AXIOMTEK CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

(Stock Code : 3088)

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<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

AXIOMTEK CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Yang Yu-Te,

Chairman of AXIOMTEK CO., LTD.

February 26, 2020

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended In order to comply 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 order to comply 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 order to comply 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 order to comply 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, 2019 are stated as follows:

Cut-off of Operating Revenue

<u>Description</u>

Please refer to Note 4(34) for accounting policy on revenue recognition and Note 6(23) for details of operating revenue.

The Group's operating revenue mainly comes from the manufacture and sale of finished products, and is mainly for export. The operating revenue for export is based on the transaction conditions with customers as the basis for revenue recognition. Different customers have different transaction conditions and revenue recognition procedures. Involving manual judgment by management, for sales transactions before and after the balance sheet date, it is necessary to confirm whether the significant risks and rewards related to the ownership of the goods have been transferred to the customer. Therefore, there is a risk of improper timing of revenue recognition. We considered the cut off of operating revenue as a key audit matter.

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

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

1. Understood and assessed the effectiveness of internal controls over cutoff of the Group's operating revenue, and tested the effectiveness of internal controls over shipping and billing.
2. Checked the completeness and performed cutoff tests on a random basis on the export sales details in a certain period around balance sheet date, which includes checking the terms and conditions of transaction, verifying against supporting documents, and checking whether inventory changes records and sales cost had been recognized in the proper period.

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, 2019, the Group's inventories and allowance for inventory valuation losses amounted to TWD 994,692 thousand and TWD 48,031 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 – Audits of Other Independent Accountants

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$258,775 thousand, constituting 6.29% of consolidated total assets as of December 31, 2019, respectively, and operating revenue of NT$591,102 thousand, constituting 12.47% of consolidated total operating revenue for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary, is based solely on the audit reports of the other independent accountants.

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, 2019 and 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements In order to comply 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 order to comply 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 order to comply 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, 2020

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$882,732	22	$1,019,000	25
1150	Notes receivable	6(3) and 12(2)	16,679	-	21,096	-
1170	Accounts receivable	6(3) and 12(2)	662,185	16	610,535	15
1180	Accounts receivable – related parties	6(3) and 12(2)	52	-	74	-
1200	Other receivables		15,127	-	20,886	-
1220	Current income tax assets		827	-	5,837	-
130X	Inventories	6(4)	946,661	23	901,562	22
1410	Prepayments		24,839	1	29,978	1
1470	Other current assets	6(5)	2,816	-	2,200	-
11XX	**Total current assets**		2,551,918	62	2,611,168	63
	Non-current assets					
1550	Investments accounted for under equity method	6(5)	27,570	1	29,033	1
1600	Property, plant and equipment	6(6) and 8	1,178,845	29	1,202,215	29
1755	Right-of-use assets	6(7)	78,424	2	-	-
1760	Investment property	6(9)	86,241	2	139,820	3
1780	Intangible assets	6(10)	125,710	3	102,965	3
1840	Deferred income tax assets	6(29)	59,597	1	46,713	1
1990	Other non-current assets		8,747	-	7,534	-
15XX	**Total non-current assets**		1,565,134	38	1,528,280	37
1XXX	**Total Assets**		$4,117,052	100	$4,139,448	100

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AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

			December 31, 2019		December 31, 2018	
	Assets	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$102,000	2	$53,000	1
2120	Financial liabilities at fair value through profit or loss - current	6(14) and 12(3)	-	-	2,760	-
2130	Contract liabilities - current	6(23)	23,601	1	34,523	1
2150	Notes payables		675	-	675	-
2170	Accounts payable		397,432	10	617,457	15
2180	Accounts payable – related parties	7	5,075	-	13,750	1
2200	Other payables	6(13)	313,651	8	329,034	8
2230	Current income tax liabilities		54,355	1	134,253	3
2250	Provisions for liabilities - current		896	-	1,144	-
2280	Current lease liabilities		37,237	1	-	-
2320	Current portion of long-term borrowings	6(15) (16)	2,998	-	400,829	10
2399	Other current liabilities		12,010	-	8,628	-
21XX	**Total current liabilities**		949,930	23	1,596,053	39
	Non-current liabilities					
2530	Corporate bonds payable	6(15)	319,618	8	-	-
2540	Long-term borrowings	6(16) and 8	43,721	1	47,864	1
2570	Deferred income tax liabilities	6(29)	109,166	3	89,895	2
2580	Non-current lease liabilities		42,001	1	-	-
2600	Other non-current liabilities	6(17)	55,217	1	42,647	1
25XX	**Total non-current liabilities**		569,723	14	180,406	4
2XXX	**Total liabilities**		1,519,653	37	1,776,459	43
	Equity attributable to shareholders of the parent					
	Share capital					
3110	Ordinary shares	6(19)	803,954	20	796,206	19
3140	Advance receipts for share capital	6(19)	60,957	1	1,039	-
	Capital surplus	6(20)				
3200	Capital surplus		245,919	6	214,960	6
	Retained earnings	6(21)				
3310	Legal reserve		500,481	12	459,789	11
3320	Special reserve		4,231	-	12,914	
3350	Unappropriated retained earnings		1,008,490	25	882,311	21
	Other equity	6(22)				
3400	Other equity		(26,633)	1	(4,230)	-
31XX	**Total equity attributable to shareholders of the parent**		2,597,399	63	2,362,989	57
3XXX	**Total equity**		2,597,399	63	2,362,989	57
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total Liabilities and Equity**		$4,117,052	100	$4,139,448	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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2019		2018	
	Items	Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(23)	$4,738,911	100	$5,010,644	100
5000	**Operating costs**	6(4)(27)(28) and 7	(3,045,427)	(64)	(3,344,494)	(67)
5900	**Gross profit**		1,693,484	36	1,666,150	33
5910	Unrealized loss from sales	6(5)	(36)	-	-	-
5950	**Net operating margin**		1,693,448	36	1,666,150	33
	Operating expenses	6(27) (28)				
6100	Selling expenses		(623,480)	(13)	(579,200)	(12)
6200	General and administrative expenses		(115,174)	(2)	(110,253)	(2)
6300	Research and development expenses		(453,968)	(10)	(418,399)	(8)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(1,991)	-	(1,278)	-
6000	**Total operating expenses**		(1,194,613)	(25)	(1,109,130)	(22)
6900	**Operating profit**		498,835	11	557,020	11
	Non-operating income and expenses					
7010	Other income	6(24)	25,999	-	25,890	-
7020	Other gains and losses	6(25)	84,273	2	32,695	1
7050	Finance costs	6(26)	(11,263)	-	(10,097)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(5)	(1,427)	-	33	-
	Total non-operating income and expenses		97,582	2	48,521	1
7000	**Profit before income tax**	6(29)	596,417	13	605,541	12
7900	Income tax expenses		(135,962)	(3)	(198,617)	(4)
7950	**Net Income**		$460,455	10	$406,924	8
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(17)	(4,354)	-	$(5,142)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value	6(2)	-	-	707	-
8349	Income tax relating to components of other comprehensive income	6(29)	871	-	1,490	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(28,003)	(1)	10,271	-
8399	Income tax relating to the components of other comprehensive income	6(29)	5,600	-	(1,587)	-
8300	**Other comprehensive income (loss) for the year**		$25,886	1	$5,739	-
8500	**Total Comprehensive Income**		$434,569	9	$412,663	8
	Profit attributable to:					
8610	Shareholders of the parent		$460,455	10	$406,924	8
	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$434,569	9	$412,663	8
9750	**Basic earnings per share**	6(30)	$ 5.76		$ 5.12	
9850	**Diluted earnings per share**	6(30)	$ 5.18		$ 4.61	

