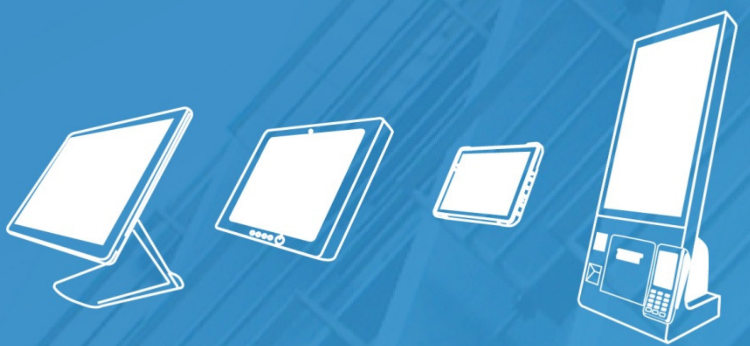
Stock Code:6206



FLYTECH

2018 Annual Report

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
2018 Annual Report is available at: http://www.flytech.com
Printed on Apr 30th, 2019

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Overseas Securities Exchange
N.A

Corporate Website
http://www. flytech.com

Contents

I. Report for Shareholders

Ladies and Gentlemen, Dear Shareholders,

I would like to express thanks for the support of the shareholders and the hard work of all of Flytech, which allowed for 2018 consolidated revenue amounting to NT$6,570 million, though marginal year over year increase amid the global economic turbulence resulted from the China-US trade war and Brexit. In retrospect, Flytech could keep its position as the top 3 in the POS industry by shipment volume worldwide. In addition, Flytech continued to work with its subsidiary in the UK, the Box Technologies (Holdings) for further development of the local market, which helped to bolster the vertical and integrated synergy of the supply chain and sizably expanded the business by winning big corporate account projects in UK. In responding to the industrial trend of mobility and self-service, Flytech Technology launched the new generation Mobile POS 274 and KIOSK last year and was acclaimed by its customers with purchase orders. I would like to present to all the shareholders the financial performance, the credentials and awards, technology and development, operation environment and prospect to all the shareholders specified as follows:

Financial performance

Flytech Technology 2018 worldwide consolidated revenue was NT$6,570M, with 0.1% year over year growth. Net income attributed to the owner of parent was NT$801M with 9% year over year up, representing EPS 5.6.

Credentials and awards

Flytech Technology has won many awards and recognition from all over the world for its outstanding performance. In 2018, Flytech Technology has been accredited with the Grade A (TIPS) in intellectual property management in Taiwan by the Industrial Development Bureau, Ministry of Economic Affairs. This is the manifestation of the capacity of the Company in the management of intellectual property with the expectation that the Company will use intellectual property to bolster its operation efficiency. Furthermore, Flytech Technology has been ranked among the top 1/3 in corporate governance evaluation for 3 consecutive years. In YR 2018, we achevied to top 20 .The Company will further its efforts to emerge as the benchmark enterprise of corporate governance in the industrial PC sector.

Technology Development

Flytech Technology surpassed its industry peers in the design and technology of professional and customized POS and the development of process technology. It even leads the trend of hardware specification in the POS industry with in-depth and innovative technology. For the time being, Flytech Technology has registered for 128 patents in many countries. In addressing the needs of mobility, Flytech Technology launched the first new generation of Mobile POS since 2014. This new system integrates payment function, and unveiled another generation of Mobile POS 274 at last year's COMPUTEX. In responding to the needs of self-service, Flytech Technology launched the new generation of KIOSK solution applications for unmanned retail stores, and also self-service Check IN/OUT KIOSK at hotels at COMPUTEX.

Operation environment, business operation and development in the future

The rise of Mobile POS and self-service KIOSK applications at the moment dictates the extensive use of related system products at the application end, such as intelligence retailing, intelligence hospitality, and intelligence transportation. The 2nd largest product line of Flytech Technology, Panel PCs, is also applied to intelligence medical and healthcare, factory automation, and related applications. Flytech Technology planned to concentrate on the extensive development of application end project accounts, which has made a significant contribution to the operation of the Company. In the future, the business strategy will continue to focus on the research and development of related new products, new technologies, maintaining the cooperation with sale partners in different countries, and developing new customers. Flytech is in the best position in terms of research and development capacity, customer relations, and production capacity, which will fuel our future growth.

The competitive advantages of Flytech Technology are: "Completed Product Lines; Advanced Technologies; Manufacturing Excellence; Commitment to Partners". Flytech aims to be the best of innovated service-oriented manufacturer.

May I wish you all

Good health and good luck

Flytech Technology Co., Ltd.

Lam Tai Seng, Chairman

II. Company Profile

2.1 Date of Incorporation: August 13th, 1984

2.2 Company History

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

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

2000 to 2008	14. In 2000, the company successfully developed the 400-model touch screen POS system and received a National Quality Award in the second year of the award. The factory moved to the Hsi-Chih District to a space of 900 square meters. The company was home to 130 employees, and the capital amount increased to NT$180,000,000. 15. In 2001, passed ISO-14001 certification, the company received the 4th Rising Star Award and successfully developed a new Touch POS series: POS112/500/430. POS 400/500 were awarded the 2001 Taiwan Design Award. In the same year, the company went public and applied for the OTC stock exchange. 16. In 2002, passed certification by ISO-9001: 2000, the company set up its Neihu HQ and successfully developed a new POS series, POS 115/435/600/605/505. The POS 500 received the Taiwan Excellence Award from the Ministry of Economic Affairs, as well as the 9th Innovative Research Award, and the 11th National Awards of Outstanding SMEs. In the same year, the company's stocks were listed on the Taiwan OTC Stock Market. 17. In 2013, the company successfully developed a new series of POS products: POS 530/630, Mini Web POS 3 series, and OPOS Driver, which is specifically for POS systems. The company actively expanded its business in China; invested in its subsidiary, Flytech (Shanghai) Co., Ltd; and received the 4th Industrial Sustainable Development Excellence Award from the Ministry of Economic Affairs (MOEA). 18. In 2004, the company's Neihu HQ was finished, and the company's factories were moved to Wu-Gu Industrial Park, Taipei County. The company's sales team grew and POS, ODM, and KIOSK business offices were established. The company successfully developed its new POS products (POS 430/435 P4) and new kiosk products (K810/K811/K84X). The company received 2nd Taiwan Enterprise Awards - Best Innovative SMB Award, Excellent Innovation and R&D Enterprise, and 2nd Taiwan Golden Root Award, etc. It was ranked as one of the top 500 fastest-growing high-tech companies in the Asia-Pacific region. In the same year, the company was permitted to relist as a high-tech stock. 19. In 2005, the company successfully developed POS 460/660 P4, POS122/125, POS104/105/106. The company also developed the new KIOSK series K845/K892 and the Digital Signage K805/807/809. The company was rated as one of the "Top 500 Fast-growing Companies in Electronics and Technology" by China Credit Information Service Ltd, and the POS 460/660/KIOSK 840 products received the Excellently Designed Products Certificate from the MInistry of Economic Affairs. 20. In 2006, the company developed new POS products (POS 5000, POS 36X) and new KIOSK products (K72X/79X/K81X/K84X/K895). KIOSK K845A received the 2006 14th Industrial Technology Advancement Award from the Industrial Development Bureau, Ministry of Economic Affairs, as well as being one of the 2006 DIMA Photo KIOSK Shoot-Out Winners. The POS 660 series became the 2006 Computex - Best Choice Winner. 21. In 2007, the company developed POS 72X/79X and new KIOSK products (K847/893, K207, KPC5) and Panel PCs (K830/K877). The K870 Series became the 2007 Computex Best Choice Winner, and the company was nominated as one of the "Top 500 Fast-growing Companies in Electronics and Technology." It was rated by CW magazine as one of the "Top 100 Highest-Performing Companies in 2006" and one of Asia's 200 Best Under A Billion by Forbes magazine. The company was also rated as one of Taiwan's "Best Potential 99" manufacturers by ET today. 22. In 2008, the company successfully developed a new POS series and peripherals (POS 370/475/355), a new KIOSK series (K897/795/795T/832.835), and Panel PCs (PA23/24, Bedside Terminal TC200). Multiple series of the company's products

	were selected by Computex Taipei to be used at the conference and as computers for application displays in 2008. The company was rated by Forbes Asia as one of "Asia's 200 Best Under a Billion," one of the "Top 500 Fast-growing Companies in Electronics and Technology in 2008" by China Credit Information Service, and one of the "Top 100 Taiwan Tech Companies in 2008."
2009 to 2015	23. In 2009, the company successfully developed industrial computers and peripherals: P335/345/357/88X/234, KPC1/6, K78X, Bedside Terminal PA38. Passed ISO-9001: 2008 and ISO-13485 certification. Again multiple series of the company's products were selected to be used at the 2009 Computex conference and as computers for application display. The KIOSK series were used as guidance computers by the 2009 World Games. The company was rated by Global View Monthly as part of the "A+ Club," the top 69 Taiwan companies that are the best money makers for shareholders. Business Next rated the company as one of the Top 100 Tech Companies – Overall Taiwan/China/World Ranking. China Credit Information Service rated it as one of the "Top 500 Fast-Growing Companies in Electronics and Technology in 2009," and one of the "Top 100 Taiwan Tech Companies in 2009." 24. In 2010, the company developed its industrial computer series and peripherals: P385/78X/137, P223/235, K773/88X, KPC7, and Bedside Terminal K938. The company was again named by Global View Monthly as part of the "A+ Club," the 69 Taiwan companies that are the best money makers for shareholders. Its POS P235 received the 2010 Reddot Design Award and the 2010 iF Best Product Design Award. For the third year in a row, multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. The company was invited to exhibit at the 2010 Taiwan Design Expo. Our products were also used for ticket sales, checkouts, and guidance systems at the 2010 Taipei International Flora Exposition. 25. In 2011, the manufacturing center at Hwa Ya Technology Park, Linkou was finished, giving the company three times as much production capacity as before. We successfully developed a new series of industrial computers and peripherals: P355H/554/485/495, POS8000, P14X/185/195, K75X/787, Bedside Terminal K936. POS562 was awarded Germany's iF Best Product Design Award. Multiple series of the company's products were selected by Computex to be used at the conference and as computers for application display. Development Plan for Flytech's Service-oriented Manufacturing Value Chain System approved by the Industrial Development Bureau of the Ministry of Economic Affairs' Special Tech Endorsement Project. 26. In 2012, the Manufacturing Center officially moved to Linkou's Hwa Ya Technology Park, and its production capacity was in full power. It successfully developed a new series of industrial computers and peripherals: P345N/385N, PA72/93, K755/759, P145/149, Bedside Terminal PA79. Multiple series of the company's products were selected by Computex to be used at the conference and as computers for application display, and its POS products received Germany's iF Best Product Design Award. Again, the company was chosen by China Credit Information Service as one of the "Top 500 Fast-growing Companies in Electronics and Technology." 27. In 2013, we successfully developed a new industrial computer series and peripherals: P375N/391/395/425, PA35/97/98, Bedside Terminal K948. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display, and our PA Series POS received the iF Best Product Design Award and passed ISO-27001 Information Security Certification. 28. IN 2014, the company celebrated its 30^{th} anniversary and developed a new industrial computer series and peripherals: P314/325/355N/375/485/P495, KPC8, K77X/78X/73X/74X, and Mobile POS series P263/265. Again, the company was

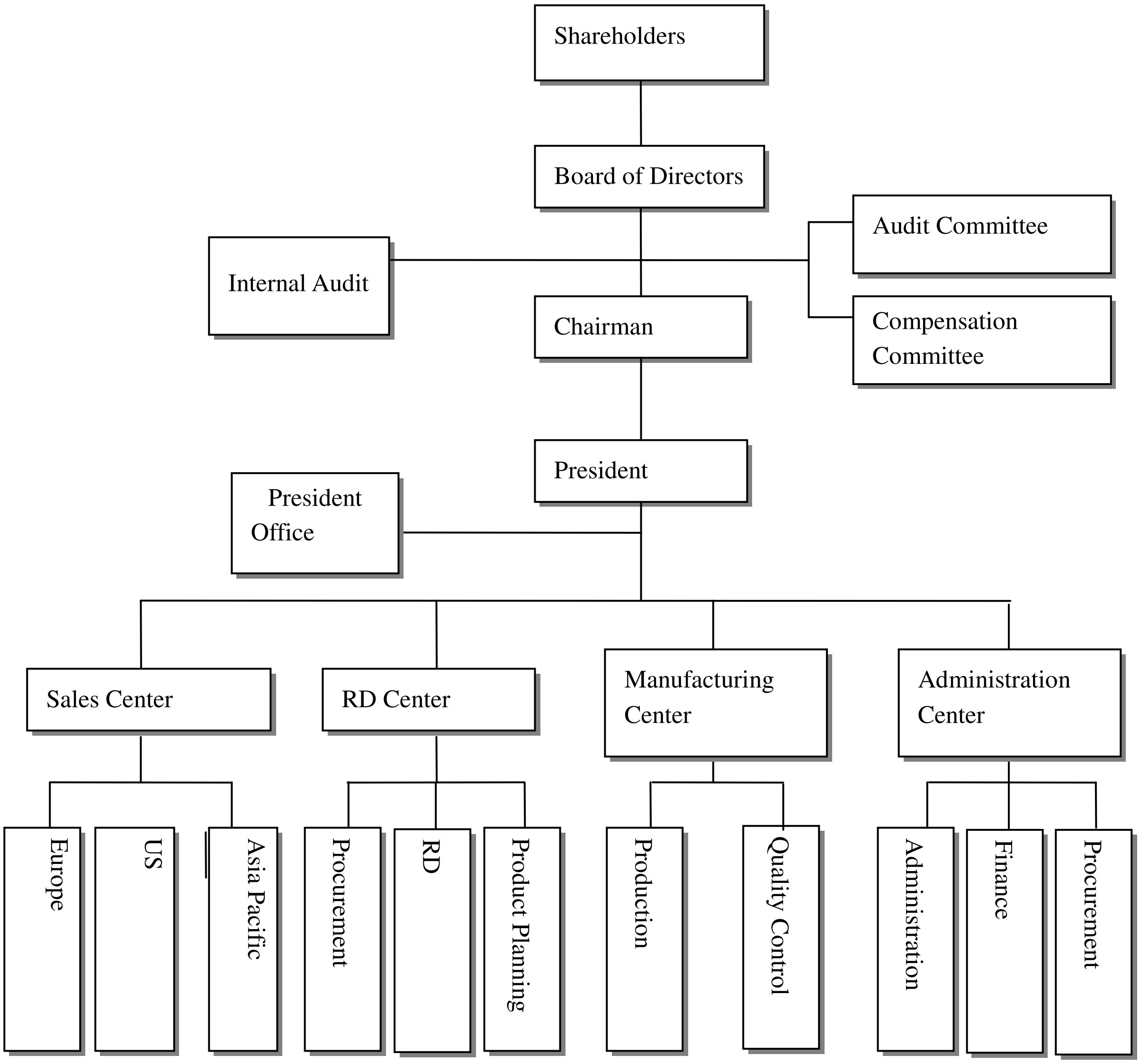
	named one of the Top 5000 Large Companies in Taiwan, 2014. The company was also ranked 17th in the computer accessory industry, 40th in terms of performance in the manufacturing sector, and 95th in combined ranking for company performance by China Credit Information Service. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. 29. In 2015, the company successfully developed its new industrial computer series and peripherals: J640/690/690L/240, new MB compatible with the Bedside Terminal and Panel PC series, K74X/75A/76X/778, Payment Terminal T635/635M/636/645/646. Awarded at the 3rd Potential Taiwan Mittelstand Awards by the Ministry of Economic Affairs. Received the Intel 2015 Outstanding Business Achievement Award and Microsoft Partner of Year 2015. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.
2016 to 2017	30. In 2016, the company successfully developed industrial computers and peripherals: P395/531/P534/255, K735/75C/767, new MB compatible with POS and Panel PC series P325/357/795/K75X, Payment Terminal T635M/602/603, and T605, T606 A/B/C series. We purchased renowned U.K. retail technology provider Box Technologies (Holdings), and we acquired 100% of this subsidiary's shares. Our Panel PC 18.5 achieved the IP67-level waterproof grade. We adopted 304 food-grade and medical-grade stainless steel material for sweat and stain proofing. For this we received the iF 2016, Computex d&I awards, and many other honors. We were recognized by the Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.Passed 2015 ISO14001 certification (valid from September 22, 2016 until September 21, 2019) 31. In 2017, the company successfully developed the industrial computer series and new peripheral products: P335N2/P455/ P544, PB41/PB53/PB55/PB57/PB61/PB62/PB63/PB65/PB66/PB77, P274. It likewise successfully developed a monitoring system that users can operate from a mobile phone APP, the patented System Diagnostic Recorder (SDR) device for critical part scenarios and the corresponding mobile phone APP. We were recognized by Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. Passed 2015 ISO-9001 certification (valid from August 22, 2017 till August 21, 2020).
2018	1. Successfully developed the industrial computer series and new peripheral products, including the new All-in-one POS series, the new Mobile POS series, the new Payment Terminal, the new Panel PC series, the new KIOSK series, and the new MB with POS and Panel PC series: P337N2 / P655, PB82/ PB99, T605A+, K75D/ K959, PB81/ PB85/ PB88/ K85B. 2. Merged and acquired UK subsidiary Box Technologies (Holdings) to integrate the channel supply chain to achieve synergy, acquired a number of large-scale project orders in the UK, and successfully expanded the business in the UK territory and made up Flytech Group's revenue. 3. Exhibited the new generation Mobile POS P274 at Computex Taipei and was well received by European and US Customers, which enabled Flytech to

	maintain its lead in the Mobile POS field. 4. The Company has continued working with the “Flytech Foundation” to organize various social welfare activities and promote technology innovation courses. Design for Taiwan's one-year lectures and workshop activities for university students, invited domestic and foreign experts to provide lessons, striving to improve Taiwan’s innovation culture and fulfilling its corporate social responsibility. 5. Flytech’s corporate performance as a manufacturer was ranked as the 150th best corporation in the “2018 Edition of the TOP 5000 Largest Corporations in Taiwan,” the 12th best corporation for computer peripheral equipment, and the 276th best corporation in the mixed rankings for corporate performance. 6. Multiple series of the company’s products were selected by Computex Taipei to be used at the conference and as computers for application display for 10 consecutive years. 7. Certified by the Ministry of Economic Affairs’ "Taiwan Intellectual Property Management System (TIPS)" (Level A 2016 version). 8. Ranked in the top third of the Corporate Governance Evaluations for the last three consecutive years and achieved top 20 in YR2018 Evaluations.

