired or transferred: None.

8. Financing Plans and Implementation

(1) Finance Plan:

A. Date approved by related institutions & documentation:

(a) On May 17, 2016 the Board meeting passed the resolution for the 1st domestic issuance of unsecured convertible corporate bonds (abbrev. below as "company convertible debt"). As approved by the Financial Supervisory Commission on June 16, 2016 per the letter of approval of No. 1050022240.

(b) In response to changes in the domestic capital market and seeking a better time for issuance, the Company applied to the FSC for a 3-month extension of the issuance period for the convertible bonds and document No. 1050036756 issued by the FSC on September 2, 2016 as approval on record. The solicitation period was extended to December 15, 2016.

B. Total fund required by the Plan: NT$500 million.

C. Source of fund:

(a) Issue 4,200 1st domestic unsecured convertible corporate bonds at par value of NT$100,000; duration: 5 years; total issue amount: NT$420 million.

(b) Shortfall of 80 million to be self-funded or via bank loan.

D. Issuance Plan & Estimated Benefit:

Unit: NT$ thousands

Project	Scheduled Completion Date	Total Fund Required	Projected Progress of the Fund Utilization	
			2016	2017
			Q4	Q1
Increase in Working Capital	Q1 of 2017	500,000	120,000	380,000
Total		500,000	120,000	380,000
Projected Benefits Summary	In Q4 2016 and Q1 2017, the Company raised NT$120 million and NT$380 million respectively adding a total of NT$500 million to our working capital. This eliminated the need for loans from financial institutions, reducing the burden of interest payments. At the present average borrowing interest rate of 1.25%, the Company saved NT$125,000 in interest payments in 2016 with expected interest savings totaling NT$6.25 million in the coming years. This enables the Company to gradually reduce financial obligations and enhance our ability to repay debts. A sound financial structure will benefit the Company's overall operating capacity and development.			

(2) Implementation

Project	Operational Status (as of Q1 2017)			Status of Progress, Ahead or Behind, and the Cause and Corrective Action Plan
Increase in Working Capital	Expenditure	Scheduled	500,000	Fully completed in Q1 2017.
		Actual	500,000	
	Progress (%)	Scheduled	100	
		Actual	100	

V. Operation Highlights

1. Business Activities

(1) Business Scope:

A. Main areas of business of operations of the Company:

(A) Office machines manufacturing
(B) Electronic parts and components manufacturing
(C) Retail sale of electronic materials
(D) Data processing services
(E) Digital information supply services
(F) Product designing
(G) Computer equipment's Installation construction
(H) Wired communication equipment and apparatus manufacturing
(I) Telecommunication equipment and apparatus manufacturing
(J) Computers and computing peripheral equipment manufacturing
(K) Precision instruments manufacturing
(L) Apparatus installation construction
(M) Software design services
(N) Retail sale of computing and business management equipment
(O) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Revenue distribution

Unit: NT$ thousands; %

Main Products	2018	
	Amount	%
Intelligent Platforms & Solutions Products Division	2,100,900	41.93
Design-in Services	2,545,262	50.80
Others	364,482	7.27
Total	5,010,644	100.00

C. Main products (services) of the Company

Key products planned by Intelligent Platforms & Solutions IPS and Design-In service Products (DIS) Services

D. Development of new products (services)

(A) Designed embedded computer systems and touch tablets for track/vehicle/ship transportation applications.
(B) Developed industrial IoT applications, including IoT gateways, machine vision systems, AI artificial intelligence systems, modular embedded computer platforms and cloud edge computing servers; for factory automation, smart transportation, smart energy Industry provides solutions.
(C) Developed software packages for AMS smart remote monitoring programs and data collection, used in smart factories, smart energy, green energy and other industries.
(D) Continuous development of projected capacitive touch LCD tablets and wide screen touch computer products, adopt modular design, accelerate the development of the product development processes, reduce production hours and costs; adopt more streamlined external designs for better control.
(E) A new generation of cloud application server and network security application platform products designed for future big data cloud applications; providing

high flexibility and easy expansion to meet the needs of customers for rapid integration.

(F) Develop smart retail related computer modules and digital screen player systems, and provide customized services.

(G) Continue to develop new generation embedded boards and SoM computer modules for MXM; provide Design-in fast customization services.

(2) Industry Overview

A. Industry overview and development

With the rise of AI, 5G and IoT, industries such as smart factories, robots, smart transportation, self-driving cars, cloud computing, smart cities and telemedicine are gradually developing. In the expanding spectrum of applications, products are becoming more diversified with an increasing need for software. Design specifications or customized services have emerged to meet the need for specific certification across the various industries. From an overall perspective, the market will continue to expand. Industrial computer manufacturers have access to a comprehensive infrastructure of upstream, mid-stream and downstream facilities, a large pool of technical talent, an extensive network of overseas production bases and long-term strategic partnership with international manufacturers. All these factors are conducive to the ongoing development of our industrial computers industry.

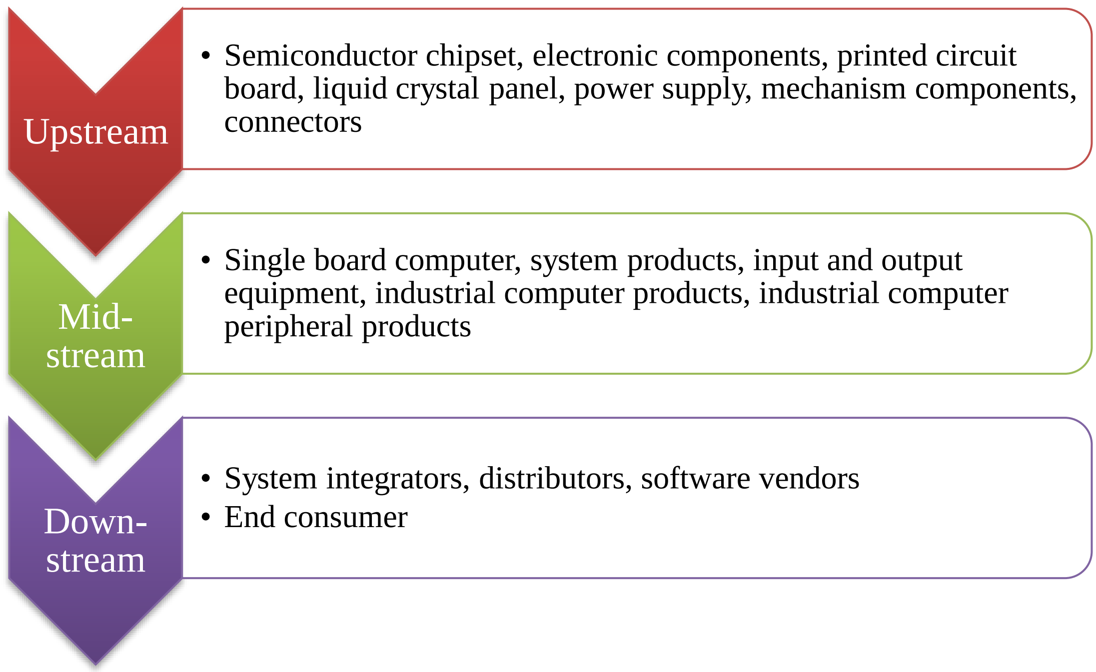
B. Relationship between up-stream, mid-stream and down-stream

Industrial computer single-board products and related interface cards, are produced based on customer needs and are widely used in various applications. Upstream refers to the suppliers and outsourcing manufacturers of the related components, materials and devices. Midstream refers to the products manufactured by the Company, and downstream refers to the specific sales models to be applied accordingly based on the characteristics of the products.

The upstream for industrial computers is similar to that for general PCs. As such, the range of upstream products is wide and includes components, mechanisms, storage devices for special applications; chipsets, CPUs, PCBs, memory, logic ICs, passive components, fiber optic modules, connectors, power supplies, and LCDs.

The mid-stream segment includes: single-board computers, system products, industrial computer products, touch-screen tablets, and industrial computer peripheral products. Application is targeted for outdoors and semi-outdoor use where severe environmental conditions demand characteristics like stability, reliability, waterproof, dustproof, anti-fouling, anti-vibration, anti-vibration, anti-static, power-saving, high and low temperature resistance, and professional certification. Due to the wide range of industrial applications and the corresponding varied needs, industrial computers are often customized or developed on a project basis. This customization and project-oriented business produces low-volume but highly diversified products. In addition, the uniqueness and high value-add of these products have enabled their prices to remain comparatively resistant to the declining price of the commercial computer, ensuring stability of gross profit.

With potential customers coming from various industries, industrial computers are mostly enhanced accordingly to increase their value-added before being sold to the final application supply chain. Value added enhancements are done via suppliers with engineering backgrounds like system integrators (SIs), distributors, software suppliers or value-add resellers.



Relationship chart of up-stream, mid-stream and down-stream

C. Product development trend

(A) Stable growth of industrial computers: Customers of industrial computer are mainly business partners and the applications business of verticals. The business model is mainly B2B or B2B2C. With the advent of AI and 5 driving future concepts of the expected development of the smart city, growth in the applications market will be powered by diversified applications. This is an indicator that there is room for more growth in the industrial computers industry.

(B) Embedded single-board computers and modules: The low-volume and highly varied product characteristics form a high entry-barrier for most industries. Also, the high-performance integration features of the products require deep market penetration complemented by flexible customized services, giving this product line considerable competitive edge.

(C) Embedded computer system and cloud application network equipment: Continue to work with the vertical markets' embedded computer systems, machine vision systems, AI systems, IoT gateways and cloud edge computing servers. Modular design for professional certification for target applications.

(D) Touch tablet and LCD screen: These products are professionally designed with the relevant safety certification. R&D investments are made according to the vertical industry's application needs. Applicability includes industrial automation, outdoor information booths, renewable energy, traffic control, shipbuilding, medical care and other application markets.

D. Industrial competition

Presently, in our nation, there are many industrial computer companies, each with their own flexible production capability and specialization targeting their respective niche markets, a trait that is unique to this ow volume high diversity industry of customized industrial computers. The manufacturers in our nation are key players in their respective areas and developed unique core capabilities in various vertical applications, creating competitive obstacles.

The Company's product strategy is to consistently pursue professional certification for our products, meet our goals for product excellence and operational efficiency, reinforce the R&D team's continuous enhancement of technological and design skills and advocate strict quality control and after-sales technical services; to achieve professional leadership in the industrial computer space. With increasing collaboration from the major manufacturers and a growing reputation on the global stage, the Company has become a formidable player in the industrial computer industry.

Domestic manufacturers with key products similar to ours are listed as follows:

Key Competitor	Core Business Lines
Advantech	Industry measurement and control products, industrial computer products, industrial workstations, embedded computer cards, ultra-thin LCD computers, Ethernet switches, industrial-grade wireless solutions, serial communication cards
IEI Integration Corp.	Industrial control interface card, industrial control motherboard, industrial computer products, industrial computer peripheral products
Aaeon	Single board computer and peripheral equipment, computer PC/104 series products, industrial workstation series
Adlink	Measurement products, automation products, communication and computer products
Lanner	Network communication products, industrial computers, computer switches, embedded computers
iBase	Single board computer motherboard, embedded computer motherboard and system

(3) Research and Development

A. Ratio of R&D expenses to Revenue

Unit: in NT$ thousands / %

Item	2018	As of March 31, 2019
R&D expenses	418,399	108,060
Operating revenue	5,010,644	1,109,217
Ratio of R&D expenses to Revenue (%)	8.35	9.74

B. Technology or product developed successfully

Product Type	Item
Intelligent Platforms & Solutions Products	● The Artificial Intelligence (AI) embedded system, eBOX800-900-FL**,** powered by the NVIDIA Jetson™ TX2 module which has a powerful 64-bit ARM A57 processor and 256-core NVIDIA® Pascal GPU. Specially designed for outdoor use and rugged environments. ● Transportation embedded system UST500-517-FL integrates the 16 PoE ports available in RJ-45 or M12 connectors for IP cameras. It provides a full scope of power protection, compliant with E-Mark and EN 50155 and other professional certification for transportation applications. ● 2-slot high-expandable embedded system eBOX638-842-FL, is powered by the quad-core Intel® Celeron® J1900 processor 2.0 GHz onboard with one I/O module slot and two PCI or PClex 1 expandable slot, specially designed to offer high expandability. ● COMExpressType 10 Mini module CEM310, equipped with the Intel® Atom® x5 and x7 processors (Apollo Lake), offers high-quality graphical capabilities, wide operating temperature range, and is feature-rich, expandable and highly versatile. ● Intel®OPS digital signage player OPS500-520-H, powered by the 8th generation Intel® Core™ processors supporting the Intel®Trusted Platform Module (TPM) 2.0 and enhanced multimedia performance. ● Aligned with the Intel® Smart Display Module Small (Intel® SDM-S) architecture, SDM300S is equipped with a low-power quad-core CPU with built-in Intel® HDGraphics 505 or 500 chipset.

Product Type	Item
	● Qseven reference carrier board, Q7B301, offers various I/O connectors and flexible expansion features to reduce the design effort to the minimum. Supports extended industrial grade operating temperature range.
Design-in Services	● High-performance, customizable 1U rack mounted network appliance platform comes with 8 Gigabit Ethernet ports and 2 expandable LAN modules supporting 1GbE/10GbE/Fiber/Copper/Bypass with a maximum of 26 LAN ports. ● Cost-effective desktop network appliance platform NA345E, equipped with 3 Gigabit LAN ports and the Intel® Celeron® processor N3350, provides solutions in VPN, content filtering, UTM, network security gateway, and firewalls. ● 1U rackmount network appliance platform NA362R, supports the Intel® QAT and Intel® DPDK technologies; powered by the Intel® Atom™ processor C3558/C3758 and comes with six 10/100/1000 Mbps LAN ports and two or four 10 GbE SFP+ fiber ports. ● Specially developed for the gaming industry, the AMDR-SeriesSoC motherboard and Mini-ITX game console motherboard. ● The PT206 and PT204 are Cortex-A9 dual-core platforms with 6.2" and 4.3" touchscreen displays, respectively, developed for the Player Tracking system in the gaming market. ● Develop a secure anti-theft mechanism for complex algorithms.

(4) Long-term and Short-term Business Development Plans

Presently, we have already developed a varied range of embedded computer systems present, machine vision systems, IoT gateways, multi-touch projected capacitive tablet PCs and network security application platform products for industry verticals. Only by grasping the changing factors of various industries and gaining insight into market sales opportunities can we continue to grow steadily. Grounded by this principle, we will continue to deepen our R&D and provide mature products to meet new market demands.

A. Short-term business development plan

(A) Business marketing strategy

a. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.

b. Through Axiomtek Japan and our UK subsidiary, get closer to the Japanese, UK and European markets for an in-depth understanding of the needs of their respective customers in vertical applications.

c. Enhance the R&D design team and high-end system assembly capabilities of US subsidiaries, and directly serve the North American market and deep-customized services in vertical applications.

d. Add software and firmware value-added services, with design-in as a requirement, accelerate the added value of software and hardware integration, and improve service quality and customer satisfaction.

e. Use Salesforce Service Cloud application and platform to optimize sales and marketing, customer service and IT.

(B) Product development

a. Embedded board and SoM computer modules: Continuous development of products and the provision of MXM expansion modules and Design-in rapid customization services, copied to overseas locations, allowing the Company to continue to maintain its leading position in this field.

b. Industrial and Embedded Computer Systems and Touch Tablets: With emphasis on Mission-Critical, a sturdy and structured system, and modular design capability, trending towards machine vision applications, AI and IoT applications: factory automation, smart transportation and smart energy industry; obtain professional certifications in vehicle, rail transit, and shipbuilding and explosion protection.

c. AMS Smart Remote Monitoring Management Software: In order to improve remote monitoring and management capabilities, the AMS Smart Software Suite is developed independently to help customers quickly and efficiently establish their own management systems. Support for the Embedded Application Programming Interface (eAPI), providing easy-to-use management tools, monitoring mechanisms, and database services.

d. Gaming industry-specific computer platform and smart retail: Develop Video Mixer technology and game console Player Tracking System platform for the Gaming industry. Develop a highly integrated digital signage player that meets Intel® SDM and Intel® OPS open architecture for rapid market introduction.

e. Cloud application computer and network application hardware platform: adopt modular design and flexible system assembly to accelerate market development. Use dedicated teams to provide customized services and develop remote monitoring technology IPMI, high-speed Ethernet mode Group and SDN application platform.

B. Long-term business development plan

(A) Business marketing strategy

a. Continue to market our own brands globally, actively establishing more sales bases and technical bases, expanding our marketing channels and realize localized services, and deliver excellence in localized customer operations and project management.

b. Align our strategy and tactical execution with the sales strategies of our global Key Accounts and Channel Partners, expanding our sales capability and supporting our customers in market expansion.

c. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.

d. Enhance the added value of software and hardware integration in our products, replicate successful cases, shorten the timeline for customers to develop products, and create a win-win model.

e. Through cloud-based Salesforce programs and platforms, leverage IT technology to effectively manage customer relationships and specialized projects, and using integrated digital marketing to enhance customer experience.

(B) Product development

a. Embedded boards and SoM computer modules: Continuous development of embedded computer boards to meet the needs of customers in a variety of applications. In particular, high-density ultra-small boards with excellent performance are used in mobile communication-related fields, featuring high-performance, miniaturized design, modularization, wide temperature, shockproof, fanless, ultra-low power consumption, and MXM expansion modules. Design-in’s fast-customized service capabilities give customers a flexible choice.

b. Industrial and embedded computer systems and touch tablets: modular design and industrial aesthetics, towards the development of artificial intelligence and industrial IoT applications: factory automation, smart rail transit and smart energy industry; combined with video, sound, the core technology of robotic arm and self-propelled car provides a full range of AIOT industrial automation technology.

c. Intelligent remote monitoring and management software: A computer control system for developing AMS remote monitoring programs and data collection capabilities, applied to industrial IoT related industries such as smart factories, rail transit and smart energy.

d. Gaming industry-specific computer platform and smart retail: Develop Video Mixer technology and game console Player Tracking System platform for the Gaming industry; cultivate our vertical expertise and integration capabilities, enhance the value-add of our products. Develop a highly integrated digital signage player that meets Intel® SDM and Intel® OPS open architecture for rapid market introduction.

e. Cloud application computers and network application software platform: target the cloud applications and network security applications markets, develop cloud-based edge computing servers, remote monitoring technology IPMI and high-speed Ethernet module and build the infrastructure for SDN network security.

(C) Vertical Market Technology

a. Smart Transportation: Develop technologies such as rail transit certification and outdoor special-purpose computers, and obtain professional certifications such as in-vehicle, rail transit, shipbuilding and explosion-proof. The IP67 system is equipped with NVIDIAJetsonTM TX2 module and NVIDIA® PascalTM GPU architecture 256CUDA core graphics processing unit, designed for outdoor field and harsh environment, such as smart city, intelligent manufacturing and intelligent transportation, in-depth learning application.

b. Factory Automation and Smart Source: Provides machine vision solutions combined with Real-time Vision I/O cards, high-performance central processor efficiency and connectivity. Robust, durable industrial design for machine vision applications such as vision guidance, industrial inspection and OEM machine vision applications.

c. Process automation industry: develop intelligent equipment health care technology, assist process automation factories that use expensive equipment for mass production to collect sensor big data, monitor equipment status and make predictive maintenance analysis.

d. Gaming Industry and Smart Retail: Develop Gaming industry-specific computer motherboards and system platforms, as well as Intel® OPS/OPS plus and SDM digital signage players, with familiar technical knowledge and customization capabilities, that can quickly import game console entertainment industry and emerging Smart retail market.

e. Cloud Application and Network Security: Develop a series of cloud edge computing servers and complete network security hardware platform, combined with software and hardware compatibility testing, fanless, modular and industrial design, and alliance with Intel Network Builder Program and strategic partners, deep dive into the field of cloud applications and network security.

2. Overview of Market and Production & Marketing

(1) Market analysis

A. Sales districts for key products

Unit: in NT$ thousands / %

Sales Districts \ Year		2018		2017	
		Amount	%	Amount	%
Local		338,325	6.75	324,725	8.13
Export	America	2,279,997	45.51	1,699,967	42.56
	Europe	1,352,952	27.00	1,035,938	25.94
	Asia	1,008,567	20.13	894,823	22.40
	Others	30,803	0.61	38,776	0.97
Export Subtotal		4,672,319	93.25	3,669,504	91.87
Total		5,010,644	100.00	3,994,229	100.00

B. Market share

Industrial computers have a variety of industrial characteristics. The Company continues to introduce new products and open up new markets, continuously striving to become a world-class leader by applying innovative technology in the fields of smart transportation, smart energy and factory automation. We foresee great potential for growth. Presently, there is no reliable or complete data nation-wide on the industrial computer industry. As such, it is impossible to clearly know the market share of the Company.

C. Future supply & demand and growth of market

From the early traditional industrial control to today's era of "artificial intelligence and IoT applications", the industrial computer industry continues to expand in the market and application projects. With Taiwan's professional expertise in various aspects of the computer industry, we are now acknowledged as the world's largest computer producing country. With rapidly increasing global demand, our industry has the advantage of the capability to support the computer hardware as well as the development and management of the corresponding applications. We expect the industrial computer market to expand grow consistently over the next decade.

(A) Supply & Demand

a. Demand:

With the increasing expansion and demands of industrial IoT and Industry 4.0, we expect an inevitable trend in the development of 5G and AI, anticipating the rise of demand in smart factories, the robot industry, intelligent Transportation, 3D printing, Smart healthcare, renewable energy, cloud computing, smart Retail and smart city-related industries. In the continuous expansion of new applications, product categories are trending towards diversity and the pursuit of exclusive customization services. Overall, the market will continue to expand.

b. Supply:

Develop core products and manufacturing technology through our own products and strategic integration partners. In addition to the supply of customized product demand, the Company is focused on the spirit of service and product quality and, in recent years has established a professional quality engineering and customer service team to enhance customer relations, building a good reputation and goodwill to achieve vertical integration of the product value chain.

(B) Future Market Growth:

The demand for industrial PCs and related peripheral products is growing steadily year on year. In the future, with the continuous development of artificial intelligence and the IoT, industrial computers will gradually penetrate into daily life (e.g. smart transportation, smart energy, cloud applications, smart cities, smart factories, smart medical services and digital education, etc.). Hence, we expect the demand for industrial computers and the related products and services continue to heat up in the future.

D. Competitive niche

(A) Product Excellence

In the industry, Axiomtek is one of the companies with a complete line of products and solutions. The Company's products include: embedded single-board computers and modules, touch tablet computers, machine vision systems, AI platforms, industrial computers, and networks. Road application platform, digital electronic signage, transportation application platform, industrial Internet of things gateway and touch tablets etc.

(B) Leading R&D technology

Focus on new products and new technology development and innovation capabilities, continuously seek software and hardware R & D talents and technology, develop vertical application market-specific solutions, and enhance added value and product quality, and harnessing engagement in the vertical application market.

(C) Sales Network

Establish a complete global marketing channel network, deepen customer relationships in various regions, understand customer needs and provide comprehensive services. To-date, we have maintained long-term cooperation and good interaction with many well-known large manufacturers.

(D) Professional Services Team

Our talented and diverse R&D team is well-versed in product specifications and related vertical application needs, and actively assist in servicing the customers. The team can quickly understand customer needs, provide prototypes in time and drive production, deploying the relevant engineering and technical personnel to respond to customers' questions, striving to match customer's special working environment and meet their service needs.

E. Positive and negative factors for future development, and response to such factors

(A) Positive factors

a. Rich and excellent products, strong research and development capabilities

The Company has excellent research and development capabilities and has been marketing internationally for nearly 30 years. Our team of highly competent hardware and software engineers continuously innovate and develop products that meet various industrial needs for different industries and different needs; including: smart factories, rail transit, cloud applications, smart retail and gaming markets.

b. Successful Strategic Industry Alliance

Form alliances with strategic partners to create complete solutions and plan joint marketing activities to increase brand awareness. In-depth development of the vertical application market, currently selected factory automation, smart transportation, smart energy and smart retail to jointly create a complete solution.

c. Strong and rigorous global sales network

We work with dozens of distributors and value-added partners in five continents (Europe, America, Asia, Australia, and Africa). Our subsidiaries in Europe, the United States, Japan and the mainland promote our brand and sell our products in the local market, building excellent relationships with customers and providing on-time support. Our order sources are stable and continue to grow.

d. Stronghold on Industry Management

Effective product and operational management in the industrial computer business requires high professional technology and Know-How, emphasis on integration and service experience, continuous learning and skills upgrade, which is challenging to implement. Also, market development is a long haul process. As such, the entrance threshold for this business is relatively high and competitive.

(B) Negative factors

a. In response to the accelerated development of PC, the R&D capability needs to be continuously improved and be able to respond to industry needs quickly.

Response measures:

Through the global distribution network, consolidate market demand and customer direction, leveraging OEM/ODM projects to gather information on future product demand and future market strategy for speedy response to product specifications, technical capacity and market trends.

b. High export sales increasing exchange risks

Response measures:

Presently, the Company's financial unit has appointed a person dedicated to collate exchange rate changes at any time, grasp the trend of exchange rate changes, and to provide timely information and advice on the most appropriate time to buy or sell foreign exchange, and the impact of exchange rate changes when quoting to customers. The above measures will ensure reasonable profits.

c. Inadequate market information

Response measures:

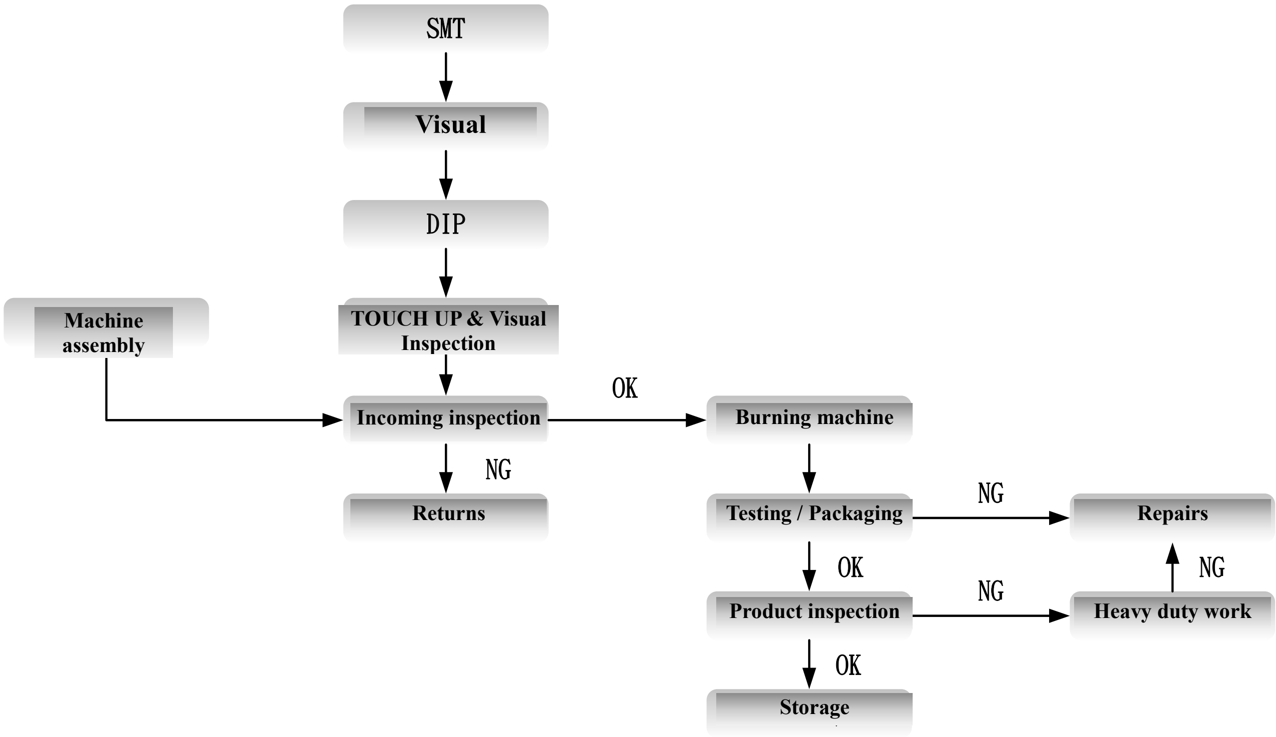
The customers of industrial computers are scattered across various industries. The industry has made inroads into the market through distributors or subsidiaries. Because there is no direct interface with the end consumers, getting to grips with the demand trend of industrial computers is a challenge. In the future, we will actively establish more sales bases and technical bases, expand marketing channels and realize localized services, and do a good job in local customer operations and project management, so as to grasp the changing market demand situation.

(2) Production Procedures of Main Products

A. Key purpose of main products:

Main Products	Primary Use / Functionality
Intelligent Platforms & Solutions Products	The most promising vertical applications for rail transit applications, factory automation, process automation, smart energy, smart retail and gaming. The computer platform designed according to the special industrial environment, including: touch tablet, machine vision system, AI platform and embedded computer; attain professional certification, modular design, flexible integration and durability.
Design-in Services Products	Develop core technology products for cloud applications, smart retail and gaming, develop cloud application servers and modular network application platforms, digital signage players and provide fast customized services.

B. Manufacturing Process of Main products



(3) Supply status of main materials

Over the years, the suppliers of the main raw materials of the Company's products have come from large domestic and foreign manufacturers with good quality reputation and maintained long-term stable cooperation relationship, so that the Company is not lacking in the production of raw materials. List of main suppliers:

Name of Material	Domestic and Foreign Supplier
Chip sets, central processing units	Synnex, Arrow, Avnet Asia Pte Ltd., Taiwan Branch (Singapore), Wei Keng
PCB	Everlast Win, Guang Dong Ellington Electronics Technology
LCD panel	Kyocera, Promate
Power supply	FSP Group (FSP)
Industrial computer casing	Tzang Yang Industrial, GigaSolution, RongFeng
Connectors	Supercon Technology, Helm
Capacitor	Nichidenbo, Hsinbung

(4) List of customers who account for more than 10% of the total amount of goods sold in any of the past two years - amount and proportion of the goods sold.