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, 2019 AND 2018
(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
Year 2018										
Balance at January 1, 2018		$793,130	$1,379	$198,563	$367,165	$ -	$1,022,874	$(12,914)	$ -	$2,370,197
Effect of retrospective application and restatement	6(2)	-	-	-	-	-	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
Profit for the year		-	-	-	-	-	406,924	-	-	406,924
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,652)	8,684	707	5,739
Total comprehensive income		-	-	-	-	-	403,272	8,684	707	412,663
Appropriations of 2017 earnings	6(21)									
Legal reserve		-	-	-	92,624	-	(92,624)	-	-	-
Special reserve		-	-	-	-	12,914	(12,914)	-	-	-
Cash dividends		-	-	-	-	-	(439,004)	-	-	(439,004)
Share-based payments		2,730	(340)	3,523	-	-	-	-	-	5,913
Compensation cost of share-based payments	6(18)	-	-	11,513	-	-	-	-	-	11,513
Conversion of convertible bonds		346	-	1,361	-	-	-	-	-	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
Year 2019										
Balance at January 1, 2019		$796,206	$1,039	$214,960	$459,789	$12,914	$882,311	$(4,230)	$ -	$2,362,989
Profit for the year		-	-	-	-	-	460,455	-	-	460,455
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	-	(3,483)	(22,403)	-	(25,886)
Total comprehensive income		-	-	-	-	-	456,972	(22,403)	-	434,569
Appropriations of 2018 earnings										
Legal reserve	6(21)	-	-	-	40,692	-	(40,692)	-	-	-
Special reserve		-	-	-	-	(8,683)	8,683	-	-	-
Cash dividends	6(21)	-	-	-	-	-	(298,784)	-	-	(298,784)
Share-based payments		1,760	(128)	1,990	-	-	-	-	-	3,622
Compensation cost of share-based payments	6(18)	-	-	10,345	-	-	-	-	-	10,345
Conversion of convertible bonds		5,988	60,046	18,624	-	-	-	-	-	84,658
Balance at December 31, 2019		$803,954	$60,957	$245,919	$500,481	$4,231	$1,008,490	($26,633)	$ -	$2,597,399

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$596,417	$605,541
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	1,991	1,278
Depreciation	6(6)(7)(27)	93,764	55,053
Depreciation from investment Property	6(9) (25)	2,528	1,544
Amortization	6(10) (27)	13,919	12,632
Interest income	6(24)	(10,657)	(9,333)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	1,427	(33)
Loss (gain) on disposal of property, plant and equipment	6(25)	(34	99
Gain on disposal of investments	6(25)	(305)	(423)
Gain on disposal of subsidiaries	6(25)	(100,677)	-
Gain on lease modification		(35)	
Net gain on financial liability at fair value through profit	6(14) (25)	(2,763)	(2,227)
Interest expense	6(26)	11,263	10,097
Compensation cost of share-based payments	6(18) (28)	10,345	11,513
Unrealized profit from sales		36	-
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		305	35,423
Notes receivable		4,417	(17,082)
Accounts receivable (including related parties)		(31,684)	(155,611)
Other receivables		5,980	(136)
Inventories		(37,283)	(171,317)
Prepayments		5,630	(9,196)
Other financial assets		-	148,800
Other current assets		(616	(972)
Changes in liabilities relating to operating activities			
Contract liabilities		(10,921)	3,129
Notes payables		-	(798)
Accounts payable (including related parties)		(234,628)	142,011
Other payables		(15,890	81,579
Other current liabilities		2,995	5,793
Other non-current assets		(691)	(810)
Cash inflow generated from operations		304,833	746,554
Receipt of interest		10,436	9,642
Payment of interest		(4,744	(3,379)
Payment of income tax		(203,415)	(104,554)
Net cash flows provided by operating activities		107,110	648,263