III、Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart（Date：April 30, 2019）



3.1.2 Major Corporate Functions

Main Department	Main Responsibilities
President's Office	Strategic planning, business planning authorization and supervision, investor relations, public relations, strategic investment and corporate marketing affairs
Internal Audit	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Sales Center(Europe/US/Asia sales)	Responsible for marketing and sales activities worldwide, and analyzing industry data and trends. There are POS, ODM and PPC sales business units under sales center.
Product Planning Dept	New products, MB or peripherals' planning, development, sample development
Research & Development Dept	New products, MB or peripherals' advanced product and technology research and development.
Procurement Dept.	Responsible for component purchasing and supply chain management
Manufacturing Dept.	Responsible for product manufacturing and production capacity allocation.
Quality Control Dept.	QC department is in charge of planning and execution of quality control systems.
Administration Dept.	Planning and execution of general affairs, and information systems. Responsible for the planning and execution of human resource management.
Finance Dept.	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services.

3.2 Directors, Supervisors and Management Team
3.2.1 Directors and Supervisors

As of Apr 30, 2019

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman Lam Tai Seng	R.O.C	Male	June 8, 2018	3	Aug 13, 1984	16,217,505	11.34 %	16,217,505	11.34 %	11,040,443	7.72%	—	—	1.EMBA Guanghua School of Management,Peking University 2.EMBA of National Chengchi University 3.Department of electronic engineering, National Taiwan University 4.Assistant manager of Hai Tong computer 5.President of Flytech Technoloogy	1.Chairman of Flytech Technology (U.S.A) Inc. 2.Director of Flytech Technology (Shanghai)Co.,Ltd 3.Independent Director of Ability Enterprise Co.,Ltd	Director	Wang Wei Wei	Spouse
Director Wang Wei Wei	R.O.C	Female	June 8, 2018	3	Aug 13, 1984	11,040,443	7.72 %	11,040,443	7.72%	16,217,505	11.34 %	—	—	1.MBA University of Tennessee,USA 2.SVP of Flytech Technology	1.Chirman of Flytech Technology (Shanghai)Co.,Ltd 2.Chairman of Flytech Technology Hong Kong Ltd 3.Chairmanof Flytech USA International Co.,Ltd 4.Chairman of Flytech HK International Co.,Ltd 5.Chairman of Flytech CN International Co.,Ltd 6.Director of Flytech Inc.Beijing	Chairman	Lam Tai Seng	Spouse
Director Liu Chiu Tsao	R.O.C	Male	June 8, 2018	3	June 14, 2006	200,588	0.14%	137,888	0.10%	—	—	—	—	1.MBA University of Oklahoma,USA 2.VP of Liteon Technology Corporation	1.President of Flytech Technology 2.Chairman of Fei Shiun Investment Co.,Ltd 3.Chairman of Box Technologies(Holdings) Limited 4.Director of Flytech Technology (Shanghai)Co.,Ltd 5.Director of Poindus Systems Corporation 6.Director of Iruggy System Co.,Ltd 7.Director of Box Technologies Limited			
Independent Director Yi Hua Investment	R.O.C	Male	June 8, 2018	3	June 8, 2018	78,022	0.05%	78,022	0.05%	—	—	—	—	1.Doctor of Management Central South University,China 2.VP of RD and Manufacturing Department, KYE Systems Corp. 3.EVP of Flytech Technology	Board Director of KYE Systems Corp.			
Representative Liaw Jui Tsung						—	—	1,644,869	1.15%	—	—	—	—					
Independent Director Chen Kuo Hong	R.O.C	Male	June 8, 2018	3	Apr 10, 2001	130,000	0.09%	130,000	0.09%	—	—	—	—	1.Department of electronic engineering, National Taiwan University 2.Chiarman of Howteh Technology Co., Ltd 3.President of Thilyn Technologies,Inc	1.Vice Chairman and CSO of Stark Technology Inc 2.Chairman of Chaintel Technology Co.,Ltd 3.Chairman of Howtech Technology Co.,Ltd 4.Director of Thilyn Technologies,Inc 5.Independent director of Ability Enterprise Co.,Ltd			

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director Hsieh Han Chang	R.O.C	Male	June 8, 2018	3	June15, 2012	—	—	—	—	—	—	—	—	1.EMBA of National Chengchi University 2.COO of Shihlin Electric & Engineering Corporation 3.COO of Ambassador Hotel	1.VCEO of Yeangder Group 2.MD & COO of Shihlin Electric and Engineering Corp 3.Director of the Ambassador Hotel Led 4.Diroector of Rueilin Electric and Engineering Corp. 5.Supervisor of Yeangder Investment Co. 6.Director of Mitsubishi Electric Low Voltage Equipment (Xiamen)Co.,Ltd 7.Chairman of Hsinlin Electric and Engineering Corp 8.Director of Chlin Technology Co.,Ltd 9.Director of Xiamen Shihlin Electric and Engineering Co.,Ltd 10.Director and President of Yeangder Entertainment Co.Ltd 11.Director of HCT Logistics Co.,Ltd 12.Director of SEEC International Trading Ltd 13.Director of SEEC International Holdings Ltd 14.Director of Kingdon Trading Shanghai Co.,Ltd 15.Director of Shihlin Electric (Suzhou) Power Equipment Co.,Ltd 16.Director of Yeangder Culture and Education Foundation 17.Vice CEO of memorial Foundation of Mr.Ching Teh Hsu 18.Director of Kerry Tj Logistics Company Ltd. 19.Supervisor of Yeangder safety consultant Corp. 20.Director of Sankyo Company Ltd.			

Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Yi Hua Investment	Lin Ta Tse

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lam Tai Seng			V					V		V		V	V	Independent Director of Ability Enterprise Co.,Ltd
Wang Wei Wei			V					V		V		V	V	X
Liu Chiu Tsao			V		V	V	V	V	V	V	V	V	V	X
Yi Hua Investment representative Liaw Jui Tsung			V	V	V		V	V	V	V	V	V	V	X
Chen Kuo Hong			V	V	V	V	V	V	V	V	V	V	V	Independent Director of Ability Enterprise Co.,Ltd
Hsieh Han Chang			V	V	V	V	V	V	V	V	V	V	V	X

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE ".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

3.2.2 Management Team

As of Apr 30, 2019

Title Name	Nationality	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President Liu Chiu Tsao	R.O.C	Male	Jan 2004	137,888	0.10%	–	–	–	–	1.MBA, University of Oklahoma,USA 2.VP of Liteon Technology Corporation	1.Chairman of Fei Shiun Investment Co.,Ltd 2.Chairman of Box Technologies(Holdings) Limited 3.Director of Flytech Technology (Shanghai)Co.,Ltd 4.Director of Poindus Systems Corporation 5.Director of Iruggy System Co.,Ltd 6.Director of Box Technologies Limited	NA	NA	NA
VP of Sales Center Shyu Jia Horng	R.O.C	Male	Mar 2018	–	–	–	–	–	–	1.MS, NYU Electrical Engineering 2.Sales Div. Director Supply Chain Management Div. Director of Mediatek Inc.	President of aiXpert Co.,Ltd	NA	NA	NA
AVP of Sales Center Hung Tung Chang	R.O.C	Male	Sep 2013	88,246	0.06%	28,054	0.02%	–	–	1.EMBA , Soochow University 2.Manager, Evertop Wire Cable Corporation	NA	NA	NA	NA
VP of RD Center Teng Chun I	R.O.C	Male	Aug2018	–	–	–	–	–	–	1.EMBA National Cheng-Chi University 2. Executive program, National Cheng-Chi University 3.Engineering Science, National Cheng Kung University 4. General Manager, Wistron Corp.	Director of aiXpert Co.,Ltd			

Title	Nationality	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
VP of RD Center Liu Yun Ping	R.O.C	Male	Oct 2011	–	–	–	–	–	–	1.Exceutive program, National Cheng-Chi University 2.SAVP, Elitegroup Computer Systems	NA	NA	NA	NA
AVP of RD Center Lin Chiung Chi	R.O.C	Male	Aug2018	101,320	0.07%	33,185	0.02%			1.EMBA Taiwan University of Science and Technology 2.Director of Flytech product planning dept	1.Chiarman of WIMIsys Co.,Ltd 2.Chiarman of Jing Siang Investment Co.,Ltd			
VP of Manufacturing Center Chuo Chun Hung	R.O.C	Male	Mar 2010	1,904	0.00%	1,153	0.00%	–	–	1. Department of Engineering Science NCKU 2. AVP, Uniwill Computer 3.AVP, JPC Company 4. VP, SZBroad Tech.	Board Director of WIMIsys Co.,Ltd	NA	NA	NA
VP of Administration Center Hsieh Sheng Wen	R.O.C	Male	Aug 2018	–	–	–	–	–	–	1.MS Electronic Engineering, NYU 2.President,GTM Electronics Co.,Ltd 3.VP,XGI Technology Inc	1.Supervisor of WIMIsys Co.,Ltd 2.Board director of WIMIsys Co.,Ltd	NA	NA	NA
AVP of Administration Center Chan I Wen	R.O.C	Male	Feb 2013	–	–	–	–	–	–	1.Graduate Institite of Human Resource Management ,NCU 2. Manager, Shihlin Electric 3. SAVP, HCT Logistics 4. VP, AMBASSADOR	NA	NA	NA	NA
AVP of Finance Dept. Lee Mei Huei	R.O.C	Female	Jan 2006	183,986	0.13%	21,027	0.01%	–	–	1.EMBA National Taipei University 2.Executive program National Cheng-Chi University 3.Accounting Director, Flytech Technology	1.Supervisor of Fei Shiun Investment Co.,Ltd 2.Supervisor of Iruggy System Co.,Ltd 3.Supervisor of aiXpert Co.,Ltd	NA	NA	NA

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

<u>Remuneration of Directors</u>

As of Dec.31, 2018 Unit: NT$ Thousand/ Thousand units

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 7)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Note 7)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A) (Note 1)		Severance Pay (B)		Bonus to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Severance Pay (F) (Note 6)		Profit Sharing- Employee Bonus (G) (Note 5)						
		The company	All companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company	Companies in the consolidated financial statements (Note 6)	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements (Note 6)	
																Cash	Stock	Cash	Stock			
Chairman	Lam Tai Seng	0	0	0	0	2,400	2,400	880	880	0.41%	0.41%	7,202	7,202	108	108	4,520	0	4,520	0	1.89%	1.89%	NA
Director	Wang Wei Wei																					
Director	Liu Chiu Tsao																					
Director	Yi Hua Investment representative Liaw Jui Tsung (Note 9)																					
Independent Director	Chen Kuo Hong																					
Independent Director	Hsieh Han Chang																					
Independent Director	Tseng Ming ren (Note 10)																					

Other than those disclosed through the aforementioned Table, the remuneration received by the Company's directors for the services rendered to all companies mentioned in the financial statements (e.g., serving as a consultant other than an employee) in the most recent year: NT$0

<table>
<tr><td rowspan="3">Range of Remuneration</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Total of (A+B+C+D)</td><td colspan="2">Total of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The company</td><td>Companies in the consolidated financial statements</td><td>The company</td><td>Companies in the consolidated financial statements</td></tr>
<tr><td>Under NT$ 2,000,000</td><td>Lam Tai Seng,
Wang Wei Wei
Liu Chiu Tsao
Liaw Jui Tsung,
Chen Kuo Hong,
Hsieh Han Chang
Tseng Ming-ren</td><td>Lam Tai Seng,
Wang Wei Wei
Liu Chiu Tsao
Liaw Jui Tsung,
Chen Kuo Hong,
Hsieh Han Chang
Tseng Ming-ren</td><td>Wang Wei Wei,
Chen Kuo Hong,
Hsieh Han Chang,
Liaw Jui Tsung,
Tseng Ming-ren</td><td>Wang Wei Wei,
Chen Kuo Hong,
Hsieh Han Chang
Liaw Jui Tsung,
Tseng Ming-ren</td></tr>
<tr><td>NT$2,000,001 ~ NT$5,000,000</td><td></td><td></td><td>Lam Tai Seng</td><td>Lam Tai Seng</td></tr>
<tr><td>NT$5,000,001 ~ NT$10,000,000</td><td></td><td></td><td>Liu Chiu Tsao</td><td>Liu Chiu Tsao</td></tr>
<tr><td>NT$10,000,001 ~ NT$15,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$15,000,001 ~ NT$30,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$30,000,001~ NT$50,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$50,000,001 ~ NT$100,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Over NT$100,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td>7</td><td>7</td><td>7</td><td>7</td></tr>
</table>

Note 1: It refers to the remuneration toward directors for 2018 (including directors' salary, job allowance, severance payment, various bonuses, incentives, etc.)

Note 2: It refers to the amount of remuneration to directors to be allocated in 2018 as duly resolved in the board of directors meeting.

Note 3: It refers to the traffic allowances payable to directors in 2018.

Note 4: It refers to the salary, job allowances, severance pay, various bonuses, incentives, traffic allowances, special expenditures, various allowances, dormitory fares, provision of vehicles and such objects in kind received by directors and concurrent employees (including the concurrent general manager, deputy general manager(s), other managers and employees) in 2018. Besides, such "shares-based payments" under IFRS 2, including acquired employee stock option certificates, new shares with restricted employee interests, and participation in subscription to new shares through capital increase through cash injection should be counted into the remuneration.

Note 5: Remuneration to employees (including stocks and cash) obtained by directors and concurrent employees (including the concurrent general manager, deputy general managers, other managers, and employees) of the proposed distribution for 2018 based on the actual distribution ratio in 2017.

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

Note 7: It refers to the net profit after tax amidst the individual financial statements of 2018.

Note 8: The Company established an audit committee to replace the supervisor's position on June 8, 2018.

Note 9:Mr. Liao Rui-cong was originally the Company's supervisor and became the legal director representative of Grace China Investment Limited on June 8, 2018.

Note 10: Mr. Tseng Ming-ren was originally the Company's supervisor, and became an independent director during the shareholders' meeting on June 8, 2018. Mr. Tseng resigned from the position on July 13, 2018 for personal reasons.