A. A list of suppliers who have accounted for more than 10% of the purchase amount in any of the past two years: Unit: NT$ thousands

	2018				2017				As of March 31,2019			
Item	Name	Amount	Percentage of total net procurement (%)	Relation with supplier	Name	Amount	Percentage of total net procurement (%)	Relation with supplier	Name	Amount	Percentage of total net procurement [%]	Relation with supplier
1	Supplier A	338,679	11.26	N/A				N/A	None			
	Others	2,669,089	88.74	N/A	Others	2,353,268	100.00	N/A				
	Net procurement	3,007,768	100.00		Net procurement	2,353,268	100.00					

Note 1: Specify the name of the supplier with more than 10% of the total purchase amount in the last two years and the quantity and proportion of the purchase, but per contract do not reveal the name of the supplier or the object of the transaction as an individual and non-related person, which can be codenamed.

Note 2: As of the date of publication of the annual report, companies that have listed or sold shares in the securities dealers ‘ premises should be disclosed if they have the most recent period audit reviews or financial data approved by accountants.

Reasons for change or decrease: Mainly the Company’s procurement strategy and consideration of market price changes, the procurement of its suppliers have increased or decreased.

B. A list of clients who have accounted for more than 10% of the revenue in any of the past two years: Unit: NT$ thousands

	2018				2017				As of March 31,2019			
Item	Name	Amount	Percentage of total net sales (%)	Relation with client	Name	Amount	Percentage of total net sales (%)	Relation with client	Name	Amount	Percentage of total net sales [%]	Relation with client
1	Customer B	628,899	12.55	N/A	Customer A	430,948	10.79	N/A	None			
	Others	4,381,745	87.45	N/A	Others	3,563,281	89.21	N/A				
	Net sales	5,010,644	100.00		Net sales	3,994,229	100.00					

Note 1: Specify the name of the customer with more than 10% of the total sales amount in the last two years and the quantity and proportion of the purchase, but per contract do not reveal the name of the customer or the object of the transaction as an individual and non-related person, which can be codenamed.

Note 2: As of the date of publication of the annual report, companies that have listed or sold shares in the securities dealers ‘ premises should be disclosed if they have the most recent period audit reviews or financial data approved by accountants.

Reasons for change or decrease: Due to changes in market demand for different types of products, the customers who sell such products will respond correspondingly, causing fluctuation in demand.

(5) Production in the past 2 years

Unit: PCS; NT$ thousands

Year / Output volume / Main products	2018			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Intelligent Platforms & Solutions Products	592,222	667,762	1,373,315	998,111	1,016,536	1,531,870
Design-in Services Products	947,811	982,941	2,021,511	557,596	579,134	872,726
Ethernet Products	-	-	-	274,643	537,020	435,675
Others	85,000	113,168	232,739	82,000	67,319	101,448
Total	1,625,033	1,763,871	3,627,565	1,912,350	2,200,009	2,941,719

(6) Shipments and Sales in the past 2 years

Unit: PCS; NT$ thousands

Year / Shipment&Sales / Main products	2018				2017			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Intelligent Platforms & Solutions Products	15,764	184,071	237,595	1,916,829	46,436	225,751	417,417	2,477,654
Design-in Services Products	32,512	75,739	681,053	2,469,523	4,586	22,190	187,648	681,375
Ethernet Products	-	-	-	-	21,111	19,784	148,042	281,635
Others	916,509	78,516	269,070	285,966	773,912	57,000	143,811	228,840
Total	964,785	338,326	1,187,718	4,672,318	846,045	324,725	896,918	3,669,504

3. Employee Information

Year / Item		2018	2017	As of March 31, 2019
Number of Employees	Sales	114	103	114
	G&A	74	68	76
	R&D	243	223	254
	Manufacturing	288	284	285
	Total	719	678	729
Average Age		38.55	38.02	38.53
Average Years of Service		6.25	5.96	6.39
Education Ratio (%)	Ph.D.	0.00	0.00	0.14
	Master	16.55	15.19	16.87
	Bachelor's Degree	60.36	60.32	60.36
	Senior High School	20.45	20.80	19.75
	Below Senior High School	2.64	3.69	2.88

4. Expenditure on Environmental Protection

(1) Total of losses (including penalties) and disposition due to environmental pollution
Past year and as at publication of the annual report, no losses or dispositions due to environmental pollution.

(2) Future plans (including improvement measures) and potential expenses.
The nature of our Company's business does not give rise to environmental pollution incidents; as such, there is no need for specific preventative measures to be implemented. All waste generated from our business operation is handled by a qualified professional waste management vendor.

(3) Adherence to the EU Restriction on Hazardous Substances (RoHS) guide
The Company's response to RoHS can be categorized as follows:

A. Supply chain management:
To ensure that raw materials and component parts meet the standards for environmental protection, the environmental protection team has already disseminated the guidelines and provided relevant training and guidance to the suppliers. This green supply chain is regularly audited with measures in place to gradually phase out non-compliant suppliers, driving root cause management to minimize risks.

B. R&D management:
All component parts and raw materials used by the R&D Division must come with environmentally friendly certificates. If R&D needs to change materials or any component parts, the supplier must present the corresponding certification for these materials or parts, which will be assessed by the R&D engineers.

C. Product quality management
At the time of incoming inspection, all materials are subject to XRF testing to confirm that they do not contain restricted or banned substances. When the final product is made, a reverse test analysis must be performed to determine again compliance with EU RoHS regulations.

D. Manufacturing and production:
All production bases of the Company ae equipped to produce environmentally friendly products, including the material management systems, process control and lead-free production equipment, and since 2006, have obtained certification of many world-class manufacturers. Since Q4 2005, production began for RoHS-compliant products. Currently, the products being developed by the Company have fully met the requirements of EU RoHS, and the related products are being sold in the market.

5. Employee / Employer Relations

(1) Employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

A. Employee benefits:
Axiomtek aims to be a happy enterprise, fulfilling our corporate social responsibility and taking care of our employees. In addition to providing labor and health insurance, pensions, family care leave, medical leave, pre- and post-natal leave, paternity leave, and childcare leave, etc. in accordance with the law, other employee benefits are listed below:

(A) For the XiZhi headquarters, implement flexi-time working hours and provide free commute to and from work (XinDian Line, ZhongHe Line).

(B) Employee welfare committee is set up to plan and implement a varied welfare system, including family day activities, tourism subsidies, wedding and funeral welfare subsidies, hospitalization condolences for injuries, maternity subsidies, sports competitions, departmental dim sum funds, special store discounts and both. Artistic humanities, sports and fitness, puzzle fun, parent-child interaction and other multi-social activities.

(C) In addition to labor and health insurance, the Company also provides group insurance for all employees, including accidents, cancer prevention and hospitalization. Employees can pay a token sum so that the group insurance coverage can be extended from the employees to their family members.

(D) Employee health checkups are carried out on a regular basis every year.

(E) Travel insurance and medical insurance for overseas business travel.

(F) In addition to the two-month salary fixed at the end of the year, there are three incentive bonus payments.

(G) Employee incentive compensation is paid twice a year.

(H) Performance bonuses are issued based on the achievement of operational goals.

(I) Provide internal and external training courses with the goal of continuously nurturing talents.

(J) At the XiZhi head office, there is a free gym, yoga classroom, library, staff saloon, and a self-service shop and a beautiful working environment.

(K) At the staffing hall of Beitou Factory, there is a nursing room, a library and audio-visual equipment, providing a friendly workplace for colleagues to study and use.

(L) There is an art gallery each at the XiZhi headquarters and the Beitou factory which regularly display artists' works and organize arts-related lectures. In addition to art appreciation, the well-being of the employees is also enhanced.

B. Skills upgrade & training

The Company has "education and training management procedures" to establish the Company's education and training system and norms, and assist all levels of personnel that are involved in all aspects of quality and environmental management activities to have access to appropriate and necessary education and training. This will enhance their knowledge, skills and quality, and improve work efficiency, increasing the Company's overall quality. Annual education and training programs are planned according to training needs, and the scope incudes on the job training, programs targeted by corporate level, professional expertise, projects and also self-teaching programs. Education and training programs are funded by the annual education and training budget. The actual expenditure on staff education in the past year was NT $762,826. Training methods include:

(A) Internal training: The HR unit shall organize or facilitate various internal training courses in accordance with the annual education and training plan.

(B) External training: In order to strengthen the professional knowledge and improve management skills of the employees, the parties must submit an application for training and training according to the annual education training plan.

Item	Number of Classes	Total Number of Person	Total Hours	Total Expenses
1. Training for specific organizational levels	12	442	62	497,376
2. Training by profession	80	750	469	162,650
3. Training by project	17	234	46	98,800
4. Self-Learning	3	130	6	4,000
Total	112	1,556	583	762,826

Employees related to ensuring the transparency of the Company’s financial information have, in accordance with the relevant regulations, attended classes organized by external institutions. The resultant certificates are as follows:

Title	Name	Training Date		Organizer	Name of Course	Hours
		From	To			
Vice President & Head of Finance & Corporate Governance Head of Corporate Governance	Jane Hsu	September 6, 2018	September 7, 2018	Accounting Research and Development Foundation	Continuing education for Accounting Head	12
Accounting Head’s representative and employees who prepare the financial reports	YM Huang	September 13, 2018	September 14, 2018	Accounting Research and Development Foundation	Continuing education for Accounting Head	12
Head of Audit	Wen Lan	January 22, 2018	January 22, 2018	Republic of China Internal Audit Association	Insider Core Knowledge Skills Series Course (I) Internal audit basis	6
		March 8, 2018	March 8, 2018	Republic of China Internal Audit Association	Insider Core Knowledge Skills Series Course (II) Internal audit basis	6
Audit Representative	Anita Hsieh	August 24, 2018	August 24, 2018	Securities and Futures Market Development Foundation	Shareholding Regulations and Shareholders’ Meeting Practice Workshop	6
		August 28, 2018	August 28, 2018	Accounting Research and Development Foundation	Internal auditors’ analysis of the procedures to ensure compliance with the “information security” and “personal privacy” laws	6

C. Pension system implementation:

(A) In June 1996, the Company set up the Pension Fund Supervision Committee, the rules and regulations that the committee must abide by and the pension mechanism. According to the Labor Standards Law, 2% of the total salary will be deposited into an account held by the Pension Fund Supervision Committee at the Bank of Taiwan.

(B) On July 1, 2005, the Company established the pension mechanism for the distribution of pension funds in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the Company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with the accumulated sum payable monthly or in lump sum.

D. The agreement between labor and management and the maintenance measures of various employee rights:

Since its inception, the Company has placed great importance on employee welfare and their mental and physical well-being. The personnel regulations formulated by the Company are in line with the "Labor Standards Law" and related labor regulations, and the human resources management is implemented with the business philosophy of "human management". The Company has established an internal network information platform (EIP), which includes the Company's vision and mission, group organization and contact information staff, department bulletin board, management system and form, learning development and employee's space, etc. In addition, the electronic sign-off system, proposals & feedback and elated service platforms have become the best medium for internal information communication.

In addition to the formal announcement method, a monthly corporate e-newsletter is published to help colleagues understand the Company's activities, provide information on the Company's operations and product development, and establish a channel for employee interaction and sharing. With the limited interaction between staff and management, this provides a forum for employees to find a solution to their problems. Since its inception, the Company has not encountered any disputes with the employees.

(2) In the recent year and up to the date of publication of the annual report, the estimated current and future cost resetting from labor disputes and potential response measures:

The Company's has a harmonious labor-management relationship and the personnel-related management system is based on the Labor Act. To date, the Company has not suffered losses due to labor disputes, and no such situation is expected in the future.

(3) Work environment and safety measures

Since 2005, the Company has introduced the ISO14001 Environmental Management System. Its environmental policy is "Environmental Unlimited, Resource Sustainability". With the policy and limited resources, the Company has continuously improved and improved its working methods and management skills through the participation of all employees. To enable the Company's products, service quality, and environmental management to meet the needs of customers; in addition to comply with international environmental regulations and customer needs, when the materials and suppliers recognize and require manufacturers to provide inspection reports or compliance declarations for restricted hazardous substances In the case of REACH/ROHS/non-conflict metal/package directives, manufacturers are required to provide corroboration to become qualified suppliers, and purchase X-Ray to test the materials to ensure compliance with regulatory requirements.

The Company has an employee health and safety management team and personnel. In addition to complying with safety and health regulations, the Company also cooperates with international and Taiwan safety and health management systems to implement hazard risk management in the process of research and development, manufacturing, testing and sales of the Company's products. Conducting hazard assessment and continuous improvement of risk in the work area and work area, and instilling correct occupational safety and health information of colleagues through pre-employment safety and health training, occupational safety and health training, safety promotion, fire drills and escape drills In order to reduce occupational safety and health accidents, and to protect employees' responsibilities.

The Company attaches great importance to the safety of employees' work. The Company's safety and health matters are in compliance with government regulations. In order to continuously improve the working environment to prevent occupational injuries, the Company has obtained OHSAS18001/TOSHMS occupational safety and health management system certification in 2010, and supports the safety of colleagues. The right to work in health, gradually standardize safety and health operations, specify various operating procedures and methods, implement equipment inspections, strengthen employee safety and health education and training, and prevent occupational disasters; in addition, in order to ensure that the operating environment continues to meet safety and health. Standards, the Company regularly monitors the drinking water quality, lighting, carbon dioxide concentration and chemical air concentration in the employee's working environment to ensure the quality of the working environment and protect the health of employees to avoid occupational diseases.

The Company has a special first-level management unit for safety and health affairs according to the relevant laws and regulations of the occupational safety, and establishes an occupational safety and health committee. The general manager serves as the chairman, and comprehensively manages the safety and health of the Company and other employees. There are 15 members, of which 8 are representatives related to labor health and safety, labor-related labor representatives, which is more than 50% of the committee. For 2018, there are no cases of occupational disasters related to employees in the workplace at Axiomtek, except for traffic accidents.

The Company regards employee health management as an important issue. Since its establishment in 1990, it has arranged health checkups for employees of all ages every year, and has arranged inspection programs superior to the regulations every year to enable employees to develop early protection concepts. Since 2006, from the beginning of the year, we will organize sports conferences every year to plan group matches such as basketball, badminton, dodgeball and brigade relay, encourage employees to exercise and promote teamwork. Since 2007, we have participated in the external industrial computer cup basketball competition. Axiomtek ranks progressively and enters the competition. Employees have also increased and practiced more and more year by year; 2009 participated in the external industrial computer cup badminton tournament to promote sports and encourage sports diversity. Since 2010, health talks and stress relief courses have been launched to help employees take care of their health and manage stress; in 2013, we launched the 100 mountains camp for management team, led by the chairman of the board of directors to challenge 100 mountains activities, cultivating long-term exercise habits and targets to encourage the employees to establish regular exercise habits, realizing the Company's CSR goal of caring for our employees.

(4) Code of Conduct & Moral Behavior

To maintain the trust and harmony of the employee-management relationship, employees should fulfill the following obligations:

A. The Company's business, customer situation and trade secrets should be kept highly confidential and must not be disclosed.

B. Develop ethical integrity, pay attention to maintaining the Company's reputation, and not abuse the position by requiring customers or manufacturers to entertain, give gifts or accept commissions, gratuities and other improper benefits.

C. Do not use drugs, gamble or engage in any activities that are illegal or could potentially affect the reputation of the Company.

D. In accordance with the "Code of Conduct for Listed Companies", the "Axiomtek Code of Conduct & Ethical Behavior " will be established so that employees and stakeholders can better understand and comply with the Company's standards.

E. In accordance with the "Code of Conduct for Listed Companies", the "Guideline for Integrity in Business Operations" and "Axiomtek Code of Conduct & Ethical Behavior " are established. Business activities are conducted on the basis of fairness, honesty, trustworthiness and transparency. Implement the integrity management policy and actively guard against dishonesty.

6. Important Contracts

Review of the Group's supply contracts that are current or due to expire in the current, technical collaboration contracts, engineering contracts, long-term loan contracts and other factors that affect the interests of investors as follows:

Nature of Contract	Counterparty	Period		Major Contents	Restriction
		From	To		
Licensing	American Megatrends Inc.	2014/06/12	2018/06/01	Software license	None
Licensing	HDMI Licensing LLC	2012/07/05	2022/07/04	Software license	None
Services	Taiwan Secom Co., Ltd.	2017/10/30	2020/10/30	Security services	None
Services	Tektronix Taiwan, Ltd.	2016/01/28	2019/04/27	Product services	None
Trading	Test Research, Inc.	2017/06/14	2018/06/14	Product procurement	None
Trading	Taiwan Green Living Co., Ltd.	2017/04/26	2020/04/26	Product procurement	None
Trading	Au Optronics Corp.	2014/02/01	2018/05/31	Product procurement	None
Loan	Bank of America, N.A.	2015/07/08	2025/07/01	Bank secured loan	None
Loan	Bank of America, N.A.	2017/06/30	2024/07/01	Bank secured loan	None

VI. Financial Information

1. Five Years Financial Summary

   (1) Condensed consolidated balance sheets and consolidated statements of comprehensive income

Condensed consolidated balance sheets

Unit: NT$ thousands

Item \ Year		Financial Summary for the Last Five (5) Years (Note 1)					As of April 30, 2019 (Note 3)
		2018	2017	2016	2015	2014	
Current assets		2,611,168	2,260,774	2,669,321	2,286,128	1,930,545	
Property, plant and equipment		1,202,215	1,335,402	484,696	504,890	346,937	
Investment property		139,820	22,858	-	-	-	
Intangible assets		102,965	104,642	138,464	141,829	143,060	
Other assets		83,280	47,174	53,106	57,690	174,708	
Total assets		4,139,448	3,770,850	3,345,587	2,990,537	2,595,250	
Current liabilities	Before distribution	1,596,053	1,240,404	932,949	998,872	767,854	
	After distribution	(Note 2)	1,679,408	1,221,413	1,338,705	1,082,182	
Non-current liabilities		180,406	160,249	629,030	253,451	227,354	
Total liabilities	Before distribution	1,776,459	1,400,653	1,561,979	1,252,323	995,208	
	After distribution	(Note 2)	1,839,657	1,850,443	1,592,156	1,309,536	
Equity attributable to shareholders of the parent		2,362,989	2,370,197	1,744,866	1,693,067	1,561,527	
Capital stock		797,245	794,509	790,310	790,310	783,603	
Capital surplus		214,960	198,563	183,745	143,033	128,062	
Retained earnings	Before distribution	1,355,014	1,390,039	757,032	730,035	629,592	
	After distribution	(Note 2)	951,035	468,568	390,202	315,264	
Other equity		（4,230）	（12,914）	13,779	29,689	20,270	
Non-controlling equity		-	-	38,742	45,147	38,515	
Total equity	Before distribution	2,362,989	2,370,197	1,783,608	1,738,214	1,600,042	
	After distribution	(Note 2)	1,931,193	1,495,144	1,398,381	1,285,714	

Note 1: Each year's information already audited and certified by the Certified Public Accountant

Note 2: 2018 Retained earnings distribution not yet passed at shareholders' meeting

Note 3: As of the date of publication of the annual report, there was no financial information recently reviewed or audited by the CPA

Condensed statements of comprehensive income

Unit: except for earnings per share NT$; NT$ thousands

Item \ Year	Financial Summary for the Last Five (5) Years (Note 1)					As of April 30, 2019 (Note 2)
	2018	2017	2016	2015	2014	
Operating revenue	5,010,644	3,994,229	4,707,109	4,790,899	4,368,921	
Gross profit	1,666,150	1,360,002	1,745,446	1,706,715	1,527,429	
Operating income	557,020	293,402	490,794	539,808	478,690	
Non-operating income and expense	48,521	730,756	2,775	34,685	33,907	
Income before tax	605,541	1,024,158	493,569	574,493	512,597	
Net income of continuing operations	406,924	928,914	374,808	440,506	385,696	
Net income	406,924	928,914	374,808	440,506	385,696	
Other comprehensive income/loss (net after tax)	5,739	（32,510）	（9,494）	533	18,736	
Total comprehensive income	412,663	896,404	365,314	441,039	404,432	
Net income attributable to parent company’s shareholders	406,924	926,239	360,023	424,099	370,563	
Net income attributable to non-controlling equity	-	2,675	14,785	16,407	15,133	
Total comprehensive income attributable to parent company’s shareholders	412,663	894,778	350,920	424,190	388,541	
Total comprehensive income attributable to non-controlling equity	-	1,626	14,394	16,849	15,891	
EPS (NT$)	5.12	11.71	4.56	5.38	4.75	

Note 1: Each year’s information already audited and certified by the Certified Public Accountant

Note 2:As of the date of publication of the annual report, there was no financial information recently reviewed or audited by the CPA

(2) Condensed parent company only balance sheets and statements of comprehensive income

Condensed parent company only balance sheets

Unit: NT$ thousands

Item \ Year		Financial Summary for the Last Five (5) Years (Note 1)				
		2018	2017	2016	2015	2014
Current assets		1,918,479	1,668,520	1,691,551	1,377,140	1,057,545
Property, plant and equipment		1,069,695	1,203,699	213,725	230,968	209,950
Investment property		139,820	22,858	-	-	-
Intangible assets		22,343	21,215	16,220	18,337	16,045
Other assets		760,896	618,298	900,745	860,555	810,321
Total assets		3,911,233	3,534,590	2,822,241	2,487,000	2,093,861
Current liabilities	Before distribution	1,420,049	1,067,873	601,659	701,753	457,013
	After distribution	(Note 2)	1,506,877	890,123	1,041,586	771,341
Non-current liabilities		128,195	96,520	475,716	92,180	75,321
Total liabilities	Before distribution	1,548,244	1,164,393	1,077,375	793,933	532,334
	After distribution	(Note 2)	1,603,397	1,365,839	1,133,766	846,662
Share Capital		797,245	794,509	790,310	790,310	783,603
Capital surplus		214,960	198,563	183,745	143,033	128,062
Retained earnings	Before distribution	1,355,014	1,390,039	757,032	730,035	629,592
	After distribution	(Note 2)	951,035	468,568	390,202	315,264
Other equity		(4,230)	(12,914)	13,779	29,689	20,270
Total equity	Before distribution	2,362,989	2,370,197	1,744,866	1,693,067	1,561,527
	After distribution	(Note 2)	1,931,193	1,456,402	1,353,234	1,247,199

Note 1: Each year’s information already audited and certified by the Certified Public Accountant

Note 2: 2018 Retained earnings distribution not yet passed at shareholders’ meeting

Condensed parent company only statements of comprehensive income

Unit: except for earnings per share NT$; NT$ thousands

Item \ Year	Financial Summary for the Last Five (5) Years (Note)				
	2018	2017	2016	2015	2014
Operating revenue	3,629,164	2,530,366	2,459,756	2,649,125	2,436,694
Gross profit	1,077,666	745,546	791,514	823,303	709,257
Operating income	429,517	192,891	289,384	316,997	275,556
Non-operating income and expense	135,008	811,428	129,865	175,627	156,854
Income before tax	564,525	1,004,319	419,249	492,624	432,410
Net income of continuing operations	406,924	926,239	360,023	424,099	370,563
Net income	406,924	926,239	360,023	424,099	370,563
Other comprehensive income/loss(net after tax)	5,739	（31,461）	（9,103）	91	17,979
Total comprehensive income	412,663	894,778	350,920	424,190	388,542
EPS (NT$)	5.12	11.71	4.56	5.38	4.75

Note: Each year’s information already audited and certified by the Certified Public Accountant

(3) The names of CPA conducting financial audits in the most recent five years and their audit opinions.

Year	Accounting Firm	CPA Name	Opinion
2018	PwC Taiwan	Feng Ming-Chuan, Hsu Shien-Chong	Unqualified opinions
2017	PwC Taiwan	Feng Ming-Chuan, Hsu Shien-Chong	Unqualified opinions
2016	PwC Taiwan	Feng Ming-Chuan, Hsu Shien-Chong	Unqualified opinions
2015	PwC Taiwan	Hsu Shien-Chong, Deng Shen-Wei	Unqualified opinions
2014	PwC Taiwan	Hsu Shien-Chong, Deng Shen-Wei	Unqualified opinions

2. Five Years Financial Analysis

(1) Consolidated financial analysis

Item	Year	2018	2017	2016	2015	2014	As of April 30, 2019 (Note 2)
		Financial Summary for the Last Five (5) Years (Note 1)					
Financial structure (%)	Debt to assets ratio	42.92	37.14	46.69	41.88	38.35	
	Long-term fund to property, plant and equipment ratio	211.56	189.49	497.76	394.48	526.72	
Solvency (%)	Current ratio	163.60	182.26	286.12	228.87	251.42	
	Quick ratio	105.24	121.71	201.83	128.63	147.29	
	Interest earned ratio	6,097.24	11,203.19	13,436.10	15,489.58	22,994.02	
Operating performance	Accounts receivables turnover (times)	9.18	7.40	7.66	8.17	8.47	
	Average collection days	40	49	48	45	43	
	Inventory turnover (times)	4.10	3.54	3.42	3.51	3.97	
	Accounts payables turnover (times)	5.96	5.11	5.43	6.94	8.69	
	Average days in sales	89	103	107	104	92	
	Property, plant and equipment turnover (times)	3.95	4.39	9.51	11.25	12.66	
	Total asset turnover (times)	1.27	1.12	1.49	1.72	1.83	
Profitability	Return on total assets (%)	10.49	26.32	11.93	15.88	16.21	
	Return on equity (%)	17.19	44.73	21.28	26.39	25.71	
	Income before tax to paid-in capital (%)	75.95	128.90	62.45	72.69	65.43	
	Profit ratio (%)	8.12	23.26	7.96	9.19	8.83	
	Earnings per share (NT$)	5.12	11.71	4.56	5.38	4.75	
Cash flow	Cash flow ratio (%)	40.62	24.73	49.92	57.35	36.14	
	Cash flow adequacy ratio (%)	64.52	56.30	96.27	84.26	75.10	
	Cash flow reinvestment ratio (%)	7.41	0.66	4.54	11.10	3.23	
Leverage	Operating leverage	2.70	4.05	3.15	2.83	2.92	
	Financial leverage	1.02	1.03	1.01	1.01	1.00	

1. The lower interest earned ratio was mainly due to the decrease in income before tax and interest expenses for the period.
2. The increase in accounts receivables turnover was a result of the decrease in average number of day's receivables outstanding primarily resulting from the increase in operating revenue.
3. The decrease in return on assets (%), return on equity (%), Income before tax to paid-in capital (%), Net Profit Margin (%) and Earnings per Share (NT$) was due to the disposition in 2017 of subsidiaries resulting in investment gains while no such dispositions were made in 2018.
4. The increase in cash flow ratio (%) and cash flow reinvestment ratio (%) was due to the increase in net cash flow from operating activities.
5. The decrease in operating leverage was a result of the increase in operating income.

Note 1: Each year's information already audited and certified by the Certified Public Accountant

Note 2: As of the date of publication of the annual report, there was no financial information recently reviewed or audited by the CPA

(2) Parent company only financial analysis

Item (Note 2)	Year	Financial Summary for the Last Five (5) Years (Note 1)				
		2018	2017	2016	2015	2014
Financial structure (%)	Debts to assets ratio	39.58	32.94	38.17	31.92	25.07
	Long-term fund to property, plant and equipment ratio	232.89	204.93	1,038.99	772.94	780.37
Solvency (%)	Current ratio	135.10	156.25	281.15	196.24	228.24
	Quick ratio	98.06	121.16	226.64	141.49	158.64
	Interest earned ratio	7901.62	15,307.74	95,167.80	256,675.00	1,310,433.33
Operating performance	Account receivables turnover (times)	7.71	6.56	5.42	5.98	7.78
	Average collection days	47	56	67	61	47
	Inventory turnover (times)	5.82	5.27	4.84	5.35	5.71
	Account payables turnover (times)	5.44	4.86	4.22	5.65	8.04
	Average days in sales	62	69	75	68	64
	Property, plant and equipment Turnover rate (times)	3.19	3.57	11.06	12.02	11.59
	Total asset turnover (times)	0.97	0.80	0.93	1.16	1.24
Profitability	Return on total assets (%)	11.09	29.31	13.58	18.52	18.87
	Return on equity (%)	17.19	45.02	20.94	26.06	25.32
	Income before tax to paid-in capital (%) (Note 6)	70.81	126.41	53.05	62.33	55.19
	Profit ratio (%)	11.21	36.60	14.64	16.01	15.21
	Earnings per share (NT$)	5.12	11.71	4.56	5.38	4.75
Cash flow	Cash flow ratio (%)	41.08	30.90	46.05	70.69	64.62
	Cash flow adequacy ratio (%)	63.76	57.22	96.71	106.80	99.73
	Cash flow reinvestment ratio (%)	5.29	1.55	（2.54）	9.03	4.36
Leverage	Operating leverage	2.45	3.72	2.65	2.57	2.65
	Financial leverage	1.02	1.04	1.00	1.00	1.00

1. The increase in the liabilities to total assets ratio was due to the Increase in short-term loans
2. The lower interest earned ratio was mainly due to the decrease in income before tax and interest expenses for the period.
3. Increase in total asset turnover (number of times) was due to the increase in operating revenue
4. The decrease in return on assets (%), return on equity (%), income before tax to paid-in capital (%), Net Profit Margin (%) and earnings per Share (NT$) was due to the disposition in 2017 of subsidiaries resulting in investment gains while no such dispositions were made in 2018.
5. The increase in cash flow ratio (%) and cash flow reinvestment ratio (%) was due to the increase in net cash flow, compared to the same period last year, from operating activities.
6. The decrease in operating leverage was a result of the increase in operating income.