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AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from acquisition of subsidiaries	6(31)	$(37,485)	$-
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(33)	(40,767)	(41,208)
Proceeds from disposal of property, plant and equipment		48	34
Proceeds from disposal of Investment property		151,728	
Acquisition of intangible assets	6(10)	(3,757)	(9,663)
Increase in other non-current assets		(1,213)	(854)
Net cash flows provided by (used in) investing activities		68,554	(79,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of short -term borrowings		(504,000)	(583,000)
Proceeds from short -term borrowings		553,000	636,000
Redemption of long-term borrowings		(3,086)	(20,542)
Payment of cash dividends	6(21)	(298,784)	(439,004)
Proceeds from exercise of employee stock options		3,622	5,913
Increase (decrease) in refundable deposits		(299)	(27)
Payment of lease liabilities		(36,221)	-
Net cash flows provided by (used in) financing activities		(285,768)	(400,660)
Effects due to changes in exchange rate		(26,164)	7,219
Increase (Decrease) in cash and cash equivalents		(136,268)	175,761
Cash and cash equivalents at beginning of year		1,019,000	843,239
Cash and cash equivalents at end of year		$882,732	$1, 019,000

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, 2019 AND 2018
(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, manufacturing 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 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to 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 operating leases or finance leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information referred herein as the modified retrospective approach, when applying IFRSs effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ and lease liability by $95,887 on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(A) Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(B) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(C) The accounting for operating leases whose period will end before December 31, 2019 as short-term lease and accordingly, rent expense of $6,504 was recognized for the years ended December 31, 2019.

(D) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(E) The use of hindsight in determining the lease term which the Group assessing to exercise an extension option or not to exercise a termination option.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.00% to 4.35%.

E. The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$109,221
Less: Applying short-term leases exemption	(9,471)
Less: Lease payable recognized under finance lease by applying IAS 17 as at December 31, 2018	(990)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	98,760
Incremental borrowing interest rate at the date of initial application	1.00%~4.35%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	$95,887

(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 IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate	January 1, 2020

benchmark'

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IFRS 1, 'Definition of a business'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) 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.

(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 noncontrolling 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, 2019	December 31, 2018
The Company	AXIOM TECHNOLOGY,INC.U.S.A.(AXUS)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%
〃	AXIOMTEK TEKDEUTSCHLAND GMBH(AXGM)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%
	AXIOMTEK ITALIA S.R.L.(AXIT)	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%(Note 1)	- (Note 1)
〃	AXIOM TECHNOLOGY(BVI) CO.,LTD. (AXBVI)	Holding company	100%	100%
〃	AXIOMTEK UK LIMITED(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%	100%
AXBVI	Axiomtek (Shenzhen) Co. Ltd.	Industrial computer and Embedded Board manufacturing , trading, post-sales service	100%	100%

Note 1:The Group purchased 100% equity of AXIT with cash of $ 56,068 in the 2019, and obtained control of AXIT. The acquisition date was January 4, 2019.

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

(4) Foreign currency translation

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

(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

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. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 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) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

Effective 2019

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability; and

(B) Any initial direct costs incurred by the lessee.

(17) Leased assets/ operating leases (lessee)

Effective 2018

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.

(18) 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.

(19) 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 6~15 years.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) <u>Derecognition of financial liabilities</u>

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(27) <u>Offsetting financial assets and financial liabilities</u>

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

(28) <u>Provisions for liabilities</u>

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.

(29) <u>Employee benefits</u>

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.

(30) 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.

(31) 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.

(32) 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.

(33) 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.

(34) 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.

(35) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill, if the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as profit.

(36) 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, 2019, the carrying amount of inventories was $946,661.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$680	$759
Checking accounts and demand deposits	458,333	786,395
Time deposits	393,739	231,846
Cash equivalents - Bonds with repurchase agreement	29,980	-
	$882,732	$1,019,000

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.

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

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.

(3) Notes and accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Notes receivable	$16,679	$21,096
Less: Loss allowance	-	-
	$16,679	$21,096
Accounts receivable (including related parties)	$669,339	$615,493
Less: Loss allowance	(7,102)	(4,884)
	$662,237	$610,609

A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).

B. As of December 31, 2019 and 2018, notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $464,077.

C. The Group does not hold financial assets as security for accounts receivable.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	$208,952	($20,180)	$188,772
Work in progress	119,623	(1,728)	117,895
Semi-finished goods	27,946	(3,949)	23,997
Finished goods	121,558	(13,233)	108,325
Merchandise inventory	416,076	(8,941)	407,135
Inventories in transit	100,537	-	100,537
Total	$994,692	($48,031)	$946,661

	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

Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31,	
	2019	2018
Cost of revenue	$3,023,031	$3,324,330
Loss on market value decline and obsolete and slow-moving inventories	22,432	20,164
Total	$3,045,463	$3,344,494

The Group has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Uni-Innovate Technology Co., Ltd. (UNI)	$27,570	$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,	
	2019	2018
UNI	($1,427)	$33

C. For the years ended December 31, 2019 and 2018, the Group had unrealized profit from sales from downstream transactions with affiliates at $36 and $0, respectively.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2019						
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
2019						
Opening net book amount	$610,677	$431,224	$43,865	$14,710	$101,739	$1,202,215
Additions	-	-	4,682	2,434	29,025	36,141
Additions-consolidation	-	-	-	-	198	198
Disposals (Cost)	-	-	(1,883)	(922)	(4,516)	(7,321)
Disposals (Accumulated depreciation)	-	-	1,883	922	4,502	7,307
Reclassifications (Cost)	-	-	-	2,810	(2,810)	-
Depreciation	-	(9,155)	(15,000)	(5,121)	(27,407)	(56,683)
Net exchange differences	(1,796)	(603)	(47)	(1)	(565)	(3,012)
Closing net book amount	$608,881	$421,466	$33,500	$14,832	$100,166	$1,178,845
At December 31, 2019						
Cost	$608,881	$448,784	$151,090	$59,425	$240,202	$1,508,382
Accumulated depreciation	-	(27,318)	(117,590)	(44,593)	(140,036)	(329,537)
	$608,881	$421,466	$33,500	$14,832	$100,166	$1,178,845