2、Remuneration of Supervisors

As of Dec.31, 2018 Unit: NT$ Thousand/ Thousand shares

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="6">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C) to Net Income (%)</th><th rowspan="3">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A) (Note 1)</th><th colspan="2">Severance Pay (B) (Note 2)</th><th colspan="2">Allowances (C) (Note 3)</th></tr>
<tr><th>The company</th><th>All companies in the consolidated financial statements</th><th>The company</th><th>Companies in the consolidated financial statements</th><th>The company</th><th>Companies in the consolidated financial statements</th><th>The company</th><th>Companies in the consolidated financial statements</th></tr>
<tr><td>Supervisor</td><td>Liaw Jui Tsung (Note 7)</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">220</td><td rowspan="3">220</td><td rowspan="3">0.03%</td><td rowspan="3">0.03%</td><td rowspan="3">NA</td></tr>
<tr><td>Supervisor</td><td>Tsai Wen Bin (Note 8)</td></tr>
<tr><td>Supervisor</td><td>Tseng Ming Jen (Note 9)</td></tr>
</table>

<table>
<tr><th rowspan="3">Range of Remuneration</th><th colspan="2">Name of Supervisors</th></tr>
<tr><th colspan="2">Total of (A+B+C)</th></tr>
<tr><th>The company</th><th>Companies in the consolidated financial statements</th></tr>
<tr><td>Under NT$ 2,000,000</td><td>Liaw Jui Tsung
Tsay Wen Bin
Tseng Ming Jen</td><td>Liaw Jui Tsung
Tsay Wen Bin
Tseng Ming Jen</td></tr>
<tr><td>NT$2,000,001 ~ NT$5,000,000</td><td>0</td><td>0</td></tr>
<tr><td>NT$5,000,001 ~ NT$10,000,000</td><td>0</td><td>0</td></tr>
<tr><td>NT$10,000,001 ~ NT$15,000,000</td><td>0</td><td>0</td></tr>
<tr><td>NT$15,000,001 ~ NT$30,000,000</td><td>0</td><td>0</td></tr>
<tr><td>NT$30,000,001 ~ NT$50,000,000</td><td>0</td><td>0</td></tr>
<tr><td>NT$50,000,001 ~ NT$100,000,000</td><td>0</td><td>0</td></tr>
<tr><td>Over NT$100,000,000</td><td>0</td><td>0</td></tr>
<tr><td>Total</td><td>3</td><td>3</td></tr>
</table>

Note 1: It refers to remuneration payable to supervisors in 2018 (including the salaries, job allowances, severance pay, a variety of awards and incentives, etc.)
Note 2: It refers to the amount of remuneration payable to supervisors in 2018 as resolved by the board of directors.
Note 3: It refers to the amount of traffic allowances payable to supervisors in 2018.
Note 4: It refers to the aggregate total of all sorts of remunerations paid by all companies covered within the Consolidated Financial Statements (including the Company itself) to the Company's supervisors.
Note 5: It refers to net profit after tax under all individual financial statements in 2018.
Note 6: The Company established an audit committee to replace the supervisor's position on June 8, 2018.
Note 7: Supervisor Mr. Liao Rui-cong stepped down from the position on June 8, 2018 and became the legal director representative of Grace China Investment Limited on June 8, 2018.
Note 8: Supervisor Tsai Wen-bin stepped down from the position on June 8, 2018.
Note 9: Supervisor Tseng Ming-ren stepped down from the position on June 8, 2018 and became an independent director on the same day. Tseng resigned from the position on July 13, 2018 due to personal affairs. ◦

3、Remuneration of the President and Vice President

As of Dec.31, 2018 Unit: NT$ Thousand/ Thousand shares

Title Name	Salary(A) (Note 1)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
							Cash	Stock	Cash	Stock			
President Liu Chiu Tsao SeniorVP of Sales Center Lee Dong Ling (Note 6) VP of Sales Center Shyu Jia Horng VP of RD Center Teng Chun I VP of RD Center Liu Yun Ping VP of Manufacturing Center Chuo Chun Hung VP of Administration Center Hsish,Sheng Wen	16,809	16,809	756	756	2,770	2,770	16,700	0	16,700	0	4.62%	4.62%	NA

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000		
NT$2,000,001 ~ NT$5,000,000	Liu Yun Ping, Chuo Chun Hung, Teng Chun I, Shyu Jia Horng , Hsish,Sheng Wen	Liu Yun Ping, Chuo Chun Hung, Teng Chun I, Shyu Jia Horng g, Hsish,Sheng Wen
NT$5,000,001 ~ NT$10,000,000	Lee Dong Ling(Note 6) Liu ChiuTsao	Lee Dong Ling(Note 6) Liu ChiuTsao
NT$10,000,001 ~ NT$15,000,000		
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total		

Note 1: It refers to the salaries, job allowances, severance pay for the general manager and deputy general managers in 2018.

Note 2: It refers to a variety of award bonuses, incentives, traffic allowances, special expenditures, various allowances, dormitory fares, provision of vehicles and such objects in kind and other remunerations provided to the general manager and deputy general managers in 2018. Besides, such salary expenses, including employee stock option certificates acquired by employees as "shares-based payments" under IFRS 2, including acquired employee stock option certificates, new shares with restricted employee interests and participation in subscription to new shares through capital increase through cash injection should be counted into the remuneration as well.

Note 3: The amount of employee remunerations proposed to be allocated to the general manager and deputy general managers (including stocks and cash) for 2018 based on the actual allocation ratio in 2017.

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

Note 5: It refers to the net profit after tax under indescribable financial statements of 2018.

Note 6: Senior vice president of the marketing center Li Dong-ling resigned from the position on December 31 2018.

4、**Names of the managerial officers allocated with remuneration to employees and performance in allocation.**

As of Dec.31, 2018 Unit: NT$; shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Liu Chiu Tsao	0	22,300,000	22,300,000	2.78%
	SVP	Lee Dong Ling (Note 2)				
	VP	Shyu Jia Horng				
	AVP	Hung Tung Chang				
	VP	Teng Chun I				
	VP	Liu Yun Ping				
	AVP	Lin Chiung Chi				
	VP	Chuo Chun Hung				
	SVP	Hsish Sheng Wen				
	AVP	Chan I Wen				
	AVP	Lee Mei Huei				

Note 1: The remuneration to employees allocated to managerial officers anticipated for 2018 based on the actual allocation ratio of 2017.

Note 2: Li Dong-ling, senior vice president of the marketing center, resigned on December 31 2018.

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

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) of the company		Increase (Decrease)%
	2017	2018	
Directors	2.38 %	1.89%	(20.59)%
Supervisors	0.21 %	0.03%	(85.71)%
President and Vice Presidents	4.20 %	4.62%	10.00%

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

(1) The compensation paid to the directors and supervisors is based on the provisions of

the “Articles of Incorporation.” If the company is profitable during that year, the company should take out 3% to 15% of the profits as compensation to the employees and no more than 3% of the profits as compensation for the directors and supervisors, not including the fixed traveling expenses for attending meetings (The company set up an audit committee to replace the supervisor on June 8, 2018 and revised the company's Articles of Incorporation to "make the directors’ compensations no more than 3% of the profits. The compensation for the 2018 Supervisor is the travel expenses for attending meetings.) The compensations are given according to the performance evaluations based on the Company’s “Board of Directors’ Performance Evaluation Regulations,” and refer to the company's overall annual operation performance. The proposed compensation report is submitted to the Compensation Committee and the board of directors for deliberation and approval. The Compensation Committee also regularly reviews the rationality of the salary compensation policies, standards and structure. The amount of compensation distributed in the 2018 and 2017 financial year is NTD 2,400,000 and NTD 3,200,000 respectively, both of which did not exceed the maximum limit. The "business execution fee," which are the traveling expenses to meetings, are NTD 1,100,000 and NTD 1,060,000 respectively in 2018 and 2017. The net earnings ratio of the directors' compensation decreased from 2017 to 2018, this was mainly due to the establishment of the audit committee in June 2018 to replace the supervisor and a reduced number of directors.

(2) The compensation key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends.The compensation is measured based on the employee’s personal achievements, contribution made to the business operation, and the market averages.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

The Board called 8 (A) meetings in 2018. The attendance of directors is specified as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Lam Tai Seng	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8, 2018)
Director	Wang Wei-wei	7	0	88 % (Required attendance: 8)	Re-elected (Re-election date: June 8, 2018)
Director	Liu Chiu Tsao	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8, 2018)
Director	Yi Hua Investment Representative: Liaw Jui Tsung	4	0	100 % (Required attendance: 4)	Incumbent (Re-election date: June 8, 2018)
Independent director	Chen Kuo Hong	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8, 2018)
Independent director	Hsieh Han Chang	8	0	100 % (Required attendance: 8)	Re-elected (Re-election date: June 8, 2018)
Independent director	Tseng Ming-ren	1	0	100 % (Required attendance: 1)	Incumbent (Re-election date: June 8, 2018) Director Tseng Ming-ren resigned on July 13, 2018 due to personal reasons.

Other mentionable items:

1.If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: are as follows

Board of Directors	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinion
2018/1/25 10th Board of Directors 21st Meeting	1. Operational Plan for year 2018		None
	2. The Remuneration Committee discussed and passed the 2017 performance bonus proposal		None
	3. The Remuneration Committee discussed and passed the 2017 performance bonus proposal for managers		None
	4. Provided subsidiary company Box Technologies Limited to apply for the GBP NTD 5 million credit line guarantee case from Chang Hwa Commercial Bank and authorized the chairman to handle contract-related matters.	V	None
	5. Proposal to apply for a line of credit at HNCB		None
	6. Proposal to cancel the company's treasury stocks		None
	7. Proposal to set the 2018 General Shareholders Meeting location, date, and other related issues		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/3/20 10th Board of Directors 22nd Meeting	1. Remuneration proposal for 2017 supervisors and employees		None
	2. 2017 financial report (including the consolidated report)		None
	3. Proposal to distribute the company's surplus profits of 2017		None
	4. Proposal to modify parts of the company's "Articles of Association"		None
	5. Proposal to change the company's accountants starting in the first quarter of 2018 as a result of of KPMG's internal personnel adjustment	V	None
	6. 2017 "Internal Control System Announcement"		None
	7. Re-election of the Company's board of directors		None
	8. Proposal for canceling the non-compete restriction for new directors and their representatives		None
	9. Cooperated with Audit Committee (replacing the Supervisor after the directors' re-election at the shareholders' meeting) to amend partial provisions of the "Management of Loans to Others", "Operational Procedures for Endorsements and Guarantees" and "Procedures for Acquisition or Disposal of Assets."	V	None
	10. Cooperated with Audit Committee (replacing the Supervisor after the directors' re-election at the shareholders' meeting) to amend partial provisions of the "Regulations for the Shareholders' Meeting," "Regulations for Electing Directors and Supervisors," "Regulations for the Meeting of the Board of Directors," "Regulations of the Independent Directors' Responsibilities," and "Compensation Committee Organizational Regulations."		None
	11. Proposal to create "Organizational Protocols for the Audit Committee".		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		

Board of Directors	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinion
2018/4/24, 10th Board of Directors 23rd Meeting	1. Review the list of director candidates (including independent directors) nominated at the 2018 Regular Shareholders' Meeting by shareholders who possess more than 1% of the shares.		None
	2. Review the Shareholders' Proposal drawn up by shareholders possessing more than 1% of the shares at the 2018 Regular Shareholders' Meeting.		None
	3. Proposal to modify parts of the company's "Articles of Association"		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/5/4 10th Board of Directors 24th Meeting	The Report of the consolidated financial statements Q1 of 2018		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/6/8 11th Board of Directors 1st Meeting	1. Recommended Director Lin Da-cheng as the 11th Chairman.		None
	2. Appointed all independent directors to form the 4th Compensation Committee.		None
	3. Established the 1st audit committee, which was composed entirely of independent directors		None
	4. Established an audit committee, repealed the "Organizational Regulations for the Special Committee on Mergers and Acquisitions"		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018 /8/10 11th Board of Directors 1st Meeting	The Report on the consolidated financial statements for 2018 Q2 (subject to the approval of the Audit Committee)		None
	Independent Director and Audit Committee Chairman Tseng Ming-ren resigned due to personal reasons (approved by the Audit Committee)		
	1. Regularly assess the independence of the auditor for the company's financial statements (approved by the Audit Committee on 8/10/2018)	V	None
	2. Evaluate the funding case for the 2018 financial statement auditor (approved by the Audit Committee)	V	None
	3. Proposal to apply for a line of credit at Chang Hwa Bank's Nangang Branch.		None
	4. Proposal to apply for a line of credit at Cathay United Bank		None
	5. Provide subsidiary company Box Technologies Limited to apply for the GBP NTD 5 million credit line guarantee case from Chang Hwa Commercial Bank, and authorized the chairman to handle contract-related matters (approved by the Audit Committee)	V	None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		

Board of Directors	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinion
218/9/27, 11th Board of Directors 2nd Meeting	1. The 2018 salary adjustment principle and manager salary adjustment cases (approved by the Compensation Committee)		None
	2. The 2017 Directors and Supervisors Compensation Distribution Case (approved by the Compensation Committee)		None
	3. The 2017 Manager and Employee Bonus Distribution Case (approved by the Compensation Committee)		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/11/13, 11th Board of Directors 3rd Meeting	The Report on the consolidated financial statements for 2018 Q3 (approved of the Audit Committee)		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		

(2) Implementation of Avoidance of Conflicts of Interests within the board: None

2. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Independent Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots: None.

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

(1) In 2002, the company created two independent director positions, both of which actively participate in discussing company affairs and communicating with management in order to strengthen corporate governance. Additionally, in 2006, the company made and implemented the Board Meeting Protocols, and auditing and accounting chiefs have been present in all board meetings (as of 2018, attendance rate was 100%). Directors discuss projects and proposals and also require management to report in detail regarding operational performance, market analysis, business strategies, product positioning, management operations, HR, financial data, and department operation status in their quarterly reports. These methods allow directors to supervise members of management and ensure that they fulfill their responsibilities.

(2) The company created the Board Performance Evaluation Protocols, including: evaluation cycle and time frame, evaluation range, executive units, evaluation processes, and evaluation criteria:

① Evaluation criteria for the board include five main aspects: level of participation in the company's operations, improvement in the board's decision making, organization and structure of the board, election of directors and continued education, internal control, etc

② Evaluation criteria for directors include six main aspects: mastery of the company's goals and tasks, knowledge of director's job responsibilities, level of participation in the company's operations, management of internal relationships and communication, expertise, continued education of directors, internal control, etc.

③ At the end of every year, designated executive units are in charge of evaluating the performance of the board and of directors, and the results are included in the Board Report during the first quarter so that the board can review aspects needing improvement and discuss ways to improve job functions. In 2018, the board evaluation results were reported in March 2019 in the Board Report. Individual directors and the board performed well.

(3) The Company set up the Audit Committee on June 8, 2018, which carries out related operations and performs the functions of a supervisor based on Article 14-5 of the Securities and Exchange Act. The Committee has been operating under normal conditions.

(II) Implementation of the Audit Committee or supervisors' participating in the operation of the Board of Directors:

The Auditing Committee convened for 3 times (A) in 2018. The attendance of the independent directors is shown below:

Title	Name	Actual number of attendance (B)	By Proxy	Percentage of actual attendance (%) [B/A]	Note
Independent director	Chen Kuo Hong	3	0	100 % (Required attendance: 3)	Re-elected (Re-election date: June 8, 2018)
Independent director	Hsieh Han Chang	3	0	100 % (Required attendance: 3)	Re-elected (Re-election date: June 8, 2018)
Independent director	Tseng Ming-ren	1	0	100 % (Required attendance: 1)	Incumbent (Re-election date: June 8, 2018) Director Tseng Ming-ren resigned on July 13, 2018 due to personal affairs.

Other notes:

1. For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the resolution of the Audit Committee, and the process of the opinions proposed by the Audit Committee: Not applicable.
   (1) Audit Committee's 2018 Checklist:
   - Review the establishment or revision of the internal control system.
   - Evaluate the effectiveness of the internal control system.
   - Review the Procedures for the Acquisition and Disposal of Assets, the trade of derivatives, loaning of funds, making of endorsement/guarantees, and other significant financial business acts should be enacted or amended
   - Review matters that involve the best interests of the directors.
   - Review material assets or derivative transactions.
   - Review the lending, endorsement, or guarantee of capital in huge sum.
   - Review the public offering, issuance, or private placement of equity-type securities.
   - Review the appointment, dismissal, or compensation of the CPAs.
   - Review the appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.
   - Review the Annual financial reports and interim financial report.
   - Review other significant matters required by the Company or the competent authorities.

   (2) The operation of the Auditing Committee in 2018:

Audit Committee	Details of the relevant agendas and the subsequent	Issues listed in the Securities and Exchange Act, Article 14, Part 5	The audit commit member has objections or reservations.
2018/6/8 The 1st Board of Directors 1st Meeting	Recommended Chen Guo-hong as an independent director to be the coordinator of the Audit Committee		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/8/10 The 1st Board of Directors 2nd Meeting	1. Independent Director Tseng Ming-ren Resignation Report due to personal reasons		None
	2. Audit Committee Member Tseng Ming-ren Resignation Report due to personal reasons		None
	3. The report on the consolidated financial statements for 2018 Q2	V	None
	4. Regularly assess the independence of the auditor for the company's financial statements	V	None
	5. Evaluate the Expense cases for the 2018 financial statement auditor	V	None
	6. Provided subsidiary company Box Technologies Limited to apply for the GBP NTD 5 million credit line guarantee case from Chang Hwa Commercial Bank and authorized the chairman to handle contract-related matters.	V	None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2018/11/13 The 1st Board of Directors 3rd Meeting	The report on the consolidated financial statements for 2018 Q3		None
	Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		

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

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

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

(1) The Company's internal audit supervisor presents the audit results to the independent directors during every Board meeting, and conducts an audit report for the audit committee meeting. The chief audit executive will immediately report any unusual cases to the audit committee and independent directors. There haven't been any unusual cases in 2018 and the communications between the chief audit executive and audit committee have been well.