Note 1: Each year's information already audited and certified by the Certified Public Accountant

Note 2: Computation Method:

1. Financial structure
   (1) Debts to assets ratio = Total liabilities/total assets
   (2) Long-term fund to property, plant and equipment ratio = (total equity+non-current liabilities)/ property, plant and equipment, net

2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets-inventory-prepayment)/current liabilities
   (3) Interest earned ratio=Earnings before interest and tax/ Interest expenses
3. Operating performance
   (1) Account receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
   (2) Average collection days = 365 /accounts receivables turnover
   (3) Inventory turnover = sale cost/average inventory
   (4) Account payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payables (including accounts payable and notes payable resulting from operation)
   (5) Average days in sales = 365/inventory turnover
   (6) Property, plant and equipment turnover = net sales/average property, plant and equipment, net
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on total assets = [income after income tax+interest expense*(1-tax rate)]/average total assets.
   (2) Return on equity = Income after income tax/average total equity
   (3) Profit ratio = Income After income tax/net sales
   (4) Earnings per share = (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares (Note 3)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
   (3) Cash flow reinvestment ratio= (Net cash flow from operating activities-cash dividends) (gross of property, plant and equipment+long-term investment+other non-current assets+working capital) (Note 4)
6. Leverage:
   (1) Operating leverage = (Net operating revenue-changed operating costs and expenses)/operating income (Note 6)
   (2) Financial leverage = Operating income/ (operating income-interest expenses)

Note 3: The following shall be considered in assessing the equation Earnings per Share as aforementioned:
1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual Earnings per Share of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from net profit after tax or added to net loss after tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 4: The following shall be considered in assessing cash flow analysis:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to total property, plant and equipment before subtracting by accumulated depreciation.

Note 5: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonability and consistency.

Note 6: In the case of shares issued by the Company with no par value or a par value other than NT$10 per share, said calculation about the percentage to the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

3. Audit Committee’s Report in the Most Recent Year

Consent Report of Audit Committee

To 2019 Annual Meeting of Shareholders of
Axiomtek Co., Ltd.

Consented by the Audit Committee, 2018 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently an 2018 Unqualified Opinion Independent Auditors’ Report has been issued by CPA Feng, Ming-Chuan and Hsu, Shien-Chong of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2018 Business Report, Financial Statements and profit distribution proposals are being reported and presented herewith for review in accordance with the provisions of Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Chang, Jen-Chih
Convener of Audit Committee
Axiomtek Co., Ltd.

4. Financial Statements in the Most Recent Year
   Please refer to Attachment 1: 2018 Independent Auditors’ Report and Consolidated Financial Statements.

5. Parent Company Only Financial Statements in the Most Recent Year
   Please refer to Attachment 2: 2018 Independent Auditors’ Report and Parent Company Only Financial Statements.

6. Financial Difficulties, if any, Encountered by the Company and its Affiliated Companies in the Most Recent Year and up to the Publication of the Annual Report, and Its Impact on the Company’s Financial Status.
   None.

VII. Review of Financial Condition, Financial Performance and Risk Management

1. Financial Condition

(1) Comparative analysis of the financial status in the past two (2) years

Unit: NT$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current assets	2,611,168	2,260,774	350,394	15.50
Financial assets at cost – non-current	-	923	(923)	(100.00)
Investments accounted for under equity method	29,033	-	29,033	-
Property, plant and equipment	1,202,215	1,335,402	(133,187)	(9.97)
Investment property	139,820	22,858	116,962	511.69
Intangible assets	102,965	104,642	(1,677)	(1.60)
Other assets	54,247	46,251	7,996	17.29
Total assets	4,139,448	3,770,850	368,598	9.77
Current liabilities	1,596,053	1,240,404	355,649	28.67
Non-current liabilities	180,406	160,249	20,157	12.58
Total liabilities	1,776,459	1,400,653	375,806	26.83
Capital stock	797,245	794,509	2,736	0.34
Capital surplus	214,960	198,563	16,397	8.26
Retained earnings	1,355,014	1,390,039	(35,025)	(2.52)
Other equities	(4,230)	(12,914)	8,684	(67.24)
Total equities	2,362,989	2,370,197	(7,208)	(0.30)

Analysis of changes of more than 20%:

1. Financial assets at cost – non-current: Due to the disposal of company shares that are not publicly traded in the active market.
2. Investments accounted for under equity method: Mainly due to the addition of investment-related enterprises.
3. Investment property: Mainly due to the transfer of real estate to investment real estate.
4. Total current liabilities and liabilities: mainly due to the increase in payables, other payables and current income tax liabilities.
5. Other equities: A result of the decrease in exchange difference arising from translation of the financial statement of foreign operations.

(2) Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.

(3) Future response actions: None

2. Financial Performance

(1) Comparative analysis of the financial status in the past two (2) years

Unit: NT$ thousands

Year / Item	2018	2017	Increase (Decrease)	Difference (%)
Operating revenue	5,010,644	3,994,229	1,016,415	25.45
Operating cost	3,344,494	2,634,227	710,267	26.96
Gross profit	1,666,150	1,360,002	306,148	22.51
Operating expense	1,109,130	1,066,600	42,530	3.99
Operating income	557,020	293,402	263,618	89.85
Non-operating income and expense	48,521	730,756	(682,235)	(93.36)
Income before tax	605,541	1,024,158	(418,617)	(40.87)
Income tax	198,617	95,244	103,373	108.53
Net income	406,924	928,914	(521,990)	(56.19)

Analysis of the increase / decrease in proportion to changes:

A. Gross profit and operating income: mainly due to the increase in operating income.

B. Non-operating income and expenses and net income before tax: mainly due to the disposal of investment interests in the 2017 sale of subsidiaries. No such incidents in 2018.

C. Income tax: mainly due to the adjustment of tax rate, the increase in profit in the current period and the increase in tax on Unappropriated retained earnings weighted.

(2) Expected sales volume and its basis, possible impact on the Company's future financial business and response plan: Considering the global economic development, industrial environment and product development trends, and based on the evaluation of past performance and financial status, the expected sales volume compared to 2018 will grow but with no significant impact on the Company's future financial operations.

3. Cash Flow

(1) Analysis of changes in cash flows 2018:

Unit: NT$ thousands

Cash and Cash Equivalents at Beginning of Year ①	Net Cash Flows from Operating Activities ②	Cash Flows from Investing and Financing Activities ③	Effects Due to Changes in Exchange Rate ④	Cash and Cash Equivalents Surplus (Deficit) ①＋②＋③＋④	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
$843,239	$648,263	$（479,721）	$7,219	$1,019,000	-	-

A. Cash inflow from operating activities of $648,263,000: Mainly due to cash inflows from sales of goods and services.

B. Cash outflow from investing activities of $79,061,000: mainly due to the increase in long-term investment and the cash outflow for acquisition of property, plant and equipment.

C. Cash outflow from financing activities of $400,660,000: Mainly due to the repayment of long-term borrowings and cash outflows from cash dividends.

(2) Improvement plan for insufficient liquidity: no cash shortage.

(3) Analysis of the liquidity for the future year: None

4. Impact of Major Capital Expenditure in the Most Recent Year on Finance and Business of the Company:
None

5. The Most Important Reasons for the Recent Annual Investment Policy, Profit or Loss, Improvement Plan and Investment Plan for the Next Year
The Group's investment strategy is long-term investment with full control. In 2018, the Group invested in Yuji Innovation Technology Co., Ltd., with a shareholding ratio of 26.7%, recognized using the investment income by equity method. In the first quarter of the year, in order to expand its overseas service base, the global marketing channel deepened customer relationships and acquired the full equity of AXIOTEK ITALIA S.R.L. In the future, the Group's investment policy will remain unchanged. It will continue to focus on business development and long-term strategic investment related to the industry and carefully evaluate investment plans.

6. Analysis and Evaluation of Risks in the Recent Year and up to the Date of Publication of the Annual Report:

(1) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:
The financial strength of the Group's companies is sound with sufficient funds and capital planning is based on the principles of conservative and stability. With the focus on safety and liquidity, the risk of increased capital costs is limited.

Unit: NT$ thousands

Item	2018		
	Interest Income	Interest Expenses	Net Exchange Gains
Interest Icome / (Interest Expenses) / Net Exchange Gains	9,333	(10,097)	33,452
Ratio of Operating Revenue (%)	0.19%	(0.20%)	0.67%

Since the ratios are not high, the interest rate, exchange rate and inflation have little impact on the Group's revenue and profit. The funds required for the Group's operations are mainly self-owned funds, supplemented by borrowings. The bank borrowings amounted to $103,936,000 at the end of 2018, accounting for 2.51% of the total assets of $4,139,448,000. Therefore, the impact of changes in interest rates on the Group's profitability is limited. However, the Group is still implementing the following preemptive measures:

A. Collect information on interest rate changes on a daily basis to take appropriate action in a timely manner.
B. If the interest rate drops, get a loan with a lower interest rate will be adjusted in to repay the loan with higher interest rate. If the interest rate rises, which may erode the overall profit of the Group, evaluate the method of cash increase or issuing convertible corporate bonds; thus reducing the dependency on bank borrowings and to spread the risk of changes in interest rate.

The market for the Group's products are mainly overseas markets, such as Europe, America and Asia while most of the major components of the products are purchased from Taiwanese manufacturers. Only some raw materials such as ICs, power supplies and panels for special purposes are sourced from overseas. The ratio of overseas purchases is not high. Export transactions are mainly denominated in US dollars and Euros. After deducting the small amounts required for materials purchase, the net foreign currency position of the US dollar or the euro indicates a certain degree of impact on the Group's profit when the exchange rates fluctuate. The Group has taken the following measures to manage the exchange risk that may arise from holding foreign currency positions:

A. The finance team monitors the development of the international political and economic situations, and maintain a good relationship with the financial institutions to obtain collect real-time exchange rate information and be fully informed of the trend of exchange rate fluctuations.
B. Adopt the natural hedging method by offsetting foreign currency items due to receivables and payables, estimating the future trend of the exchange rate to maintain appropriate foreign exchange positions in order to meet the demand for future foreign currency payments, and closing the net foreign currency position on a timely basis to reduce the impact of exchange rate changes on the Company.
C. Based on the principle of hedging rather than investment trading, sign forward exchange contracts with financial institutions to avoid exchange rate fluctuation risks.

As the global economic growth in recent years is still in a sluggish phase, inflation will not significantly impact the Group.

(2) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future countermeasures:
The Company has never engaged in the high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives. Going forward, if trading in derivative commodities is based on the principle of hedging rather than investment trading, the risk of exchange rate fluctuations should be avoided in accordance with the rules.

(3) Future R&D plans and expected R&D expenditure:
A. In response to future product development needs, the Group's 2018 R&D plan is as follows:
(A) <u>Intelligent Platforms and Solutions Product Division (IPS, Intelligent Platforms & Solutions product line):</u>
a. Continue to develop embedded systems that are strong harden and able to withstand harsh conditions for outdoor applications. Strengthen the integration and application of embedded operating systems, and develop high-standard system products such as wide temperature, shockproof, dustproof, waterproof and fanless. Extensively used in vertical market applications such as factory automation, safety monitoring, rail transit, green energy industry and smart grid.
b. Touch-based tablet PCs: continue to develop touch-sensitive tablet PCs to support various applications such as medical, POS, KIOSK, automotive, and device human-machine interfaces, as well as import widescreen, multi-touch, wide temperature, full waterproof, etc. with Best-in-class technology.
c. Upgrade the system to support the application market solutions, focusing on the three application markets of transportation, IIoT and Industry 4.0, and develop application technologies and solutions in this field.
d. In response to the specific needs of various fields, Axiom has invested

considerable manpower and financial resources, and has obtained a number of special safety certifications to obtain greater assurance and trust from customers in our products in this space.

(B) Gaming Products Division (GAM, Gaming product line):

In developing the hardware and application platforms for the global gaming and entertainment market, the current product development includes EGM, back-end management system, image processing and Jackpot server, and integrates hardware and software technical expertise to provide customers with complete and reliable solutions. At the same time, according to customer needs, develop a variety of customized products for gaming applications.

In addition to AMD, Intelx86 platform for product development, the Company also developed ARM Based platform products with breakthrough results.

(C) Intelligent Retail Solution Division (RBS, Intelligent Retail Solution Division product line):

The progress of the retail sales business in smart technology has created a sales environment where immersive experiences are introduced. As a result, touch-based computers that integrate multiple IoT technologies, such as interactive self-service machines and digital electronic signboards, large-scale self-service meal ordering system and Mobile POS will be the key drivers of a new wave of smart retail.

In response to the above-mentioned vertical industry application requirements, customers can freely purchase from a range of standard products. The Intelligent Retail Solution Division will provide a series of digital screens and SDM (Smart Display Module) to meet multimedia digital signage and interactive self-service machines.

In addition, through the modular design of the targeted vertical industry applications, the department can assist in project development and provide fast-customized services to meet customer requirements for customization.

(D) Cloud Computing and Network Infrastructure Division (CCNI, Cloud Computing & Network Infrastructure product line):

a. Network Security Application and Storage Device Platform (NA, Network Appliance product line)

For the small and medium enterprise information security market, Intel Kaby Lake/Coffee Lake network security application platform has been developed, and Gigabit (1Gbps) and 10G (10Gbps) network modules are provided. Modules for 25 Gigabyte, 40 Gigabit and 100,000 are being developed. Adopt DPDK Technology to improve packet processing performance, QuickAssist Technology packet acceleration technology, VT-x virtualization technology, tight tolerance mechanism and related system development kits.

For the large enterprise information security market, we are also actively developing high-end server-class Intel Skylake-EP network security application platform. Products can be widely used in bandwidth accelerators, intrusion detection systems (IDS) / intrusion prevention systems (IPS), firewalls, APT protection, unified threat management systems (UTM) and routers and other related applications. This product line will be launched in 2018 to develop a new generation of modular network function virtualization (network function virtualization) platform, combined with the development of software functions, to provide network speed optimization, and access to cloud solutions.

b. New cloud computing platform (Cloud Computing product line)

In response to the rise of AI/deep learning in industrial IoT applications, and the expected stimulation of future 5G on network computing infrastructure needs, the new cloud computing product line is expected to launch, in 2019, the Intel Coffee Lake edge server, Intel Purley dual-CPU edge Server and integrate switches.

(E) Embedded Core & Smart Engine Division ECSE (Embedded Core & Smart Engine Product Line):

a. Continuous development and provision of embedded boards for the latest technology platforms to meet the needs of customers in a wide range of applications. In particular, high-density ultra-small boards used in embedded systems that are high-performance, miniaturized, intelligent and green products. The additional features of wide operating temperature range, ultra-low power consumption and smart and remote managed have made this very popular. Axiomtek has maintained its leading position in this field.

b. Enhance the positioning of the board, from a single hardware platform to the provision of platform solution, emphasizing the capabilities of design customization and provision of solutions.

c. Enhance industrial computer application technology and integration solutions to meet the equipment needs of Future Industry 4.0.

(F) Software & Solution Division (SNS, Software&Solution Product Line):

In response to the Company’s planned development strategy, reinforce our presence in the various vertical application markets such as factory automation, smart energy, visual inspection and equipment health care. The Software and Solutions Division will focus on developing communication interfaces suitable for supporting related professional fields, communication protocols and the development of information visualization tools, aligned with the trend in cloud services, IIoT and Predictive Maintenance. In addition to industrial computers and network security applications, Axiomtek can not only continue to provide competitive application platforms but also develop a new growth engine in in the field of high-speed measurement applications.

B. Progress in R&D:

The R&D team is fully responsible for the technology research and product design for all product development projects, and works according to a development schedule. The development status of each product is managed by the Group’s PMC management platform.

C. Estimated investment in research and development costs:

The Group’s estimated research and development expense for 2019 is approximately NT$471,134,000. The expenditure plan is as follows:

Item	Project Content & Plan	Success Factors	R&D Expenses for 2019
Intelligent Platforms & Solutions Products	Industrial application computers M-type industrial model for low end use: launch cost-effective products for automatic application in general factories. For high-end applications: launch high-performance products and integrate products from other manufacturers, locking in equipment health, machine vision and robotic arm control applications.	Industrial application computers In response to Industry 4.0, be able to propose comprehensive solutions for the application technologies and products required to support smart manufacturing.	197,127

Item	Project Content & Plan	Success Factors	R&D Expenses for 2019
	Embedded industrial computer Support for more wide temperature range applications and more models of IO Ports. Design a new modular architecture embedded computer system, emphasizing wide temperature and flexible IO modular support capabilities, CPU controller and IO modules can be flexibly adjusted according to different market applications. High-end products go to application, locked in machine vision, AI and Motion control. Smart application computers Solid embedded system: Used in heavy industry and smart grid to meet the application fields of today's IIoT. Add industry standard protocols such as MODBUS, OPCUA, LoRa, MQTT, etc. and device management software to provide a complete solution for IIoT gateway. Transportation embedded system: Continue the existing product planning, continue to develop the next generation of automotive, rail, marine and sturdy computer design, emphasizing the need for enhanced wider temperature and full waterproof applications. Respond to low-end market needs and launch a more cost-effective UTS series to meet the pricing needs of developing nations. Touch-screen industrial tablet Used at the low end: Launch cost-effective products for general light industry and consumer electronics applications. For high-end applications: launch application products for medical, transportation, VMT and automotive applications.	Embedded industrial computer 1. While system space requirements get smaller, the flexible and complex I/O expansion and working environment temperature requirements are getting higher, creating a challenge. 2. Cost advantage. 3. Relevant technologies and market applications in the application field. Smart application computers 1. The system design and support for PoE in a fanless, fully waterproof and high temperature environment is a key technology. 2. The industry information and technical requirements required by IIoT to strengthen the technology and market interaction with the application customers. 3. Development resource for management software required by gateway. 4. Cost advantage. Touch-screen industrial tablet 1. Application-related technologies and market applications. 2. Cost advantage.	

Item	Project Content & Plan	Success Factors	R&D Expenses for 2019
Gaming Products	The first generation of image processing products is in production while development of the 2nd-generation upgraded products has continued into the second half of the year. To be introduced into customer projects in 2019. New game-specific display product development, sent to customer for proof-of-concept. Intel and AMD EGM products continue to be developed.	1. Leading technology and the know-how of the game market. 2. A full range of services to help customers launch products in the fastest time schedule	83,187
Intelligent Retail Solution Products	Digital screen: Provide economical and high-performance models, using different screen output interfaces and customized soft firmware programs to enable multi-screen splicing and self-management. Self-service kiosks: Develop unattended counters and integrate MFPs such as touch screens, bar code reading and payment devices to improve the self-service Kiosk and increase market share.	1. Fanless system design increases system stability and reliability. 2. The MCU and the built-in firmware program can give the system a more diverse extension function.	52,497
Cloud Computing & Network Infrastructure Products	The development of the road safety application platform AMD® EPYC is expected to be completed in the third quarter. At the same time, the development of the fog computing platform product began in the second quarter. The cloud computing platform is expected to launch Intel Coffee Lake and Purley edge server products in the second quarter.	The next generation of network computing products needs to be upgraded from a hardware perspective with a flawless integration of software and hardware to get closer to the customer's application space. Edge server must integrate the switch and software operating environment, combining artificial intelligence algorithms and application experts to provide customers with comprehensive solutions.	41,883
Embedded Core & Smart Engine Products	Embedded Boards & system modules In conjunction with Intel® microprocessor chip manufacturers' annual new product release schedule, launch the corresponding products on a timely basis. For	Single-board computer development is the foundation of the Company. There is no technical difficulty except that it must be effectively managed by the	84,940

Item	Project Content & Plan	Success Factors	R&D Expenses for 2019
	2018, the main products were the new Intel® Coffee Lake & Intel® Apollo Island architecture products. Provide more I/O solutions to meet the technical needs of different application markets.	Company's project management system. Industrial application I/O technology is too broad and requires long-term planning and development.	
Software & Solution Products	Integrated management and information visualization software AMS (Agent MaaS Suite): 1. Based on the future development of smart manufacturing and smart machinery, launch a software and hardware integration platform that combines Axiomtek's various product groups. 2. Provide distributed sensor, system and device management, fast data processing, information visualization, background integration and industrial cloud integration. Integrated intelligent signal measurement and IIoT communication gateway: 1. Continue with the 2018 program, introduce a new generation of processors, enhance the diversity of signal measurement interface and wireless communication interface, and lock in the market for mid-range signal measurement, automotive and outdoor gateways. 2. Work with cloud and artificial intelligence technology, integrate the protocol requirements of IIoT and AIoT vertical fields, such as MODBUS, OPCUA, LoRa, MQTT, etc., with the product cloud to provide comprehensive IIoT&AIoT solutions for self-assembly and enable user-developed algorithms.	Integrated management and information visualization software AMS (Agent MaaS Suite): 1. The technical threshold for the design of user experience must be lowered to make it easy for OT personnel to use. 2. Compatibility and scalability of protocols. 3. Collaborating with the industry experts and avoiding single-handedness is one of the key elements of success. Integrated intelligent signal measurement and IIoT communication gateway: 1. The technical capacity of signal processing can be upgraded to meet the needs of end users. 2. Build a complete product line to meet the different needs of users. 3. Price - the price of the overall plan, the energy that directly affects the speed of industrial renewal	11,500

Item	Project Content & Plan	Success Factors	R&D Expenses for 2019
	Modular intelligent signal measurement module: 1. Adopt the modular design concept to provide a signal measurement module that users can flexibly use, regardless of the kind of CPU, operating system and interface combination requirements. 2. In addition to its own software functions, integrate the existing industry's professional software to improve the user's return on investment.	Modular intelligent signal measurement module: 1. The technical capacity of signal processing can be upgraded to meet the needs of end users. 2. Highly flexible design capability, providing customers with multiple choices and rapid changeover capabilities. 3. Product stability and minimize the loss of the user's existing technology investment.	

D. Future factors to R&D success

R&D manpower/capacity, R&D project management and R&D technology innovation are the key factors determining the success of a product. In recent years, in addition to the increasing importance of software and hardware research and development capabilities, signal measurement, signal processing and the development of big data analysis capabilities have become one of the focuses of artificial intelligence and IoT. Every year, the Company increases the software R&D manpower ratio every year, and actively cooperates with industry and academia experts to develop key technologies for data analysis to benefit product value-add and differentiate, deepen engagement with specific vertical industries and enhance competitiveness. Internal and institutionalized R&D personnel to develop professional training programs to enhance staff design capabilities. In addition to attracting talent, invest in the product development collaborative operation management system, using the PMC management platform to record and control, to improve the quality and efficiency of research and development.

Technological innovation is key to increasing product competitiveness and achieving sales targets. The Company has established a new technology development plan through the annual ABP program in order to achieve the goal of increasing product highlights.

(4) Changes in important policies and legal environment at home and abroad, and the effect on the financial status and operation of the Company, and Countermeasures:

Except for the following, upon evaluation, the recent changes in important policies and regulations internally or externally have no material impact on the Group's financial operation. Going forward, we will monitor related information continuously, evaluate the impact of any changes in policies and regulations on the Group and implement the appropriate response measures.

A. IFRS No. 9 "Financial Instruments" (IFRS 9)

(A) Financial assets are classified based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, and can be categorized as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive profit or loss, and financial assets measured at amortized cost. Financial assets, equity instruments are classified as financial assets measured at fair value through profit or loss unless the Company makes an irrevocable option to recognize the fair value of the equity instrument for non-transaction purposes in other comprehensive gains and losses.

(B) For the impairment assessment of financial assets and debt instruments, the expected credit loss model should be adopted to assess whether there is a significant increase in the credit risk of the instrument at each balance sheet date to apply the expected credit loss for 12 months or the expected credit loss during the duration. The interest income before impairment is estimated based on the total carrying amount of the assets; or whether impairment has occurred. The interest income after impairment is estimated based on the net book value after allowance for bad debts. Accounts receivable (excluding significant financial components) should be measured for loss allowance based on expected credit losses during the duration of the period.

(C) In regards to IFRS 9 the Group adopts retrospective traceability and will not rewrite previous financial statements.

B. International Financial Reporting Standard No. 16 "Lease" (IFRS 16)

(A) IFRS 16 "Lease" replaces IAS 17 "Lease" & related interpretations or notices. This standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance asset and increase related disclosure.

(B) As of 2019, the Group has managed lease contracts under IFRS 16, adopting retrospective traceability and not rewriting the previous financial statements.

(5) The effect of technological and industrial changes on financial status and operation of the Company, and countermeasures:

Industrial computer manufacturers are optimistic about the momentum of growth with the new wave of artificial intelligence and IoT related applications, and have a good grasp of the technical knowhow, application market niche and the business strategies of the vertical application industry.

The Company will use the global distribution network and entrenched projects to gather customer demand and market trends information and provide customers with product specifications with quick turnaround. In terms of financial operations, focus more on the characteristics of the industry, strengthen cash flow management, and diversify operational risks.

(6) Impact of corporate image change on corporate crisis management and response measures

Since its inception, the Company has actively enhanced the internal management of the Company and continuously improved the capability in product quality management. In order to improve corporate governance and strengthen the relevant functions of the board of directors, the Company has appointed three Independent Directors in accordance with Article 14-2 of the Securities Exchange Law. In August 2011, the Board of directors a remuneration committee to assist the board of directors in implementing the remuneration management function. In June 2015 and October 2016 the Audit Committee and Nominating Committee were set up respectively. In recent years, the Company participated in the "Corporate Social Welfare and Corporate Volunteer Promotion

Assistance Program" which help companies develop their corporate social responsibilities, integrate public welfare actions with the core values of enterprises and business operations, and promote the good culture of corporate volunteer service. Through corporate volunteerism, create a good citizen environment and work together to contribute towards a caring society and changing the world. In the most recent year and as of the date of publication of the prospectus, there has been no significant change in the corporate image of the Company, and there has been no potentially damaging report in the market on our corporate image.

(7) Expected benefits and possible risks of merger and acquisition, and countermeasures:

A. On December 5, 2018 the Board passed a resolution to buy 100% of AXIOTEK ITALIA S.R.L. (referred to as AXIT) at a total price of 1.58 million euros. AXIT was originally a distribution partner of the Group's Italian counterpart. After the merger, the Group will expand into Italy's neighboring regions to sell industrial computers and related electronic products, contributing to the Group's revenue and profit.

B. For the recent year and up until the date of publication of the annual report, except for the above, the Group has no further plans for mergers and acquisitions.

(8) Expected benefits and possible risks of facilities expansion, and countermeasures: None.

(9) Risk from centralized purchasing or selling, and countermeasures:

A. Risk from centralized purchasing and countermeasures:

The main raw materials for the Group's products can be divided into semiconductor ICs, printed circuit boards, LCD panels, power supplies and IPC products (including single-board computers and industrial computer chassis). There is a large variety of raw materials, the main one being the electronic components and parts, which are supplied by many domestic vendors. The materials can be easily substituted and there has never been an out-of-stock situation. Hence, there is no risk in this area.

B. Risk from centralized selling, and countermeasures:

The Group does not have a customer with whom sales of more than 15% of total sales has been transacted. Therefore, there is no risk arising from the concentration of sales.

(10) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: None.

(11) Impact and risk associated with changes in management rights, and countermeasures: None.

(12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company, and that have been concluded by means of a final and non-appealable judgment, or are still under litigation. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report:

As of the date of publication of the annual report, the Group has no other major litigation, non-litigation or administrative disputes that have been determined or are still in the system, and the results of which may have a significant impact on shareholders' equity or securities prices.

(13) Other important risks, and countermeasures being or to be taken:

The Company has established a risk management organization. The overall risk management policy is mainly to establish early warning networks by risk category and reporting systems. Adopt a structured approach in risk management and monitoring to be able to respond accordingly and effectively when the need arises. This will minimize risks. Information security is divided into information records and computer systems for evaluation and analysis.

Information record includes database, data files, system planning and design documents, usage and operation manuals, business processes, contracts, educational training materials, system documents, internal control management methods, and other related rules and regulations. Computer system includes: computer operations, application systems, development tools, packaged software, utilities, and more. The relevant units of the Company evaluated the security risks based on past internal security incidents and global security cases. The main risks were improper use and outflow of information, operators were unfamiliar with computer systems, erroneously using virus-infected devices. In response to the need for information risk management, the Company's Head of IT implemented relevant internal and operational methods. Non-financial information management is controlled through the access authority settings and approval authority. Increase the employees' awareness of the risks related to using the Company's network for personal email or downloading emails or software not related to the business to avoid using the Company's network resources, increasing the probability of virus infection; and prevent security breach caused by personnel negligence. In terms of information systems and equipment, the Company has installed firewalls and anti-virus software for regular checks and cleanup. The anti-viral software must be updated regularly to prevent hackers or computer viruses.