	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

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） Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, buildings, machinery and equipment, office equipment, and other equipment. Rental contracts are typically made for periods of 1 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2019	Years ended December 31, 2019
Buildings	$75,850	$35,860
Vehicles	2,574	1,221
	$78,424	$37,081

C. For the years ended December 31, 2019, the additions to right-of-use assets was $20,603.

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

Items affecting profit or loss	Years ended December 31, 2019
Interest expense on lease liabilities	$1,890
Interest expense on lease liabilities	6,504

E. For the 2019, the Group's total cash outflow for leases was $44,615.

(8) Leasing arrangements-lessor

Effective 2019

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2019 and 2018, the Group recognized rent income in the amounts of $3,553 and $5,184, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2019
2020	$3,616
2021	3,616
2022	1,919
	$9,151

(9) Investment property

	Land	Buildings	Total
At January 1, 2019			
Cost	$112,222	$55,007	$167,229
Accumulated depreciation	-	(27,409)	(27,409)
	$112,222	$27,598	$139,820
2019			
Opening net book amount	$112,222	$27,598	$139,820
Disposals (Cost)	(43,949)	(14,749)	(58,698)
Disposals (Accumulated depreciation)	-	7,647	7,647
Depreciation	-	(2,528)	(2,528)
Closing net book amount	$68,273	$17,968	$86,241
At December 31, 2019			
Cost	$68,273	$40,258	$108,531
Accumulated depreciation	-	(22,290)	(22,290)
	$68,273	$17,968	$86,241

	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

A. Rental income and direct operating expenses of investment property:

	Years ended December 31,	
	2019	2018
Rental income from investment property	$3,553	$5,184
Direct operating expenses arising from investment property that generated rental income	$1,975	$1,083
Direct operating expenses arising from investment property that did not generate rental income	$1,169	$1,651

B. The fair value of the investment property held by the Group was $185,890 and $368,683 as of December 31, 2019 and 2018, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2019					
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
2019					
Opening net book amount	$-	$16,997	$58,324	$27,644	$102,965
Additions	-	3,757	-	-	3,757
Additions-consolidation	-	46	19,596	13,847	33,489
Amortization	-	(8,519)	-	(5,400)	(13,919)
Net exchange differences	-	(8)	-	(574)	(582)
Closing net book amount	$-	$12,273	$77,920	$35,517	$125,710
At December 31, 2019					
Cost	$291	$68,006	$77,920	$58,817	$205,034
Accumulated Amortization	(291)	(55,733)	-	(23,300)	(79,324)
	$-	$12,273	$77,920	$35,517	$125,710

	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

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, 2019	December 31, 2018
America	$52,425	$52,425
Europe	19,596	
Taiwan	5,899	5,899
	$77,920	$58,324

C. The details of the amortization charges of intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	$3	$129
Selling expenses	3,403	3,852
General and administrative expenses	8,166	4,022
Research and development expenses	2,347	4,629
	$13,919	$12,632

D. Information about the impairment of intangible assets is provided in Note 6(11).

(11) 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, 2019	December 31, 2018
Gross margin	18.33%	16%
Growth rate	10%	10%
Discount rate	7.26%	6.10%

	Europe
	December 31, 2019
Gross margin	28.9%
Growth rate	25.83%
Discount rate	7.26%

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.

(12) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$102,000	0.97%～0.98%	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 $511 and $526 for the years ended December 31, 2019 and 2018, respectively.

(13) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonus payable	$182,241	$167,920
Accrued employees’ compensation and directors’ remuneration	62,292	77,765
Payable to equipment suppliers	4,449	9,075
Others	64,669	74,274
	$313,651	$329,034

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

Item	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$-	$5,478
Evaluation adjustment	-	(2,718)
Total	$-	$2,760
Non-Current items:		
Financial liabilities held for trading		
Non-hedging derivatives (conversion of corporate debt options)	$4,328	-
Evaluation adjustment	(4,328)	-
Total	$-	-

The Group recognized net loss of $2,763 and $2,233 for the years ended December 31, 2019 and 2018, respectively.

(15) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	$330,400	$418,200
Less: Discount on bonds payable	(10,782)	(20,443)
Less: Long-term liabilities, current portion	-	(397,757)
	$319,618	$-

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, 2019, the company's debt denomination of $89,600 has been converted to 1,841,000 shares of common stock, completed on January 2, 2020.

(C) Since August 8, 2018 and July 8, 2019, 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 $52.0 and $52.0 to $48.6.

(D) As of December 31, 2019, 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. The effective interest rate for the separation of COR contractual obligations is 0.141%.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
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	3.944%	Land, House and building	$46,719
Less: Long-term liabilities, current portion				(2,998)
				$43,721

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

(17) 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, 2019	December 31, 2018
Present value of defined benefit obligations	($97,051)	($89,973)
Fair value of plan assets	51,942	48,228
Net defined benefit liability	($45,109)	($41,745)

(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, 2019			
Balance at January 1	($89,973)	$48,228	($41,745)
Interest (expense) income	(1,089)	584	(505)
	(91,062)	48,812	(42,250)
Remeasurements:			
Change in financial assumptions	(6,473)	-	(6,473)
Experience adjustments	484	1,635	2,119
	(5,989)	1,635	(4,354)
Pension fund contribution	-	1,495	1,495
Balance at December 31	($97,051)	$51,942	($45,109)

	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)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's 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, 2019 and 2018 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,	
	2019	2018
Discount rate	0.78%	1.21%
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, 2019 Effect on present value of defined benefit obligation	($6,677)	$7,275	$7,076	($6,570)
December 31, 2018 Effect on present value of defined benefit obligation	($6,538)	$7,150	$6,985	($6,460)

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 2019 and 2018 are the same.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to $1,510.