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

(3) Communication between Independent Directors and internal audit supervisor and CPA:

Date	Summary of Talks
2018/1/25	1. The chief audit executive reported on the company's internal audit from November to December 2017. 2. The chief audit executive explained that Subsidiary Box Technologies Limited applied for a credit line from Changhua Commercial Bank for their capital to expand their business in the European market. The company provided the endorsement and guarantee for the application.
2018/3/20	1. The chief audit executive reported on the company's internal audit situation in 2017, the results of the internal self-assessment in 2017, the declaration for the internal control system, and the company's internal audit from January to February 2018. 2. The chief audit executive explained the new "Organizational Regulations for the Audit Committee" and cooperated to establish the Audit Committee for amendments to the following: "Regulations for the Shareholders' Meeting," "Regulations for electing Directors and Supervisors," "Board Meeting Protocols"", Organizational Regulations of the Compensation Committee," "Procedures for Acquisition or Disposal of Assets," "Procedures for Loans to others," "Procedures of Endorsements and Guarantees," and "Duties and Responsibilities of Independent Directors." 3. The company's auditor reported on the auditing situation for the combined and individual annual financial statements, discoveries of the internal control system, and updates to laws and regulations.
2018/4/24	The chief audit executive reported on the company's internal audit from March to April of 2018.
2018/5/4	The chief audit executive reported on the improvements to the flaws in 2017's internal control system and unusual affairs.
2018/6/8	The chief audit executive reported on the company's internal audit during May 2018.
2018/8/10	1. The chief audit executive reported on the company's internal audit from June to July of 2018. 2. The chief audit executive explained the assessment of the financial statement auditor's independence, and the bank credit line application case.

Opinion of independent director: None.

Date	Summary of Talks
2018/9/27	1. The chief audit executive reported on the company's internal audit during August, 2018. 2. The chief audit executive explained that Subsidiary Box Technologies Limited applied for a credit line from Changhua Commercial Bank for their capital to expand their business in the European market. The company provided the endorsement and guarantee for the application.
2018/11/13	The chief audit executive reported on the company's internal audit from September to October 2018.
The independent directors had no objections to the aforementioned affairs.	

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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" on May 2015. The information has been disclosed on the Company's website.	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(1) In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as spokesman, deputy spokesman, investor Relations, to handle shareholders' suggestions, doubts, disputes and litigation. (2) The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. (3) The company has created the Regulations for Transactions among Stakeholding Corporate Groups and Specific Companies, the Regulations for Company-Invested Enterprises, internal control's Supervision and Management of Subsidiary Companies, the Regulations for Transactions Between Stakeholders, and other relevant management standards, in which we clearly specify and regulate management authority and control methods among companies with connected interests. Moreover, we can supervise our subsidiaries as they establish and carry out necessary internal control systems, and as they build good risk-control systems and firewalls in compliance with our Company Governance Principles	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?			(4) The company has made the following management regulations 1. The Ethical Management Principles and the Company Ethical Behavior Principles, which stipulate that internal personnel should not take advantage of unpublicized information and engage in insider trading or disclose information to others so they can engage in insider trading. 2. The Procedures for Handling Major Internal News state that internal personnel aware of major internal news should not disclose the information to others. The above regulations are all compliant with our Company Governance Principles. In 2018, the above tasks were verifiably implemented.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The company made its Company Governance Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies. In these principles, below the strengthening of the board's job functions part, is a regulation that reads, "the Board of Directors should consist of a diverse group of members. The company's operations, management models and development needs should embrace a principle of diversity that shall include but not be limited to two major aspects: (1) Basic personal information and values: gender, age, nationality, and cultural background; (2) Expertise and skills: specialized background (such as law, accounting, industry, finance, sales, or technology), specialized skills, industry experience, etc." All of the company's directors should be equipped with knowledge, skills, and personal qualities required for performing their jobs. In	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			order to reach ideal company management, the Board of Directors should have the following abilities: (1) Operation Judgement Ability (2) Accounting and Financial Analysis Ability, (3) Operational and Management Ability, (4) Crisis Response Ability, (5) Knowledge of Industry, (6)Understanding of International Markets, (7) Leadership, and (8) Decision Making. The company pays attention to the board of directors' diversity in gender and professional backgrounds. The directors' professional backgrounds are as follows: one of the directors is an employee (17%), two of the directors are independent directors (34%), and one of the directors is female (17%). As for age distribution, one director is less than 60 years old and the remaining five are 60 to 65 years old.	

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

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

Evaluation Item	Yes	No	Abstract Illustration	Deviations and Reasons
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			(2) The company has established the following functional committee 1. In October 2011, the company set up the Remuneration Committee and established the Organizational Protocols of the Remuneration Committee by which the committee will be guided. 2. The Audit Committee was set up in June 2018 and the “Organizational Regulations for the Audit Committee” was formulated and implemented in accordance with the regulations.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?			(3) The company has created the Board Performance Evaluation Protocols, which includes evaluation cycle and time frame, evaluation range, executive units, evaluation processes, and	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			evaluation criteria. 1. Evaluation criteria for the board include level of participation in the company's operations, improvement in the board's decision making, organization and structure of the board, election of directors, continued education, internal control, etc. 2. Evaluation criteria for board members include mastery of the company's goals and tasks, knowledge of director's job responsibilities, level of participation in the company's operations, management of internal relationships and communication, expertise, continued education of directors, internal control, etc. 3. From the end of the year and into the beginning of the next year, the executive unit of the general manager's office is responsible for evaluating the performance of the board and its members. The evaluation results are reported to the board in the first quarter so that the board can review aspects needing improvement and discuss ways to improve job functions. The results of the 2018 board evaluation were reported to the Board in March 2019. Individual directors and the board performed well. (4) During the board meeting on August 10, 2018, according to the Statement of Independence made by Shih Wei-Ming and Wang Yung-Sheng from KPMG Taiwan, the company audited the following items in order to evaluate the accountants' independence. All directors agreed that there were no violations and that accountants auditing the company's financial report were sufficiently objective and independent: 1.Whether the service provided by the accountants violate the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			terms of independence 2.Whether the audit of the company's financial reports and the quality of verification are accurate and professional 3.Whether the accountants have major exchange of interests or financing guarantees with the company's clients, directors, or supervisors In 2018, the above tasks were verifiably implemented.	
4. Does the company set up one full/part time employee to be in charge of corporate governance issues?	V		The Company's General Manager Office and Management Center co-formed the "Sustainable Operation Promotion Team," which is responsible for promoting corporate governance. It is one of the "Corporate Social Responsibility Promotion Group's" teams. The highest-ranking manager of the management center was also the person in charge of the team, but the board of directors approved that the Chief Financial Officer would also be the corporate governance supervisor in April 2019. The supervisor would be responsible for seeing members of the "Sustainable Operation Promotion Team" in assisting the board of directors to fulfill their duties and report to competent authorities. The chief financial officer has served in the company's finance department for more than ten years, and has assisted the management center and general manager's office in conducting board meetings and shareholders' meetings. The chief financial officer's qualifications and experiences are in compliance with the regulations. The corporate governance supervisor's authority and performance in 2018 are as follows: Corporate governance supervisor's authority 1. Conducted board of director meetings and shareholder meetings in accordance with the law. 2. Produced board of directors and shareholders' meeting records	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			and handle the application/revisions to the company's registration certificate. 3. Assisted directors in their appointment and continued education. 4. Provided the information required by the directors to conduct business 5. Assisted directors to comply with the law 6. Handle matters stipulated in the company's articles of association or contracts 7. Arranged meetings between directors, internal auditors, and auditing accountants 8. Arranged meetings between the board and leaders of the company's business branches to better understand the company 9. Followed legislation updates relevant to the company's operations and governance 2018 Performances 1. Assisted all directors in performing their duties and provided information required by the directors. This included: board meeting information, updates to the laws and regulations for business operation and corporate governance, important company information, and quarterly general manager business performance reports. 2. Developed and revised company policies or management regulations related to corporate governance. 3. Arranged all directors to complete six hours of educational training 4. Arranged for meetings between directors and chief audit executive and auditors. 5. Arranged for meetings between the company's various managers, subsidiary owners and the board of directors. 6. Conducted board meetings and shareholder meetings by providing meeting notices, calls, meeting materials, and making	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			agendas in accordance with laws and regulations. 7. Tracked the completion of proposals after board meetings and shareholder meetings. 8. Handled uploading the information from the shareholder meetings and the company registration certificate in accordance with the law.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up a stakeholder area on the Chinese and English Corporate Website (http://www.flytech.com), which lists important issues of concern, and provides communication channels and contact methods according to the stakeholder category. The company established management regulations, "The Stakeholder Area Management Operational Procedures," which contain the operational procedures and regulate the department responsible for replying to the important issues of concern for stakeholders. In 2018, the above tasks were verifiably implemented.	None.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Capital Securities Inc. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has set up a Chinese/English website (www.flytech.com.tw) to disclose information regarding the Company's financials, business and corporate governance status. The company has in place its Procedures for Handling Major Internal News, and the PR and accounting departments will organize news about company finances and operations, as well as about Results Conference Calls, which are legally required to be revealed for public knowledge. The news will then be sent by a spokesperson to the Market Observation Post System as well as the company's corporate website (http://www.flytech.com). Important information about the	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			company's financial state and governance includes company governance, important regulations, board resolutions, communications between independent directors and internal auditors and accountants, internal control organization and operations, corporate social responsibility, implementation of ethical management, environmental and energy conservation policies, supplier management, employee benefits, specialized space for stakeholders, etc. In 2018, the above tasks were verifiably implemented.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1、The company has been in existence for 33 years and has remained dedicated to its principles: "Focus on expertise, operate sustainably, and pursue excellence." We have the advantages of "Complete products, advanced technologies, excellent production, and steadfast commitment to our partners." We have been ISO9001/13485 Quality Management certified, ISO 14001 environmental management certified, and ISO27001 data security certified. We are certified by the Ministry of Economic Affairs for the Taiwan Intellectual Property Management System (TIPS) (Version 2016, Grade A). These qualifications allow us to provide high-quality products and services while protecting intellectual property. With our faith in ethics and steady growth, we have built a sophisticated corporate governance environment with excellent risk-control structures. We have created Risk control designs such as the internal control system, management regulations, accounting system, budget systems, ISO standard operating procedures, TIPS management system, and MIS system are designed and operated by employees at all levels to conduct their own operations. The internal audit, board of directors, and the audit committees supervise and regulate the employees based on the regulations in 2018.	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			2、The company has made the following management regulations related to company governance: (1) Company Governance Principles: Clearly stipulates systems and regulations that should be covered. (2) Ethical Management Principles, Ethical Management and Behavior Guidelines, Company Ethical Behavior Principles, Regulations for Transactions among Stakeholding Corporate Groups and Specific Companies, Regulations for Transactions Between Stakeholders, Management Regulations for Company-Invested Enterprises, and related regulations: These regulations stipulate moral principles that should be followed during exchanges among stakeholders, clients, suppliers, investors, employees, and other people of interest so that they can build harmonious and trust-based relationships. (3) Board Performance Evaluation Protocols: These protocols determine the evaluation cycle and time frame, evaluation range, executive units, evaluation processes, evaluation criteria, etc. Through periodical evaluation, we will continue to discuss how to improve the board's functions. 3. The company has created the Employee Benefits Committee and the Labor Safety and Sanitation Committee, providing each employee with benefits and guarantees of safety and sanitation. In the company HR Guidelines, the committee also clearly defines employee behavior guidelines, job clearance, safety and sanitation, benefits/bonuses/penalties, raise evaluation,	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			education/training, etc. The company offers employees a safe, steady, communicative, and excellent work environment. In 2018, the above tasks were verifiably implemented. The Company has purchased D&O insurance for its directors and supervisors on Jan 2018. Directors' and supervisors' training records:	

Title	Name	Election Date	Training date	Organizer	Course name	Training hours	Compliance with Regulations
Chairman	Lam Tai Seng	2018.06.08	2018.09.14	Taiwan Corporate Governance Association	Corporate Governance Driving Force Behind the Scenes – Practices of the Company's Secretary	3	Yes
			2018.09.19		The analysis of important issues in the latest Company Act Amendments	3	Yes
Director	Wang Wei-wei	2018.06.08	2018.08.31	Taiwan Corporate Governance Association	Case Study on the Legal Responsibility of Insider Trading	3	Yes
			2018.09.07		Explore enterprises' comprehensive protection strategies for intellectual property from the board of directors' altitude.	3	Yes
Director	Liu Chiu Tsao	2018.06.08	2018.09.14	Taiwan Corporate Governance Association	Corporate Governance Driving Force Behind the Scenes – Practices of the Company's Secretary	3	Yes
			2018.11.09		A mandatory course for supervisors and directors – An Analysis of the Risks of Running an Enterprise	3	Yes
Corporate Director representative	Liaw Jui Tsung	2018.06.08	2018.09.06	Securities and Futures Institute	Printing Stocks, Banknote exchanges, and Securities Fraud – A Discussion on Illegal Issues of Stocks and Corporate Bonds	3	Yes
			2018.09.12		The Development and Investigations in response to International and Taiwanese Tax Evasion	3	Yes
Independent director	Chen Kuo Hong	2018.06.08	2018.08.09	Taiwan Corporate Governance Association	Corporate Governance - Analysis of the latest Company Act Amendments	3	Yes
			2018.10.19		Examining the management of intellectual property from the altitude of directors and supervisors	3	Yes
Independent director	Hsieh Han Chang	2018.06.08	2018.08.10	Taiwan Corporate Governance Association	Business Secrets and Non-competition	3	Yes
			2018.09.28		How directors without financial backgrounds review financial reports	3	Yes

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. The company has been ranked in top third of the Corporate Governance Evaluations for three consecutive years, and competent authority has handed down requests for improvement. The company's corporate governance promotion team have continued to make improvements on items that have not scored points during the evaluations, which include: creating English meeting records and annual reports to improve disclosure of information, established audit committee, Compensation Committee on June 8, 2018 and included two independent directors.				

3.3.4 Composition, Responsibilities and Operations of the Compensation Committee

1、Professional Qualifications and Independence Analysis of Compensation Committee Members

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

Note 1: Not an employee of the Company or any of its affiliates.

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

Note 3: Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

Note 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

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

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

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

Note 8: Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Compensation Committee Meetings

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

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

Title	Name	Actual number of attendance (B)	Attend through proxy	Percentage of actual attendance (%) [B/A]	Note
Convener	Chen Kuo Hong	4	0	100 % (Required attendance: 4)	Re-elected (Re-election date: June 8, 2018)
Committee	Hsieh Han Chang	2	0	100 % (Required attendance: 2)	Incumbent (Re-election date: June 8, 2018)
Committee	Tseng Ming-ren	2	0	100 % (Required attendance: 2)	Incumbent (Re-election date: June 8, 2018)
Committee	Liao Da-li	2	0	100 % (Required attendance: 2)	Dismissed after the general re-election on June 8, 2018
Committee	Chen Yu	2	0	0 (Required attendance: 2)	Dismissed after the general re-election on June 8, 2018

Other notes:

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

Compensaion Committee	Details of the relevant agendas and the subsequent	Compensation Committee member's objection or reservation	The company's handling of the Compensation Committee's opinions
2018/1/25 The 3rd Board of Directors 8th Meeting	1. Reviewed the company's 2017 Annual Performance Bonus Case	None	Board of Directors Meeting on 1/25 Approved by all attending directors
	2. Reviewed the company's 2017 Annual Manager Performance Bonus Case	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		
2018/3/20 The 3rd Board of Directors 9th Meeting	1. Regularly evaluated the salary compensation policies, systems, standards and organization case along with the performance evaluations of directors, supervisors and managers.	None	Board of Directors Meeting on 3/20 Approved by all attending directors
	2. Reviewed the company's 2017 compensation case for directors and supervisors, and distribution of compensation for employees.	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		
2018/6/8 The 4th Board	Recommended committee member Chen Guo-hong as this year's coordinator	None	Board of Directors Meeting on 6/8

of Directors 1st Meeting	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		Approved by all attending directors
2018/9/27 The 4th Board of Directors 2nd Meeting	1. Reviewed the company's 2018 case on annual salary raise principles and manager salary raises.	None	Board of Directors Meeting on 9/27
	2. Reviewed the Company's 2017 compensation distribution case for directors and supervisors.	None	Approved by all attending directors
	3. Reviewed the company's 2017 bonus distribution case for managers and employees.	None	
	4. Reviewed the company's Compensation Committee 2019 calendar schedule case.	None	
	The company's handling of the Compensation Committee member's opinion: not applicable Resolution: All present member of the Remuneration Committee agreed and passed every proposal		

3.3.5 Corporate Social Responsibility

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>1. Corporate Governance Implementation
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?