A. Risk management team

Team Name	Responsibility
Board of Directors & Top Management	1. Company risk management & policy making 2. Direct and supervise response to major risks and ensure the risk management mechanism is followed
CEO Office	1. Communicate the risk management policy established by the risk management team 2. Pre-warn significant risks; consolidate the corresponding response action and outcome of the measures
Head office & Subsidiary	1. Department head's daily risk management tasks 2. Execution of the risk management policy 3. For significant risks, pro-actively report on overall mitigation plan and effectiveness of the measures

B. Risk incident & management structure

Significant Risk	Unit of Risk Management	Risk Assessment Mechanism	Policy & Monitoring
Market risk, new customer, competitor’s activities	Sales & Marketing Division	Business decision meeting	Board of Directors is the highest authority to respond to each risk category
Production risk - low order volume, delayed delivery of materials, fluctuation of price of materials	CEO Office, Sales & Marketing Division, Procurement Dept.		
Information risks	Information Technology Dept.		Audit Office Responsible for monitoring and tracking risk matters
Policy and legal compliance	CEO Office, Finance Division		
Investment, exchange & financial risks Derivative commodity trading and fund management	Finance Division		
Litigation & non-litigation matters	Legal affairs office		
Present financial statements and information disclosure Management of capital loans and endorsement guarantees	Finance Division		
Equity Change of director and major shareholder		Board of Directors	
Management of Board & Shareholder meetings			

7. Other Important Matters:
   None.

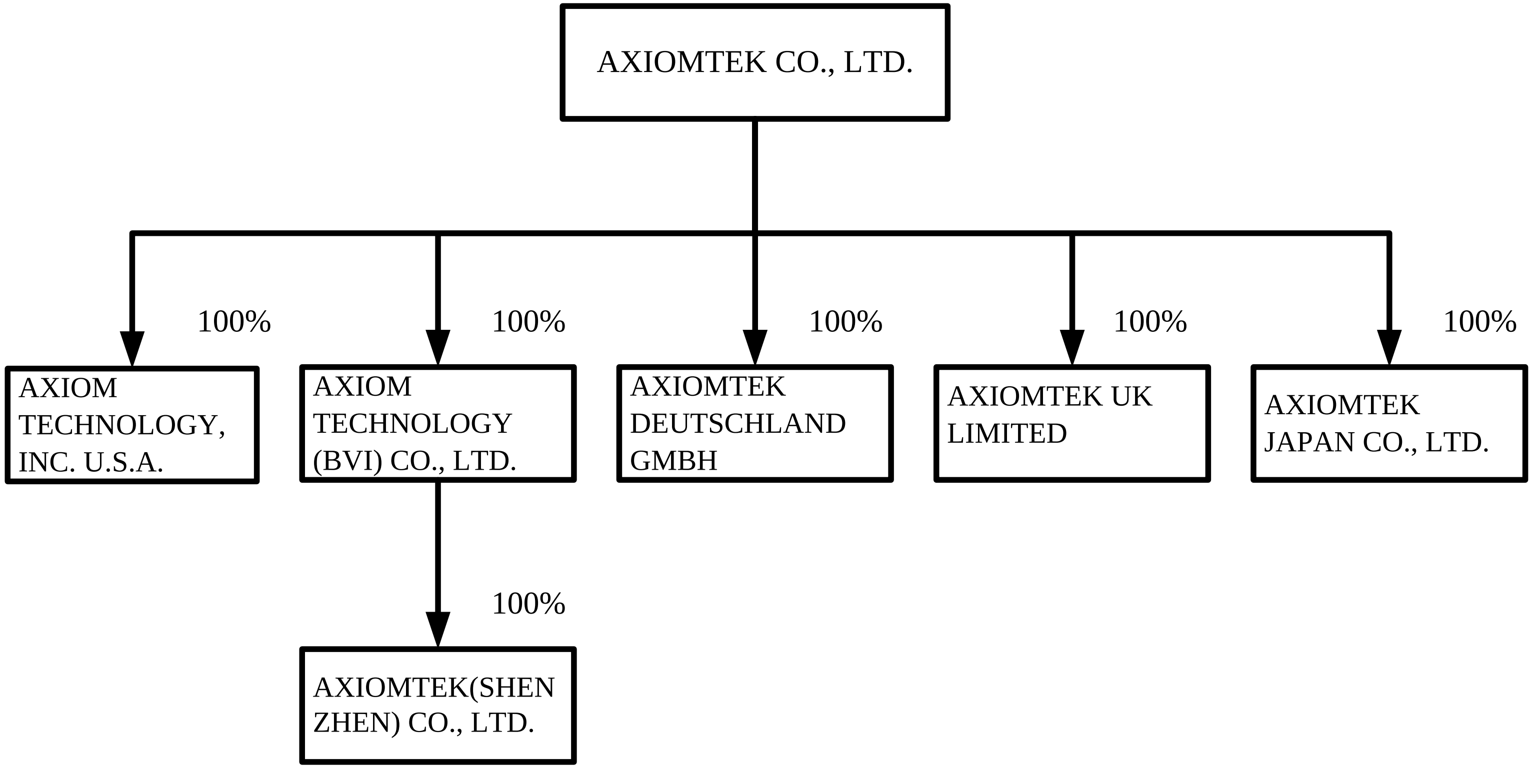
VIII. Special Disclosure

1. Information on Affiliates

(1) Comprehensive business report of affiliates

A. Overview of affiliates

(A) Affiliates' organizational chart



(B) Basic information of affiliate

Unit: NT$ thousands

Name of Enterprise	Date of Incorporation	Address	Paid-in Capital	Principal Business or Products
AXIOM TECHNOLOGY, INC., U.S.A. (AXUS)	1994.04	U.S.A.	10,856	Industrial computer and Embedded Board trading and post-sales service
AXIOMTEK DEUTSCHLAND GMBH (AXGM)	1999.04	Germany	19,941	Industrial computer and Embedded Board trading and post-sales service
AXIOM TECHNOLOGY (BVI) CO., LTD. (AXBVI)	1997.07	British Virgin Islands	122,899	Holding company
AXIOMTEK (SHEN ZHEN) CO., LTD. (AXSZ)	2004.09	Mainland	96,628	Industrial computer and Embedded Board manufacturing , trading and post-sales service
AXIOMTEK UK LIMITED (AXUK)	2016.02	United Kingdom	8,615	Industrial computer and Embedded Board trading and post-sales service
AXIOMTEK JAPAN CO., LTD. (AXJP)	2017.07	Japan	8,235	Industrial computer and Embedded Board trading and post-sales service

Note 1. All of the affiliates should be disclosed, regardless of scale and size.

Note 2: where each affiliate has a factory with sales proceeds exceeding 10% of the operating income of the parent company, please provide the name of the factory, the date of establishment, the address and the main production products.

Note 3: If the related company is a foreign company, the name and address of the Company must be expressed in English. The date of establishment must also be expressed in the western format. The amount of paid-in capital must be expressed in foreign currency (but the exchange rate on the statement date should be added).

(C) Presumed to be controlled and dependent in accordance with Article 369-3 of the Company Law: None.

(D) Business lines included in the overall relationship

a. Design, manufacture and sale of industrial computers and peripheral products, embedded single board motherboards.

b. Design, manufacture and sale of industrial tablet and display, automated measurement and control interface cards.

c. The affiliates' trading and import/export operations for industrial computers and electronic parts and components.

d. Holding company

e. Affiliates with inter-related business operations ::
The products developed and manufactured by the Company are sold in the international market and after-sales service provided through subsidiaries such as AXUS, AXGM, AXUK, AXJP and AXSZ.

(E) Profiles of Directors, Supervisors and Presidents of Affiliates

Unit: foreign currency; share, %

Name of Enterprise	Title (Note 1)	Name or Representative	Shareholdings	
			Shares	Ratio of Shareholding (%)
AXIOM TECHNOLOGY, INC., U.S.A.	Director	AXIOMTEK CO., LTD. Representative: Yang Yu-Te, Jane Hsu	23,418	100.00
AXIOMTEK DEUTSCHLAND GMBH	Chairman of the Board	AXIOMTEK CO., LTD. Representative: Yang Yu-Te	EUR500,000 (Note 2)	100.00
AXIOM TECHNOLOGY(BVI)CO., LTD.	Chairman of the Board	AXIOMTEK CO., LTD. Representative: Yang Yu-Te	3,905.8	100.00
AXIOMTEK (SHEN ZHEN) CO., LTD.	Director	AXIOMTEK CO., LTD. Representative: Randy Chi	HKD24,200,000 (Note 2)	100.00
AXIOMTEK UK LIMTED	Director	AXIOMTEK CO., LTD. Representative: Yang Yu-Te	180,000	100.00
AXIOMTEK JAPAN CO., LTD.	Director	AXIOMTEK CO., LTD. Representative: Yang Yu-Te	600	100.00

Note 1: If the affiliate is a foreign company, please list the one of equivalent job rank.

Note 2: limited company

B. Overview of operation of affiliates

Unit: NT$ thousands (unless otherwise indicated)

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (loss)	Net Income (Loss)	Earnings (Loss) per Share NT$
AXIOM TECHNOLOGY, INC. U.S.A.	10,856	1,088,003	653,199	434,804	2,562,788	68,159	42,408	1,810.90
AXIOMTEKDEUTSCHL AND GMBH	19,941	263,063	53,677	209,386	793,650	67,759	49,340	(Note)
AXIOM TECHNOLOGY (BVI) CO., LTD.	122,899	55,866	-	55,866	-	（79）	（7,586）	（1,922.90）
AXIOMTEK (SHEN ZHEN) CO., LTD.	96,628	107,438	52,296	55,141	188,039	（7,559）	（7,510）	(Note)
AXIOMTEK UK LIMTED	8,615	7,907	789	7,118	5,597	134	107	0.60
AXIOMTEK JAPAN CO., LTD.	8,235	7,161	178	6,983	1,160	（860）	（927）	（1,544.66）

Note: The company does not issue shares and therefore does not apply

(2) Comprehensive financial statements of affiliates

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2018 (Jan. 1 - Dec. 31) 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 IAS 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.

(3) Affiliation report: None.

2. Private Placement of Securities in the Most Recent Year and up to the Date of Publication of the Annual Report.

   None

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year and up to the Date of Publication of the Annual Report.

   None.

4. Other Supplementary Disclosure.

   None.

5. Significant Events Materially affecting Equity or the Price of Shares as Defined in Paragraph 3(2) of Article 36 of the Securities and Exchange Act in the Most Recent Year and up to the Date of Publication of the Annual Report.

   None.

(ATTACHMENT 1)

2018 Independent Auditors' Report

(Consolidated Financial Statements)

To the Board of Directors and Shareholders of
AXIOMTEK CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as "the Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters on the Consolidated Financial Statements for the year ended December 31, 2018 are stated as follows:

Cut-off of Warehouse Sales Revenue

Description

Please refer to Note 4(33) for accounting policy on revenue recognition and Note 6(21) for details of operating revenue.

The Group recognized revenue when the goods are shipped from factories directly (the transfer of significant risks and rewards of ownership of the goods), the Group recognizes sales revenue based on movements of inventories contained in the statements or other information provided by the warehouse’s custodians. As the warehouses are located around the world, include Taiwan, Europe, America, and China, with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition involves numerous manual procedures, these factors may potentially result in inaccurate timing of sales revenue recognition and discrepancy between physical inventory quantities in the warehouse and quantities as reflected in accounting records. As there are numerous daily sales revenue transactions from warehouse and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, cut-off of warehouse sales revenue was identified as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed and tested the appropriateness of internal controls over cut-off of warehouse sales revenue for a specific time prior to and after the balance sheet date, including agreeing to respective supporting documents provided by hub custodians, and validated the proper timing of recognizing movements of inventories and respective transfer of cost of goods sold.
2. Confirmed or conducted physical count of inventory quantities held at warehouse and agreed to accounting records. In addition, the reasons for the discrepancies between the physical count of inventory and the account balance have been tracked, and verify that the significant differences have been properly adjusted and recorded by the Group.

Allowance for Inventory Valuation Losses

<u>Description</u>

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(4) for details of inventories. As at December 31, 2018, the Group's inventories and allowance for inventory valuation losses amounted to TWD 941,928 thousand and TWD 40,366 thousand, respectively.

The Group is primarily engaged in the research and development, manufacturing and sales of industrial computers products. Due to rapid technological innovation and fluctuations in market prices, the Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

<u>How our audit address the matter</u>

We have performed primary audit procedures for the above matter as follows:

1. Ensured consistent application of Group's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.
3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

Other Matter – Parent Company Only Financial Reports

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of AXIOMTEK CO., LTD. as of and for the years ended December 31, 2018 and 2017.

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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory

Commission, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan Hsu, Shien-Chong

for and on behalf of PricewaterhouseCoopers, Taiwan February 26, 2019

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,019,000	25	$ 843,239	22
1110	Financial assets at fair value through profit or loss - current	12(3) (4)	-	-	35,006	1
1150	Notes receivable	6(3) and 12(2) (4)	21,096	-	4,014	-
1170	Accounts receivable	6(3) and 12(2) (4)	610,535	15	456,376	12
1180	Accounts receivable – related parties	6(3) and 12(2) (4)	74	-	6	-
1200	Other receivables		20,886	-	21,059	1
1220	Current income tax assets		5,837	-	-	-
130X	Inventories	6(4)	901,562	22	730,264	19
1410	Prepayments		29,978	1	20,782	1
1470	Other current assets	6(1)	2,200	-	150,028	4
11XX	**Total current assets**		2,611,168	63	2,260,774	60
	Non-current assets					
1543	Financial assets at cost - noncurrent	12(4)	-	-	923	-
1550	Investments accounted for under equity method	6(5)	29,033	1	-	-
1600	Property, plant and equipment	6(6) and 8	1,202,215	29	1,335,402	35
1760	Investment property	6(7)	139,820	3	22,858	1
1780	Intangible assets	6(8)	102,965	3	104,642	3
1840	Deferred income tax assets	6(27)	46,713	1	39,571	1
1990	Other non-current assets		7,534	-	6,680	-
15XX	**Total non-current assets**		1,528,280	37	1,510,076	40
1XXX	**Total Assets**		$ 4,139,448	100	$ 3,770,850	100

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 53,000	1	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(12) and 12(3)	2,760	-	4,998	-
2130	Contract liabilities - current	6(21) and 12(5)	34,523	1	-	
2150	Notes payables		675	-	1,473	-
2170	Accounts payable		617,457	15	476,730	13
2180	Accounts payable – related parties	7	13,750	1	12,466	-
2200	Other payables	6(11)	329,034	8	252,053	7
2230	Current income tax liabilities		134,253	3	59,395	2
2250	Provisions for liabilities - current		1,144	-	774	-
2320	Current portion of long-term borrowings	6(13) (14)	400,829	10	398,286	10
2399	Other current liabilities		8,628	-	34,229	1
21XX	**Total current liabilities**		1,596,053	39	1,240,404	33
	Non-current liabilities					
2540	Long-term borrowings	6(14) and 8	47,864	1	63,729	2
2570	Deferred income tax liabilities	6(27)	89,895	2	58,178	1
2600	Other non-current liabilities	6(15)	42,647	1	38,342	1
25XX	**Total non-current liabilities**		180,406	4	160,249	4
2XXX	**Total liabilities**		1,776,459	43	1,400,653	37
	Equity attributable to shareholders of the parent					
	Share capital					
3110	Ordinary shares	6(17)	796,206	19	793,130	21
3140	Advance receipts for share capital		1,039	-	1,379	-
	Capital surplus	6(18)				
3200	Capital surplus		214,960	6	198,563	5
	Retained earnings	6(19)				
3310	Legal reserve		459,789	11	367,165	10
3320	Special reserve		12,914		-	-
3350	Unappropriated retained earnings		882,311	21	1,022,874	27
	Other equity	6(20)				
3400	Other equity		(4,230)	-	(12,914)	-
31XX	**Total equity attributable to shareholders of the parent**		2,362,989	57	2,370,197	63
3XXX	**Total equity**		2,362,989	57	2,370,197	63
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total Liabilities and Equity**		$ 4,139,448	100	$ 3,770,850	100

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31					
			2018			2017		
	Items	Notes		Amount	%		Amount	%
4000	**Operating revenue**	6(21)	$	5,010,644	100	$	3,994,229	100
5000	**Operating costs**	6(4)(25)(26) and 7		(3,344,494)	(67)		(2,634,227)	(66)
5900	**Gross profit**			1,666,150	33		1,360,002	34
	Operating expenses	6(25) (26)						
6100	Selling expenses			(579,200)	(12)		(562,038)	(14)
6200	General and administrative expenses			(110,253)	(2)		(101,312)	(2)
6300	Research and development expenses			(418,399)	(8)		(403,250)	(10)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		(1,278)	-		-	-
6000	**Total operating expenses**			(1,109,130)	(22)		(1,066,600)	(26)
6900	**Operating profit**			557,020	11		293,402	8
	Non-operating income and expenses							
7010	Other income	6(22)		25,890	-		17,432	-
7020	Other gains and losses	6(23)		32,695	1		722,548	18
7050	Finance costs	6(24)		(10,097)	-		(9,224)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(5)		33	-		-	-
	Total non-operating income and expenses			48,521	1		730,756	18
7000	**Profit before income tax**	6(27)		605,541	12		1,024,158	26
7900	Income tax expenses			(198,617)	(4)		(95,244)	(3)
7950	**Net Income**		$	406,924	8	$	928,914	23
8200	**Other comprehensive income**							
	Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Remeasurements of defined benefit plan	6(15)	$	(5,142)	-	$	(5,745)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value			707	-		-	-
8349	Income tax relating to components of other comprehensive income	6(27)		1,490	-		977	-
	Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations			10,271	-		(33,424)	(1)
8399	Income tax relating to the components of other comprehensive income	6(27)		(1,587)	-		5,682	-
8300	**Other comprehensive income (loss) for the year**		$	5,739	-	$	(32,510)	(1)
8500	**Total Comprehensive Income**		$	412,663	8	$	896,404	22
	Profit attributable to:							
8610	Shareholders of the parent		$	406,924	8	$	926,239	23
8620	Non-controlling interest		$	-	-	$	2,675	-
	Total comprehensive income (loss) attributable to:							
8710	Shareholders of the parent		$	412,663	8	$	894,778	22
8720	Non-controlling interest		$	-	-	$	1,626	-
9750	**Basic earnings per share**	6(28)	$		5.12	$		11.71
9850	**Diluted earnings per share**	6(28)	$		4.61	$		10.59

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to shareholders of the parent										
		Share capital			Retained Earnings			Other Equity Interest				
	Notes	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
Year 2017												
Balance at January 1, 2017		$ 790,310	$ -	$ 183,745	$ 331,163	$ -	$ 425,869	$ 13,779	$ -	$ 1,744,866	$ 38,742	$ 1,783,608
Appropriations of 2016 earnings												
Legal reserve	6(19)	-	-	-	36,002	-	(36,002)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(288,464)	-	-	(288,464)	-	(288,464)
Profit for the year		-	-	-	-	-	926,239	-	-	926,239	2,675	928,914
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(4,768)	(26,693)	-	(31,461)	(1,049)	(32,510)
share-based payments		2,820	1,379	4,004	-	-	-	-	-	8,203	-	8,203
Compensation cost of share-based payments	6(16)	-	-	10,815	-	-	-	-	-	10,815	-	10,815
Non-controlling interest		-	-	(1)	-	-	-	-	-	(1)	(40,368)	(40,369)
Balance at December 31, 2017		$ 793,130	$ 1,379	$ 198,563	$ 367,165	$ -	$ 1,022,874	$ (12,914)	$ -	$ 2,370,197	$ -	$ 2,370,197
Year 2018												
Balance at January 1, 2018		$ 793,130	$ 1,379	$ 198,563	$ 367,165	$ -	$ 1,022,874	$ (12,914)	$ -	$ 2,370,197	$ -	$ 2,370,197
Effect of retrospective application and restatement		-	-	-	-	-	900	-	(900)	-	-	-
Balance at January 1, after adjustments		793,130	1,379	198,563	367,165	-	1,023,774	(12,914)	(900)	2,370,197	-	2,370,197
Appropriations of 2017 earnings												
Legal reserve	6(19)	-	-	-	92,624	-	(92,624)	-	-	-	-	-
Special reserve		-	-	-	-	12,914	(12,914)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(439,004)	-	-	(439,004)	-	(439,004)
Profit for the year		-	-	-	-	-	406,924	-	-	406,924	-	406,924
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(3,652)	8,684	707	5,739	-	5,739
Share-based payments		2,730	(340)	3,523	-	-	-	-	-	5,913	-	5,913
Compensation cost of share-based payments	6(16)	-	-	11,513	-	-	-	-	-	11,513	-	11,513
Conversion of convertible bonds		346	-	1,361	-	-	-	-	-	1,707	-	1,707
Disposal of financial assets at fair value through other comprehensive income	6(2)	-	-	-	-	-	(193)	-	193	-	-	-
Balance at December 31, 2018		$ 796,206	$ 1,039	$ 214,960	$ 459,789	$ 12,914	$ 882,311	$ (4,230)	$ -	$ 2,362,989	$ -	$ 2,362,989

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 605,541	$ 1,024,158
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	1,278	808
Depreciation	6(6) (25)	55,053	52,299
Depreciation from investment Property	6(7) (23)	1,544	-
Amortization	6(8) (25)	12,632	15,301
Interest income	6(22)	(9,333)	(6,360)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(33)	-
Loss (gain) on disposal of property, plant and equipment	6(23)	99	(2,301)
Gain on disposal of intangible assets	6(23)	-	(120)
Gain on disposal of investments	6(23)	(423)	(489)
Gain on disposal of subsidiaries	6(23)	-	(766,094)
Net loss on financial assets at fair value through loss	6(23)	6	23
Net gain on financial liability at fair value through profit	6(12) (23)	(2,233)	(1,050)
Interest expense	6(24)	10,097	9,224
Compensation cost of share-based payments	6(16) (26)	11,513	10,815
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		35,423	209,488
Notes receivable		(17,082)	1,865
Accounts receivable (including related parties)		(155,611)	22,401
Other receivables		(136)	(4,184)
Inventories		(171,317)	(158,355)
Prepayments		(9,196)	(570)
Other financial assets		148,800	(148,800)
Other current assets		(972)	(1,375)
Changes in liabilities relating to operating activities			
Contract liabilities		3,129	-
Notes payables		(798)	1,560
Accounts payable (including related parties)		142,011	103,159
Other payables		81,579	(16,242)
Other current liabilities		5,793	9,087
Other non-current assets		(810)	4,954
Cash inflow generated from operations		746,554	359,202
Receipt of interest		9,642	6,360
Payment of interest		(3,379)	(2,625)
Payment of income tax		(104,554)	(51,270)
Net cash flows provided by operating activities		648,263	311,667

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	6(30)	$ -	$ 801,680
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	1,630	-
Acquisition of investments accounted for using equity method	6(5)	(29,000)	-
Acquisition of property, plant and equipment	6(30)	(41,208)	(1,073,507)
Proceeds from disposal of property, plant and equipment		34	2,589
Acquisition of intangible assets	6(8)	(9,663)	(14,217)
Proceeds from disposal of intangible assets		-	120
Increase in other non-current assets		(854)	1,153
Net cash flows provided by (used in) investing activities		(79,061)	(282,182)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of short -term borrowings		(583,000)	(21,000)
Proceeds from short -term borrowings		636,000	146,000
Redemption of long-term borrowings		(20,542)	(5,062)
Proceeds from long-term borrowings		-	17,856
Payment of cash dividends	6(19)	(439,004)	(288,464)
Proceeds from exercise of employee stock options		5,913	8,203
Increase (decrease) in refundable deposits		(27)	898
Changes in non-controlling interests		-	(40,368)
Net cash flows provided by (used in) financing activities		(400,660)	(181,937)
Effects due to changes in exchange rate		7,219	94
Increase (Decrease) in cash and cash equivalents		175,761	(152,358)
Cash and cash equivalents at beginning of year		843,239	995,597
Cash and cash equivalents at end of year		$ 1, 019,000	$ 843,239

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

1. ORGANIZATION AND OPERATIONS

Axiomtek Co., Ltd. (hereinafter referred to as "the Company" or “Axiomtek”) was incorporated in the Republic of China (R.O.C) in May 1990 and the Company’s common shares were officially listed on the Taipei Exchange on April 28, 2005. The Company and its subsidiaries (collectively referred herein as “the Group”) are mainly engaged in designing, manufacturering and sales of PC-based industrial computer products and peripherals. The Group provides product lines of Industrial PCs (IPCs), Single Board Computers (SBCs), System on Modules (SoMs), Fanless and Rugged Embedded Systems (eBOX and rBOX), Intelligent Transportation Systems (tBOX and UST), Industrial IoT Gateway, Industrial EtherCAT Master solution, Touch Panel Computers (TPCs), Medical Panel Computers (MPCs), Digital Signage Solutions (DSSs), and Network Appliances (NAs) products.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on February 26 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealized losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle－ Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle－ Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle－ Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(A) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(3) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(A) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.
Step 2: Identify separate performance obligations in the contract(s).
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(B) The Group has elected not to restate prior period financial statements and recognized the cumulative effect, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarized below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheets as follows:

Under IFRS 15, liabilities in relation to sales contracts are recognized as contract liabilities, but were previously presented as advance receipts in the balance sheet. As of January 1, 2018, the balance amounted to $31,394

ii. Please refer to Note 12(5) for disclosure in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete:

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and 'lease liability' will be increased by $106,717 and $106,717.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
   (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   (B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
   (C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(D) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of Subsidiary	Nature of business	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017
The Company	AXIOM TECHNOLOGY,INC.U.S.A.(AXUS)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%
〃	AXIOM TEKDEUTSCHLAND GMBH(AXGM)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%
〃	AXIOM TECHNOLOGY(BVI) CO.,LTD. (AXBVI)	Holding company	100%	100%
〃	EtherWAN Systems, Inc. (EWTW)	Design, manufacture and sell ethernet networks for industrial use and serial servers	- (Note)	- (Note)
〃	AXIOMTEKUKLIMITED (AXUK)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%
〃	AXIOMTEK JAPANCO.,LTD.(AXJP)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100% (Note 2)	100% (Note 2)
AXBVI	Axiomtek (Shenzhen) Co. Ltd.	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%

Note 1: The Company disposed of the entire equity of EWTW on May 5, 2017, and relinquished control of EWTW.

Note 2: AXJP was invested and established on July 26, 2017

C. Subsidiaries not included in the consolidated financial statements: None.
D. Adjustments for subsidiaries with different balance sheet dates: None.
E. Significant restrictions: None.
F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) <u>Foreign currency translation</u>

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

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(A) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in Exchange differences on translation of foreign operations.

(B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non -current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;
(B) Liabilities arising mainly from trading activities;
(C) Liabilities that are to be paid off within twelve months from the balance sheet date;
(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalent

Cash equivalents refer to short-term, 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 above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

Effective 2018

A. At initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
   (A) The objective of the Group’s business model is achieved by both collecting contractual cash flows and selling financial assets; and
   (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
   (A) The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Group’s right to receive payment is established, it is probable the economic benefits associated with the dividend will

flow to the Group and the amount of the dividend can be measured reliably.

(B) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

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

(14) Investments accounted for using equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. 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 in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 - 50 years
Machinery	3 - 20 years
Tools	2 - 5 years
Testing equipment	2 - 8 years
Office Equipment	2 - 10 Years
Leasehold improvements	2 - 10 Years
Other equipment	3 - 10 Years

(16) Leases (leasee)

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 ~ 41 years.

(18) Intangible assets

A. Trademark
Trademark is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Computer software
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

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

D. Others
Other intangible assets, mainly customer list, are amortized on a straight-line basis over their estimated useful lives of 15 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill with an shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) Notes payable and accounts payable

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

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

A. Such liabilities mean the financial liabilities designated to be measured at fair value through profit or loss. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:
   (A) is a mixed (combined) contract; or
   (B) eliminate or significantly reduce the measurement inconsistencies; or
   (C) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.
B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus – stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value

through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(24) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other consolidated gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(25) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(26) Offsetting financial assets and financial liabilities

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

(27) Provisions for liabilities

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

(28) Employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis.

(B) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Employees' compensation and directors' remuneration

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

(29) Employee share-based payment

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

(30) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(31) Share Capital

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

(32) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(33) Revenue recognition

A. Sales of goods

(A) The Group manufactures and sells industrial computer-related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers’ 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(B) The sales revenue of industrial computer-related products is recognized according to the quantity of goods purchased by the customer and the price agreed upon after the quotation of the product item. The terms of collection for sales transactions are agreed upon in accordance with the generally accepted commercial transaction terms.

(C) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Revenue from Labor Services

Revenue from labor services comes from product development and provision of extended warranty and maintenance services. When the transaction results of labor services can be reliably estimated, revenues are recognized based on the level of labor provided.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $901,562.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 759	$ 630
Checking accounts and demand deposits	786,395	571,450
Time deposits	231,846	181,879
Cash equivalents - Bonds with repurchase agreement	-	89,280
	$ 1,019,000	$ 843,239

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

B. The Group has no cash and cash equivalents pledged to others.

C. As of December 31 2018 and 2017, the Group' holds term deposits with duration of three months of $0 and $148,800 respectively, classified as “other current assets”.

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

Effective 2018

A. The group opted to classify the strategic equity investment in Align Technology Co. Ltd. as financial assets measured at fair value through other consolidated income, but because the financial position and operating results were not satisfactory, the resolution was passed for disposal at $1,630 in March 2018, and the group applied, for the first time, IFRS 9 to retrospectively adjust the cumulative impairment of $900 to increase retained surplus and reduce other interests. Upon its sale, the fair value amount of $707, was classified as equity instruments measured at fair value through other comprehensive income and did not have unrealized gains and losses and carry-over other benefits. As a result of the disposition, the net credit of $193 was transferred to retained earnings on the date of delivery.

B. Information on financial assets at fair value through other comprehensive income for the year ended December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable (including related parties)

	December 31, 2018	December 31, 2017
Notes receivable	$ 21,096	$ 4,014
Less: Loss allowance	-	-
	$ 21,096	$ 4,014
Accounts receivable (including related parties)	$ 615,493	$ 460,063
Less: Loss allowance	(4,884)	(3,681)
	$ 610,609	$ 456,382

A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).

B. The Group does not hold financial assets as security for accounts receivable.

C. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	$ 239,502	($ 16,725)	$ 222,777
Work in progress	130,991	(2,444)	128,547
Semi-finished goods	26,549	(1,934)	24,615
Finished goods	135,992	(12,236)	123,756
Merchandise inventory	282,561	(7,027)	275,534
Inventories in transit	126,333	-	126,333
Total	$ 941,928	($ 40,366)	$ 901,562

	December 31, 2017		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	$ 159,340	($ 13,943)	$ 145,397
Work in progress	126,496	(3,454)	123,042
Semi-finished goods	18,820	(1,681)	17,139
Finished goods	98,912	(11,720)	87,192
Merchandise inventory	274,727	(10,368)	264,359
Inventories in transit	93,135	-	93,135
Total	$ 771,430	($ 41,166)	$ 730,264

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 are as follows:

	Years ended December 31,	
	2018	2017
Cost of revenue	$ 3,324,330	$ 2,618,643
Loss on market value decline and obsolete and slow-moving inventories	20,164	15,584
Total	$ 3,344,494	$ 2,634,227

The Group has no inventories pledged to others.

(5) Investments accounted for using equity method (December 31, 2017: None)

	December 31, 2018
Uni-Innovate Technology Co., Ltd. (UNI)	$ 29,033

A. December 21 2018 the Company acquired 26.7% of equity in UNI at $20 per share and the right to influence UNI's innovation provided in Note 4 (14).