(G) As of December 31, 2019, the weighted average duration of the defined benefit retirement plan is 14 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$47,358
1 - 2 Years	7,895
3 - 4 Years	11,816
More than 5 years	13,447
	$80,516

B. (A)Effective July 1, 2005, the Company 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, 2019 and 2018 were $26,046 and $23,505, respectively.

(18) Share-based payment

A. For the years ended December 31, 2019 and 2018, 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,			
	2019		2018	
	No. of options(in thousands)	Weighted average exercise price (in dollars)	No. of options(in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2015 Issuing)	688	$22.10	951	$24.20
Stock options waived in the current period	-	-	-	-
Options exercised	(173)	20.93	(263)	22.48
Options outstanding at end of the year	515	20.70	688	22.10
Options exercisable at end of the year	430	20.70	172	22.10

	Years ended December 31,			
	2019		2018	
	No. of options(in thousands)	Weighted average exercise price (in dollars)	No. of options(in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2018 Issuing)	1,600	$52.70	-	$-
Stock options waived in the current period	-	-	1,600	57.70
Options exercised	(80)	49.30	-	-
Options outstanding at end of the year	-	-	-	-
Options exercisable at end of the year	1,520	49.30	1,600	52.70

C. Average price of Stock options exercised in 2019 and 2018 were $56.02 and $56.96 respectively

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2019		December 31, 2018	
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	515	20.70	688	22.10
April 12, 2018	April 11, 2023	1,520	49.30	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 $10,345 and $11,513 for the years ended December 31, 2019 and 2018, respectively.

	Years ended December 31,	
	2019	2018
Equity Settled	$10,345	$11,513

G. As of ex-dividend date July 23, 2019 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 $22.1 and $52.7 to $20.7 and $49.3.

H. 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.

(19) Share capital

A. As of December 31, 2019, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was $803,954 with a par value of $10 (in dollars) per share, consisting of 80,395 thousand ordinary shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31,	
	2019(in thousands)	2018(in thousands)
At January 1	79,667	11,513
Exercise of employee stock options	173	263
Conversion of convertible bonds	1,807	34
At December 31	81,647	79,667

	December 31, 2019		December 31, 2018	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options(Advance receipts for share capital)	44	$911	47	$ 1,039
Conversion of convertible bonds(Advance receipts for share capital)	1,208	60,046	-	-

Information about the Conversion of convertible bonds and Exercise of employee stock options is provided in Note 6(15). And 6(18)

(20) 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, 2019						
	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	$126,146	$1,465	$1,026	$176	$2	$61,889	$24,256
Exercise of employee stock options	1,990	-	-	-	-	-	-
Compensation cost of employee stock options	-	-	-	-	-	10,345	-
Conversion of convertible bonds	-	23,717	-	-	-	-	(5,093)
At December 31	$128,136	$25,182	$1,026	$176	$2	$72,234	$19,163

	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

(21) Retained earnings

A. When allocating the net income 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, and to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The Company distributing surplus earning in the form of new shares to be issued by the company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Law of the Republic of China with a resolution adopted at a meeting of shareholders.

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 2018 and 2017 earnings appropriation resolved by the shareholders on May 29, 2019 and May 29, 2018, respectively are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$40,692		$92,624	
Special reserve	-		12,914	
Cash dividends	298,784	$3.75	439,004	$5.53
Total	$339,476		$544,542	

Details of 2019 earnings appropriation proposed by the Board of Directors on February 26, 2020 are as follows:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$45,697	
Special reserve	22,403	
Cash dividends	326,925	$4
Total	$395,025	

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(22) Other equity interest

	Year ended December 31,	
	2019	2018
Financial statements translation differences of foreign operations		
At January 1	($4,230)	($12,914)
Increase (decrease) in current period	(22,403)	8,684
At December 31	($26,633)	($4,230)

(23) Operating revenue

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:

	Years ended December 31, 2019					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
Design-in Services	$2,037,271	$1,762,742	$426,650	$58,180	($1,506,252)	$2,778,591
Intelligent Platforms & Solutions Products Division	1,135,979	524,407	158,510	151,962	(414,448)	1,556,410
Others	201,192	140,783	69,631	97,573	(123,587)	385,592
Net sales revenue	3,374,442	2,427,932	654,791	307,715	(2,044,287)	4,720,593
Originating from the transfer of labor services over time:						
Other Operating revenue	32,701	2,781	5,438	208	(22,810)	18,318
Total	$3,407,143	$2,430,713	$660,229	$307,923	($2,067,097)	$4,738,911

	Years ended December 31, 2018					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
Design-in Services	$2,020,324	$1,863,917	$333,156	$8,165	($1,680,300)	$2,545,262
Intelligent Platforms & Solutions Products Division	1,373,743	529,221	460,488	142,978	(405,536)	2,100,894
Others	218,328	163,790	6	36,615	(67,371)	351,368
Net sales revenue	3,612,395	2,556,928	793,650	187,758	(2,153,207)	4,997,524
Originating from the transfer of labor services over time:						
Other Operating revenue	16,769	5,861	5,597	1,440	(16,547)	13,120
Total	$3,629,164	$2,562,789	$799,247	$189,198	($2,169,754)	$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, 2019	December 31, 2018	January 1, 2018
Contract liabilities			
Contract liabilities-Advance payments	$23,602	$34,523	$31,394