(2) Does the company provide educational training on corporate social responsibility on a regular basis?</td><td>V</td><td></td><td>(1) Flytech has set up "Corporate Social Responsibility Code of Practice" based on "Corporate Governance Best Practice Principles for TWSE List Companies" and approved it on 2015 May board of director meeting. It has been disclosed on company official website: http://www.flytech.com and M.O.P.S.
(2) The Company has set up the "Corporate Social Responsibility Promotion Team" and designated the Management Center as the leading department. The three sub-groups are: the Sustainable Operations Promotion Team (General Manager's Office and Management Center), Product Development and Innovation Group (R&D Center and Marketing Center), environment-friendly manufacturing promotion group (Manufacturing center). The Management Center is responsible for supervising the three promotion groups to jointly implement the company's social responsibility policy and reviewing the effectiveness of its implementation. At the end of each year, regular arrangements are arranged at the annual meeting for the directors, Supervisors and employees of the company's social responsibility policy and in the first quarter of the following year, the board of directors reported on the implementation effectiveness and improvement plan. The three promotion groups are as follows:
1. Sustainable Development Task Group
(1) Drafts, discusses, modifies and implements corporate social responsibility policies; (2) implements various governance policies; (3) evaluates risks that impact company governance and sustainable development, and implements improvement plans; (4) pays attention to and protects stakeholders' equity; (5) organizes charity and volunteer activities and events; (6) advising suppliers to build green supply chains and reduce the environmental impacts of primary materials and their transportation.</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			2. Product Development Innovation Group (1) R&D of environmentally friendly product designs; (2) R&D of low-consumption/high-efficiency/low toxins/recyclable/low-impact innovative products; (3) R&D of innovative products that are more durable and reduce waste caused by replacement; (4) collects and analyzes market and technological trends, and designs and develops innovative products that help social and technological progress. 3. Environmentally Friendly Manufacturing Task Group (1) Designs lead-free manufacturing processes, drafts and implements energy conservation and carbon-reduction goals, reduces emission of greenhouse gas and carbon, conserves energy and properly uses water resources; (2) complies with environmental legislation and ISO14001, builds safe and sanitary working environments; (3) complies with environmental legislation, builds waste management and resource recycling plans, increases resource repurposing rate, and reduces environmental pollution. (3) The highest-level manager of the management office is responsible for supervising the three groups as they fulfill the company's social responsibility policies. He or she will supervise and discuss the fulfillment. Based on the Basic Service Regulations and the Reward/Penalty Management Methods, the groups will periodically evaluate employees' compliance to ensure that the social responsibility policies are followed. In the first quarter of each year, the groups will present their work results and improvement plans to the board. The implementation of the 2018 corporate social responsibility policies was reported to the board in March 2019. (4) The Company's "Articles of Association" stipulates that if there is profit in the year, 3% to 15% should be paid for the employees, and the company has the "Measures for the Management of Salary and	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Bonus," "Administrative Measures for Performance Appraisal" and "Administrative Measures for Reward and Punishment." The salary and remuneration policies for fixed salary, bonus, employee compensation, etc. are regularly reviewed by the Compensation and Compensation Committee, and the assessment of performance appraisal includes: employee performance, internal control system compliance and various company policy compliance including social responsibility system. Reward or punish according to the salary policy and reward and punishment methods. The salary policy is summarized as follows: 1. Fixed salary (this salary, professional addition, job addition): According to the labor law and the employee's academic experience and work ability, it is not determined by age, gender and ethnicity. 2. Year-end bonus and performance bonus: The year-end bonus is based on the annual operating status. According to the performance of each employee's performance appraisal and KPI, the bonus amount is determined. The performance bonus is based on the business/production/R&D/project performance of each department and the contribution of each employee. And approved. 3. Employee compensation: Calculate the approved individual allocation amount based on the results of each employee's performance appraisal and KPI achievement. 4. Salary policy: The annual salary adjustment is based on the previous year's business performance and market salary status. Individual promotion and salary adjustment will be handled in accordance with the “Management Measures for Awards and Punishments.” In 2018, the above tasks were verifiably implemented.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>2. Sustainable Environment Development
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?

(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</td><td>V</td><td></td><td>(1) The company's Corporate Social Responsibility Guidelines have set principles for sustainable development by which the company should abide. These principles including obeying environmental legislation and related international guidelines, increasing resource utility efficiency, building a proper environmental management system, setting up dedicated departments/units/staff for environmental management that will draft, implement and maintain related environmental management systems and concrete action plans; organize environmental educational classes for management and employees; properly utilize water resources; and conduct company greenhouse gas emission audits to reduce the company's environmental impact on the environment. With ethical and sustainability as principles, we will build a positive operational environment. We will focus on our expertise and develop excellent products to generate revenue and profit that we can share with customers, suppliers, shareholders, employees, and other stakeholders, all the while fulfilling our social responsibilities.
(2) Since 2015, the company started self-auditing its greenhouse emissions and has made management strategies, methods, and emission reduction goals. Below are the CO2 emission of Linko Factory in 2017 and 2018, and the company will continue to monitor and reduce emissions. The results of the audits over the two years have been revealed in the Market Observation Post System:
In 2017, overall emissions were 1,270,563kg, and the CO_2 equivalent was 1,271t
In 2018, overall emissions were 1,368,251kg, and the CO_2 equivalent was 1,368t
<table>
<tr><th></th><th>Kilowatt-hour</th><th>Revenue</th><th>Labor</th><th>Kilowatt-hours/person</th></tr>
<tr><td>2017</td><td>2,405,367 kilowatt-hours</td><td>NTD 4.58 billion</td><td>281</td><td>8,560 kilowatt-hours</td></tr>
<tr><td>2018</td><td>2,323,552 kilowatt-hours</td><td>4.63 billion</td><td>273</td><td>8,511 kilowatt-hours</td></tr>
<tr><td>Percentage</td><td>-3.5 %</td><td>+1.1%</td><td>-2.9 %</td><td>-0.6%</td></tr>
</table></td><td>None.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			(3) The company has been ISO 9001/13485 certified (international quality) and ISO 14001 certified (international environmental management). In terms of product design, we adopt energy-conserving, environmentally friendly design, and primary materials that have minimal pollution and are environmentally friendly; in production processes, we adopt lead-free production procedures, and both our spare parts and finished products are RoHS certified; through waste management plans, obeying laws, improving resource recycling, and preventing and monitoring air/water pollution, we continue to reduce carbon emissions and build a sustainable environment while reducing our impact on the environment, and keeping pace with international trends and client expectations. The programs above were led by the company's Corporate Social Responsibility Task Group, which is dedicated to fulfilling the company's social responsibilities and is in compliance with the company's Corporate Social Responsibility Guidelines. In 2018, the above tasks were verifiably implemented.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The company's Corporate Social Responsibility Guidelines have determined principles we must obey to protect public interests. These principles include obeying related legislation; providing employees with information about labor legislation and workers' rights in their regions; providing employees with a safe and healthy work environment; creating a good environment for employees' career development; building periodic communication channels; taking responsibility for products, services, and procedures; obeying legislation for guarantee of product/service quality; evaluating and managing risks involving disruption of operations and minimizing their impact on the environment and society. The implementation of the tasks above is as follows: (1) The company has created the Basic Service Regulations in accordance with basic labor laws, internationally recognized human	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			rights principles, and other related legislation. The regulations guarantee employees' legal rights and establish management procedures that comply with the above principles. The regulations also will add human rights protection policies based on relevant legislation and the International Bill of Human Rights.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?			(2) The company has created the Complaints Protocols, in which the Task Group for Ethical Management is the complaint recipient in 2016. The group regulates and receives complaints, confidential information, appeals, audits, logs, and news distribution, among other procedures. It has also set up a complaint email box on the company website and internal website, providing channels for employees and other stakeholders to make complaints.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			(3) The company follows the ISO 14001 Environmental Management System and maintains a good work environment. It has also created a Labor Safety and Sanitation Committee, which is in charge of supervising various labor safety and sanitation plans, and providing workers with safe, sanitary, and healthy work environments. The implementation status is as follows: 1. Labor insurance, health insurance, and group insurance for employees. 2. Ensured safe working places based on the Labor Safety and Health Facilities Rules 3. Providing qualified operation machinery 4. Yearly checks and maintenance of fire prevention facilities, fire drills, and educational trainings 5. Sending professional technicians for monthly electric facility checks 6. Yearly health checkups for employees 7. Yearly quality checks for employees' drinking water	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			8. Safety training and disaster response drills for employees every half year 9. Improved employee canteen service, offering nutritional and clean food	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?			(4) The company's high-level management has meetings with managers of four major departments (sales, R&D, manufacturing, management) every month, discusses strategies, and communicates important matters. The managers of these departments can also communicate major changes that might impact company operations through their respective department's weekly and monthly meetings.	
(5) Does the company provide its employees with career development and training sessions?			(5) The company plans trainings and required study credits for employees of each department to comply with the ISO training/education methods and internal control programs. There are internal and external trainings, and they are categorized as new employee pre-job training, current employee training, training for job levels, and special training projects. These trainings help employees improve their professional expertise. The company has also created the Flytech Knowledge+ internal classes, during which hired specialists and experts give lectures to the entire employee body; we also have in place the Mid- to High-Level Leader Training Plan, a yearly series of professional trainings that help management-level employees improve their expertise, leadership skills, and career planning.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?			(6) The company is committed to our clients. We comply with ISO 9001 and ISO 13485 in terms of international quality system regulations and regulations for processing products, services, and exchanges with clients. We also set up dedicated customer relations units and overseas service locations to facilitate transparent and effective complaint channels. This allows us to protect our clients' rights in	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards? (8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?			accordance with stipulations of contracts and principles of ethical management. We always conduct business fairly and transparently. (7) The company's Corporate Social Responsibility Guidelines stipulate that the sale and signage of the company's products and services should comply with relevant legislation and international guidelines. Behavior such as cheating, misleading, fraud, etc., which breach consumers' trust and rights, are strictly prohibited. (8) The company's Corporate Social Responsibility Guidelines stipulate that before conducting business, the company must evaluate whether the suppliers have records of adversely affecting the environment and society, so that we can avoid doing business with those who go against the company's social responsibility policies. (9) The company's Corporate Social Responsibility Guidelines stipulate that when signing contracts with suppliers, both parties' social responsibilities policies should be included in the contracts and that if suppliers are suspected of breaching the policies and visibly affecting the supplier source community environmentally and socially, the contracts can be terminated at any time and their terms cancelled. In 2018, the above tasks were verifiably implemented.	
4. Enhancing Information Disclosure Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The company has revealed all relevant information about its social responsibilities on a dedicated page of its website (http://www.flytech.com), including the social responsibility policies and mission, which is to protect and take care of all stakeholders. The company firmly believes that, through dedication and promises in our field, we can provide the best products to clients; through building the company's internal culture, Flytech will take care of each employee; through our focus on the industry environment, we maintain excellent, long-term relationships with our suppliers; and, finally, through our	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			promises to clients, employees and suppliers, we are pursuing maximized earnings for our shareholders. Moreover, the company established the Flytech Foundation in 2015, which hosts various charity events and promotional activities for technological innovation. We strive to contribute our love and efforts to society. In 2018, the above tasks were verifiably implemented.	

5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation:

Flytech has established corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies" and disclosed on our official website and M.O.P.S.

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

1. Advocate full participation in social services, through community service and participation in various public welfare activities, to give back to society and fulfill the obligations of business operations. The 2018 annual preparation activities are as follows:
   (1) Cooperate with the "Blessing Committee" to set up "Guangci Society" to organize and care for the weak activities and give gifts every two months.
   (2) Organized the "Star Training Camp," which is jointly organized with universities and colleges every summer and winter to provide an eight-day training program for enrolled undergraduate and post-graduate students. High-level executives shared their experiences and had up-close interactions with students, allowing them to experience the actual operations within an enterprise and assist in nurturing students by helping them plan their future careers. The Company also regularly holds "Star Alumni Reunion" lectures and gatherings to track the learning outcomes and shared experiences of every year's Star Alumnus. Many of the alumni have joined Flytech after they graduated from university and have become outstanding employees with great performances.
   (3) Worked with the "Flytech Foundation" to organize and promote technological innovation event for disadvantaged children. One of the events is the Scholarship Tour "Travel Around Taiwan," which provides scholarships to impoverished or outstanding students of Taitung County's Senior High Schools (including Vocational) and confirmed winners get to "Travel Around Taiwan" to expand their perspectives by visiting various enterprises. Another event is the technology education event, "Maker Camp," which is a camp that teaches participants the basics of the Webpages and video creation, where students learn about frame structure, practice operating mobile phones to record videos of their daily lives. Students also learn how to use current online auction websites, practice techniques of managing online stores. The Design for Taiwan "DFT Workshop" holds six workshops ever year for university students

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

from summer vacation until winter vacation. University Students form teams to tackle environmental/social/energy/education/technology issues and formulate solutions that will improve or optimize current situations. Students' results were exhibited in one of Songshan Cultural and Creative Park's warehouses after the 2nd workshop in July. The 3rd workshop is also underway along with the DFT series of lectures, which invited domestic and foreign design thinking experts to hold public lectures.

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

(5) Sponsored social service units or academic events.

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

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

2. The details of the events, the number of participants and the beneficiaries, industry-academia collaborations are as listed: Unit: No. of Person

Event Name	Month of Event	Contents of Event	Amount of Participating Employees	Beneficiaries / Number of Participants
Guangci Society Event	1	Co-organized the "Send Warmth to Old Homes" with the Huashan Social Welfware Foundation to and provide resources worth up to NTD 8,400.	40	12
	3	Held the "Return My Blue Sea" Beach-cleaning Event at Dapurun Beach in Keelung.	65	
	5	Co-organized the "Let Me Rescue You" event the New Taipei City New Life Pet Shelter Association (NTPSA).	58	
	7	Held the "Have fun Hiking and Mountain-cleaning" event for employees and their families in conjunction with the Factory Celebration at the Shihmen Reservoir.	522	
	9	Co-organized the "Grow-up with Love" event with the Harmony Home Association.	38	40
	11	Co-organized with "Always Planting with You" event with the Genesis Social Welfare Foundation	35	20
Star Training Camp	2,8	Star Winter and Summer Training Camp, both sessions each had eight days of activities	30	66
	6,12	Star Alumni Association, both sessions each had lectures and get-togethers for one day	16	85

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

Events co-organized with the Flytech Foundation	1,7	The "Travel Around Taiwan" event, a scholarship for the impoverished or outstanding students of Taitung County's Senior High Schools (including Vocational), had 2 sessions of activities and awards for three days each, leading students to visit enterprises to expand their horizons.	20	57
	4,7,11	The "Maker Camp" daily life film production camp, had two-day sessions at Taitung's National Guanshan Vocational Senior High School, Chihpen Junior High School, and Baosang Junior High School. The two-day Introduction to Webpages camp was also held at Taitung's Guansha Junior High School.	10	72
	2,4,6,8,10,12	Six "DFT Workshop"	36	420
	2,12	Two "DFT Workshop" lectures	30	240
Visits to Enterprises event	10	Cross-strait doctoral and master student exchange events organized by the China Association for Science and Technology and CTCI Foundation.	5	43
Sponsored Events	7	Sponsored by the Friends of the Police Fund and the National Cheng Kung University HR Forum with NTD 380,000.		
	8	Donated NTD 25,000 of fire alarms to the fire department		
Energy-conservation and Carbon-reduction Competition	Monthly	Electricity usage Evaluations and Awards Competition	All Employees	