B. Share of loss of associates accounted for using the equity method is as follows:

	Years ended December 31, 2018
UNI	$ 33

C. As at December 31, 2018, the Group had no unrealized profit from sales from downstream transactions with affiliates.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2018						
Cost	$ 702,296	$ 491,013	$ 149,848	$ 53,270	$ 193,650	$ 1,590,077
Accumulated depreciation	-	(28,504)	(90,376)	(35,900)	(99,895)	(254,675)
	$ 702,296	$ 462,509	$ 59,472	$ 17,370	$ 93,755	$ 1,335,402
2018						
Opening net book amount	$ 702,296	$ 462,509	$ 59,472	$ 17,370	$ 93,755	$ 1,335,402
Additions	-	-	841	3,058	33,065	36,964
Disposals (Cost)	-	(115)	(2,457)	(1,219)	(5,798)	(9,589)
Disposals (Accumulated depreciation)	-	115	2,457	1,219	5,665	9,456
Reclassifications (Cost)	(93,953)	(42,344)	-	-	(3,761)	(140,058)
Reclassifications (Accumulated depreciation)	-	19,371	-	-	1,803	21,174
Depreciation	-	(9,136)	(16,524)	(5,717)	(23,676)	(55,053)
Net exchange differences	2,334	824	76	(1)	686	3,919
Closing net book amount	$ 610,677	$ 431,224	$ 43,865	$ 14,710	$ 101,739	$ 1,202,215
At December 31, 2018						
Cost	$ 610,677	$ 449,549	$ 148,442	$ 55,107	$ 218,248	$ 1,482,023
Accumulated depreciation	-	(18,325)	(104,577)	(40,397)	(116,509)	(279,808)
	$ 610,677	$ 431,224	$ 43,865	$ 14,710	$ 101,739	$ 1,202,215

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2017						
Cost	$ 248,430	$ 158,082	$ 161,356	$ 84,210	$ 195,424	$ 847,502
Accumulated depreciation	-	(36,281)	(120,320)	(59,191)	(147,014)	(362,806)
	$ 248,430	$ 121,801	$ 41,036	$ 25,019	$ 48,410	$ 484,696
2017						
Opening net book amount	$ 248,430	$ 121,801	$ 41,036	$ 25,019	$ 48,410	$ 484,696
Additions	535,624	417,560	4,757	2,029	122,893	1,082,863
Disposals (Cost)	-	(9,477)	(20,117)	(6,766)	(35,164)	(71,524)
Disposals (Accumulated depreciation)	-	9,477	20,106	6,490	35,161	71,234
Disposal of subsidiary (cost)	(53,747)	(61,896)	(26,007)	(34,285)	(45,541)	(221,476)
Disposal of subsidiary (Accumulated depreciation)	-	3,168	20,554	23,407	34,343	81,472
Reclassifications (Cost)	(18,269)	(6,450)	31,125	8,083	(42,038)	(27,549)
Reclassifications (Accumulated depreciation)	-	2,487	-	-	2,204	4,691
Depreciation	-	(7,897)	(11,713)	(6,606)	(26,083)	(52,299)
Net exchange differences	(9,742)	(6,264)	(269)	(1)	(430)	(16,706)
Closing net book amount	$ 702,296	$ 462,509	$ 59,472	$ 17,370	$ 93,755	$ 1,335,402
At December 31, 2017						
Cost	$ 702,296	$ 491,013	$ 149,848	$ 53,270	$ 193,650	$1,590,077
Accumulated depreciation	-	(28,504)	(90,376)	(35,900)	(99,895)	(254,675)
	$ 702,296	$ 462,509	$ 59,472	$ 17,370	$ 93,755	$ 1,335,402

A. The Group has no interest capitalised to property, plant and equipment.
B. Property, plant and equipment not a significant component.
C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Investment property

	Land		Buildings		Total	
At January 1, 2018						
Cost	$	18,269	$	9,280	$	27,549
Accumulated depreciation		-	(	4,691)	(	4,691)
	$	18,269	$	4,589	$	22,858
2018						
Opening net book amount	$	18,269	$	4,589	$	22,858
Reclassifications (Cost)		93,953		45,727		139,680
Reclassifications (Accumulated depreciation		-	(	21,174)	(	21,174)
Depreciation		-	(	1,544)	(	1,544)
Closing net book amount	$	112,222	$	27,598	$	139,820
At December 31, 2018						
Cost	$	112,222	$	55,007	$	167,229
Accumulated depreciation		-	(	27,409)	(	27,409)
	$	112,222	$	27,598	$	139,820

	Land		Buildings		Total	
At January 1, 2017						
Cost	$	-	$	-	$	-
Accumulated depreciation		-		-		-
	$	-	$	-	$	-
2017						
Opening net book amount	$	-	$	-	$	-
Reclassifications (Cost)		18,269		9,280		27,549
Reclassifications (Accumulated depreciation		-	(	4,691)	(	4,691)
Closing net book amount	$	18,269	$	4,589	$	22,858
At December 31, 2017						
Cost	$	18,269	$	9,280	$	27,549
Accumulated depreciation		-	(	4,691)	(	4,691)
	$	18,269	$	4,589	$	22,858

A. Rental income and direct operating expenses of investment property:

	Years ended December 31, 2018	Years ended December 31, 2017
Rental income from investment property	$ 5,184	$ 1,344
Direct operating expenses arising from investment property that generated rental income	$ 1,083	$ -
Direct operating expenses arising from investment property that did not generate rental income	$ 1,651	$ -

B. The fair value of the investment property held by the Group was $368,683 and $52,488 as of December 31, 2018 and 2017, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(8) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2018					
Cost	$ 291	$ 60,900	$ 58,324	$ 44,640	$ 164,155
Accumulated Amortization	(291)	(44,342)	-	(14,880)	(59,513)
	$ -	$ 16,558	$ 58,324	$ 29,760	$ 104,642
2018					
Opening net book amount	$ -	$ 16,558	$ 58,324	$ 29,760	$ 104,642
Additions	-	9,663	-	-	9,663
Disposals (Cost)	-	(2,749)	-	-	(2,749)
Disposals (Accumulated Amortization)	-	2,749	-	-	2,749
Reclassifications	-	378	-	-	378
Amortization	-	(9,617)	-	(3,015)	(12,632)
Net exchange differences	-	15	-	899	914
Closing net book amount	$ -	$ 16,997	$ 58,324	$ 27,644	$ 102,965
At December 31, 2018					
Cost	$ 291	$ 68,426	$ 58,324	$ 46,073	$ 173,114
Accumulated Amortization	(291)	(51,429)	-	(18,429)	(70,149)
	$ -	$ 16,997	$ 58,324	$ 27,644	$ 102,965

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2017					
Cost	$ 291	$ 72,888	$ 77,390	$ 48,374	$ 198,943
Accumulated Amortization	(291)	(47,288)	-	(12,900)	(60,479)
	$ -	$ 25,600	$ 77,390	$ 35,474	$ 138,464
2017					
Opening net book amount	$ -	$ 25,600	$ 77,390	$ 35,474	$ 138,464
Additions	-	14,217	-	-	14,217
Disposals (Cost)	-	(698)	-	-	(698)
Disposals (Accumulated Amortization)	-	698	-	-	698
Disposal of subsidiary (cost)	-	(24,555)	(19,066)	-	(43,621)
Disposal of subsidiary (Accumulated Amortization)	-	13,989	-	-	13,989
Amortization	-	(12,271)	-	(3,030)	(15,301)
Net exchange differences	-	(422)	-	(2,684)	(3,106)
Closing net book amount	$ -	$ 16,558	$ 58,324	$ 29,760	$ 104,642
At December 31, 2017					
Cost	$ 291	$ 61,578	$ 58,324	$ 44,640	$ 164,833
Accumulated Amortization	(291)	(45,020)	-	(14,880)	(60,191)
	$ -	$ 16,558	$ 58,324	$ 29,760	$ 104,642

A. The Group has no interest capitalised to intangible assets.

B. Goodwill is allocated to the Group's cash-generating units identified by the operations department:

	December 31, 2018	December 31, 2017
America	$ 52,425	$ 52,4
Taiwan	5,899	5,899
	$ 58,324	$ 58,324

C. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31,	
	2018	2017
Operating costs	$ 129	$ 189
Selling expenses	3,852	5,007
General and administrative expenses	4,022	2,980
Research and development expenses	4,629	7,125
	$ 12,632	$ 15,301

D. Information about the impairment of intangible assets is provided in Note 6(9).

(9) Impairment on non-financial assets

Goodwill is apportioned to the group's cash generation units identified by the operating department, the recoverable amount is assessed on the basis of the use value, and the use value is calculated on the basis of the pre-tax cash flow forecast of the group's five-year financial budget. Cash flows in excess of the five period are calculated using the estimated growth rates described below.

The rest of the group's combined subsidiaries are calculated on the basis of the value of use in excess of the carrying amount, so goodwill has not diminished and the main assumptions used to calculate the value of use are as follows:

	America	
	December 31, 2018	December 31, 2017
Gross margin	16%	19%
Growth rate	10%	10%
Discount rate	6.10%	5.86%

The Group determines the budgetary gross margin based on previous year's performance and expectations for market development. The weighted average growth rate used is consistent with the industry forecast. The discount rate used is the pre-tax ratio and reflects the specific risks of the relevant operating departments.

(10) Short-term borrowings (December 31, 2017: None)

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 53,000	0.97%	None

Interest expense recognized in profit or loss amounted to $526 and $16 for the years ended December 31, 2018 and 2017, respectively.

(11) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonus payable	167,920	119,037
Accrued employees’ compensation and directors’ remuneration	77,765	48,143
Payable to equipment suppliers	9,075	13,319
Others	74,274	71,554
	$ 329,034	$ 252,053

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

Item	December 31, 2018	December 31, 2017
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$ 5,478	$ 5,502
Evaluation adjustment	(2,718)	(504)
Total	$ 2,760	$ 4,998

The Group recognised net loss of $2,233 and $1,050 for the years ended December 31, 2018 and 2017, respectively.

(13) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 418,200	$ 420,000
Less: Discount on bonds payable	(20,443)	(27,241)
Less: Long-term liabilities, current portion	(397,757)	(392,759)
	$ -	$ -

A. Domestic unsecured conversion of corporate bonds issued by the company

(A) Issuance conditions for the first unsecured conversion of corporate bonds in the company are as follows:

i. The company is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of $420,000, at the coupon rate of 0%, for an issuance period of 5 years, circulation period from December 13, 2016 to December 13, 2021. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of December 13, 2016.

ii. Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the date of capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may apply to the Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) who would then notify the Company’s stock agent to convert the Bond into the Company’s common shares pursuant to the Regulations at any time one month after the issuance (January 14 2017) and throughout the duration (until December 13, 2021) of the bond.

iii. The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the company in accordance with the pricing model stipulated in the conversion method.

iv. The bondholders must use as base dates (December 13, 2018) and (December 13, 2019) two and three years to expiry respectively, to sell the convertible corporate bond. On the base dates the company is required to buy back the converted corporate bonds held by the company at 102.01% and 103.0301% respectively, of the bonds.

v. From the day following the 3rd month of issuance (March 14 2017) of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date.

vi. In accordance with the conversion scheme, all debts of the company recovered (including by the Securities Counter Trading Centre), repaid or converted will be cancelled, and all rights and obligations that are still attached to this conversion company's debt will also be eliminated and no longer issued.

(B) As of December 31, 2018, the company's debt denomination of $1,800 has been converted to 34,615 shares of common stock, completed on October 1, 2018. Since August 8, 2018, the company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from $56.9 to $52.

(C) As of December 31, 2018, the company has not bought back the bonds from the securities counter trading center.

B. When issuing convertible corporate bonds, the Company shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" $24,360. The other embedded buying and selling rights, according to IAS 39 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities, so it is separated and treated with its net account "financial liabilities-flows measured at fair value through profit and loss" $5,502. The effective interest rate for the separation of COR contractual obligations is 0.141%.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Long-term bank borrowings				
Bank secured loan	Borrowing period is from July 8, 2015 to July 1, 2025 ;Principal and interest paid on a monthly basis	4.239%	Land, House and building	$ 50,936
Less: Long-term liabilities, current portion				(3,072)
				$ 47,864

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Long-term bank borrowings				
Bank secured loan	Borrowing period is from July 8, 2015 to July 1, 2025 ;Principal and interest paid on a monthly basis	3.303%	Land and building	$ 52,328
Bank secured loan	Borrowing period is from June 30, 2017 to July 1, 2024 ;Principal and interest paid on a monthly basis	4.25%	Land and building	16,928
Less: Long-term liabilities, current portion				(5,527)
				$ 63,729

(15) Pensions

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

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 89,973)	($ 84,069)
Fair value of plan assets	48,228	46,656
Net defined benefit liability	($ 41,745)	($ 37,413)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 84,069)	$ 46,656	($ 37,413)
Current service cost	(47)	-	(47)
Interest (expense) income	(1,345)	747	(598)
	(85,461)	47,403	(38,058)
Remeasurements:			
Change in demographic assumptions	(211)	-	(211)
Change in financial assumptions	(5,134)	-	(5,134)
Experience adjustments	(941)	1,144	203
	(6,286)	1,144	(5,142)
Pension fund contribution	-	1,455	1,455
Paid pension	1,774	(1,774)	-
Others	-	-	-
Balance at December 31	($ 89,973)	$ 48,228	($ 41,745)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 98,825)	$ 56,618	($ 42,207)
Changes in disposal of subsidiaries	17,831	(7,988)	9,843
Current service	(167)	-	(167)
Interest (expense) income	(1,460)	876	(584)
	(82,621)	49,506	(33,115)
Remeasurements:			
Change in demographic assumptions	(1,164)	-	(1,164)
Change in financial assumptions	(2,561)	-	(2,561)
Experience adjustments	(1,645)	(375)	(2,020)
	(5,370)	(375)	(5,745)
Pension fund contribution	-	1,507	1,507
Paid pension	3,982	(3,982)	-
Others	(60)	-	(60)
Balance at December 31	($ 84,069)	$ 46,656	($ 37,413)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	1.21%	1.60%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2018 Effect on present value of defined benefit obligation	($ 6,538)	$ 7,150	$ 6,985	($ 6,460)
December 31, 2017 Effect on present value of defined benefit obligation	($ 6,308)	$ 6,919	$ 6,786	($ 6,255)

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

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to $1,454.

(G) As of December 31, 2018, the weighted average duration of the defined benefit retirement plan is 15 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	38,954
1 - 2 Years		9,638
3 - 4 Years		14,393
More than 5 years		17,026
	$	80,011

B. (A)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The Company's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(C) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $23,505 and $23,652, respectively.

(16) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	August 19, 2015	1,500	6 Years	2 to 5 years' service
Employee stock options	April 12, 2018	1,600	5 Years	2 to 4 years of service

The share-based payment arrangements above are all settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted average exercise price (in dollars)	No. of options	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2015 Issuing)	951	$ 24.20	1,440	$ 25.80
Stock options waived in the current period	-	-	(150)	24.20
Options exercised	(263)	22.48	(339)	24.20
Options outstanding at end of the year	688	22.10	951	24.20
Options exercisable at end of the year	172	22.10	177	24.20

	Years ended December 31, 2018		
	No. of options	Weighted average exercise price (in dollars)	
Options outstanding at beginning of the year	-	$	-
Options granted (2018 Issuing)	1,600		57.70
Stock options waived in the current period	-		-
Options exercised	-		-
Options outstanding at end of the year	1,600		52.70
Options exercisable at end of the year	-		-

C. Average price of Stock options exercised in 2018 and 2017 were $56.96 and $56.27 respectively

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
August 19, 2015	August 18, 2021	688	22.10	951	24.20
April 12, 2018	April 11, 2023	1,600	52.70	-	-

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	August 19, 2015	27.57	27.57	36.2% ~ 38.11%	5 Years	0%	0.81%~ 0.97%	31.675~ 33.122
Employee stock options	April 12, 2018	57.70	57.70	28.13%~ 30.83%	4 Years	0%	0.63%~ 0.69%	12.49~ 15.46

F. Expenses incurred on share-based payment transactions are $2,580 and $7,901 for the years ended December 31, 2018 and 2017, respectively.

	Years ended December 31,			
	2018		2017	
Equity Settled	$	11,513	$	10,815

G. As of ex-dividend date August 8, 2018 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 accordingly using the regulated method and adjusted the strike prices respectively, from $24.2 and $57.7 to $22.1 and $52.7.

(17) Share capital

As of December 31, 2018, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was $796,206 with a par value of $10 (in dollars) per share, consisting of 79,620 thousand ordinary shares. All proceeds from shares issued have been collected.

(18) Capital surplus

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

	Year ended December 31, 2018						
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options
At January 1	$ 122,623	$ -	$ 1,026	$ 176	$ 2	$ 50,376	$ 24,360
Exercise of employee stock options	3,523	-	-	-	-	-	-
Compensation cost of employee stock options	-	-	-	-	-	11,513	-
Conversion of convertible bonds	-	1,465	-	-	-	-	(104)
At December 31	$ 126,146	$ 1,465	$ 1,026	$ 176	$ 2	$ 61,889	$ 24,256

	Year ended December 31, 2017						
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Stock options
At January 1	$ 118,619	$ -	$ 1,026	$ 177	$ 2	$ 39,561	$ 24,360
Exercise of employee stock options	4,004	-	-	-	-	-	-
Compensation cost of employee stock options	-	-	-	-	-	10,815	-
Changes in non-controlling interests	-	-	-	(1)	-	-	-
At December 31	$ 122,623	$ -	$ 1,026	$ 176	$ 2	$ 50,376	$ 24,360

(19) Retained earnings

A. If the company's annual total settlement has a surplus, in addition to the tax paid in accordance with the law, it should first make up for the previous year's loss, and then raise 10% of its balance as the statutory surplus reserve and provide or revolve special surplus reserve according to the regulations of the competent authority. Thereafter, together with the balance of the accumulated undistributed surplus in the previous year, as the surplus available for distribution, it may be retained as a shareholder dividend, depending on the business conditions, in which the dividends are distributed no more than 8% of the total number of dividends to be distributed. The above-mentioned surplus distribution is proposed by the board of directors and distributed after the resolution of the shareholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Details of 2017 and 2016 earnings appropriation resolved by the shareholders on May 29, 2018 and May 22, 2017, respectively are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 92,624		$ 36,002	
Special reserve	12,914		-	
Cash dividends	439,004	$ 5.53	288,464	$ 3.65
Total	$ 544,542		$ 324,466	

Details of 2018 earnings appropriation proposed by the Board of Directors on February 26, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 40,692	
Cash dividends	298,784	$ 3.75
Total	$ 339,476	

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

(20) <u>Other equity interest</u>

	Year ended December 31,	
	2018	2017
Financial statements translation differences of foreign operations		
At January 1	($ 12,914)	$ 13,779
Increase (decrease) in current period	8,684	(26,693)
At December 31	($ 4,230)	($ 12,914)

(21) <u>Operating revenue</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31, 2018
Originating from transfer at a point in time:	
Intelligent Platforms & Solutions Products Division	$ 2,109,341
Design-in Services	2,573,910
Others	364,279
Total sales revenue	5,047,530
Sales return	(49,062)
Sales discount	(944)
Net sales revenue	4,997,524
Originating from the transfer of labor services over time:	
Other Operating revenue	13,120
Total	$ 5,010,644

B. Contract liabilities

The Group has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	December 31, 2018	
Contract liabilities		
Contract liabilities- Advance payments	$	34,523

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31, 2018	
The revenue recognized from the beginning balance of contract liability.	$	24,348

C. Information on operating revenue for the year ended December 31, 2017 is provided in Note 12(5).

(22) Other income

	Year ended December 31,			
	2018		2017	
Rental revenue	$	5,184	$	1,548
Interest income				
Interest on Bank deposit:		8,772		5,553
Other interest income		561		807
Other income		11,373		9,524
Total	$	25,890	$	17,432

(23) Other gains and losses

	Year ended December 31,			
	2018		2017	
Net loss on financial assets at fair value through profit or loss	($	6)	($	23)
Net gain on financial liabilities at fair value through profit or loss		2,233		1,050
Foreign exchange gains (losses)		33,452	(	44,484)
Gain (loss) on disposal of property, plant and equipment	(	99)		2,301
Loss (gain) on disposal of intangible assets		-		120
Loss (gain) on disposal of investments		423		489
Loss (gain) on disposal of subsidiaries		-		766,094
Depreciation expense from investment property	(	1,544)		-
Compensation losses		-	(	268)
Miscellaneous Expenditure	(	1,764)	(	2,731)
Total	$	32,695	$	722,548

(24) Finance costs

	Year ended December 31,			
	2018		2017	
Interest expense				
Bank borrowings	$	3,396	$	2,626
Less: Corporate bond discount		6,701		6,598
Total	$	10,097	$	9,224

(25) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 943,638	$ 888,543
Depreciation	55,053	52,299
Amortization	12,632	15,301
Total	$ 1,011,323	$ 956,143

(26) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 816,845	$ 761,663
Compensation cost of employee stock options	11,513	10,815
Labor and health insurance fees	68,486	68,955
Pension costs	24,150	24,403
Other employee benefit expense	22,644	22,707
Total	$ 943,638	$ 888,543

A. According to the company's articles of association, if the company is profitable in the year (ie after deducting the employee's remuneration and the director's remuneration from the net profit before tax), employee payout should be between 1% and 20% while directors' payout should be no more than 2%. However, if the Company has accumulated losses (including adjustments to unallocated surplus) these losses should first be offset.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $70,566 and $41,595, respectively; while directors' remuneration was accrued at $6,415 and $5,294, respectively. The aforementioned amounts were recognized in salary expenses.

   In 2018, the pre-tax net profit for the year was deducted from the employee's compensation and the benefits before the director's remuneration were estimated at 11% and 1% respectively.

   Employees' compensation and directors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements, and the employees' compensation will be distributed in the form of cash.

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

(27) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31, 2018		Years ended December 31, 2017	
Current tax				
Current tax on profits for the year	$	138,023	$	85,057
Tax on undistributed earnings		37,693		4,236
Adjustments in respect of prior years	(	1,577)	(	1,508)
Total current tax		174,139		87,785
Deferred tax				
Origination and reversal of temporary differences		18,324		7,459
Impact of change in tax rate		6,154		-
Total deferred tax		24,478		7,459
Income tax expense	$	198,617	$	95,244

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

	Years ended December 31, 2018		Years ended December 31, 2017	
Remeasurements of defined benefit obligations	$	1,490	$	977
Currency translation differences of foreign operations	(	1,587)		5,682
Total	($	97)	$	6,659

(C) Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018		Years ended December 31, 2017	
Tax calculated based on profit before tax and statutory tax rate	$	154,307	$	187,628
Effect of items disallowed by tax regulation		2,040	(	131,833)
Effect from changes in tax regulation		6,154		-
Adjustments in respect of prior years	(	1,577)	(	1,508)
Impact of minimum tax system		-		36,721
Tax on undistributed earnings		37,693		4,236
Income tax expense	$	198,617	$	95,244

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss allowance	$ 470	$ 889	$ -	$ 1,359
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	6,495	1,288	-	7,783
Unrealized gross margin	9,083	5,518	-	14,601
Unrealized exchange loss	1,358	(1,045)	-	313
Unrealized warranty cost	132	97	-	229
State tax, paid annual leave etc.	8,992	670	-	9,662
Impairment loss on financial assets	153	(153)	-	-
Defined benefit obligation	6,360	499	1,490	8,349
Unused compensated absences payable	2,376	666	-	3,042
Exchange differences on translation	2,645	-	(1,587)	1,058
Amortization of convertible bond issuance costs	563	(246)	-	317
Depreciation	944	(944)	-	-
Subtotal	$ 39,571	$ 7,239	($ 97)	$ 46,713
Deferred tax liabilities				
Net gain on investments accounted for using equity	($ 57,089)	($ 26,735)	$ -	($ 83,824)
Depreciation	-	(4,347)		(4,347)
Convertible debt Gains evaluation	(86)	(458)	-	(544)
Unamortized goodwill	(1,003)	(177)	-	(1,180)
Subtotal	($ 58,178)	($ 31,717)	$ -	($ 89,895)
Total	($ 18,607)	($ 24,478)	($ 97)	($ 43,182)

	Year ended December 31, 2017				
	January 1	Changes in disposal of subsidiaries	Recognized as income	Recognized in other comprehen sive income	December 31
Temporary differences					
Deferred tax assets:					
Loss allowance	$ 62	$ -	$ 408	$ -	$ 470
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	9,890	(2,013)	(1,382)	-	6,495
Unrealized gross margin	10,175	(2,843)	1,751	-	9,083
Unrealized exchange loss	-	-	1,358	-	1,358
Unrealized warranty cost	173	-	(41)	-	132
State tax, paid annual leave etc.	886	-	8,106	-	8,992
Impairment loss on financial assets	153	-	-	-	153
Defined benefit obligation	7,176	(1,664)	(129)	977	6,360
Unused compensated absences payable	3,097	(891)	170	-	2,376
Exchange differences on translation	-	(30)	-	2,675	2,645
Amortization of convertible bond issuance costs	857	-	(294)	-	563
Convertible debt Gains evaluation	93	-	(93)	-	-
Depreciation	9,420	-	(8,476)	-	944
Subtotal	$ 41,982	($ 7,441)	$ 1,378	$ 3,652	$ 39,571
Deferred tax liabilities					
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	($ 121)	$ 121	$ -	$ -	$ -
Unrealised exchange gain	(642)	319	323	-	-
Net gain on investments accounted for using equity	(70,670)	22,655	(9,074)	-	(57,089)
Exchange differences on translation	(3,007)		-	3,007	-
Convertible debt Gains evaluation	-	-	(86)	-	(86)
Unamortized goodwill	(1,003)	-	-	-	(1,003)
Subtotal	($ 75,443)	$ 23,095	($ 8,837)	$ 3,007	($ 58,178)
Total	($ 33,461)	$ 15,654	($ 7,459)	$ 6,659	($ 18,607)

C. The Company's income tax return through 2016 have been assessed and approved by the Tax Authority.

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

(28) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 406,924	79,471	$ 5.12
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,516	
Employee stock option	-	626	
Convertible bonds	6,355	8,068	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 413,279	89,681	$ 4.61

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 926,239	79,115	$ 11.71
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	912	
Employee stock option	-	642	
Convertible bonds	6,304	7,381	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 932,543	88,050	$ 10.59

(29) Operating lease

A. Rental income from the operating leases for land, housing and construction assets rented out by the Group and recognized accordingly in 2018 and 2017 was $5,184 and $1,548 respectively. Such operating leases will expire in the period 2019 to 2020 and will not be renewed. Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 5,078	$ 3,558
1 to 5 years	147	3,314
	$ 5,225	$ 6,872

B. Operating leases on houses and construction assets with lease periods between 2013 and 2023. Rental expenses recognized in 2018 and 2017 as $39,567 and $47,608 respectively Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 38,024	$ 25,968
1 to 5 years	71,197	43,510
	$ 109,221	$ 69,478

(30) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 36,964	$ 1,082,863
Add: Beginning balance of payable on equipment	13,319	3,963
Less: Ending balance of payable on equipment	(9,075)	(13,319)
Cash paid during the year	$ 41,208	$ 1,073,507

B. Financing activities not affecting cash flow:

	Years ended December 31,	
	2018	2017
Conversion of corporate bond conversion into capital stock	$ 1,707	$ -

C. On May 5, 2017 the Company disposed of the entire equity in the subsidiary EtherWAN for $1,004,432 and forfeited control. (Please Note 4, (3) B. Note 3). The consideration received for the transaction (including the portion of cash and cash equivalents) and the related assets and liabilities of the subsidiary's April 30, 2017, are as follows:

	April 30, 2017
Cash and cash equivalents	$ 202,752
Notes receivable	2,554
Accounts receivable(including related parties)	130,975
Inventories	186,967
Prepayments	7,802
Other current assets	1,757
Property, plant and equipment	140,004
Intangible assets	10,566
Deferred income tax assets	7,667
Other non-current assets	2,368
Bank borrowings	(125,000)
Notes payables	(266)
Accounts payable(including related parties)	(153,554)
Other payables	(56,120)
Current income tax liabilities	(16,104)
Other current liabilities	(5,475)
Long-term borrowings	(57,295)
Deferred income tax liabilities	(23,095)
Other non-current liabilities	(9,751)
Total net assets	$ 246,752

(31) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ -	$ 69,256	$ 69,256
Changes in cash flow from financing activities	53,000	(20,542)	32,458
Impact of changes in foreign exchange rate	-	2,222	2,222
At December 31, 2018	$ 53,000	$ 50,936	$ 103,936

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2017	$ -	$ 126,071	$ 126,071
Changes in cash flow from financing activities	125,000	12,794	137,794
Changes in disposal of subsidiaries	(125,000)	(60,767)	(185,767)
Impact of changes in foreign exchange rate	-	(8,842)	(8,842)
At December 31, 2017	$ -	$ 69,256	$ 69,256

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name of related parties	Relationship with the Group
ADVANTECH CO., LTD.	Entity with Significant Influence on the Group
ADVANIXS CORPORATION	Other related parties
RETRONIX TECHNOLOGY INC.	Other related parties (Note)

Note: No longer related to the Company as of May 29, 2018

(2) Significant related party transactions and balances

A. Purchase

	Years ended December 31,	
	2018	2017
Purchase of goods		
Entity with Significant Influence on the Group	$ 31,863	$ 34,687
Other related parties	33,548	27,927
Total	$ 65,411	$ 62,614

For purchase transactions, no material difference in the transaction price and payment terms with non-related parties

B. Account payables-related parties

	December 31, 2018	December 31, 2017
Payables to related parties		
Entity with Significant Influence on the Group	$ 3,279	$ 5,636
Other related parties	10,471	6,830
Total	$ 13,750	$ 12,466

The payables are mainly from incoming transactions, with no significant difference between the transaction price and the terms of payment and the non-affiliates, and are non-interest bearing.