The revenue recognized from the beginning balance of contract liability:

	Year ended December 31,	
	2019	2018
The revenue recognized from the beginning balance of contract liability.	$24,443	$24,348

(24) Other income

	Year ended December 31,	
	2019	2018
Rental revenue	$3,553	$5,184
Interest income		
Interest on Bank deposit:	10,520	8,772
Other interest income	137	561
Other income	11,789	11,373
Total	$25,999	$25,890

(25) Other gains and losses

	Year ended December 31,	
	2019	2018
Loss (gain) on disposal of investment property	$100,677	$-
Loss (gain) on disposal of investments	305	423
Foreign exchange gains (losses)	(15,504)	33,452
Gain on lease modification	35	-
Net loss on financial assets at fair value through loss	-	(6)
Net loss on financial assets at fair value through profit	2,763	2,233
Net gain on financial liabilities at fair value through profit or loss	34	(99)
Gain (loss) on disposal of property, plant and equipment	(2,528)	(1,544)
Depreciation expense from investment property	(1,509)	(1,764)
Miscellaneous Expenditure	$84,273	$32,695
Total	$100,677	$-

(26) Finance costs

	Year ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	$2,844	$3,387
Corporate bond discount	6,522	6,701
Lease liabilities	1,890	-
Other	7	9
Total	$11,263	$10,097

(27) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	$999,067	$943,638
Depreciation- property, plant and equipment	56,683	55,053
Depreciation-right of use assets	37,081	-
Amortization	13,919	12,632
Total	$1,106,750	$1,011,323

(28) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$858,108	$816,845
Labor and health insurance fees	78,950	68,486
Pension costs	26,551	24,150
Compensation cost of employee stock options	10,345	11,513
Other employee benefit expense	25,113	22,644
Total	$999,067	$943,638

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, 2019 and 2018, employees’ compensation was accrued at $56,323 and $70,566, respectively; while directors’ remuneration was accrued at $5,302 and $6,415, respectively. The aforementioned amounts were recognized in salary expenses.

In 2019, 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 9.03% and 0.85% respectively.

Employees’ compensation and directors’ remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 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.

(29) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Years ended December 31, 2019	2018
Current tax		
Current tax on profits for the year	$120,085	$138,023
Tax on undistributed earnings	3,659	37,693
Adjustments in respect of prior years	(640)	(1,577)
Total current tax	123,104	174,139
Deferred tax		
Origination and reversal of temporary differences	12,858	18,324
Impact of change in tax rate	-	6,154
Total deferred tax	12,858	24,478
Income tax expense	$135,962	$198,617

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

	Years ended December 31, 2019	2018
Remeasurements of defined benefit obligations	$871	$1,490
Currency translation differences of foreign operations	5,600	(1,587)
Total	$6,471	($97)

(C) Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	2018
Tax calculated based on profit before tax and statutory tax rate	$145,112	$154,307
Effect of items disallowed by tax regulation	(12,169)	2,040
Effect from changes in tax regulation	-	6,154
Adjustments in respect of prior years	(640)	(1,577)
Tax on undistributed earnings	3,659	37,693
Income tax expense	$135,962	$198,617

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

	Year ended December 31, 2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Loss allowance	$1,359	($32)	$-	$1,327
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	7,783	1,243	-	9,026
Unrealized gross margin	14,601	2,659	-	17,260
Unrealized exchange loss	313	2,945	-	3,258
Unrealized warranty cost	229	(49)	-	180
State tax, paid annual leave etc.	9,662	(234)	-	9,428
Impairment loss on financial assets	-	105	-	105
Defined benefit obligation	8,349	(198)	871	9,022
Unused compensated absences payable	3,042	291	-	3,333
Exchange differences on translation	1,058	-	5,600	6,658
Amortization of convertible bond issuance costs	317	(317)	-	-
Subtotal	$46,713	$6,413	$6,471	$59,597
Deferred tax liabilities				
Net gain on investments accounted for using equity	($83,824)	($19,054)	$-	($102,878)
Depreciation	(4,347)	105		(4,242)
Convertible debt Gains evaluation	(544)	(322)	-	(866)
Unamortized goodwill	(1,180)	-	-	(1,180)
Subtotal	($89,895)	($19,271)	$-	($109,166)
Total	($43,182)	($12,858)	$6,471	($49,569)

	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)

C. The Company's income tax return through 2017 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.

(30) Earnings per share

	Year ended December 31, 2019		
	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	$460,455	80,002	$5.76
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,172	
Employee stock option	-	600	
Convertible bonds	6,205	8,325	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$466,660	90,099	$5.18

	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

(31) Consolidated

1. The Group purchased 100% equity of AXIT with cash of $ 56,068 in the 2019, and obtained control of AXIT. The acquisition date was January 4, 2019. The company operated the sales of industrial computers and related sub-products in Italy. The Group expects to strengthen regional market development after the acquisition and increase the Group's revenue and profits.
2. The fair value of the consideration paid by the Group for the acquisition of AXIT, the assets acquired and the liabilities assumed at the acquisition date are as follows:

	January 4, 2018
Consideration received	
Cash	$56,068
	56,068
Net fair value of the identifiable assets	
Cash and cash equivalents	18,583
Accounts receivable	21,733
Current income tax assets	684
Inventories	7,580
Prepayments	490
Property, plant and equipment	198
Intangible assets	13,894
Accounts payable	(5,928)
Other payables	(4,886)
Current income tax liabilities	(1,997)
Other current liabilities	(386)
Deferred income tax liabilities	(4,287)
Other non-current liabilities	(9,206)
Net identifiable assets	36,472
Goodwill	$19,596

3. Since the merger of AXIT on January 4, 2019, the Group, AXIT contributed the Group's operating income and net loss before tax to $ 64,226 and $ 2,303, respectively. It has been assumed that AXIT has been included in the merger since January 1, 2019.