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

Flytech has approved by ISO 9001, ISO 13485, ISO 14001

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(1) The company has established Ethical Management Principles based on the Company Ethical Behavior Principles for Exchange-Listed and OTC-Listed Companies, submitted it, and had it approved to take effect by the board in May 2015. The Principles determine that the company and related enterprises/organizations should clearly demonstrate their ethical management policies in both their regulations and documents meant for the public. The board and management must ensure the policies are implemented both in internal management and business operations. (2) The company has established Ethical Management and Behavior Guidelines based on the Ethical Management Principles, which took effect after the board's approval on November 10, 2016. The guidelines stipulate concrete procedures, behavior guides, penalties for violations, and a complaint submission system. (3) The company's Ethical Management and Behavior Guidelines define concrete ethical and unethical behavior, offering standard procedures during provision/receipt/promise of interests. The guidelines also include yearly educational promotions and management methods for preventing unethical behavior. They include Basic Service Regulations, Reward/Penalty Management Methods, and ethics provisions in employee labor contracts. The provisions stipulate that employees are not allowed to use their positions for personal gain, appropriate public properties and funds, or receive bribes/commissions, etc. The provisions also include avoidance of conflict of interests terms; if violations occur, employees will be penalized based on the severity of the violation. In this way, company business can be ethically conducted. In 2017, the above tasks were verifiably implemented.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(1) Since its beginning, the company has upheld its core policies of "pursue excellence, be honest and accountable, focus on expertise." Apart from our risk management system (which was built according to laws and accounting regulations), internal control system, and auditing regulations, we also include in our contracts with clients and suppliers terms regarding liabilities and protection of both parties' rights. We exclude the possibility of insider trading and conduct business fairly and transparently. (2) According the company's Ethical Management and Behavior Guidelines, we created the Task Group for Ethical Management as the dedicated unit in November 2016. The task group is directly connected to the board and is responsible for modifying, implementing, explaining, and consulting with regard to the guidelines. Moreover, the task group must announce actions regarding the guidelines' content modification/consolidation and supervise their implementation. Once a year, the group will host an announcement event and report to the board regarding the previous year's work results and improvement plans in the first quarter of each year. The company's 2018 ethical management practices were reported at the board meeting in March 2019, and there were neither violations of ethics nor disputes/penalties imposed by government agencies.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			(3) The company’s Basic Service Regulations and “Reward/Penalty Management Methods include avoidance of conflict of interest terms, stipulating that employees should not conduct any business outside of work using the name of the company, take part-time jobs without the company’s permission, and operate or invest in enterprises with business profiles similar to those of the company. The Board Meeting Protocols also have in place avoidance of conflict of interest terms, and the company’s Ethical Management and Behavior Guidelines stipulate that directors, supervisors, managers, and other present stakeholders at the meeting should not participate in discussion or voting, vote on behalf of other directors, or be present when the resolution takes place if matters discussed affect their own interests or interests of those whom they represent. Prior to this, they must explain to the board important points in conflicts of interests, especially when these points negatively affect the company’s interests. Directors should also practice self-discipline and not support each other’s agendas when conflicts of interest occur. Terms above are implemented and supervised by the Task Group for Ethical Management.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?			(4) The company has set up effective accounting regulations, an internal control system, and relevant management regulations, which will be audited by internal auditors according to yearly plans. The company will conduct self-evaluation during each executive year and report the effectiveness and compliance status of the internal control design at board meetings. High-level management must report in board meetings the performance of business operations and the internal control status of each department at least twice a year.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			(5) The company has set up Company Ethical Behavior Principles, which stipulate that an internal promotion event should be held once a year. During the event, the director of the board, general manager, and high-level management will express the importance of ethics to directors, employees, and assignees. The company's Task Group for Ethical Management will arrange a yearly promotional event. During new employee pre-job trainings; the group will explain the internal control system and management regulations related to ethical management. In 2018, the above were implemented and fulfilled, and no important aberrations from ethical management practices were found.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		(1) On November 10, 2016, the company established its Complaints Protocols, which define complaint and reward systems. The Task Group for Ethical Management is the recipient of complaints. (2) The company' s Complaints Protocols regulate receipt of complaints, confidential information, appeals, audits, logs, and news distribution, among other procedures. It has also set up a complaint email box on the company website and internal website, providing channels for employees and other stakeholders to make complaints. (3) The company' s Complaints Protocols also establish confidential programs after complaints are received, so that unfair treatment of staff can be prevented. In 2018, the above were implemented and fulfilled, and no important violations were found.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>4. Strengthening information disclosure
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>V</td><td></td><td>The company’s corporate website (http://www.flytech.com) reveals relevant information, such as prospects and mission, industry application, organizational structure, financial information, shareholders meeting updates, important news, company governance information, important regulations, Board of Directors information, communication status among independent directors and internal auditors and accountants, internal auditing organization and its status, corporate social responsibility, environmental protection and energy conservation policies, and supplier management. We also reveal the following in the Market Observation Post System: Company Governance Principles, Company Ethical Behavior Principles, Ethical Management Guidelines, Corporate Social Responsibility Guidelines, Ethical Management Principles, Behavior Guidelines, etc.
In 2018, the above tasks were verifiably implemented.</td><td>None</td></tr>
<tr><td colspan="5">5. .If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
The company has created the Ethical Management Principles, Company Ethical Behavior Principles, and Complaints Protocols, all of which are published on the corporate website and Market Observation Post System. They are all in compliance with the Company Ethical Behavior Principles for Exchange-Listed and OTC-Listed Companies. In 2018, the Task Group for Ethical Management supervised all departments to ensure they were complying with the guidelines, and no violations of ethical management were found. The above findings were reported to the board in the March 2019 meeting.</td></tr>
</table>

3.3.7 Corporate Governance Guidelines and Regulations

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

3.3.8 Other Important Information Regarding Corporate Governance

None.

3.3.9 Internal Control Systems

Please refer to the Statement of Internal Control System showed on page 282.

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

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

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

1. Important resolutions and their implementation status at the 2018 General Shareholders Meeting

   (1) Passed the 2017 Business Operation Report, Accounting Balance Sheet and the remuneration proposal for employees, directors and supervisors.

   (2) Passed the 2017 surplus profit distribution proposal.

   In order to keep dividend policies steady and build a comprehensive financial structure, the company will extract 10% of its profit in 2017, NT$73,836,813, as the legally required reserve. Another NT$643,780,458 will be distributed to shareholders as cash dividends as per the company's Articles of Association, which comes to NT$4.5 cash dividend per share.

   Implementation status: July 23, 2018 is set as the distribution base date, and all cash dividends were distributed as per the resolution of the general shareholders meeting on August 20 , 2018 (NT$4.5 cash dividend per share).

   (3) Approved partial amendments to: the Articles of Incorporation, Rules of Procedure for Shareholder Meetings, Rules for the Election of the Directors, Management of Loans to Others, Procedures for Acquisition or Disposal of Assets.

   Implementation: The "Articles of Incorporation" was approved by the Ministry of Economic Affairs on July 26, 2018 and published on the company's official website. The rest of the regulations will be published on the company's official website after the meeting, and will go through the proper procedures after revisions are made.

(4) Election of the 11th Board of Directors (including independent directors)

List of elected directors: Lin Da-cheng, Liu Jiu-chao, Wang Wei-wei, Yi Hua Investment Co., Ltd. Representative: Liao Rui-cong.

The list of elected independent directors: Chen Guo-hong, Hsieh Han-zhang, Tseng Ming-ren. The list of elected directors has been announced on the company's official website.

2、2018 Board meeting and important resolutions by the Board as of the print day of this yearly report

(1) Proposal to report buyback status of treasury stocks
(2) 2018 proposal to report status of liability insurance for directors, supervisors, and managers
(3) Passed the Business Plan in 2018
(4) The 2017 annual performance bonus (year-end bonus) case approved by the Compensation Committee
(5) Passed a proposal to apply for a line of credit at Chang Hwa Bank’s Nangang Branch for subsidiary company Box Technologies Limited and to authorize the director of the board to handle the procedures, such as applying and signing agreement
(6) Passed a proposal to apply for a line of credit at HNCB
(7) Passed the proposal to cancel the company’s treasury stocks
(8) Passed a proposal to set the 2018 General Shareholders Meeting location, date, and other related issues
(9) 2017 proposal to report the board’s performance evaluation results and implementation status of ethical management
(10) Passed the 2017 director/supervisor remuneration and employee remuneration proposals submitted by the Remuneration Committee
(11) Approved the company’s 2017 Financial Report (including the consolidated financial report)
(12) Passed the motion of the distribution of earnings in 2017
(13) Passed a proposal to modify terms in the company’s “Articles of Association”
(14) Passed a proposal to change the company’s accountants starting in the first quarter of 2018 as a result of of KPMG’s internal personnel adjustment
(15) Passed the company’s 2017 Internal Control System Announcement, which deems effective the company’s Internal Control System Design
(16) Passed a proposal to re-elect the company’s directors
(17) Passed a proposal to terminate prohibitions/restrictions on new directors and their representatives participating in competitive businesses.
(18) Passed a proposal to modify terms in the company’s Shareholders Meeting Protocols, Election Method of Directors, Money Lending Procedures, Endorsement Guarantee Procedures, Processing Procedure for Asset Acquisition and Disposal, Board Meeting Protocols, Job Responsibilities and Regulations for Independent

Directors, and Organizational Protocols of the Remuneration Committee.

(19) Passed a proposal to create new "Organizational Protocols for the Audit Committee".

(20) Passed a proposal for the company's 2018 General Shareholders Meeting to accept nomination of shareholders holding 1% and more of the company's shares as director candidates, and shareholders' proposals

(21) The consolidated financial statements covering 2018 Q1.

(22) Passed a proposal to modify terms in the company's "Articles of Association"

(23) Approved the election Mr. Lin Da-cheng as the Company's chairman.

(24) Approved all independent directors to being members of the 4th Compensation Committee.

(25) Approved the establishment of the Audit Committee, composed by all the independent directors.

(26) Approved the abolition of the Merger Committee's Organization Procedures Case due to the establishment of the Audit Committee.

(27) The consolidated financial statements covering 2018 Q2.

(28) Mr. Tseng Ming-ren resigned as an independent director of the Company due to personal affairs.

(29) Passed a 2018 proposal to evaluate the independence of accountants in charge of drafting the company's financial report

(30) Passing the Financial Statement Auditor expenses case

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

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

(33) Approved the Audit Committee's credit line guarantee case at the Chang Hwa Commercial Bank, and authorize the chairman to handle contract-related matters.

(34) The Remuneration Committee discussed and passed the 2018 Remuneration Adjustment Principles and Manager Remuneration Adjustment Plan.

(35) Approved the 2017 directors' compensation case approved by the Compensation Committee

(36) Approved the 2017 manager and employee bonus distribution case approved by the Compensation Committee.

(37) The consolidated financial statements covering 2018 Q3.

(38) 2019 proposal to report status of liability insurance for directors and managers

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

(40) Passed the Business Plan in 2019

(41) Passed the company's 2019 Audit Plan

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

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

(44) Approved the new subsidiary established by Flytech Investment Co., Ltd., “aiXpert Solations Inc.” The company holds 70% of the shares and has made an investment of NTD 42 million.

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

(46) 2018 proposal to report the board’s performance evaluation results and implementation status of ethical management

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

(48) Approved the company’s 2018 Financial Report (including the consolidated financial report)

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

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

(51) Passed the company’s 2018 “Internal Control System Announcement”, which deems effective the company’s Internal Control System Design

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

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

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

(55) Set the relevant resolutions for the company’s 2019 shareholder meeting.

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

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

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

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

None

3.3.13 The facts regarding resignation, discharge in assembling by relevant personnel of the Company (including the chairman, general manager, accounting head, treasurer, internal audit head and research & development head, etc.) in 2018 and as of the date of publication of the Annual Report:

None.

3.4 CPA fees

CPA Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Wei-Ming Shih	Yung-Sheng Wang	2018.1.1~2018.12.31	

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		485	485
2	NT$2,000,001 ~ NT$4,000,000	3,558		3,558
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

(1) The non-audit fees paid to CPAs and CPA Firm is under 25% of the audit fee in 2018.

Unit: NTD 1,000

CPA Firm	Name of CPAs	Audit fees	Non-Audit fees					The duration of the audit	Note
			System design	Corporate Registration	Human Resources	Other	Subtotal		
KPMG	Wei-ming,Shih Yung-Sheng Wang	3,558		39		446	485	2018.1.1~ 2018.12.31	Other Expenses are as follows 1. Transfer Pricing Report of NTD 180 thousand 2.Intangible Assets Impairment Service Fee of NTD 100 thousand and others

(2) Flytech did not change CPA Firm in 2018 to annual report published date.

(3) Audit fees in 2018 decreased from 2017 and not reached to 15%.

3.5 Replacement of CPAs

(1) Regarding the former CPA

Replacement Date	January 1, 2018		
Replacement reasons and explanations	Internal restructuring at KPMG firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties / Status	CPA	The Company
	Termination of appointment	NA	NA
	No longer accepted (continued) appointment	NA	NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	None.		
Other Revealed Matters	None		

(2) Regarding the successor CPA

Name of CPA Firm	KPMG
Name of CPAs	Wei Ming Shih, Yung Sheng Wang
Date of appointment	Jan 1st, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

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

None.

3.7 Transfer of shareholder equity transfer and equity pledge by directors and supervisors, managerial officers and key shareholders holding more than 10% in 2018 and as of the date of publication of the Annual Report.

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

Unit: Shares

Title	Name	2018		As of Apr. 30, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman (major shareholder)	Lam Tai-Seng	—	—	—	—
Director	Wang Wei-Wei	—	—	—	—
Director / President	Liu Chiu-Tsao	(30,000)	—	(32,700)	—
Director	Yi Hua Investment representative : Liaw Jui-Tsung (Note 1)	78,022	—	—	—
Independent director	Chen Kuo Hong	—	—	—	—
Independent director	Hsieh Han Chang	—	—	—	—
Supervisor	Tsai Wen Bin (Note 2)	—	—	—	—
Supervisor	Tseng Ming Ren (Note 3)	—	—	—	—
SeniorVP of Sales Center	Li Dong Ling (Note 4)	(3,337)	—	—	—
VP of Sales Center	Hsu Jia-Hong	—	—	—	—
AVP of Sales Center	Hung Tung Chang	—	—	—	—
VP of RD Center	Teng Chun I	—	—	—	—
VP of RD Center	Liu Yun Ping	—	—	—	—
AVP of RD Center	Lin Chiung Chi	101,320	—	—	—
VP of Manufacturing Center	Chuo Chun -Hung	1,904	—	—	—
VP of Administration Center	Hsieh Sheng Wen				
AVP of Administration Center	Chan I Wen	(5,771)	—	—	—
AVP of Finance Dept.	Lee Mei Hui	(100,000)	—	—	—

Note 1: Mr. Liaw Jui-Tsung was originally the company's supervisor. He stepped down from the position on June 8, 2018 and became the legal representative of Yihua Investment Co., Ltd. on the same day.

Note 2: Supervisor Tsai Wen-bin stepped down from the position on June 8, 2018.

Note 3: Supervisor Tseng Ming-ren stepped down from the position on June 8, 2018 and became an independent director on the same day. Tseng resigned from the position on July 13, 2018 due to personal affairs.

Note 4: Senior vice president of the marketing center Li Dong-ling resigned from the position on December 31 2018.

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

As of Apr. 30, 2019 Unit: Shares

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	Shares	Shares	%	Shares	%	Name	Relationship	
Lam Tai Seng	16,217,505	11.34 %	11,040,443	7.72 %	—	—	Wang Wei Wei	Spouse	
Wang Wei Wei	11,040,443	7.72 %	16,217,505	11.34 %	—	—	Lam Tai Seng	Spouse	
Franklin Templeton Asian Smaller Companies Fund in the custody of Chase Bank	5,722,753	4.00 %	—	—	—	—	None	None	
Ji Te Investment Development Co., Ltd.	4,475,253	3.13 %	—	—	—	—	None	None	
Fubon Life Insurance Co., Ltd.	4,453,000	3.11 %	—	—	—	—	None	None	
Bi Te Investment Development Co., Ltd.	3,840,925	2.69 %	—	—	—	—	None	None	
Cathay Life Insurance Co., Ltd.	3,230,000	2.26 %	—	—	—	—	None	None	
Morganstanley investment account in the custody of HSBC bank	3,094,716	2.16 %	—	—	—	—	None	None	
Fei Te Investment Co., Ltd.	2,581,729	1.81 %	—	—	—	—	None	None	
Norge Bank in the custody of Citi bank	2,526,000	1.77 %	—	—	—	—	None	None	

3.9 Ownership of Shares in Affiliated Enterprises

Affiliated Enterprises	The company's investment		Directors, supervisors, managers and investments directly or indirectly controlling the business		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Flytech USA International Co., Ltd. (Flytech USA BVI)	100,000	100.00	--	--	100,000	100.00
Flytech HK International Co., Ltd.. (Flytech HK BVI)	50,000	100.00	--	--	50,000	100.00
Flytech CN International Co., Ltd. (Flytech CN BVI)	150,000	100.00	--	--	150,000	100.00
Flytech Investment Co., Ltd (Flytech Investment)	19,000,000	100.00	--	--	19,000,000	100.00
Box Technologies(Holdings) Ltd.(Box Holdings)	4,000	100.00	--	--	4,000	100.00
Flytech Technology USA Inc. (Flytech USA)	--	--	700,000	100.00	700,000	100.00
Flytech Technology (HK) Ltd (Flytech HK)	--	--	1,000,000	100.00	1,000,000	100.00
Flytech Technology (Shanghai)Co.,Ltd (Flytech Shanghai)	--	--	Note 1	100.00	Note 1	100.00
Flytech Beijing	--	--	Note 1	100.00	Note 1	100.00
iSAPPOS Systems Company Limited (iSAPPOS)	--	--	Note 1	100.00	Note 1	100.00
iRuggy Systems Co., Ltd (iRuggy System)	--	--	4,800,000	80.00	4,800,000	80.00
Poindus Systems Corp. (Poindus Systems)	--	--	10,354,050	49.31	10,354,050	49.31
Poindus American Corp. (Poindus America)	--	--	1,000,000	100.00	1,000,000	100.00
Poindus Investment Co., Ltd.	--	--	Note 1	100.00	Note 1	100.00
Poindus Systems UK Ltd. (Poindus UK)	--	--	300,000	100.00	300,000	100.00
Adasys GmbH Elektronische Komponenten (Adasys)	--	--	2	100.00	2	100.00
Poindus Systems GmbH GroBhandelmit EDV. Oberureel (Poindus GmbH)	--	--	Note 1	100.00	Note 1	100.00
Box Technologies Ltd. (Box UK.)	--	--	10,000	100.00	10,000	100.00
BTechnologies AB (Box Nordic)	--	--	5,000	100.00	5,000	100.00

IV. Funding Status

4.1 Capital stock and stock shares

(I) Source of capital

As of Apr. 30, 2019; Unit: Shares; NT$

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

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

Note 1: Approved by the Department of Commerce, MOEA under Notice (73) Shang-Zi No. 138462 dated August 13, 1984.