C. Other Operating Costs

	Years ended December 31,	
	2018	2017
Other Operating Costs:		
Other related parties	$ -	$ 609

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Short-term employee benefits	$ 81,402	$ 78,011
Post-employment compensation	1,431	1,433
Share-based payment	5,007	1,603
Total	$ 87,840	$ 81,047

8. PLEDGED ASSETS

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

	Book value		
Asset type	December 31, 2018	December 31, 2017	Use of pledge
Land	$ 75,053	$ 72,719	Long-term borrowings
Building	26,191	26,152	〃
	$ 101,244	$ 98,871	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

A. Please refer to Note 6 (27) for the business lease agreement.
B. Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ -	$ 7,104

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company intends to invest in AXIOMTEKITALIAS.R.L. (AXIT for short). AXIT is a distribution partner of the Group. The Group authorizes it to use the Group's English name AXIOMTEK and trademarks to sell industrial computers and related electronic products locally. Since the owner of AXIT is advanced in age and in need of capital, the Group tends to purchase the full shareholding of AXIT from existing shareholders. The Company has paid an investment price of 1.2 million euros on January 4, 2019. Completion is expected to be before the end of March, 2019.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 35,006
Financial assets carried at cost	-	923
Financial assets at amortized cost	1,678,862	1,331,088
	$ 1,678,862	$ 1,367,017

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Financial liabilities held for trading	$ 2,760	$ 4,998
Financial Liabilities at amortized cost	1,463,511	1,205,666
	$ 1,466,271	$ 1,210,664

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortized cost includes short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received.

B. Risk management policy

(A) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.

(B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Group finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. Management has set up a policy to require companies of the Group to manage their foreign exchange risk against their functional currency. All units within the Group should hedge their overall exchange rate risk through the finance department. Exchange rate risk is measured by the expected transaction of highly probable USD and RMB spending, using forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on the expected purchase cost of inventory.

iii. The Group’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other certain subsidiaries’ functional currency: USD, RUR, GBP, JPY and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$ 20,013	30.72	$ 614,799	1%	$ 4,918
RMB : NTD	7,265	4.47	32,475	1%	260
EUR : NTD	1,819	35.20	64,029	1%	512
Financial liabilities					
Monetary items					
USD : NTD	$ 11,307	30.72	$ 347,351	1%	$ 2,779

	December 31, 2017				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$ 24,319	29.76	$ 723,733	1%	$ 6,007
RMB : NTD	8,569	4.57	39,160	1%	325
JPY : NTD	4,474	0.26	1,163	1%	10
EUR : NTD	341	35.57	12,129		101
Financial liabilities					
Monetary items					
USD : NTD	$ 7,139	29.76	$ 212,457	1%	$ 1,763

iv. The total exchange gain or loss, including realized and unrealized gains or losses arising from significant foreign exchange variations on monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to gain of $33,452 and loss of $44,484, respectively.

Price risk

i. The Group's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Group.

ii. The Group's investments in beneficiary certificates issued by the domestic companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $0 and $350, respectively, as a result of gains/losses on financial assets classified as at fair value through profit or loss.

(B) Credit risk

Effective from 2018

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, debt instruments classified as at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments are past due over 90 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

(ii) A bond investment traded at the counter buying center, which has any external rating agency rated as the investment grade on the balance sheet date, and the financial asset is considered to have a low credit risk.

iv. The Group adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.

v. The Group classifies customer's notes and accounts receivable in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

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

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Group has written-off financial assets amounted to $226 that are still under recourse procedures.

viii. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2018, the provision matrix is as follows:

December 31, 2018	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0.05%-0.58%	0.05%-2.76%	0.05%-55.92%	0.05%-100%
Total book value	$ 514,625	$ 112,085	$ 7,888	$ 1,416
Loss allowance	$ 1,699	$ 2,456	$ 178	$ 115

December 31, 2018	Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	0.84%-100%	100%	
Total book value	$ 264	$ 311	$ 636,589
Loss allowance	$ 125	$ 311	$ 4,884

ix. Ageing analysis of notes and accounts receivable as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$ 493,529	$ 21,096	$ 333,424	$ 4,014
within 90 days	112,085	-	104,490	-
91 ~ 180 days	7,888	-	20,758	-
More than 181 days	1,991	-	1,391	-
	$ 615,493	$ 21,096	$ 460,063	$ 4,014

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

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

	Years ended December 31, 2018
	Accounts receivable
January 1 IAS 39	$ 3,681
Applied new criteria adjustments	-
January 1 IFRS 9	3,681
Impairment loss	1,278
Reversal	(226)
Recoverable	45
Impact of foreign exchange rate	106
December 31	$ 4,884

xi. The Group uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of investment of debt instrument on December 31, 2018.

(C) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

December 31, 2018 Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	$ 5,198	$ 5,101	$ 14,911	$ 35,887	$ 61,097

December 31, 2017 Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	$ 7,923	$ 7,768	$ 22,683	$ 42,523	$ 80,897

In addition to the above, the Group's non-derivative financial liabilities are due within the next year. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: The input value for this level is the open quote (unadjusted) of the same asset or liability in the active market. An active market is a market that meets all of the following conditions: the goods traded in the market are homogeneous; the buyers and sellers with the willingness can be found in the market at any time and the price information can be obtained by the public. The fair value of the beneficiary certificate the Group's investment belongs to.

Level 2: The input value of this level, except for the observable price included in the first level public offer, including the observable input value obtained from the active market either directly (such as price) or indirectly (such as derived from price).

Level 3: Inputs to this level are not based on observable market data.

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

The financial assets measured at fair value through profit or loss of the Group for the periods as of 31 December 2018 and 2017 are the first level of evaluation amounts of $0 and $35,006; the financial liabilities measured by fair value through profit and loss belong to the second level of financial instrument, amounts $2,760 and $4,998.

C. The methods and assumptions the Group used to measure fair value are as follows:
   (A) The Group uses the net value of the beneficiary certificate as the fair value input value of the first-tier market quotation.
   (B) The evaluation of derivative financial instruments is based on the option pricing model accepted by market users.

D. In 2018 and 2017, there was no evaluation of the transfer between levels.

(4) <u>Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017</u>

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:
   (A) Financial assets at fair value through profit or loss
      i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on the initial recognition. Financial assets are classified as assets held for trading if acquired principally for the purpose of resale in the short-term. Derivatives are categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on the initial recognition:
         (i) Hybrid (combined) contracts; or
         (ii) Eliminating or significantly reducing the inconsistency on measurement or recognition; or
         (iii) Investment is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
      ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
      iii. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
   (B) Available for sale financial assets
      i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
      ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognised using trade date accounting.
      iii. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost-non-current'.
   (C) Loans and receivable
      i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instruments without active market
The debt instrument investments held by the Group in an inactive market are time deposits that do not meet the approximate cash. Due to the short holding period, the impact of discounting is not significant, as measured by the amount of investment.

(D) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or loss events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss are as follows:

(i) Significant financial difficulty of the issuer or the debtor;
(ii) A breach of contract, such as a default or delinquency in interest or principal payments;
(iii) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
(iv) The possibility of the borrower entering bankruptcy or other financial reorganization increases significantly;
(v) The disappearance of an active market for that financial asset because of financial difficulties;
(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
(viii) The fair value of an investment of equity instrument declines significantly or prolonged below its cost.

iii. When the Group assesses there is objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made according to the category of financial assets, as follows:

(i) Financial assets measured at amortized cost
The amount of the impairment loss is measured as the difference between

the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. The impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The carrying amount of financial assets transferred from December 31, 2017 under IAS 39 to January 1, 2018 under IFRS 9 is reconciled as follows:

				Effects	
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at cost	Total	Retained earnings	Other equity interest
IAS 39	$ -	$ 923	$ 923	$ -	$ -
Transferred into financial assets measured at fair value through other comprehensive income-equity	923	(923)	-	-	-
Impairment loss adjustment	-	-	-	900	(900)
IFRS 9	$ 923	$ -	$ 923	$ 900	($ 900)

Given the Group's "financial assets carried at cost" amounted to $923 under IAS 39 were not held for the purpose of trading, it was elected to classify as "Financial assets at fair value through other comprehensive income (equity instrument)"on initial application of IFRS 9. Accompanying retained earnings and other equity were increased by $900 and decreased by $900, respectively.

C. The significant accounts as of December 31, 2017 are as follows:

(A) Financial assets at fair value through profit or loss – current

Item	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificate	$ 35,000
Valuation adjustment	6
Total	$ 35,006

i. The Group recognized net gain of $466 on financial assets held for trading for the year ended December 31, 2017.

ii. The Group has no financial assets at fair value through profit or loss pledged to others.

(B) Financial assets measured at cost - non current

Item	December 31, 2017	
Non current items:		
Unlisted stock	$	1,823
Accumulated impairment - measured at cost	(	900)
Total	$	923

i. According to the Group's intention, its investment, the stocks of ALEXTEK CO., LTD. should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the corporations or the corporation's financial information cannot be obtained, the fair value of the investment in the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost-non-current'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk information as of December 31 2017 is as follows:

(A) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The Group is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are set out in accordance with the internal credit policy. The internal risk Control department assesses the customer's credit quality by taking into account its financial position, past experience and other factors. The individual risk limits are set by the board of directors based on internal or external ratings. The use of credit lines is also regularly monitored. The main credit risk is from cash and cash equivalents, derivative financial instruments, deposits deposited with banks and financial institutions, credit risk from wholesale and retail customers, and receivables that have not yet been received.

(B) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(C) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

Item	December 31, 2017	
Group 1	$	6
Group 2		333,418
Group 3		-
Total	$	333,424

Group 1: Affiliate
Group 2: General customer
Group 3: Others (project evaluation)

(D) Analysis of changes in accounts receivables overdue but not impaired:

Item	December 31, 2017
within 30 days	$ 65,012
31 ~ 90 days	39,478
91 ~ 180 days	20,758
More than 181 days	1,391
	$ 126,639

The above is an age analysis based on overdue days.

(E) Analysis of changes in impairment of accounts receivables:

i. As of December 31, 2017, the Group had no separate assessment of the impairment losses.

ii. Changes in loss allowance :

	Years ended December 31, 2017		
	Individual provision	Group provision	Total
January 1	$ -	$ 4,977	$ 4,977
Impairment loss	897	(89)	808
Write-offs during the year	(897)	-	(897)
Disposal of subsidiaries	-	(1,003)	(1,003)
Exchange difference, net	-	(204)	(204)
December 31	$ -	$ 3,681	$ 3,681

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 is set out below.

The Group develops, manufactures and sells industrial computer-related products. Revenue is the fair value of the sale of goods received or receivable from customers outside the group in normal business activities, presented net of business tax, sales return and discount. Measured at the fair value of the consideration received or receivable and recognized when prescribed conditions are met, which depend on the nature of the revenue. The product is delivered to the buyer, the value of sales reliably measured, and the future economic benefits recognized as revenue when they flow into the group. When the significant risks and rewards associated with ownership have been transferred to the customer, and the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the product sold; the customer accepts the product under the sales contract, or if there is objective evidence that all accepted terms have been met, the product is considered sold.

B. The revenues recognized by using above accounting policies for the year ended December 31, 2017 is as follows:

	Years ended December 31, 2017	
Intelligent Platforms & Solutions Products Division	$	1,879,868
Design-in Services		1,525,200
Ethernet WAN series		309,912
Others		314,660
Total sales revenue		4,029,640
Sales return	(	46,620)
Sales discount	(	3,901)
Net sales revenue		3,979,119
Other Operating revenue		15,110
Total	$	3,994,229

C. For the year ended December 31, 2018, the effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Note	IFRS 15 Balance recognized	Balance recognized with the original accounting policy	Impact of changes in accounting policy
Contract liability-current		34,523	-	34,523
Other current liabilities-advance sales receipts		-	34,523	(34,523)

Note

The Group re-classified the advance sales receipts of $34,523 into contract liabilities in accordance with the IFRS 15.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.
B. Provision of endorsements and guarantees to others: Please refer to table 2.
C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None
D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 3.
E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.
G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.
H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.
I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(12), 6(13).
J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.
B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: For the major transactions between the Company and the Mainland China invested companies in 2018, please refer to table 6.

14. OPERATIONS SEGMENT INFORMATION

(1) General information

The group's management has identified the reporting Department based on the reporting information needs of the Board of Directors and the main operating decision makers for decision making.

The group's main operating decision makers operate their business from a regional perspective; in the region, the group currently focuses on production and sales in Taiwan, the Americas and Europe.

The operations departments disclosed by the group are considered the main source of revenue for the Group - manufacture and sale of product applications such as industrial computers and Ethernet networks.

(2) Segment information

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

Segment profit and loss, assets and liabilities information

	Years ended December 31, 2018					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	$ 1,487,315	$ 2,562,434	$ 793,606	$ 167,289	$ -	$ 5,010,644
Interest income	9,082	8	-	243	-	9,333
Other income	14,682	-	1,872	3	-	16,557
Inter-departmental income	2,141,849	355	5,641	21,909	(2,169,754)	-
Total income	$ 3,652,928	$ 2,562,797	$ 801,119	$ 189,444	($ 2,169,754)	$ 5,036,534
Interest expense	7,236	2,861	-	-	-	10,097
Depreciation & Amortization	56,929	8,468	1,351	2,481	-	69,229
Income tax expenses	157,601	21,241	19,691	84	-	198,617
Department Income	406,924	42,408	49,448	(8,513)	(83,343)	406,924
Assets						
Non-current assets capital expenditure	45,270	4,169	884	548	-	50,871
Department's Assets	3,911,233	1,088,003	270,969	115,323	(1,246,080)	4,139,448
Department's Liabilities	1,548,244	653,199	54,466	52,474	(531,924)	1,776,459

Adjustments & Sales balance

(1) Total sales from the departments should be net of inter-departmental revenue $2,169,754

(2) Inter-departmental income should be net of inter-departmental transactions - $83,343

(3) Department assets of $1,246,080 and liabilities of $531,924 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.

	Years ended December 31, 2017							
	Taiwan		USA			Others	Adjustment &	
	Industrial computers	Ethernet WAN series	Industrial computers	Ethernet WAN series	Europe	Department	Sales balance	Total
Income from external customers	$ 1,185,029	$ 77,518	$ 1,665,909	$ 223,901	$ 573,042	$ 268,830	$ -	$ 3,994,229
Interest income	6,048	1	-	82	-	229	-	6,360
Other income	7,493	2,043	48	-	1,488	-	-	11,072
Inter-departmental income	1,345,337	200,201	73	231	6,878	20,174	(1,572,894)	-
Total income	$ 2,543,907	$ 279,763	$ 1,666,030	$ 224,214	$ 581,408	$ 289,233	($ 1,572,894)	$ 4,011,661
Interest expense	6,603	13	2,125	483	-	-	-	9,224
Depreciation & Amortization	49,277	5,014	8,228	1,320	1,355	2,406	-	67,600
Income tax expenses	78,079	4,734	(320)	660	12,116	(25)	-	95,244
Department Income	926,239	23,111	14,596	1,584	30,171	2,165	(68,952)	928,914
Assets								
Non-current assets capital expenditure	1,056,262	5,122	25,011	150	200	979	-	1,087,724
Department's Assets	3,534,590	-	790,936	-	202,559	192,415	(949,650)	3,770,850
Department's Liabilities	1,164,391	-	411,511	-	33,041	154,871	(363,161)	1,400,653

Adjustments & Sales balance

(1) Total sales from the departments should be net of inter-departmental revenue $1,572,894

(2) Inter-departmental income should be net of inter-departmental transactions $68,952

(3) Department assets of $949,650 and liabilities of $363,161 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.

(4) The Company disposed of all equity in subsidiary EtherWAN Systems Inc. on May 5, 2017. Hence, the data for EtherWAN is restricted to 2017 only. Gain / Loss January 1 to April 30

(3) Reconciliation for segment income (loss)

The external income reported by the Group to the chief operating decision maker is consistent with the income from the comprehensive income statement. The difference between the (departmental revenue and corporate income) and the (inter-departmental profit and loss and the pre-tax profit and loss of the continuing business sector) is small. Hence, there is no need for adjustment.

(4) Information on products and services

Please refer Note 6 (21)

The Group's external customer operating income mainly comes from embedded board and system products, design and manufacturing service products and Ethernet product trading and service business.

The breakdown of the income balance is as follows:

	Years ended December 31,	
	2018	2017
Revenue from Sale of products:	$ 4,997,524	$ 3,979,119
Revenue from Labor Services	13,120	15,110
Total	$ 5,010,644	$ 3,994,229

(5) Geographical information

Sales information by geographical area for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A.	$ 2,229,421	$ 157,907	$ 1,649,688	$ 157,429
other parts of America	50,576	-	50,279	-
Sub-total America	2,279,997	157,907	1,699,967	157,429
Taiwan	338,325	1,229,744	324,725	1,245,436
China	393,368	5,262	385,374	6,594
other parts of Asia	615,199	114	509,449	108
Sub-total Asia	1,346,892	1,235,120	1,219,548	1,252,138
United Kingdom	140,000	88	113,959	87
France	116,137	-	91,080	-
Germany	656,633	1,095	439,093	1,604
other parts of Europe	440,182	-	391,806	-
Sub-total Europe	1,352,952	1,183	1,035,938	1,691
Pacific region	6,972	-	36,322	-
Others	23,831	-	2,454	-
Total	$ 5,010,644	$ 1,394,210	$ 3,994,229	$ 1,411,258

(6) Information about major customers

No information disclosure on major customers in 2018 and 2017 because they do not as yet meet the threshold for disclosure.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD dollars

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	AXIOMTEK CO., LTD.	AXUS	Other receivables-related parties	Y	$ 61,910	$ 61,430	$ 61,430	3%	1	$1,519,790	-	-	-	-	$ 236,299	$945,196	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	38,012	38,012	23,702	1.75%	1	65,656	-	-	-	-	236,299	945,196	

Note 1: The numbers filled in for the loans 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: Fill in the name of account in which the loans are recognized, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended December 31, 2018

Note 4: The credit and nature of the funds are described below:

(1). Those with business dealings fill in 1.

(2). Those pertaining to short-term financing shall fill in 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the company's funds and endorsement of the guarantee operating procedures, the company and its subsidiaries as a whole the total amount of loans to no more than the company's most recent consolidated financial statements attributed to the parent company owners of the interest of 40%.

And the company and its subsidiaries as a whole, the amount of credit to a single enterprise to no more than the company's most recent consolidated financial statements attributed to the owners of the parent company 10% limit.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company Name	Relationship (Note 2)											
0	AXIOMTEK CO., LTD.	AXGM	2	$236,299	USD 250,000	USD 250,000	USD 105,000	-	0.32%	1,181,495	Y	-	-	

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 into the following seven categories; fill in the number of category each case belongs to:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: According to the company's fund loan and endorsement guarantee procedures, the company's endorsement guarantee for a single enterprise is limited to 10% of the equity of the company's owners in the most recent consolidated financial statements.

Note 4: According to the company's fund loan and endorsement guarantee procedures, the total amount of endorsement guarantees of the Company and its subsidiaries as a whole is not more than 50% of the equity of the owners of the parent company in the most recent consolidated financial statements.

And the amount of the endorsement of the single company by the Company and its subsidiaries is limited to 10% of the equity of the owner of the parent company in the most recent consolidated financial statements.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
					Unit	Amount	Unit	Amount	Unit	Selling price	Book value	Gain (loss) on disposal	Unit	Amount
AXIOMTEK CO., LTD.	Hua Nan Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	433,166	7,000	14,964,140	242,000	15,397,306	249,129	249,000	129	-	-
AXIOMTEK CO., LTD.	China Trust Huaying Money Market Fund	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	21,399,315	235,000	21,399,315	235,078	235,000	78	-	-
AXIOMTEK CO., LTD.	Taishin DaZhong Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	19,560,541	277,000	19,560,541	277,080	277,000	80	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach $300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.
Note 5: The amount of the change table does not include the evaluation profit and loss.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries are stated as follows:	Sale	$1,519,790	30.33%	Monthly 45 ~ 90 days	-	-	$405,587	64.21%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	556,403	11.10%	Monthly 45 days	-	-	21,409	3.39%	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries	$ 405,587	5.20	-	-	$78,643	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	AXIOMTEK CO., LTD.	AXGM	1	Sales revenue	$ 556,403	same as that applicable to the general customer Receivables collection as per for the average customer, 45 days	11.10%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,519,790	same as that applicable to the general customer Receivables collection as per for the average customer, 45 - 90 days	30.33%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	65,656	same as that applicable to the general customer Receivables collection for the general customer 45 - 75 days; 75 - 120 days with slight delay	1.31%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	405,587		9.80%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	9,710		0.23%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	21,409		0.52%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	23,702		0.57%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	61,430		1.48%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No other transactions of the same type are available for comparison, and the terms of the transaction are handled in accordance with the terms of the agreement between the parties.

Note 5: The disclosure standard is those with a transaction amount of $10 million or more.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note 2(3))	Remark
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership	Book value			
AXIOMTEK CO., LTD.	AXUS	U.S.A.	Industrial computer and Embedded Board manufacturing , trading, post-sales service	$ 208,240	$ 208,240	23,418	100.00	$436,213	$ 42,408	$ 42,410	
〃	AXGM	Germany	Industrial computer and Embedded Board manufacturing , trading, post-sales service	19,941	19,941	(Note 3)	100.00	190,324	49,340	49,340	
〃	AXBVI	British Virgin Islands	Holding company	122,899	88,843	3,906	100.00	52,663	(7,586)	(7,627)	
〃	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,615	8,615	180,000	100.00	7,118	107	107	
〃	AXJP	Japan	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,235	8,235	600	100.00	6,983	(927)	(927)	
〃	UNI	Taiwan	Automation equipment system set-up and development	29,000	-	1,450,000	26.70	29,033	(5,227)	33	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2018’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2) The ‘Net profit (loss) of the investee for the year ended December 31, 2018’ column should fill in amount of net profit (loss) of the investee for this period.

(3) The ‘Investment income (loss) recognized by the Company for the year ended December 31, 2018’ column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: Department Ltd.

AXIOMTEK CO., LTD. & SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD and foreign currencies

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 （Note 2）	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing , trading, post-sales service	NT$ 95,954 (USD 3,124)	Note1(2)	NT$ 62,167 (USD 2,024)	NT$ 33,787 (USD1,100)	$-	NT$ 95,954 (USD 3,124)	($ 7,510)	100.00	($ 7,510)	$55,143	$ -	

Note 1: Investment methods are classified into the following three categories:

(1) Investment in Mainland China companies by remittance through a third region.

(2) Investment in Mainland China companies through a company invested and established in a third region.

(3) Investment in Mainland China companies through an existing company established in a third region.

Note 2: The investment income is calculated based on the financial statements of the company that have not been audited by the accountant during the same period.

Note 3: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 4: The amount listed in this table is converted into NTD according to the exchange rate of US$1=30.715 on December 31, 2018.

Note 5: In the preparation of the consolidated financial report, the relevant transactions have been fully written off.

Expressed in thousands of NTD and foreign currencies

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Axiomtek Shenzhen	$ 95,954 USD 3,124	USD 4,223	$1,417,793

(ATTACHMENT 2)

2018 Independent Auditors' Report

(Parent Company Only Financial Statements)

To the Board of Directors and Shareholders of
AXIOMTEK CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to 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 at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the parent company only financial statements for the year ended December 31, 2018 are stated as follows:

Allowance for Inventory Valuation Losses

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(4) for details of inventories. As at December 31, 2018, the Company's inventories and allowance for inventory valuation losses amounted to TWD545, 189 thousand and TWD 34,533 thousand, respectively.

The Company is primarily engaged in the research and development, manufacturing and sales of industrial computers products. Due to rapid technological innovation and fluctuations in market prices, the Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

How our audit address the matter

We have performed primary audit procedures for the above matter as follows:

1. Ensured consistent application of Company's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.

2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.

3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company Only financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Parent Company Only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Parent Company Only financial statements, including the disclosures, and whether the Parent Company Only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan   Hsu, Shien-Chong

for and on behalf of PricewaterhouseCoopers, Taiwan February 26, 2019

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 734,817	19	$ 638,525	18
1110	Financial assets at fair value through profit or loss - current	12(3) (4)	-	-	35,006	1
1150	Notes receivable	6(3) and 12(2) (4)	10,508	-	2,229	-
1170	Accounts receivable	6(3) and 12(2) (4)	103,872	3	98,567	3
1180	Accounts receivable – related parties	6(3),7 and 12(2) (4)	436,780	11	288,926	8
1200	Other receivables		20,631	1	21,059	1
1210	Other receivables – related parties	7	85,486	2	59,952	2
130X	Inventories	6(4)	510,656	13	366,237	10
1410	Prepayments		15,258	-	8,420	-
1470	Other current assets	6(1)	471	-	149,599	4
11XX	**Total current assets**		1,918,479	49	1,668,520	47
	Non-current assets					
1543	Financial assets at cost - noncurrent	12(4)	-	-	923	-
1550	Investments accounted for under equity method	6(5)	722,334	18	585,247	16
1600	Property, plant and equipment	6(6) and 8	1,069,695	27	1,203,699	34
1760	Investment property	6(7)	139,820	4	22,858	1
1780	Intangible assets	6(8)	22,343	1	21,215	1
1840	Deferred income tax assets	6(25)	34,777	1	28,566	1
1920	Refundable deposits		3,785	-	3,562	-
15XX	**Total non-current assets**		1,992,754	51	1,866,070	53
1XXX	**Total Assets**		$ 3,911,233	100	$ 3,534,590	100

(Continued)

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 53,000	1	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(11) and 12(3)	2,760	-	4,998	-
2130	Contract liabilities - current	6(19) and 12(5)	21,397	1	-	-
2150	Notes payables		675	-	1,473	-
2170	Accounts payable		536,942	14	365,766	10
2180	Accounts payable – related parties	7	20,681	1	12,543	-
2200	Other payables	6(10)	256,230	7	201,331	6
2230	Current income tax liabilities	6(25)	127,052	3	62,955	2
2310	Advance receipts		2,035	-	24,854	1
2320	Current portion of long-term borrowings	6(12)	397,757	10	392,759	11
2399	Other current liabilities		1,520	-	1,194	-
21XX	**Total current liabilities**		1,420,049	37	1,067,873	30
	Non-current liabilities					
2570	Deferred income tax liabilities	6(25)	85,548	2	58,178	2
2640	Accrued pension liabilities	6(13)	41,745	1	37,413	1
2645	Guarantee deposit received		902	-	929	-
25XX	**Total non-current liabilities**		128,195	3	96,520	3
2XXX	**Total liabilities**		1,548,244	40	1,164,393	33
	Equity attributable to shareholders of the parent					
	Share capital					
3110	Ordinary shares	6(15)	796,206	20	793,130	22
3140	Advance receipts for share capital		1,039	-	1,379	-
	Capital surplus	6(16)				
3200	Capital surplus		214,960	6	198,563	6
	Retained earnings	6(17)				
3310	Legal reserve		459,789	12	367,165	10
3320	Special reserve		12,914	-	-	-
3350	Unappropriated retained earnings		882,311	22	1,022,874	29
	Other equity	6(18)				
3400	Other equity		(4,230)	-	(12,914)	-
3XXX	**Total equity**		2,362,989	60	2,370,197	67
	Significant commitment and contingent item	9				
3X2X	**Total Liabilities and Equity**		$ 3,911,233	100	$ 3,534,590	100

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			Year ended December 31			
			2018		2017	
	Items	Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(19)	$ 3,629,164	100	$ 2,530,366	100
5000	**Operating costs**	6(4)(23)(24)	(2,551,498)	(70)	(1,784,820)	(71)
5900	**Gross profit**		1,077,666	30	745,546	29
5910	Unrealized gain from sale	6(5)	(73,004)	(2)	(53,428)	(2)
5920	Realized gain from sale		53,428	1	43,129	2
5950	**Net gross profit**		1,058,090	29	735,247	29
	Operating expenses	6(23) (24)				
6100	Selling expenses		(112,955)	(3)	(98,683)	(4)
6200	General and administrative expenses		(101,341)	(3)	(87,650)	(4)
6300	Research and development expenses		(415,049)	(11)	(356,023)	(14)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	772	-	-	-
6000	**Total operating expenses**		(628,573)	(17)	(542,356)	(22)
6900	**Operating profit**		429,517	12	192,891	7
	Non-operating income and expenses					
7010	Other income	6(20) and 7	25,711	-	17,084	1
7020	Other gains and losses	6(21)	33,197	1	733,759	29
7050	Finance costs	6(22)	(7,236)	-	(6,604)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(5)	83,336	2	67,189	2
7000	**Total non-operating income and expenses**		135,008	3	811,428	32
7900	**Profit before income tax**	6(25)	564,525	15	1,004,319	39
7950	Income tax expenses		(157,601)	(4)	(78,080)	(3)
8200	**Net Income**		$ 406,924	11	$ 926,239	36
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plan	6(13)	$ (5,142)	-	$ (5,745)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value		707	-	-	-
8349	Income tax relating to components of other comprehensive income	6(25)	1,490	-	977	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		10,271	-	(23,842)	(1)
8380	Share of other comprehensive income (loss) of subsidiaries and associates		-		(6,904)	-
8399	Income tax relating to the components of other comprehensive income	6(25)	(1,587)	-	4,053	-
8300	**Other comprehensive income (loss) for the year**		$ 5,739	-	$ (31,461)	(1)
8500	**Total Comprehensive Income**		$ 412,663	11	$ 894,778	35
9750	**Basic earnings per share**	6(26)	$	5.12	$	11.71
9850	**Diluted earnings per share**	6(26)	$	4.61	$	10.59

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars)