(32) 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 was $5,184 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
Within 1 year	$5,078
1 to 5 years	147
	$5,225

B. Operating leases on houses and construction assets with lease periods between 2013 and 2023. Rental expenses recognized in 2018 as $39,567 respectively Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018
Within 1 year	$38,024
1 to 5 years	71,197
	$109,221

(33) Supplemental cash flow information

A. Partial cash paid for investing activities

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$36,141	$36,964
Add: Beginning balance of payable on equipment	9,075	13,319
Less: Ending balance of payable on equipment	(4,449)	(9,075)
Cash paid during the year	$40,767	$41,208

B. Financing activities not affecting cash flow:

	Years ended December 31,	
	2019	2018
Conversion of corporate bond conversion into capital stock	$84,658	$1,707

(34) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	$53,000	$50,936	$95,887	$199,823
Changes in cash flow from financing activities	49,000	(3,086)	(38,111)	7,803
Impact of changes in foreign exchange rate	-	(1,131)	(478)	(1,609)
Other changes in non-cash items			21,940	21,940
At December 31, 2019	$102,000	$46,719	$21,940	$227,957

	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

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 CO., LTD.	Other related parties
RETRONIX TECHNOLOGY INC.	Other related parties (Note)
UNI	Associate

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, 2019	Years ended December 31, 2018
Purchase of goods		
Entity with Significant Influence on the Group	$25,290	$31,863
Other related parties	26,732	33,548
Total	$52,022	$65,411

For purchase transactions, no material difference in the transaction price and payment terms with non-related parties

B. Account payables-related parties

	December 31, 2019	December 31, 2018
Payables to related parties		
ADVANTECH CO., LTD.	$3,314	$3,279
ADVANIXS CORPORATION CO., LTD.	1,761	10,471
Total	$5,075	$13,750

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.

(3) Key management compensation

	Years ended December 31, 2019	Years ended December 31, 2018
Short-term employee benefits	$89,868	$81,402
Post-employment compensation	1,351	1,431
Share-based payment	6,034	5,007
Total	$97,253	$87,840

8. PLEDGED ASSETS

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

Asset type	Book value December 31, 2018	December 31, 2018	Use of pledge
Land	$73,257	$75,053	Long-term borrowings
Building	24,784	26,191	〃
	$98,041	$101,244	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2019	December 31, 2018
Financial assets		
Financial assets at amortized cost	$1,585,306	$1,678,862

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities held for trading	$-	$2,760
Financial Liabilities at amortized cost	1,185,773	1,463,511
	$1,185,773	$1,466,271

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, 2019				
				Sensitivity analysis	
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
Financial assets					
Monetary items					
USD : NTD	$24,990	29.98	$749,200	1%	$5,994
RMB : NTD	7,574	4.31	32,644	1%	261
EUR : NTD	503	33.59	16,896	1%	135
Financial liabilities					
Monetary items					
USD : NTD	$5,308	29.98	$159,134	1%	$1,273

	December 31, 2018				
				Sensitivity analysis	
(Foreign Currency: Functional currency)	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
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

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, 2019 and 2018, amounted to gain of $15,504 and loss of $33,452, respectively.

Price risk

The Group’s equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss. 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.

(B) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, 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, 2019 and 2018, the Group has written-off financial assets amounted to $0 and $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, 2019 and 2018, the provision matrix is as follows:

December 31, 2019	Not overdue	Overdue 1 ~ 90 days	Overdue 91 ~ 180 days	Overdue 181 ~ 270 days
Expected loss rate	0.05%-0.57%	0.05%-3.84%	0.05%-51.44%	0.05%-97.12%
Total book value	$528,073	$147,366	$7,536	$1,941
Loss allowance	$1,953	$1,698	$1,936	$594

December 31, 2019		Overdue 271 ~ 360 days	Overdue More than 360 days	Total
Expected loss rate		34.56%-100%	100%-100%	
Total book value		$508	$594	$686,018
Loss allowance		$327	$594	$7,102

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, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$511,394	$16,679	$493,529	$21,096
within 90 days	147,366	-	112,085	-
91 ~ 180 days	7,536	-	7,888	-
More than 181 days	3,043	-	1,991	-
	$669,339	$16,679	$615,493	$21,096

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, 2019
	Accounts receivable
At January 1	$4,884
Due to business combination	429
Impairment loss	1,991
Impact of foreign exchange rate	(202)
At December 31	$7,102

	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 and Conference Board LEADING ECONOMIC INDEX to adjust historical and timely information to assess the default possibility of investment of debt instrument on December 31, 2019 and 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, 2019 Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	$4,811	$4,722	$13,812	$32,354	$55,699
Lease liabilities	$38,676	$24,685	$18,630	$-	$81,991

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

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 2019 and 2018 are the financial liabilities measured by fair value through profit and loss belong to the second level of financial instrument, amounts $0 and $2,760.

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 2019 and 2018, there was no evaluation of the transfer between levels.