Note2: Approved by the Department of Commerce, MOEA under Notice (74) Shang-Zi No. 160682 dated December 4, 1985.

Note 3: Approved by the Department of Commerce, MOEA under Notice (77) Shang-Zi No. 152023 dated April 22, 1988.

Note 4: Approved by the Department of Commerce, MOEA under Notice (80) Shang-Zi No. 101879 dated February 11, 1991.

Note 5: Approved by the Department of Commerce, MOEA under Notice (89) Shang-Zi No. 141350 dated November 9, 2000.
Note 6: Approved by the Department of Commerce, MOEA under Notice (90) Shang-Zi No. 09001190800 dated May 28, 2001.
Note 7: Approved by the Securities and Futures Bureau under Notice Tai-Cai-Zheng-Zi (1) No. 0910135158 dated June 27, 2002.
Note 8: Approved by the Securities and Futures Bureau under Notice Tai-Cai-Zheng-Zi (1) No. 0920128244 dated June 19, 2003.
Note 9: Approved by the Central Region Office, Ministry of Economic Affairs under Notice Jing-Shou-Zhong-Zi No. 09331996430 dated April 23, 2004.
Note 10: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09321089910 dated November 3, 2004.
Note 11: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09408058910 dated April 25, 2005.
Note 12: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09411451400 dated July 26, 2005.
Note 13: Approved by the Taipei City Government under Notice Fu-Jian-Shang-Zi No. 09423341100 dated October 14, 2005.
Note 14: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09501018380 dated January 27, 2006.
Note 15: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09501070490 dated April 19, 2006.
Note 16: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09501151620 dated July 14, 2006.
Note 17: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09501211830 dated September 15, 2006.
Note 18: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09501232110 dated October 13, 2006.
Note 19: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09601004100 dated January 9, 2007.
Note 20: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09601231850 dated September 20, 2007.
Note 21: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09701235800 dated September 15, 2008.
Note 22: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09801072810 dated April 14, 2009.
Note 23: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 09901204910 dated September 10, 2010.
Note 24: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10001009390 dated January 17, 2011.
Note 25: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10001076400 dated April 18, 2011.
Note 26: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10001154680 dated July 19, 2011.
Note 27: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10001206560 dated September 8, 2011.
Note 28: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10001239630 dated October 19, 2011.
Note 29: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10101072070 dated April 24, 2012.
Note 30: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10101184680 dated September 6, 2012.
Note 31: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10101214920 dated October 16, 2012.

Note 32: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10201011370 dated January 16, 2013.
Note 33: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10201055210 dated March 27, 2013.
Note 34: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10201141670 dated July 19, 2013.
Note 35: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10201183250 dated September 4, 2013.
Note 36: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10201212520 dated October 18, 2013.
Note 37: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10301007230 dated January 16, 2014.
Note 38: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10301069410 dated April 23, 2014.
Note 39: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10301139430 dated July 14, 2014.
Note 40: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10301185160 dated September 11, 2014.
Note 41: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10301217920 dated October 21, 2014.
Note 42: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10401010400 dated February 6, 2015.
Note 43: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10401080500 dated May 4, 2015.
Note 44: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10401147880 dated July 21, 2015.
Note 45: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10401193810 dated September 22, 2015.
Note 46: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang-Zi No. 10701017840 dated February 13, 2018.

As of Apr. 30, 2019; Unit: shares

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

(II) Shareholders structure

As of Apr. 30, 2019; Unit: shares; %

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Individuals	Total
Number of persons	0	6	60	120	10,835	11,021
Shareholding	0	9,828,238	20,510,781	33,398,649	79,324,656	143,062,324
Shareholding percentage	0.00%	6.87%	14.34%	23.34%	55.45%	100.00%

(III) Ownership diversification

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

As of Apr. 30, 2019

Shareholding rank	Number of shareholders	Number of shares held	Shareholding percentage %
1 to 999 shares	3,094	724,583	0.51%
1,000 to 5,000 shares	6,082	12,462,198	8.71%
5,001 to 10,000 shares	927	6,812,721	4.76%
10,001 to 15,000 shares	306	3,738,092	2.61%
15,001 to 20,000 shares	170	2,999,891	2.10%
20,001 to 30,000 shares	148	3,613,144	2.53%
30,001 to 40,000 shares	78	2,741,018	1.92%
40,001 to 50,000 shares	42	1,909,013	1.33%
50,001 to 100,000 shares	69	4,909,469	3.43%
100,001 to 200,000 shares	41	5,438,911	3.80%
200,001 to 400,000 shares	23	6,465,987	4.52%
400,001 to 600,000 shares	9	4,211,415	2.94%
600,001 to 800,000 shares	4	2,682,302	1.88%
800,001 to 1,000,000 shares	4	3,585,649	2.51%
1,000,001 shares above	24	80,767,931	56.45%
Total	11,021	143,062,324	100.00%

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

As of Apr. 30, 2019

Shareholding / Name of major shareholder	Number of shares held	Shareholding percentage %
Lam Tai Seng	16,217,505	11.34 %
Wang Wei-wei	11,040,443	7.72 %
Franklin Templeton Asian Smaller Companies Fund in the custody of Chase Bank	5,722,753	4.00 %
Ji Te Investment Development Co., Ltd.	4,475,253	3.13 %
Fubon Life Insurance Co., Ltd.	4,453,000	3.11 %
Bi Te Investment Development Co., Ltd.	3,840,925	2.69 %
Cathay Life Insurance Co., Ltd.	3,230,000	2.26 %
Morganstanley investment account in the custody of HSBC bank	3,094,716	2.16 %
Fei Te Investment Co., Ltd.	2,581,729	1.81 %
Norge Bank in the custody of Citi bank	2,526,000	1.77 %

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

Unit: NT$; thousands shares

Item			2017	2018	As of 2019/04/30
Market price per share	Highest		105.0	88.0	82.30
	Lowest		79.3	67.1	66.50
	Average		94.92	77.03	74.53
Net worth per share	Before dividend distribution		29.00	30.69	32.14
	After dividend distribution (Note 1)		26.72	Note 2	—
Earnings per share	Weighted average shares (in thousands shares)		146,051	143,062	143,062
	Earnings per share (ex-right)		5.06	5.60	—
Dividends per share (Note 2)	Cash dividend		4.5	5.0	—
	Stock dividends	From earnings	0.0	0.0	—
		From capital reserves	0.0	0.0	—
	Retained Dividends		—	—	—
Analysis of investment returns	P/E ratio (Note 3)		18.76	13.76	—
	Price to dividends ratio (Note 4)		21.09	15.41	—
	Cash dividend yield (Note 5)		4.74	6.49	—

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

Note 2: The motion on the distribution of stock dividends in 2018 has been passed by the Board of Directors in a session dated March 19, 2019 pending the final approval of the Shareholders Meeting.

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

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

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

(VI) The company's dividend policies and execution

1. Dividend policies

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

(1) The Company shall appropriate 3%~15% of its earnings, if applicable, as remuneration to the employees and no more than 3%

as remuneration to the Directors subject to the special resolution of the Board and reporting to the Shareholders Meeting. Remuneration to the employees may be paid in stocks or cash. The recipients shall include the employees of those subsidiaries meeting the specific conditions. The Company shall appropriate for offsetting carryforward loss, if applicable.

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

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

2. Execution status

The shareholder meeting intends to approve the 2018 annual surplus distribution proposal drawn up by the board of directors on March 19, 2019. According to the company's articles of incorporation, issued the shareholders' cash dividends of NTD 643,780,458 at NTD 4.5 per share after listing the 10% legal reserve of NTD 80,144,792. Additionally issue additional paid-in capital of NTD 0.5 per share in cash.

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

<table>
<tr><td colspan="3">Item/year</td><td>2018 (estimates)</td></tr>
<tr><td colspan="3">Paid-in capital at the beginning of the period (NT$1,000)</td><td>1,463,683</td></tr>
<tr><td rowspan="3">Stock Dividend in the current period</td><td colspan="2">Cash dividend per share (NT$) (Note 1)</td><td>4.5</td></tr>
<tr><td colspan="2">Number of shares allotted for each share held under the capitalization of retained earnings into new shares (Note 1)</td><td>0</td></tr>
<tr><td colspan="2">Number of shares allotted for each share held under the capitalization of additional paid-in capital (Note 1)</td><td>0.5</td></tr>
<tr><td rowspan="7">Changes in business performance</td><td colspan="2">Operating profit</td><td rowspan="13">NA
(Note 2)</td></tr>
<tr><td colspan="2">Proportion of change in the operating income from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Proportion of change in net income from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Earnings per share (NT$)</td></tr>
<tr><td colspan="2">Proportion of change in EPS from the same period of the previous year (%)</td></tr>
<tr><td colspan="2">Annual average ROI (%)</td></tr>
<tr><td rowspan="6">Pro forma EPS and P/E ratio</td><td rowspan="2">If the retained earnings for capitalization into new shares were switched to payment of a cash dividend in the full amount</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">If there was no capitalization of additional paid-in capital</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">If there was no capitalization of additional paid-in capital and the entire amount of retained earnings were switched to payment of a cash dividend</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
</table>

Note 1: Resolved by the regular session of the Shareholders Meeting in 2019.

Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to disclose its financial forecasts in 2019.

(VIII) Remuneration for employees, directors and supervisors

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

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

   On March 19, 2019, the Board of Directors passed the 2018 annual directors' compensation and employee compensation distribution. The employee's compensation is based on the profitability of the year and the previous year's distribution ratio. The actual amount of the award is based on the performance evaluation results of each employee. The amount of the approved distribution of the KPI, the directors' compensation is based on the previous annual distribution amount and the performance evaluation results of the board of directors of the 2018 directors. If there is a difference between the estimated amount and the actual issued amount, it will be treated as changes in accounting estimates and enter accounts when issuing annual adjustments.

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

   The estimated amount of compensation for employees and directors/supervisors in 2018 will included in the operating costs or expenses based on their natures. If the allotted amount decided during the shareholder meeting is different from the estimated number on the financial statements, then it will be listed as changes in estimates for the current period's net income or losses.

3. The approved distribution of compensation on March 19, 2019 by the board of directors is as follows:

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

   The Board of Directors approved the employee cash compensation to be NTD 80 million and the directors' compensation to be NTD 2.4 million. There were no differences between the amount listed in the 2018 financial statement and amount entered into accounts.

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

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

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

Unit: NT$

Item	Amount	
	Subtotal	Total
Undistributed income at the beginning of 2017	$ 729,998,892	
Add: 2017 after-tax net profit	738,368,127	
Less: 10% as legal reserve	(73,836,813)	
Less: special reserve	(14,851,327)	
Distributable earnings		$ 1,379,678,879
Items for distribution (Note)		
Cash dividends for shareholders (NTD 4.5/share)	643,780,458	
Total of amount paid		643,780,458
Closing undistributed earnings		$ 735,898,421
Note:		
Employees' cash compensation	$ 50,000,000	
Remuneration to directors and Supervisors	3,200,000	
No different from the expense recognized in 2017		

Note: The Company's Board of Directors' 2017 annual surplus distribution proposal on March 20, 2018 was approved during the shareholder meeting on June 8, 2018 and the actual distribution was consistent with the board of directors' resolution.

(IX) Shares repurchased by The Company:None

4.2 Execution status of issuing corporate bonds: None.

4.3 Issuance of preferred shares: None.

4.4 Disclosure relating to depository receipts: None.

4.5 Status of employee stock certificates: None.

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

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

4.8 Progress on the use of funds

(I) Content of the plan

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

(II) Execution:

Not applicable

V. Operation overview

5.1. Business content

(I) Business scope:

1. Business scope:

(1) Major contents:

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

(2) Business proportion:

Unit: NT$ 1,000

Item \ Year	2017		2018	
	Amount	Percentage %	Amount	Percentage %
Industrial computers	4,012,803	87.60	3,971,676	85.82
Peripherals	549,186	11.99	627,788	13.56
Other (Note)	18,901	0.41	28,841	0.62
Total	4,580,890	100.00	4,628,305	100.00

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

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

①Premium items of the Company:

All-in-one POS, Panel PC, Bedside Terminal, Mobile POS, Payment Terminal, PC POS, and POS Monitors.

②New products planned for development:

New specifications All-in-one POS, Panel PC, Bedside Terminal, Mobile POS, Payment Terminal, KIOSK, PC POS, and POS Monitor.

(II) Industry overview

1. Present state of the industry and development

(1) POS System

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

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

The shipment volume of POS of the Company in 2018 accounted for approximately 13% of the world total shipment, which allowed the Company to emerge as one of the top 3 of the world and the champion of Taiwan in the industry.

(2) Panel PCs and KIOSK systems

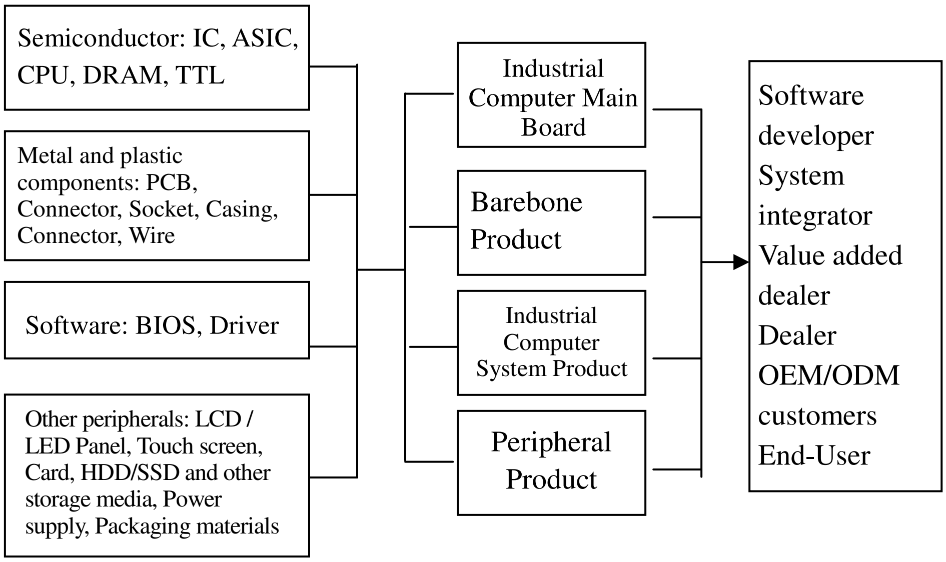
In the industrial computer sector, Panel PC integrates the system, hardware and monitor into a space saving panel. Panel PC is a solid device featuring water resistance, dust proof, shock proof and tamper-proof, and could be easily integrated to needs, energy efficient, light weight, and portable to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

The trend of AI and automation will be the most important technological innovative revolution. Related applications are mushrooming too. It is expected that industrial development in the future must be integration with AI applications so as to create more advanced smart convenience. Under this trend, related system products are also used in the application end more extensively. The second largest product line of the Company, Panel PCs, is also used in smart medical and healthcare, smart industrial control, and smart management. Likewise, the KIOSK system has also attracted the consumers and is widely used in self-service and the cashier system of unmanned shops.

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

2. The association of industries from upstream to downstream

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



3. Trends of development of various products and competition

The features of the premium products of the Company:

(1) POS System

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

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

In 2017, the Company developed a patented new product – System Diagnostic Recorder (SDR) – and a matching APP for cell phone. Users may just use the APP of the cell phone to monitor the state of operation of the key components of the POS system, and control the key parts and components, system CPU, cooling fan speed and system temperature. The Company expects to unveil a new page with Point-of-Service for more application specifications for using in medical, healthcare, and industry. In the wake of the rapid development of AI, the Company will also develop a series of high added value services in smart retailing, smart restaurant, and smart account settlement to the POS system.

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

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

(2) Panel PCs and KIOSK systems

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

Further to the exclusive medical device, we have also successfully developed a complete product line of Panel PCs in different sizes and wide array of function, and introduced the latest AI and automation function to allow Panel PCs to be used in different domains of smart applications such as: restaurants, industrial control, medical care, commercial use, transportation, public information service, meal and ticket reservation, e-home, eSports, gaming, and other innovative applications. The new product series developed by the Company is the first in the industry in water resistance at IP67 standard, grease resistance, and made of type 304 stainless steel at medical and food grade. We could provide customers with a wider array of specifications, different venues for installations, and differentiated application solutions.