		Share capital		Capital surplus						Retained earnings			Other equity		
	Notes	Ordinary share	Advance receipts for share capital	Additional paid-in capital	Treasury stock transactions	From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	Gain on sale of fixed assets	stock option exercised by employees	stock option	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
Year 2017															
Balance at January 1, 2017		$790,310	$ -	$ 118,619	$ 1,026	$ 177	$ 2	$ 39,561	$ 24,360	$331,163	$ -	$ 425,869	$ 13,779	$ -	$ 1,744,866
Appropriations of 2016 earnings															
Legal reserve	6(17)	-	-	-	-	-	-	-	-	36,002	-	(36,002)	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	-	-	-	-	(288,464)	-	-	(288,464)
Profit for the year		-	-	-	-	-	-	-	-	-	-	926,239	-	-	926,239
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	-	-	-	-	(4,768)	(26,693)	-	(31,461)
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
Share-based payments		2,820	1,379	4,004	-	-	-	-	-	-	-	-	-	-	8,203
Compensation cost of share-based payments	6(14)	-	-	-	-	-	-	10,815	-	-	-	-	-	-	10,815
Balance at December 31, 2017		$793,130	$ 1,379	$ 122,623	$ 1,026	$ 176	$ 2	$ 50,376	$ 24,360	$367,165	$ -	$ 1,022,874	$ (12,914)	$ -	$ 2,370,197
Year 2018															
Balance at January 1, 2018		$793,130	$ 1,379	$ 122,623	$ 1,026	$ 176	$ 2	$ 50,376	$ 24,360	$367,165	$ -	$ 1,022,874	$ (12,914)	$ -	$ 2,370,197
Effect of retrospective application and restatement		-	-	-	-	-	-	-	-	-	-	900	-	(900)	-
Balance at January 1, after adjustments		793,130	1,379	122,623	1,026	176	2	50,376	24,360	367,165	-	1,023,774	(12,914)	(900)	2,370,197
Appropriations of 2017 earnings															
Legal reserve	6(17)	-	-	-	-	-	-	-	-	92,624	-	(92,624)	-	-	-
Special reserve	6(17)	-	-	-	-	-	-	-	-	-	12,914	(12,914)	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	-	-	-	-	(439,004)	-	-	(439,004)
Profit for the year		-	-	-	-	-	-	-	-	-	-	406,924	-	-	406,924
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	-	-	-	-	(3,652)	8,684	707	5,739
Share-based payments		2,730	(340)	3,523	-	-	-	-	-	-	-	-	-	-	5,913
Compensation cost of share-based payments	6(14)	-	-	-	-	-	-	11,513	-	-	-	-	-	-	11,513
Conversion of convertible bonds		346	-	1,465	-	-	-	-	(104)	-	-	-	-	-	1,707
Disposal of financial assets at fair value through other comprehensive income	6(2)	-	-	-	-	-	-	-	-	-	-	(193)	-	193	-
Balance at December 31, 2018		$796,206	$ 1,039	$ 127,611	$ 1,026	$ 176	$ 2	$ 61,889	$ 24,256	$459,789	$ 12,914	$ 882,311	$ (4,230)	$ -	$ 2,362,989

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 564,525	$ 1,004,319
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6) (23)	46,649	40,820
Depreciation from investment Property	6(7) (21)	1,544	-
Amortization	6(8) (23)	8,735	8,457
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	(772)	5
Net loss on financial assets at fair value through loss	6(21)	6	23
Net gain on financial liability at fair value through profit	6(21)	(2,233)	(1,050)
Interest expense	6(22)	7,236	6,604
Interest income	6(20)	(11,037)	(7,391)
Dividend income for under equity method		-	90,160
Compensation cost of share-based payments	6(14) (24)	10,144	10,815
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(83,336)	(67,189)
Loss (gain) on disposal of property, plant and equipment	6(21)	7	(2,301)
Gain on disposal of intangible assets	6(21)	-	(120)
Gain on disposal of investments for under equity method	6(21)	-	(766,094)
Gain on disposal of investments	6(21)	(423)	(489)
Unrealized profit from sales		19,576	10,299
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		35,423	209,488
Notes receivable		(8,279)	2,126
Accounts receivable (including related parties)		(152,387)	(10,249)
Other receivables (including related parties)		(24,046)	6,908
Inventories		(144,419)	(54,517)
Prepayments		(6,838)	7,794
Other financial assets		148,800	(148,800)
Other current assets		328	(326)
Changes in liabilities relating to operating activities			
Contract liabilities		(3,382)	-
Notes payables		(798)	1,431
Accounts payable (including related parties)		179,314	24,007
Other payables		59,126	(953)
Advance receipts		1,960	(403)
Other current liabilities		326	(26)
Accrued pension liabilities		(810)	(754)
Cash inflow generated from operations		644,939	362,594
Receipt of interest		11,346	7,391
Payment of interest		(519)	(6)
Payment of income tax		(72,442)	(39,978)
Net cash flows provided by operating activities		583,324	330,001

(Continued)

AXIOMTEK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through other comprehensive income		$ 1,630	$ -
Acquisition of investments accounted for using equity method	6(5)	(63,056)	(14,329)
Acquisition of property, plant and equipment		-	1,004,432
Proceeds from disposal of investments for under equity method	6(28)	(35,786)	(1,042,810)
Proceeds from disposal of property, plant and equipment		6	2,590
Acquisition of intangible assets	6(8)	(9,485)	(13,452)
Proceeds from disposal of intangible assets		-	120
Decrease (Increase) in refundable deposits		(223)	2,332
Net cash flows provided by (used in) investing activities		(106,914)	(61,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short -term borrowings		636,000	21,000
Redemption of short -term borrowings		(583,000)	(21,000)
Increase (decrease) in refundable deposits		(27)	593
Payment of cash dividends	6(17)	(439,004)	(288,464)
Proceeds from exercise of employee stock options	6(14)	5,913	8,203
Net cash flows provided by (used in) financing activities		(380,118)	(279,668)
Increase (Decrease) in cash and cash equivalents		96,292	(10,794)
Cash and cash equivalents at beginning of year		638,525	649,319
Cash and cash equivalents at end of year		$ 734,817	$ 638,525

The accompanying notes are an integral part of the parent company only financial statements.

AXIOMTEK CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

1. ORGANIZATION AND OPERATIONS

Axiomtek Co., Ltd. (hereinafter referred to as "the Company" or “Axiomtek”) was incorporated in the Republic of China (R.O.C) in May 1990 and the Company’s common shares were officially listed on the Taipei Exchange on April 28, 2005. The Company is mainly engaged in designing, manufacturering and sales of PC-based industrial computer products and peripherals. The Company provides product lines of Industrial PCs (IPCs), Single Board Computers (SBCs), System on Modules (SoMs), Fanless and Rugged Embedded Systems (eBOX and rBOX), Intelligent Transportation Systems (tBOX and UST), Industrial IoT Gateway, Industrial EtherCAT Master solution, Touch Panel Computers (TPCs), Medical Panel Computers (MPCs), Digital Signage Solutions (DSSs), and Network Appliances (NAs) products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only financial statements were authorised for issuance by the Board of Directors on February 26 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealized losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle－ Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle－ Amendments	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
to IFRS 12, 'Disclosure of interests in other entities'	
Annual improvements to IFRSs 2014-2016 cycle－ Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(A) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(3) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(A) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(B) The Company has elected not to restate prior period financial statements and recognised the cumulative effect, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers
In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheets as follows:
Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. As of January 1, 2018, the balance amounted to $24,779

ii. Please refer to Note 12(5) for disclosure in relation to the first application of IFRS 15.

C. Amendments to IAS 7, ‘Disclosure initiative’
This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete:
IFRS 16, ‘Leases’
IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
In the first quarter of 2018, the Company reported to the Board of Directors that IFRS 16 has material impact to the Company.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”). On January 1, 2019, it is expected that ‘right-of-use asset’ and ‘lease liability’ will be increased by $58,786 and $58,786.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
   (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   (B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
   (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(A) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in Exchange differences on translation of foreign operations.

(B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation.

In addition, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non -current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(5) Cash equivalent

Cash equivalents refer to short-term, 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 above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

Effective 2018

A. At initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
   (A) The objective of the Company's business model is achieved by both collecting contractual cash flows and selling financial assets; and
   (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
   (A) The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Company's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
   (B) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

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

(13) Investments accounted for under equity method

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
D. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.
E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
F. The Company'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 in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
G. When changes in an associate's equity do not arise from profit or loss or other

comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.

H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

J. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 - 50 years
Machinery	3 - 20 years
Tools	2 - 5 years
Testing equipment	2 - 8 years
Office Equipment	2 - 10 Years

Leasehold improvements	2 -	10 Years
Other equipment	3 -	10 Years

(15) Leases (leasee)

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

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 ~ 41 years.

(17) Intangible assets

A. Trademark
Trademark is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Computer software
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

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

(18) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
B. The recoverable amounts of goodwill with an shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

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

(20) Notes payable and accounts payable

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

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

A. Such liabilities mean the financial liabilities designated to be measured at fair value through profit or loss. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:
   (A) is a mixed (combined) contract; or
   (B) eliminate or significantly reduce the measurement inconsistencies; or
   (C) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.
B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.
B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus – stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
E. When bondholders exercise conversion options, the liability component of the bonds

(including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(23) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other consolidated gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Offsetting financial assets and financial liabilities

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

(26) Provisions for liabilities

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

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis.

(B) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Employees' compensation and directors' remuneration

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

(28) Employee share-based payment

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

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(30) Share Capital

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

(31) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

A. Sales of goods

(A) The Company manufactures and sells industrial computer-related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers’ 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(B) The sales revenue of industrial computer-related products is recognized according to the quantity of goods purchased by the customer and the price agreed upon after the quotation of the product item. The terms of collection for sales transactions are agreed upon in accordance with the generally accepted commercial transaction terms.

(C) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Revenue from Labor Services

Revenue from labor services comes from product development and provision of extended warranty and maintenance services. When the transaction results of labor services can be reliably estimated, revenues are recognized based on the level of labor provided.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $510,656.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 494	$ 223
Checking accounts and demand deposits	502,477	365,493
Time deposits	231,846	183,529
Cash equivalents - Bonds with repurchase agreement	-	89,280
	$ 734,817	$ 638,525

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

B. The Company has no cash and cash equivalents pledged to others.

C. As of December 31 2018 and 2017, the Company' holds term deposits with duration of three months of $0 and $148,800 respectively, classified as “other current assets”.

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

Effective 2018

A. The Company adopted to classify the strategic equity investment in Align Technology Co. Ltd. as financial assets measured at fair value through other comprehensive income, but because the financial position and operating results were not satisfactory, the resolution was passed for disposal at $1,630 in March 2018, and the Company applied, for the first time, IFRS 9 to retrospectively adjust the cumulative impairment of $900 to increase retained surplus and reduce other interests. Upon its sale, the fair value amount of $707, was classified as equity instruments measured at fair value through other comprehensive income and did not have unrealized gains and losses and carry-over other benefits. As a result of the disposition, the net credit of $193 was transferred to retained earnings on the date of delivery.

B. Information on financial assets at fair value through other comprehensive income for the year ended December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable (including related parties)

	December 31, 2018	December 31, 2017
Notes receivable	$ 10,508	$ 2,229
Less: Loss allowance	-	-
	$ 10,508	$ 2,229
Accounts receivable	$ 103,927	$ 99,394
Accounts receivable - related parties	436,780	288,926
Less: Loss allowance	(55)	(827)
	$ 540,652	$ 387,493

A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).

B. The Company does not hold financial assets as security for accounts receivable.

C. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2018					
		Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories			Book value
Raw materials	$	239,501	($	16,725)	$	222,776
Work in progress		88,227	(	2,443)		85,784
Semi-finished goods		26,549	(	1,935)		24,614
Finished goods		182,793	(	13,430)		169,363
Inventories in transit		8,119		-		8,119
Total	$	545,189	($	34,533)	$	510,656

	December 31, 2017					
		Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories			Book value
Raw materials	$	159,340	($	13,943)	$	145,397
Work in progress		82,809	(	3,454)		79,355
Semi-finished goods		18,820	(	1,681)		17,139
Finished goods		140,034	(	15,922)		124,112
Inventories in transit		234		-		234
Total	$	401,237	($	35,000)	$	366,237

Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2018 and 2017 are as follows:

	Years ended December 31,			
	2018		2017	
Cost of revenue	$	2,532,739	$	1,771,486
Loss on market value decline and obsolete and slow-moving inventories		18,759		13,334
Total	$	2,551,498	$	1,784,820

The Company has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
AXIOM TECHNOLOGY, INC. U.S.A.(AXUS)	$ 436,213	$ 397,536
AXIOMTEK DEUTSCHLAND GMBH(AXGM)	190,324	149,833
AXIOM TECHNOLOGY (BVI) CO., LTD.(AXBVI)	52,663	23,115
UNIT-INNOVATE TECHNOLOGY CO.,LTD. (UNI)	29,033	-
AXIOMTEK UK LIMITED (AXUK)	7,118	7,236
AXIOMTEK JAPAN CO.,LTD.(AXJP)	6,983	7,527
Total	$ 722,334	$ 585,247

A. (A) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2018 consolidated financial statements.
   (B) On May 5, 2017 the Company disposed all its EtherWAN Systems Inc. (hereafter abbrev. EWTW) shares, giving up control. Please refer to the 2018 consolidated financial statements of the Company and its subsidiaries for details in Note 4(3)
   (C) The company invested in AXJP on July 26, 2017 100% equity and full control of AXJP. Please refer to Note 4(3) of the 2018 consolidated financial statements of the Company and its subsidiaries for details.
   (D) To cater for future operating needs, the Company increased its capital in the subsidiary AXBVI by $34,056 in October 2018.
   (E) December 21 2018 the Company acquired 26.7% of equity in UNI at $20 per share and the right to influence UNI's innovation.

B. Equity methods used in 2018 and 2017 to recognize Share of profit (loss) of associates and joint ventures accounted for using equity method:

	Years ended December 31,	
	2018	2017
AXUS	$ 42,410	$ 14,598
AXGM	49,340	30,036
AXBVI	(7,627)	2,397
UNI	33	-
AXUK	107	135
AXJP	(927)	(409)
EtherWAN Systems	-	20,432
Total	$ 83,336	$ 67,189

C. Details of Unrealized profit from sales of the subsidiaries and their subsidiaries at the end of the period are as follows:

	Years ended December 31,	
	2018	2017
AXUS	$ 51,016	$ 34,311
AXGM	19,062	12,449
Axiomtek (Shenzhen) Co. Ltd. (AXSZ)	2,926	6,668
Total	$ 73,004	$ 53,428

(6) Property, plant and equipment

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2018										
Cost	$ 629,577	$ 460,019	$ 138,054	$ 47,317	$ 53,164	$ 19,168	$ 10,979	$ 10,906	$ 49,751	$ 1,418,935
Accumulated depreciation	-	(23,662)	(82,721)	(40,620)	(35,855)	(16,019)	(9,472)	(6,887)	-	(215,236)
	$ 629,577	$ 436,357	$ 55,333	$ 6,697	$ 17,309	$ 3,149	$ 1,507	$ 4,019	$ 49,751	$ 1,203,699
2018										
Opening net book amount	$ 629,577	$ 436,357	$ 55,333	$ 6,697	$ 17,309	$ 3,149	$ 1,507	$ 4,019	$ 49,751	$ 1,203,699
Additions	-	-	210	7,047	3,058	4,782	275	3,400	12,770	31,542
Disposals (Cost)	-	(115)	(98)	(92)	(1,219)	(312)	(1,271)	(665)	-	(3,772)
Disposals (Accumulated depreciation)	-	115	98	92	1,219	312	1,271	652	-	3,759
Reclassifications (Cost)	(93,953)	(42,344)	-	3,284	-	46,627	1,193	-	(54,865)	(140,058)
Reclassifications (Accumulated depreciation)	-	19,371	-	-	-	587	1,216	-	-	21,174
Depreciation	-	(8,351)	(15,141)	(7,834)	(5,696)	(6,640)	(534)	(2,453)	-	(46,649)
Closing net book amount	$ 535,624	$ 405,033	$ 40,402	$ 9,194	$ 14,671	$ 48,505	$ 3,657	$ 4,953	$ 7,656	$ 1,069,695
At December 31, 2018										
Cost	$ 535,624	$ 417,560	$ 138,166	$ 57,556	$ 55,003	$ 70,265	$ 11,176	$ 13,641	$ 7,656	$ 1,306,647
Accumulated depreciation	-	(12,527)	(97,764)	(48,362)	(40,332)	(21,760)	(7,519)	(8,688)	-	(236,952)
	$ 535,624	$ 405,033	$ 40,402	$ 9,194	$ 14,671	$ 48,505	$ 3,657	$ 4,953	$ 7,656	$ 1,069,695

	Land	Buildings	Machinery	Tools	Testing equipment	Office Equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2017										
Cost	$ 112,222	$ 58,386	$ 124,846	$ 52,929	$ 50,818	$ 33,353	$ 21,901	$ 8,786	$ 825	$ 464,066
Accumulated depreciation	-	(29,055)	(92,953)	(45,792)	(36,609)	(27,719)	(12,526)	(5,687)	-	(250,341)
	$ 112,222	$ 29,331	$ 31,893	$ 7,137	$ 14,209	$ 5,634	$ 9,375	$ 3,099	$ 825	$ 213,725
2018										
Opening net book amount	$ 112,222	$ 29,331	$ 31,893	$ 7,137	$ 14,209	$ 5,634	$ 9,375	$ 3,099	$ 825	$ 213,725
Additions	535,624	417,560	2,200	4,047	1,029	1,382	142	2,723	89,234	1,053,941
Disposals (Cost)	-	(9,477)	(20,117)	(10,759)	(6,766)	(12,737)	(11,064)	(603)	-	(71,523)
Disposals (Accumulated depreciation)	-	9,477	20,106	10,759	6,490	12,737	11,064	601	-	71,234
Reclassifications (Cost)	(18,269)	(6,450)	31,125	1,100	8,083	(2,830)	-	-	(40,308)	(27,549)
Reclassifications (Accumulated depreciation)	-	2,487	-	-	-	2,204	-	-	-	4,691
Depreciation	-	(6,571)	(9,874)	(5,587)	(5,736)	(3,241)	(8,010)	(1,801)	-	(40,820)
Closing net book amount	$ 629,577	$ 436,357	$ 55,333	$ 6,697	$ 17,309	$ 3,149	$ 1,507	$ 4,019	$ 49,751	$ 1,203,699
At December 31, 2017										
Cost	$ 629,577	$ 460,019	$ 138,054	$ 47,317	$ 53,164	$ 19,168	$ 10,979	$ 10,906	$ 49,751	$ 1,418,935
Accumulated depreciation	-	(23,662)	(82,721)	(40,620)	(35,855)	(16,019)	(9,472)	(6,887)	-	(215,236)
	$ 629,577	$ 436,357	$ 55,333	$ 6,697	$ 17,309	$ 3,149	$ 1,507	$ 4,019	$ 49,751	$ 1,203,699

A. The Company has no interest capitalised to property, plant and equipment.
B. Property, plant and equipment not a significant component.
C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Investment property

	Land		Buildings		Total	
At January 1, 2018						
Cost	$	18,269	$	9,280	$	27,549
Accumulated depreciation		-	(	4,691)	(	4,691)
	$	18,269	$	4,589	$	22,858
2018						
Opening net book amount	$	18,269	$	4,589	$	22,858
Reclassifications (Cost)		93,953		45,727		139,680
Reclassifications (Accumulated depreciation		-	(	21,174)	(	21,174)
Depreciation		-	(	1,544)	(	1,544)
Closing net book amount	$	112,222	$	27,598	$	139,820
At December 31, 2018						
Cost	$	112,222	$	55,007	$	167,229
Accumulated depreciation		-	(	27,409)	(	27,409)
	$	112,222	$	27,598	$	139,820

	Land		Buildings		Total	
At January 1, 2017						
Cost	$	-	$	-	$	-
Accumulated depreciation		-		-		-
	$	-	$	-	$	-
2017						
Opening net book amount	$	-	$	-	$	-
Reclassifications (Cost)		18,269		9,280		27,549
Reclassifications (Accumulated depreciation		-	(	4,691)	(	4,691)
Closing net book amount	$	18,269	$	4,589	$	22,858
At December 31, 2017						
Cost	$	18,269	$	9,280	$	27,549
Accumulated depreciation		-	(	4,691)	(	4,691)
	$	18,269	$	4,589	$	22,858

A. Rental income and direct operating expenses of investment property:

	Years ended December 31, 2018	Years ended December 31, 2017
Rental income from investment property	$ 5,184	$ 1,344
Direct operating expenses arising from investment property that generated rental income	$ 1,083	$ -
Direct operating expenses arising from investment property that did not generate rental income	$ 1,651	$ -

B. The fair value of the investment property held by the Company was $368,683 and $52,488 as of December 31, 2018 and 2017, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(8) Intangible assets

	Trademark	Computer software	Goodwill	Total
At January 1, 2018				
Cost	$ 291	$ 48,923	$ 5,898	$ 55,112
Accumulated Amortization	(291)	(33,606)	-	(33,897)
	$ -	$ 15,317	$ 5,898	$ 21,215
2018				
Opening net book amount	$ -	$ 15,317	$ 5,898	$ 21,215
Additions	-	9,485	-	9,485
Disposals (Cost)	-	(834)	-	(834)
Disposals (Accumulated Amortization)	-	834	-	834
Reclassifications	-	378	-	378
Amortization	-	(8,735)	-	(8,735)
Closing net book amount	$ -	$ 16,445	$ 5,898	$ 22,343
At December 31, 2018				
Cost	$ 291	$ 57,952	$ 5,898	$ 64,141
Accumulated Amortization	(291)	(41,507)	-	(41,798)
	$ -	$ 16,445	$ 5,898	$ 22,343

	Trademark	Computer software	Goodwill	Total
At January 1, 2017				
Cost	$ 291	$ 35,491	$ 9,767	$ 45,549
Accumulated Amortization	(291)	(25,169)	-	(25,460)
Accumulated Impairment	-	-	(3,869)	(3,869)
	$ -	$ 10,322	$ 5,898	$ 16,220
2017				
Opening net book amount	$ -	$ 10,322	$ 5,898	$ 16,220
Additions	-	13,452	-	13,452
Disposals (Cost)	-	(698)		(698)
Disposals (Accumulated Amortization)	-	698		698
Amortization	-	(8,457)	-	(8,457)
Closing net book amount	$ -	$ 15,317	$ 5,898	$ 21,215
At December 31, 2017				
Cost	$ 291	$ 48,923	$ 5,898	$ 55,112
Accumulated Amortization	(291)	(33,606)	-	(33,897)
	$ -	$ 15,317	$ 5,898	$ 21,215

A. The Company has no interest capitalised to intangible assets.

B. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31,	
	2018	2017
Operating costs	$ 130	$ 188
General and administrative expenses	3,976	2,829
Research and development expenses	4,629	5,440
	$ 8,735	$ 8,457

C. Goodwill belongs to the industrial computer department of the company's cash-generating unit.

(9) Short-term borrowings (December 31, 2017: None)

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 53,000	0.97%	None

Interest expense recognized in profit or loss amounted to $526 and $3 for the years ended December 31, 2018 and 2017, respectively.

(10) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonus payable	$ 114,237	$ 95,619
Accrued employees' compensation and directors' remuneration	77,765	48,143
Payable to equipment suppliers	9,075	13,319
Others	55,153	44,250
	$ 256,230	$ 201,331

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

Item	December 31, 2018	December 31, 2017
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$ 5,478	$ 5,502
Evaluation adjustment	(2,718)	(504)
Total	$ 2,760	$ 4,998

The Company recognised net loss of $2,233 and $1,050 for the years ended December 31, 2018 and 2017, respectively.

(12) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 418,200	$ 420,000
Less: Discount on bonds payable	(20,443)	(27,241)
Less: Long-term liabilities, current portion	(397,757)	(392,759)
	$ -	$ -

A. Domestic unsecured conversion of corporate bonds issued by the company

(A) Issuance conditions for the first unsecured conversion of corporate bonds in the company are as follows:

i. The company is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of $420,000, at the coupon rate of 0%, for an issuance period of 5 years, circulation period from December 13, 2016 to December 13, 2021. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of December 13, 2016.

ii. Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the date of capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may apply to the Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the "Depository Corporation") who would then notify the Company's stock agent to convert the Bond into the Company's common shares pursuant to the Regulations at any time one month after the issuance (January 14 2017) and throughout the duration (until December 13, 2021) of the bond.

iii. The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the company in accordance with the pricing model stipulated in the conversion method.

iv. The bondholders must use as base dates (December 13, 2018) and (December 13, 2019) two and three years to expiry respectively, to sell the convertible corporate bond. On the base dates the company is required to buy back the converted corporate bonds held by the company at 102.01% and 103.0301% respectively, of the bonds.

v. From the day following the 3rd month of issuance (March 14 2017) of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date.

vi. In accordance with the conversion scheme, all debts of the company recovered (including by the Securities Counter Trading Centre), repaid or converted will be cancelled, and all rights and obligations that are still attached to this conversion company's debt will also be eliminated and no longer issued.

(B) As of December 31, 2018, the company's debt denomination of $1,800 has been converted to 34,615 shares of common stock, completed on October 1, 2018. Since August 8, 2018, the company's cash dividend ex-dividend, the conversion price has been recalculated according to the provisions of this bond issuance and conversion, from $56.9 to $52.

(C) As of December 31, 2018, the company has not bought back the bonds from the securities counter trading center.

B. When issuing convertible corporate bonds, the Company shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" $24,360. The other embedded buying and selling rights, according to IAS 39 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities, so it is separated and treated with its net account "financial liabilities-flows measured at fair value through profit and loss" $5,502. The effective interest rate for the separation of COR contractual obligations is 0.141%.

(13) Pensions

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

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 89,973)	($ 84,069)
Fair value of plan assets	48,228	46,656
Net defined benefit liability	($ 41,745)	($ 37,413)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 84,069)	$ 46,656	($ 37,413)
Current service cost	(47)	-	(47)
Interest (expense) income	(1,345)	747	(598)
	(85,461)	47,403	(38,058)
Remeasurements:			
Change in demographic assumptions	(211)	-	(211)
Change in financial assumptions	(5,134)	-	(5,134)
Experience adjustments	(941)	1,144	203
	(6,286)	1,144	(5,142)
Pension fund contribution	-	1,455	1,455
Paid pension	1,774	(1,774)	-
Others	-	-	-
Balance at December 31	($ 89,973)	$ 48,228	($ 41,745)

	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
Year ended December 31, 2017						
Balance at January 1	($	81,052)	$	48,630	($	32,422)
Current service	(	109)		-	(	109)
Interest (expense) income	(	1,460)		876	(	584)
	(	82,621)		49,506	(	33,115)
Remeasurements:						
Change in demographic assumptions	(	1,164)		-	(	1,164)
Change in financial assumptions	(	2,561)		-	(	2,561)
Experience adjustments	(	1,645)	(	375)	(	2,020)
	(	5,370)	(	375)	(	5,745)
Pension fund contribution		-		1,507		1,507
Paid pension		3,982	(	3,982)		-
Others	(	60)		-	(	60)
Balance at December 31	($	84,069)	$	46,656	($	37,413)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	1.21%	1.60%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan

Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 6,538)	$ 7,150	$ 6,985	($ 6,460)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 6,308)	$ 6,919	$ 6,786	($ 6,255)

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

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to $1,454.

(G) As of December 31, 2018, the weighted average duration of the defined benefit retirement plan is 15 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 38,954
1 - 2 Years	9,638
3 - 4 Years	14,393
More than 5 years	17,026
	$ 80,011

B. (A)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $18,634 and $17,124, respectively.

(14) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	August 19, 2015	1,500	6 Years	2 to 5 years' service
Employee stock options	April 12, 2018	1,600	5 Years	2 to 4 years of service

The share-based payment arrangements above are all settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted average exercise price (in dollars)	No. of options	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2015 Issuing)	951	$ 24.20	1,440	$ 25.80
Stock options waived in the current period	-	-	(150)	24.20
Options exercised	(263)	22.48	(339)	24.20
Options outstanding at end of the year	688	22.10	951	24.20
Options exercisable at end of the year	172	22.10	177	24.20

	Years ended December 31, 2018	
	No. of options	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year	-	$ -
Options granted (2018 Issuing)	1,600	57.70
Stock options waived in the current period	-	-
Options exercised	-	-
Options outstanding at end of the year	1,600	52.70
Options exercisable at end of the year	-	-

C. Average price of Stock options exercised in 2018 and 2017 were $56.96 and $56.27 respectively

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
August 19, 2015	August 18, 2021	688	22.10	951	24.20
April 12, 2018	April 11, 2023	1,600	52.70	-	-

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	August 19, 2015	27.57	27.57	36.2% ~ 38.11%	5 Years	0%	0.81%~ 0.97%	31.675~ 33.122
Employee stock options	April 12, 2018	57.70	57.70	28.13%~ 30.83%	4 Years	0%	0.63%~ 0.69%	12.49~ 15.46

F. Expenses incurred on share-based payment transactions are $2,580 and $7,901 for the years ended December 31, 2018 and 2017, respectively.

	Years ended December 31,	
	2018	2017
Equity Settled	$ 11,	$ 10,

G. As of ex-dividend date August 8, 2018 the Company re-computed the strike prices for employee stock warrants issued in 2015 and 2017 accordingly using the regulated method and adjusted the strike prices respectively, from $24.2 and $57.7 to $22.1 and $52.7.

(15) Share capital

As of December 31, 2018, the Company’s authorized capital was $1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was $796,206 with a par value of $10 (in dollars) per share, consisting of 79,620 thousand ordinary shares. All proceeds from shares issued have been collected.