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(14), 6(15).
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 2019, 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, 2019					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	$1,409,065	$2,430,373	$655,327	$244,146	$-	$4,738,911
Interest income	10,240	19	2	396	-	10,657
Other income	10,133	44	2,916	2,249	-	15,342
Inter-departmental income	1,998,078	340	4,902	16,566	(2,019,886)	-
Total income	$3,427,516	$2,430,776	$663,147	$263,357	($2,019,886)	$4,764,910
Interest expense	7,550	3,064	202	447	-	11,263
Depreciation & Amortization	75,009	19,027	4,396	9,474	2,305	110,211
Income tax expenses	101,657	25,012	9,960	47	(714)	135,962
Department Income	460,455	55,672	20,189	3,121	(78,982)	460,455
Assets						
Non-current assets capital expenditure	40,297	1,109	2,965	154	-	44,525
Department's Assets	3,811,178	995,115	311,609	219,714	(1,220,564)	4,117,052
Department's Liabilities	1,213,779	516,632	59,496	124,495	(394,749)	1,519,653

Adjustments & Sales balance

(1) Total sales from the departments should be net of inter-departmental revenue $2,019,886

(2) Inter-departmental income should be net of inter-departmental transactions $78,982

(3) Department assets of $1,220,564 and liabilities of $394,749 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.

	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.

As a result of the adoption of IFRS 16 「Leases」, the Group's segments information in 2019 was as follows:

	USA	Taiwan	Europe	Others Department	Total
Depreciation	$10,549	$14,707	$3,816	$8,009	$3,7081
Department's Assets	$16,006	$47,297	$3,223	$6,898	$7,8424
Department's Liabilities	$16,282	$47,822	$8,299	$6,835	$7,9238

(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 (23)

The Group's external customer operating income mainly comes from embedded board and system products and design and manufacturing service products.

The breakdown of the income balance is as follows:

	Years ended December 31,	
	2019	2018
Revenue from Sale of products:	$4,720,593	$4,997,524
Revenue from Labor Services	18,318	13,120
Total	7,738,911	5,010,644

(5) Geographical information

Sales information by geographical area for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A.	2,403,511	162,965	$ 2,525,903	$157,907
other parts of America	42,263	-	50,576	-
Sub-total America	2,445,774	162,965	2,576,479	157,907
Taiwan	432,889	1,201,873	338,325	1,229,744
China	245,645	11,584	366,419	5,262
other parts of Asia	396,188	96	390,216	114
Sub-total Asia	1,074,722	1,213,553	1,094,960	1,235,120
United Kingdom	136,971	102	139,508	88
Germany	458,523	5,519	656,564	1,095
other parts of Europe	603,566	17,908	5112,440	-
Sub-total Europe	1,199,060	23,529	1,308,512	1,183
Pacific region	11,738	-	23,831	-
Others	7,617	-	6,972	-
Total	4,738,911	1,400,047	$5,010,644	$1,394,210

(6) Information about major customers

Information about major customers for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Department	Revenue	Department
A	$ 559,610	USA	$ 628,899	USA

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2019

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, 2019 (Note 3)	Balance at December 31, 2019 (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	$63,200	$59,960	$29,980	3%	1	$1,442,071	-	-	-	-	$259,740	$1,038,960	
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	Other receivables-related parties	Y	39,126	17,220	17,220	1.75%	1	117,016	-	-	-	-	$259,740	$1,038,960	

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, 2019

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, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (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	$259,740	USD 250,000	USD 250,000	USD 125,000	-	0.29%	1,298,700	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, 2019

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.	Taishin DaZhong Investment Trust	Financial assets mandatorily measured at fair value through profit or loss-current	-	-	-	-	33,963,938	483,000	33,963,938	483,206	483,000	206	-	-

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, 2019

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	$ 1,442,071	42.32%	Monthly 45 ~ 90 days	-	-	$ 283,446	52.48%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	410,369	12.04%	Monthly 45 days	-	-	12,513	2.32%	
AXIOMTEK CO., LTD.	Axiomtek Shenzhen	The Company's subsidiaries are stated as follows:	Sale	117,016	3.43%	Monthly 75 days	-	-	40,980	7.59%	

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.

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, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at December 31, 2019 (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 grandson	$283,446	4.19	-	-	$174,243	-

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.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

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	$410,369	same as that applicable to the general customer Receivables collection as per for the average customer, 45 days	8.66%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	1,442,071	same as that applicable to the general customer Receivables collection as per for the average customer, 45 - 90 days	30.43%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	117,016	same as that applicable to the general customer Receivables collection for the general customer 75 days; 45 - 75 days with slight delay	2.47%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	28,622	same as that applicable to the general customer Receivables collection as per for the average customer, 45 days	0.60%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	283,446		6.88%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	40,980		1.00%
0	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	12,513		0.30%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Other receivables	17,220		0.42%
0	AXIOMTEK CO., LTD.	AXUS	1	Other receivables	30,214		0.73%

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, 2019

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, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2(3))	Remark
				Balance as at December 31, 2019	Balance as at December 31, 2018	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	$465,060	$55,671	$55,671	
〃	AXGM	Germany	Industrial computer and Embedded Board manufacturing , trading, post-sales service	19,941	19,941	(Note 3)	100.00	209,511	25,965	25,965	
〃	AXBVI	British Virgin Islands	Holding company	156,650	122,899	5,000	100.00	83,482	2,192	2,204	
〃	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,615	8,615	180,000	100.00	3,739	(3,473)	(3,473)	
〃	AXJP	Japan	Industrial computer and Embedded Board manufacturing , trading, post-sales service	8,235	8,235	600	100.00	7,832	905	929	
	AXIT	Italy	Industrial computer and Embedded Board manufacturing , trading, post-sales service	56,068	-	(Note 3)	100.00	49,635	(2,303)	(3,894)	
〃	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	27,570	(5,423)	(1,427)	

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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, 2019’ 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, 2019’ 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, 2019’ 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, 2019

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 （Note 2）	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing , trading, post-sales service	NT$126,456 (USD4,218)	Note1(2)	NT$93,658 (USD3,124)	NT$93,658 (USD3,124)	$-	NT$126,456 (USD4,218)	$2,253	100.00	$2,253	$86,833	$-	

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=29.98 on December 31, 2019.

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, 2019	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	$126,456 USD4,218	USD4,223	$1,558,439