(16) Capital surplus

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

(17) Retained earnings

A. If the company's annual total settlement has a surplus, in addition to the tax paid in accordance with the law, it should first make up for the previous year's loss, and then raise 10% of its balance as the statutory surplus reserve and provide or revolve special surplus reserve according to the regulations of the competent authority. Thereafter, together with the balance of the accumulated undistributed surplus in the previous year, as the surplus available for distribution, it may be retained as a shareholder dividend, depending on the business conditions, in which the dividends are distributed no more than 8% of the total number of dividends to be distributed. The above-mentioned surplus distribution is proposed by the board of directors and distributed after the resolution of the shareholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Details of 2017 and 2016 earnings appropriation resolved by the shareholders on May 29, 2018 and May 22, 2017, respectively are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 92,624		$ 36,002	
Special reserve	12,914		-	
Cash dividends	439,004	$ 5.53	288,464	$ 3.65
Total	$ 544,542		$ 324,466	

Details of 2018 earnings appropriation proposed by the Board of Directors on February 26, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 40,692	
Cash dividends	298,784	$ 3.75
Total	$ 339,476	

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(18) Other equity interest

	Year ended December 31,	
	2018	2017
Financial statements translation differences of foreign operations		
At January 1	($ 12,914)	$ 13,779
Increase (decrease) in current period	8,684	(26,693)
At December 31	($ 4,230)	($ 12,914)

(19) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31, 2018
Originating from transfer at a point in time:	
Intelligent Platforms & Solutions Products Division	$ 1,369,637
Design-in Services	2,016,097
Others	232,116
Total sales revenue	3,617,850
Sales return	(2,816)
Sales discount	(2,639)
Net sales revenue	3,612,395
Originating from the transfer of labor services over time:	
Other Operating revenue	16,769
Total	$ 3,629,164

B. Contract liabilities

The Company has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	December 31, 2018
Contract liabilities	
Contract liabilities- Advance payments	$ 21,397

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31, 2018
The revenue recognized from the beginning balance of contract liability.	$ 17,309

C. Information on operating revenue for the year ended December 31, 2017 is provided in Note 12(5).

(20) Other income

	Year ended December 31, 2018	Year ended December 31, 2017
Rental revenue	$ 5,184	$ 2,087
Interest income		
Interest on Bank deposit:	8,522	5,244
Other interest income	2,515	2,147
Other income	9,490	7,606
Total	$ 25,711	$ 17,084

(21) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss on financial assets at fair value through profit or loss	($ 6)	($ 23)
Net gain on financial liabilities at fair value through profit or loss	2,233	1,050
Foreign exchange gains (losses)	33,981	(33,273)
Gain (loss) on disposal of property, plant and equipment	(7)	2,301
Loss (gain) on disposal of intangible assets	-	120
Loss (gain) on disposal of investments	423	489
Loss (gain) on disposal of subsidiaries	-	766,094
Depreciation expense from investment property	(1,544)	-
Miscellaneous Expenditure	(1,883)	(2,731)
Compensation losses	-	(268)
Total	$ 33,197	$ 733,759

(22) Finance costs

	Year ended December 31,	
	2018	2017
Interest expense		
Bank borrowings	$ 535	$ 6
Less: Corporate bond discount	6,701	6,598
Total	$ 7,236	$ 6,604

(23) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 598,187	$ 506,600
Depreciation	46,649	40,820
Amortization	8,735	8,457
Total	$ 653,571	$ 555,877

(24) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 511,989	$ 425,724
Compensation cost of employee stock options	10,144	10,815
Labor and health insurance fees	36,572	34,383
Pension costs	19,279	17,817
Other employee benefit expense	20,203	17,861
Total	$ 598,187	$ 506,600

A. According to the company's articles of association, if the company is profitable in the year (ie after deducting the employee's remuneration and the director's remuneration from the net profit before tax), employee payout should be between 1% and 20% while directors' payout should be no more than 2%. However, if the Company has accumulated losses (including adjustments to unallocated surplus) these losses should first be offset.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $70,566 and $41,595, respectively; while directors' remuneration was accrued at $6,415 and $5,294, respectively. The aforementioned amounts were recognized in salary expenses.

   In 2018, the pre-tax net profit for the year was deducted from the employee's compensation and the benefits before the director's remuneration were estimated at 11% and 1% respectively.

   Employees' compensation and directors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements, and the employees' compensation will be distributed in the form of cash.

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

(25) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31, 2018	2017
Current tax		
Current tax on profits for the year	$ 100,423	$ 70,792
Tax on undistributed earnings	37,693	4,236
Adjustments in respect of prior years	(1,577)	(1,508)
Total current tax	136,539	73,520
Deferred tax		
Origination and reversal of temporary differences	14,908	4,560
Impact of change in tax rate	6,154	-
Total deferred tax	21,062	4,560
Income tax expense	$ 157,601	$ 78,080

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

	Years ended December 31, 2018	2017
Remeasurements of defined benefit obligations	$ 1,490	$ 977
Currency translation differences of foreign operations	(1,587)	4,053
Total	($ 97)	$ 5,030

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 112,905	$ 170,734
Effect of items disallowed by tax regulation	2,426	(132,103)
Adjustments in respect of prior years	(1,577)	(1,508)
Effect from changes in tax regulation	6,154	-
Impact of minimum tax system	-	36,721
Tax on undistributed earnings	37,693	4,236
Income tax expense	$ 157,601	$ 78,080

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	$ 5,950	$ 957	$ -	$ 6,907
Unrealized gross margin	9,083	5,518	-	14,601
Unrealized exchange loss	1,358	(1,045)	-	313
Unused compensated absences payable	2,322	681	-	3,003
Unrealized warranty cost	132	97	-	229
Impairment loss on financial assets	153	(153)	-	-
Defined benefit obligation	6,360	499	1,490	8,349
Amortization of convertible bond issuance costs	563	(246)	-	317
Exchange differences on translation	2,645	-	(1,587)	1,058
Subtotal	$ 28,566	$ 6,308	($ 97)	$ 34,777
Deferred tax liabilities				
Net gain on investments accounted for using equity	($ 57,089)	($ 26,735)	$ -	($ 83,824)
Convertible debt Gains evaluation	(86)	(458)	-	(544)
Unamortized goodwill	(1,003)	(177)	-	(1,180)
Subtotal	($ 58,178)	($ 27,370)	$ -	($ 85,548)
Total	($ 29,612)	($ 21,062)	($ 97)	($ 50,771)

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	$ 4,369	$ 1,581	$ -	$ 5,950
Unrealized gross margin	7,332	1,751	-	9,083
Unrealized exchange loss	-	1,358	-	1,358
Unused compensated absences payable	2,178	144	-	2,322
Unrealized warranty cost	173	(41)	-	132
Impairment loss on financial assets	153	-	-	153
Defined benefit obligation	5,512	(129)	977	6,360
Amortization of convertible bond issuance costs	857	(294)	-	563
Exchange differences on translation	-	-	2,645	2,645
Convertible debt loss evaluation	93	(93)	-	-
Subtotal	$ 20,667	$ 4,277	$ 3,622	$ 28,566
Deferred tax liabilities				
Net gain on investments accounted for using equity	($ 48,015)	($ 9,074)	$ -	($ 57,089)
Unrealized exchange gains	(323)	323	-	-
Exchange differences on translation	(1,408)	-	1,408	-
Convertible debt gains evaluation	-	(86)	-	(86)
Unamortized goodwill	(1,003)	-	-	(1,003)
Subtotal	($ 50,749)	($ 8,837)	$ 1,408	($ 58,178)
Total	($ 30,082)	($ 4,560)	$ 5,030	($ 29,612)

D. The Company's income tax return through 2016 have been assessed and approved by the Tax Authority.

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

(26) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 406,924	79,471	$ 5.12
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,516	
Employee stock option	-	626	
Convertible bonds	6,355	8,068	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 413,279	89,681	$ 4.61

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 926,239	79,115	$ 11.71
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	912	
Employee stock option	-	642	
Convertible bonds	6,304	7,381	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 932,543	88,050	$ 10.59

(27) Operating lease

A. Rental income from the operating leases for land, housing and construction assets rented out by the Company and recognized accordingly in 2018 and 2017 was $5,184 and $1,548 respectively. Such operating leases will expire in the period 2019 to 2020 and will not be renewed. Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 5,078	$ 3,558
1 to 5 years	147	3,314
	$ 5,225	$ 6,872

B. Operating leases on houses and construction assets with lease periods between 2013 and 2023. Rental expenses recognized in 2018 and 2017 as $14,926 and $21,163 respectively Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 14,710	$ 6,695
1 to 5 years	43,003	-
	$ 57,713	$ 6,695

(28) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 31,542	$ 1,053,941
Add: Beginning balance of payable on equipment	13,319	2,188
Less: Ending balance of payable on equipment	(9,075)	(13,319)
Cash paid during the year	$ 35,786	$ 1,042,810

(29) Changes in liabilities from financing activities (December 31, 2017: None)

	Short-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ -	$ -
Changes in cash flow from financing activities	53,000	53,000
At December 31, 2018	$ 53,000	$ 53,000

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Name of related parties	Relationship with the Company
Advantech CO., LTD. (Advantech)	Individuals with joint control or entities with significant influence
AXBVI	Subsidiary
AXUS	〃
AXGM	〃
AXUK	〃
AXJP	〃
EWTW (Note 1)	〃
AXSZ	A subsidiary which is wholly owned by AXBVI
ETHERWAN SYSTEMS, INC.(EWUS)(Note 1)	A subsidiary which is wholly owned by EWTW
ADVANIXS CORPORATION CO., LTD.	Other related parties
RETRONIX TECHNOLOGY INC. (Note 2)	〃

Note 1: The Company disposed of the entire equity of EWTW on May 5, 2017, and relinquished control of EWTW and EWUS.

Note 2: No longer related to the Company as of May 29, 2018

(2) Significant related party transactions and balances

A. Sale

	Years ended December 31,	
	2018	2017
Sales of goods		
Individuals with joint control or significant influence on the company	$ 393	$ 462
Subsidiary		
AXUS	1,519,790	736,855
AXGM	556,403	413,223
Others	65,656	195,259
	2,142,242	1,345,799
Rent revenue		
Subsidiary		
EWTW	-	673
	-	673
Total	$ 2,142,242	$ 1,346,472

The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

B. Purchase

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of goods		
Individuals with joint control or entities with significant influence	$ 31,863	$ 34,687
Subsidiary	25,970	45,687
Other Related Party	33,548	27,927
Total	$ 91,381	$ 108,301

The purchase prices and the trading terms to related parties above were not significantly different from those of purchase to third parties.

C. Account receivable -related parties

	December 31, 2018	December 31, 2017
Receivables from related parties		
Individuals with joint control or entities with significant influence	$ 74	$ 6
Subsidiary		
AXUS	405,587	178,796
AXSZ	9,710	94,954
Others	21,409	15,170
Total	$ 436,780	$ 288,926

The receivables from related parties arise mainly from sales transactions. The receivables are due 45~90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Other receivables

	December 31, 2018	December 31, 2017
Other receivables from related parties:		
Subsidiary		
AXUS	$ -	$ 15,127
AXSZ	163	-
Total	$ 163	$ 15,127

(A) The above receivables from related parties that exceed normal granting periods were transferred to ‘Other receivables － related parties’. The receivables are unsecured in nature and bear no interest.

(B) As of 2018 and December 31, 2017, financial assets not overdue and not impaired were $163 and $96 respectively.

(C) Analysis of changes in financial assets overdue but not impaired:

	December 31, 2018	December 31, 2017
within 30 days	$ -	$ -
31 ~ 90 days	-	-
91 ~ 180 days	-	-
More than 181 days	-	15,031
Total	$ -	$ 15,031

E. Loans to related parties: (as other receivable -related party)

(A) Ending balance (including interest receivable):

	December 31, 2018	December 31, 2017
Subsidiary		
AXUS	$ 61,584	$ 29,760
AXSZ	23,739	15,065
	$ 85,323	$ 44,825

(B) Interest income

	Years ended December 31,	
	2018	2017
Subsidiary		
AXUS	$ 1,665	$ 909
AXSZ	289	433
	$ 1,954	$ 1,342

The loans to subsidiaries AXUS and AXSZ are repayable over 1 year and carry interest at 3% and 1.75% per annum for both years ended December 31, 2018 and 2017.

F. Account payable -related parties

	December 31, 2018	December 31, 2017
Payables to related parties		
Individuals with joint control or entities with significant influence	$ 3,279	$ 5,636
Subsidiary	6,931	76
Other related parties	10,471	6,831
Total	$ 20,681	$ 12,543

The payables from related parties arise mainly from purchase transactions. The payables are due 45~75 days after the date of sale. The payables are bear no interest.

G. Other operating costs

	Years ended December 31,	
	2018	2017
Other operating costs:		
Subsidiary	$ 578	$ 59
Other related parties		
RETRONIX TECHNOLOGY INC.	-	609
	$ 578	$ 668

The purchase prices and the trading terms to related parties above were not significantly different from those of purchase to third parties.

H. Endorsements and guarantees

As of 2018 and December 31, 2017 the Company acted as guarantor for subsidiary AXGM for a loan from NVIDIA. Amount USD250,000 As of 2018 and December 31, 2017 AXGM's accounts payable to NVIDIA were USD105,000 and USD19,000 respectively.

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Short-term employee benefits	$ 46,319	$ 42,659
Post-employment compensation	1,431	1,433
Share-based payment	5,007	1,603
Total	$ 52,757	$ 45,695

8. PLEDGED ASSETS

None

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

A. Please refer to Note 6 (27) for the business lease agreement.

B. Capital expenditures that are contracted for, but not provided for, are as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ -	$ 7,104

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The company intends to invest in AXIOMTEKITALIAS.R.L. (AXIT for short). AXIT is a distribution partner of the company. The company authorizes it to use the company's English name AXIOMTEK and trademarks to sell industrial computers and related electronic products locally. Since the owner of AXIT is advanced in age and in need of capital, the Company tends to purchase the full shareholding of AXIT from existing shareholders. The company has paid an investment price of 1.2 million euros on January 4, 2019. Completion is expected to be at the end of March.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018		December 31, 2017	
Financial assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$	-	$	35,006
Financial assets carried at cost		-		923
Financial assets at amortized cost		1,395,879		1,261,620
	$	1,395,879	$	1,297,549

	December 31, 2018		December 31, 2017	
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Financial liabilities held for trading	$	2,760	$	4,998
Financial Liabilities at amortized cost		1,266,187		974,801
	$	1,268,947	$	979,799

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortized cost includes short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received.

B. Risk management policy

(A) The Company’s activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Company focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.

(B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Company finance department identifies, evaluates and hedges financial risks in close cooperation with the Company’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require Company companies to manage their foreign exchange risk against their functional currency. All units within the company should hedge their overall exchange rate risk through the finance department. Exchange rate risk is measured by the expected transaction of highly probable USD and RMB spending, using forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on the expected purchase cost of inventory.

iii. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RUR, GBP, JPY and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$ 35,902	30.72	$ 1,102,909	1%	$ 8,823
EUR : NTD	1,819	35.20	64,029	1%	512
RMB : NTD	14,744	4.47	65,906	1%	527
JPY : NTD	1,822	0.28	510	1%	4
Non-monetary items					
USD : NTD	$ 14,156	30.72	$ 434,872	1%	$ 3,479
EUR : NTD	5,948	35.20	209,370	1%	1,675
JPY : NTD	25,099	0.28	7,028	1%	56
GBP : NTD	183	38.88	7,115	1%	57
Financial liabilities					
Monetary items					
USD : NTD	$ 11,420	30.72	$ 350,822	1%	$ 2,806
JPY : NTD	2,708	0.28	758	1%	6

	December 31, 2017				
				Sensitivity analysis	
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
Financial assets					
Monetary items					
USD : NTD	$ 31,817	29.76	$ 946,874	1%	$ 7,859
EUR : NTD	341	35.57	12,129	1%	101
RMB : NTD	35,806	4.57	163,633	1%	1,358
JPY : NTD	4,474	0.26	1,163	1%	10
GBP : NTD	27	40.11	1,083	1%	9
Non-monetary items					
USD : NTD	$ 12,749	29.76	$ 379,410	1%	$ 3,149
EUR : NTD	4,562	35.57	162,270	1%	1,347
JPY : NTD	28,489	0.26	7,407	1%	61
GBP : NTD	180	40.11	7,220	1%	60
Financial liabilities					
Monetary items					
USD : NTD	$ 7,141	29.76	$ 212,516	1%	$ 1,764

iv. The total exchange gain or loss, including realized and unrealized gains or losses arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to gain of $33,981 and loss of $33,273, respectively.

Price risk

i. The Company's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Company.

ii. The Company's investments in beneficiary certificates issued by the domestic companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $0 and $350, respectively, as a result of gains/losses on financial assets classified as at fair value through profit or loss.

(B) Credit risk

Effective from 2018

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, debt instruments classified as at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments are past due over 90 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

(ii) A bond investment traded at the counter buying center, which has any external rating agency rated as the investment grade on the balance sheet date, and the financial asset is considered to have a low credit risk.

iv. The Company adopts the assumptions under IFRS 9 and the default is deemed to have occurred when the contract payments are past due over 90 days.

v. The Company classifies customer's notes and accounts receivable in accordance with product types and customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

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

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Company has written-off financial assets amounted to $226 that are still under recourse procedures.

viii. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2018, the provision matrix is as follows:

December 31, 2018	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0.05%	0.05%	0.05%	0.05%
Total book value	$ 546,538	$ 3,978	$ 138	$ 561
Loss allowance	$ 53	$ 2	$ -	$ -

December 31, 2018	Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate	0.05%	100%	
Total book value	$ -	$ -	$ 551,215
Loss allowance	$ -	$ -	$ 55

ix. Ageing analysis of notes and accounts receivable as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$ 536,030	$ 10,508	$ 307,111	$ 2,229
within 30 days	3,978	-	20,490	-
31 ~ 90 days	138	-	51,353	-
91 ~ 180 days	561	-	9,366	-
More than 181 days	-	-	-	-
	$ 540,707	$ 10,508	$ 388,320	$ 2,229

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

x. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Years ended December 31, 2018	
	Accounts receivable	
January 1 IAS 39	$	827
Applied new criteria adjustments		-
January 1 IFRS 9		827
Impairment loss	(	772)
December 31	$	55

xi. The Company uses the forecastability of National Development Council Business Cycle Indicator to adjust historical and timely information to assess the default possibility of investment of debt instrument on December 31, 2018.

(C) Liquidity risk

The Company's non-derivative financial liabilities are due within the next year.

(3) Fair value information

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

Level 1: The input value for this level is the open quote (unadjusted) of the same asset or liability in the active market. An active market is a market that meets all of the following conditions: the goods traded in the market are homogeneous; the buyers and sellers with the willingness can be found in the market at any time and the price information can be obtained by the public. The fair value of the beneficiary certificate the company's investment belongs to.

Level 2: The input value of this level, except for the observable price included in the first level public offer, including the observable input value obtained from the active market either directly (such as price) or indirectly (such as derived from price).

Level 3: Inputs to this level are not based on observable market data.

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

The financial assets measured at fair value through profit or loss of the Company for the periods as of 31 December 2018 and 2017 are the first level of evaluation amounts of $0 and $35,006; the financial liabilities measured by fair value through profit and loss belong to the second level of financial instrument, amounts $2,760 and $4,998.

C. The methods and assumptions the Company used to measure fair value are as follows:

(A) The Company uses the net value of the beneficiary certificate as the fair value input value of the first-tier market quotation.

(B) The evaluation of derivative financial instruments is based on the option pricing model accepted by market users.

D. In 2018 and 2017, there was no evaluation of the transfer between levels.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on the initial recognition. Financial assets are classified as assets held for trading if acquired principally for the purpose of resale in the short-term. Derivatives are categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on the initial recognition:

(i) Hybrid (combined) contracts; or

(ii) Eliminating or significantly reducing the inconsistency on measurement or recognition; or

(iii) Investment is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

iii. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(B) Available for sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost-non-current'.

(C) Loans and receivable

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instruments without active market

The debt instrument investments held by the Company in an inactive market are time deposits that do not meet the approximate cash. Due to the short holding period, the impact of discounting is not significant, as measured by the amount of investment.

(D) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or loss events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss are as follows:

(i) Significant financial difficulty of the issuer or the debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) The possibility of the borrower entering bankruptcy or other financial reorganization increases significantly;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Company, including adverse changes in the payment status of borrowers in the Company or national or local economic conditions that correlate with defaults on the assets in the Company;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(viii) The fair value of an investment of equity instrument declines significantly or prolonged below its cost.

iii. When the Company assesses there is objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made according to the category of financial assets, as follows:

(i) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. The impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The carrying amount of financial assets transferred from December 31, 2017 under IAS 39 to January 1, 2018 under IFRS 9 is reconciled as follows:

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at cost	Total	Effects: Retained earnings	Effects: Other equity interest
IAS 39	$ -	$ 923	$ 923	$ -	$ -
Transferred into financial assets measured at fair value through other comprehensive income-equity	923	(923)	-	-	-
Impairment loss adjustment	-	-	-	900	(900)
IFRS 9	$ 923	$ -	$ 923	$ 900	($ 900)

Given the Company's "financial assets carried at cost" amounted to $923 under IAS 39 were not held for the purpose of trading, it was elected to classify as "Financial assets at fair value through other comprehensive income (equity instrument)"on initial application of IFRS 9. Accompanying retained earnings and other equity were increased by $900 and decreased by $900, respectively.

C. The significant accounts as of December 31, 2017 are as follows:

(A) Financial assets at fair value through profit or loss – current

Item	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificate	$ 35,000
Valuation adjustment	6
Total	$ 35,006

i. The Company recognised net gain of $466 on financial assets held for trading for the year ended December 31, 2017.

ii. The Company has no financial assets at fair value through profit or loss pledged to others.

(B) Financial assets measured at cost - non current

Item	December 31, 2017
Non current items:	
Unlisted stock	$ 1,823
Accumulated impairment - measured at cost	(900)
Total	$ 923

i. According to the Company's intention, its investment, the stocks of ALEXTEK CO., LTD. should be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in active market, and no sufficient industry information of companies similar to the corporations or the corporation's financial information cannot be obtained, the fair value of the investment in the stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets measured at cost-non current'.

ii. As of December 31, 2017, no financial assets measured at cost held by the

Company were pledged to others.

D. Credit risk information as of December 31 2017 is as follows:

(A) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The Company is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are set out in accordance with the internal credit policy. The internal risk Control department assesses the customer's credit quality by taking into account its financial position, past experience and other factors. The individual risk limits are set by the board of directors based on internal or external ratings. The use of credit lines is also regularly monitored. The main credit risk is from cash and cash equivalents, derivative financial instruments, deposits deposited with banks and financial institutions, credit risk from wholesale and retail customers, and receivables that have not yet been received.

(B) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(C) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

Item	December 31, 2017
Group 1	$ 215,229
Group 2	91,882
Group 3	-
Total	$ 307,111

Group 1: Affiliate
Group 2: General customer
Group 3: Others (project evaluation)

(D) Analysis of changes in accounts receivables overdue but not impaired:

Item	December 31, 2017
within 30 days	$ 20,490
31 ~ 90 days	51,353
91 ~ 180 days	9,366
More than 181 days	-
	$ 81,209

The above is an age analysis based on overdue days.

(E) Analysis of changes in impairment of accounts receivables:

i. As of December 31, 2017, the Company had no separate assessment of the impairment losses.

ii. Changes in loss allowance :

	Years ended December 31, 2017		
	Individual provision	Group provision	Total
January 1	$ -	$ 822	$ 822
Impairment loss	-	5	5

December 31	$ -	$ 827	$ 827

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 is set out below.
The Company develops, manufactures and sells industrial computer-related products. Revenue is the fair value of the sale of goods received or receivable from customers outside the Company in normal business activities, presented net of business tax, sales return and discount. Measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met, which depend on the nature of the revenue. The product is delivered to the buyer, the value of sales reliably measured, and the future economic benefits recognized as revenue when they flow into the Company. When the significant risks and rewards associated with ownership have been transferred to the customer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the product sold; the customer accepts the product under the sales contract, or if there is objective evidence that all accepted terms have been met, the product is considered sold.

B. The revenues recognized by using above accounting policies for the year ended December 31, 2017 is as follows:

	Years ended December 31, 2017
Intelligent Platforms & Solutions Products Division	$ 1,097,968
Design-in Services	1,182,212
Others	225,539
Total sales revenue	2,505,719
Sales return	(4,919)
Sales discount	(5,519)
Net sales revenue	2,495,281
Other Operating revenue	35,085
Total	$ 2,530,366

C. For the year ended December 31, 2018, the effects and description of current balance sheet items if the Company continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Note	IFRS 15 Balance recognized	Balance recognized with the original accounting policy	Impact of changes in accounting policy
Contract liability-current		21,397	-	21,397
Other current liabilities-advance sales receipts		-	21,397	(21,397)

Note

The Company re-classified the advance sales receipts of $34,523 into contract liabilities in accordance with the IFRS 15.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.
B. Provision of endorsements and guarantees to others: Please refer to table 2.
C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None
D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.
E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.
G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.
H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.
I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(12), 6(13).
J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.
B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: For the major transactions between the Company and the Mainland China invested companies in 2018, please refer to table 6.

AXIOMTEK CO., LTD.
Loans to others
For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD dollars
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	AXIOMTEK CO., LTD.	AXUS	Other receivables-related parties	Y	$ 61,910	$ 61,430	$ 61,430	3%	1	$1,519,790	-	-	-	-	$ 236,299	$945,196	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	38,012	38,012	23,702	1.75%	1	65,656	-	-	-	-	236,299	945,196	

Note 1: The numbers filled in for the loans 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: Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the nine-month period ended December 31, 2018

Note 4: The credit and nature of the funds are described below:
(1). Those with business dealings fill in 1.
(2). Those pertaining to short-term financing shall fill in 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the company's funds and endorsement of the guarantee operating procedures, the company and its subsidiaries as a whole the total amount of loans to no more than the company's most recent consolidated financial statements attributed to the parent company owners of the interest of 40%.
And the company and its subsidiaries as a whole, the amount of credit to a single enterprise to no more than the company's most recent consolidated financial statements attributed to the owners of the parent company 10% limit.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

AXIOMTEK CO., LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company Name	Relationship (Note 2)											
0	AXIOMTEK CO., LTD.	AXGM	2	$236,299	USD 250,000	USD 250,000	USD 105,000	-	0.32%	1,181,495	Y	-	-	

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 into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: According to the company's fund loan and endorsement guarantee procedures, the company's endorsement guarantee for a single enterprise is limited to 10% of the equity of the company's owners in the most recent consolidated financial statements.

Note 4: According to the company's fund loan and endorsement guarantee procedures, the total amount of endorsement guarantees of the Company and its subsidiaries as a whole is not more than 50% of the equity of the owners of the parent company in the most recent consolidated financial statements.

And the amount of the endorsement of the single company by the Company and its subsidiaries is limited to 10% of the equity of the owner of the parent company in the most recent consolidated financial statements.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

AXIOMTEK CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
					Unit	Amount	Unit	Amount	Unit	Selling price	Book value	Gain (loss) on disposal	Unit	Amount
AXIOMTEK CO., LTD.	Hua Nan Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	433,166	7,000	14,964,140	242,000	15,397,306	249,129	249,000	129	-	-
AXIOMTEK CO., LTD.	China Trust Huaying Money Market Fund	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	21,399,315	235,000	21,399,315	235,078	235,000	78	-	-
AXIOMTEK CO., LTD.	Taishin DaZhong Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	19,560,541	277,000	19,560,541	277,080	277,000	80	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach $300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.
Note 5: The amount of the change table does not include the evaluation profit and loss.

AXIOMTEK CO., LTD.

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

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries are stated as follows:	Sale	$1,519,790	30.33%	Monthly 45 ~ 90 days	-	-	$405,587	64.21%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	556,403	11.10%	Monthly 45 days	-	-	21,409	3.39%	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

AXIOMTEK CO., LTD.

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries	$ 405,587	5.20	-	-	$78,643	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than $10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

AXIOMTEK CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	AXIOMTEK CO., LTD.	AXGM	1	Sales revenue	$ 556,403	same as that applicable to the general customer Receivables collection as per for the average customer, 45 days	11.10%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,519,790	same as that applicable to the general customer Receivables collection as per for the average customer, 45 - 90 days	30.33%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	65,656	same as that applicable to the general customer Receivables collection for the general customer 45 - 75 days; 75 - 120 days with slight delay	1.31%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	405,587		9.80%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	9,710		0.23%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	21,409		0.52%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	23,702		0.57%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	61,430		1.48%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No other transactions of the same type are available for comparison, and the terms of the transaction are handled in accordance with the terms of the agreement between the parties.

Note 5: The disclosure standard is those with a transaction amount of $10 million or more.

AXIOMTEK CO., LTD.

Information on investees

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2(3))	Remark
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership	Book value			
AXIOMTEK CO., LTD.	AXUS	U.S.A.	Industrial computer and Embedded Board manufacturing , trading, post-sales service	$ 208,240	$ 208,240	23,418	100.00	$436,213	$ 42,408	$ 42,410	
〃	AXGM	Germany	Industrial computer and Embedded Board manufacturing , trading, post-sales service	19,941	19,941	(Note 3)	100.00	190,324	49,340	49,340	
〃	AXBVI	British Virgin Islands	Holding company	122,899	88,843	3,906	100.00	52,663	(7,586)	(7,627)	
〃	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,615	8,615	180,000	100.00	7,118	107	107	
〃	AXJP	Japan	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,235	8,235	600	100.00	6,983	(927)	(927)	
〃	UNI	Taiwan	Automation equipment system set-up and development	29,000	-	1,450,000	26.70	29,033	(5,227)	33	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2018' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Department Ltd.

AXIOMTEK CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD and foreign currencies

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 （Note 2）	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing , trading, post-sales service	NT$ 95,954 (USD 3,124)	Note1(2)	NT$ 62,167 (USD 2,024)	NT$ 33,787 (USD1,100)	$-	NT$ 95,954 (USD 3,124)	($ 7,510)	100.00	($ 7,510)	$55,143	$ -	

Note 1: Investment methods are classified into the following three categories:

(1) Investment in Mainland China companies by remittance through a third region.

(2) Investment in Mainland China companies through a company invested and established in a third region.

(3) Investment in Mainland China companies through an existing company established in a third region.

Note 2: The investment income is calculated based on the financial statements of the company that have not been audited by the accountant during the same period.

Note 3: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 4: The amount listed in this table is converted into NTD according to the exchange rate of US$1=30.715 on December 31, 2018.

Note 5: In the preparation of the consolidated financial report, the relevant transactions have been fully written off.

Expressed in thousands of NTD and foreign currencies

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Axiomtek Shenzhen	$ 95,954 USD 3,124	USD 4,223	$1,417,793

AXIOMTEK CO., LTD.

Chairman Yang Yu-Te