We unveiled the new K770 series in the Embedded World of 2016. This device is made of SUS 304 stainless steel at medical and food grade with multiple-point touch control panel, matching with the latest BayTrail® processor by Intel, accredited by SGS for IP 69K ingress protection and 1Grms tamper-proof and 20G impact resistance test. This is a perfect solution for the customers, and is suitable for using in food processing plants, restaurant kitchens, and medical equipment. The K740 embedded application is matched with the Intel BayTrail® processor. The front panel passed the IP 66 ingress protection test for water resistance, and is usable in extreme factory automation environment. The USB and the switch are located at the front panel with locked cover to avoid accidental contact in the operation environment that may cause the activation of the switch and unauthorized data transmission. The NFC/RFID/WiFi/Bluetooth is located at the front panel with an optimal signal transmission interface. The independent I/O port passed the clasp test. This will be a popular item for the industrial automation market and also the medical devices and commercial application market, and is the best choice of industrial computers for customers. The K750 series features a 32” full flat panel capacitor 10-point touch control Panel PC matching with the latest Intel Skylake processor with flexible expansion capacity and I/O interface. This item is suitable for using in clinics and hospitals and operation rooms. The leading and distinguished specification brings about competitive advantages for the Company and helps to expand the business territory of the Company.

In addition to the Panel PC, the Company has also developed the integrated AI and KIOSK system for using in unmanned shops, automatic check-in at airports, and automatic check-in/out for hotels. The shipment of this item has been effected with good result.

The Panel PC is the second largest business operation of the Company. Innovative development for better business opportunity is the principle of operation. With customized and differentiated products in good quality and good services, the Company could secure joint venture projects with well-known enterprises. This is one factor for the successful establishment of our foothold in the Panel PC niche market. This is matched with the promising KIOSK system, and is expected to emerge as a glamorous star further to the POS system business operation.

(III) Technology and R&D Overview

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

Unit: NT$ 1,000

Year	2014	2015	2016	2017	2018	Up till April 30, 2019
R&D expenditure	144,126	177,802	189,051	194,757	189,990	55,600

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

Date of completion	R & D results
2016	1. Successfully developed industrial computers (POS system, Panel PC, Mobil POS, Payment Terminal) series and new peripherals : P395, P531, P534, PB22, PB53, PB63, PB65, PB66, K735, K75C, K767, T635M, P255, PB55, PB63, T602, T603, T605A/B/C, T606A/B/C, PB51, PB58, PB59 2. Successfully developed new MB series: D31L, D33, D85S, D86U, D88U, D91, D95, D41
2017	1. Successfully developed industrial computer series and new peripherals (POS system, Panel PC, Mobil POS, Payment Terminal) : P335N2, P455, P655, P544, PB41, PB53, PB55, PB57, PB61, PB62, PB63, PB65, PB66, PB77, P274, T636M 2. Successfully developed new MB series: D33, D41, D56, D65, D86U, D88U, D91, D95/, D96
2018	1. Successfully developed industrial computer (POS system, Panel PC, Mobil POS, KIOSK system, Payment Terminal) series and peripherals : P33N8, P655, T605A+, K75D, K959,PB99, PB81, PB82, PB85,PB88, K85B 2. Successfully developed new MB series: D01,D42,D42L,D86S, D87U,D89S

(IV) Long and short-term business development plans

1. Short-term development plan

(1) Marketing strategy

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

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

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

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

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

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

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

(2) R&D and Production Policy

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

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

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

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

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

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

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

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

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

2. Long-term development plan

(1) Marketing strategy

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

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

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

④The Company will increase its market share through the brand marketing and new sale channels of the subsidiaries.

⑤The Company will continue to develop new products, applications, and function from an innovative and differentiated perspective, and take sustainable growth in business performance as the perpetual goal.

⑥We aimed at the global market and will continue to expand the markets in Europe, America, Greater China, and the newly emerging economies with innovative applications to strengthen the cooperation with the distribution and value adding distributors, and launch products of high/mid/low-end to different market segments with different positioning in different regions of applications for broadening the foundation of sales.

(2) Production policy and product development direction

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

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

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

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

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

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

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

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

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

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

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

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

5.2. Market and production and sales overview

(I) Market analysis

1. The regions for the sale of premium products

Unit: NT$ 1,000

Region \ Year		2017		2017	
		Amount	Percentage %	Amount	Percentage %
Domestic demand		470,681	10.27	401,931	8.68
Export	American	1,786,582	39.00	2,123,173	45.87
	Europe and Africa	1,821,791	39.77	1,672,594	36.14
	Asian	501,836	10.95	430,607	9.31
	Subtotal	4,110,209	89.73	4,226,374	91.32
Total		4,580,890	100.00	4,628,305	100.00

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

(1) POS System

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

The upgrade of the POS system application triggered the vigorous demand for replacement of new devices, and led to the continued expansion of the global market for replacement of new devices. In 1999, the Company was the first manufacturer in Taiwan to engage in the development of a POS exclusive device. The core competence includes: complete product line, the wealth of experience in system integration, the capacity in R&D of customization and engineering technology, successful cost control and supply chain management, multiple-line flexible production scheduling, stable quality, perfect customer service, and flexible sales strategy. The Company assisted the customers to prepare the most differentiated products at high customization level, specification from high to low-end, with competitive power in price, and quick delivery. The continued innovation of application specification contributed to the perpetual expansion of the demand market. The Company is the leader in Taiwan in terms of key technology, capacity in mass production, and market share, and will continue to perform with outstanding results. In 2018, the shipment volume of POS devices accounted for approximately 13% of the world total shipment, and was among the top 3 of the world and champion in Taiwan.

(2) Industrial Panel PCs and information KIOSK systems

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

In the wake of the evolution of ICT, proper development and stability of product technology, and the diversification of application functions, the sustained and rapid development of Panel PCs required a new market. “Medical service” is an area of innovative application with promising growth, among others. Seeing that the combination of advanced technology and good quality service will be an irreversible trend of development in the market of medical care products, the Company engaged in a joint venture with an internationally well-known firm to develop the Bedside Terminal, a successful device for the exclusive use in the medical care sector accredited with the ISO13485 medical system quality. This device is a compact Panel PC that allows the patients to use computer/Internet/telephone/video-call/multimedia/food order/information search and tracking medical records for hospital room management/hospital bed caring/managing bedside medical records and history in an electronic format, and could be used in ambulances or as a remote healthcare platform, and has been highly accepted by the users. The Company will continue to develop a new generation of such devices for mass production shipment. The launch of this item is a success and the Company has received orders from many internationally well-known medical device manufacturers for developing different models for medical care control and has effected mass production shipments. The Company has also launched a series of Panel PC products further to medical use devices. These products were made from food and medical grade stainless steel, passed the water resistance, tamper-proof, impact resistance tests, with the best signal transmission interface in physical design, and the abundance of expandable function and I/O interface for adaptation to different rough environments such as: food processing industry / restaurant kitchens / medical equipment/factory automation / security control / traffic control / public information service / transportation / outdoor exhibition / KVS / gaming/food ordering and ticket reservation/eSports/e-home and others for continued development of Panel PC demand market. Further to Panel PC, the Company has developed the KIOSK system for using in unmanned shops, automatic check-in at airports, and self-service check in/out in hotels by combining the latest trend of AI and self-service business model, and has successfully developed the latest application business territory.

The market share of the Company in Panel PCs and KIOSK systems worldwide is not high but there is unlimited potential for further growth. In the future, the Company will design products with different specifications for attuning to the needs of different operation environment for different innovative applications based on its experience and capacity in the R&D and manufacturing of Point-of-Service devices. The Company will seek better business opportunities in new areas of applications with the launch of slim and light, good quality, good pricing, and diversified application function devices to help customers optimize customization. It is expected that the Company could successfully penetrate into the industrial computer market very quickly in the foreseeable future.

An analysis of the overall supply side of the market indicated that POS systems, Panel PCs, and KIOSK systems are highly customized products to the specification of the customers that entail a thick margin. This is a niche market where economy of scale through mass production is not a key element of competitive advantage. The technical capacity of R&D, the capacity of flexible customized production, quality stability, and sound post-delivery service of individual firms in providing a total solution for production application will be a prime factor of competitive power and market share. With the wealth of experience and skills in the application market for years, the Company is experienced in producing customized products. The Company is also good at quality control and post-delivery service, and has earned a good reputation and strong customer loyalty in the market. This is the advantage of the Company for a larger market share.

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

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

(1) Competitive edge

① Optimistic outlook of business opportunity for the industry

② Proper market positioning

③ Completed product lines

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

⑤ Flexibility, quick response and stable quality in customized technologies

⑥ Proper control of fundamental technologies and system integration technology

⑦ Professional marketing, R&D, and manufacturing team

⑧ Flexible sale strategies and sounded sales channel

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

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

① Favorable factors:

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

② Unfavorable factors:

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

Responses:

A. Promotion through modularized projects and engagement in joint venture with system integration service providers for mitigating the impact from price competition.
B. Design customized items with a competitive advantage in the market with high added value for the customers and provide technical solutions to intensify the differentiation from standard items, and avoid price competition with industry peers.
C. Tighten cost control from the design end, and introduce

shared use of materials and modularized design to enlarge the scale of purchase for particular item of materials to achieve a better bargaining position.

D. Control the cost and inventory of key parts and components through strategic purchase.

E. Offer mass production standard items to small and medium size customers for holding the cost down and bringing up profit.

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

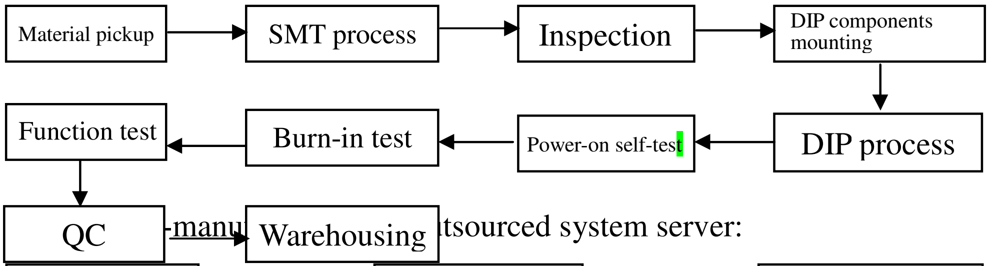
(II) The function and production process of key products

1. The function of key products:

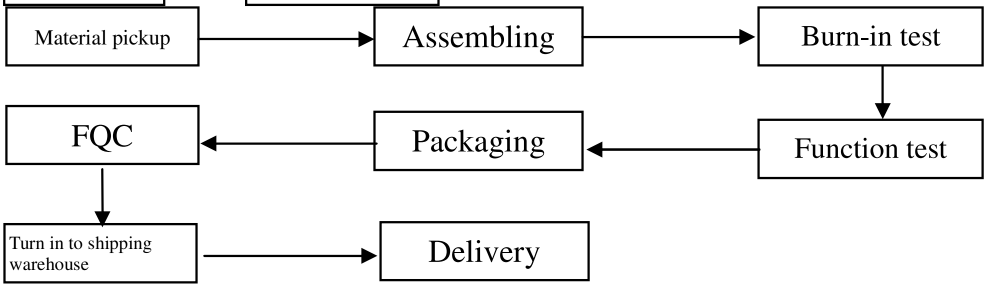
Product name	Primary scope of application
POS system All-in-One POS, PC POS Mobile POS, Pymentt Triminal	Areas of mobile applications such as chain stores/distribution industry/the cashier system of superstores, ordering and cashier system of restaurants, counter system of airlines/hotels, lottery machine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

2. The manufacturing process of key items

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



-manu tsourced system server:



3. The supply of key materials

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

4. List of key customers for purchase and sale

(1) Information on suppliers accounted for more than 10% of the total purchase of the Company in the last 2 years to 2019 Q1:

Unit: NT$ 1,000

Item	2017				2018				2019 to the end of Q1 (note)			
	Name	Amount	Ratio to net purchase in the year (%)	Relationship with the company	Name	Amount	Ratio to net purchase in the year (%)	Relationship with the company	Name	Amount	Ratio to net purchase in the year to the end of Q1(%)	Relationship with the company
1	Synnex	468,409	16.42	None	Synnex	457,290	15,64	None	—	—	—	—
2	Other	2,383,648	83.58	None	Other	2,467,450	83.46	None	—	—	—	—
3	—	—	—	—	—	—	—	—	—	—	—	—
	Net purchase	2,852,057	100.00	—	Net purchase	2,924,740	100.00	—	—	—	—	—

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

(2) Note to the changes

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

(3) Information on customers accounted for more than 10% of the total sale in the last 2 years to 2019 Q1:

Unit: NT$ 1,000

Item	2017				2018				2019 to end of Q1 (Note)			
	Name	Amount	Ratio to net sale in the year (%)	Relationship with the company	Name	Amount	Ratio to net sale in the year (%)	Relationship with the company	Name	Amount	Ratio to net sale in the year to the end of Q1 (%)	Relationship with the company
1	TI	1,037,104	22.64	None	TI	1,244,807	26.09	None	—	—	—	—
2	AG	704,948	15.39	None	AG	601,565	13.00	None	—	—	—	—
3	Other	2,838,838	61.97	—	BL	470,507	10.16	Subsidiary	—	—	—	—
					Other	3,311,426	49.94	—	—	—	—	—
	Net sale	4,580,890	100.00	—	Net sales	4,628,305	100.00	—	—	—	—	—

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

(4) Note to the changes

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

① TI is a POS hardware brand.

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

③ BL is a Company subsidiary and a major UK agency channel.

5. Production value and volume in the last 2 years

Unit: NT$ 1,000- set

Year / Production value and volume / Premium products	2017			2018		
	Production capacity (Note)	Volume	Value	Production capacity (Note)	Volume	Value
Industrial computers	250,000	242,315	2,913,339	250,000	229,880	2,726,882
Peripherals	—	—	459,002	—	—	486,209
Total	250,000	242,315	3,372,341	250,000	229,880	3,213,091

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

6. Sale volume and value in the last 2 years

Unit: NT$ 1,000- set

Year / Sale volume and value / Premium products	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Industrial computers	21,321	291,432	210,834	3,721,371	17,093	239,645	219,381	3,732,031
Peripherals	–	175,287	–	373,899	–	151,954	–	475,834
Other (Note)	–	3,962	–	14,939	–	10,332	–	18,509
Total	21,321	470,681	210,834	4,110,209	17,093	401,931	219,381	4,226,374

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

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

Unit: person

Year		2017	2018	Up till April 30, 2019
Number of employees	Production	246	250	240
	Research and Development	125	84	81
	Sale	50	43	43
	Administration	47	44	46
	Total	468	421	410
Average age		38.72	40.01	40.08
Average seniority		6.60 years	7.75 years	7.76 years
Education Background	Masters and higher	12.18 %	14.25%	13.90 %
	College	50.20 %	48.46%	48.54 %
	Senior high schools and vocational school	30.56 %	28.74%	29.27 %
	Junior high schools and below	7.05 %	8.55%	8.29 %

5.4 Environmental expenditure information

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

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

(III) The Company has instituted the "Corporate Social Responsibility Best Practice Principles", and has been accredited with the ISO 14001 international environmental management system in 2001. In the product design phase, the Company seeks to achieve the objective of low impact to the environment through environmentally friendly and energy efficient green design, and using environmentally friendly and low pollution supplies in manufacturing. In the area of procurement, the Company extends its environmental protection requirements to the production process and materials adopted by upstream suppliers through supplier management and green purchase. In the area of production, the specific nature of the industry of the Company allows for no water and air pollution in the production process of products. A lead-free process has been introduced all through the production process. All parts conform to RoHS of the EU and are accredited under RoHS. The Company also duly observes applicable laws and intensifies the recycling and reuse of resources, and prevents the pollution of water and air through proper monitoring and testing through its waste management plan. Furthermore, the Company also advocates a carbon reduction and energy saving, and proceeds to sustainable development of the environment by mitigating the impact on the environment to the expectation of the international trend and customers. The above activities were launched by the designated corporate social responsibility team for continued monitoring and enforcement as an integral part of the performance of corporate social responsibility.

(IV) The Company started to conduct inspection on the emission of greenhouse gases voluntarily since 2015, and has established related management strategy, methods, and objectives, and the reduced emission objective with continued monitoring and improvement. In 2018, the CO_2 emissions from Linkou Plant and electricity consumption: Total emission volume of CO_2 at 1,368,251 kg and the equivalent of 1,368t. Electricity consumption per head was 8,511 Kwh, which was an improvement as compared with the same period of the previous year. The inspection reports of 2017 and 2018 have been posted at the MOPS.

5.5 Labor-Management Relations

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

1. Benefit policy and the state of pursuit

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

2. Continuing education, training system and implementation

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

By department	Marketing Center	R&D Center	Manufacturing Center	Management Center
Actual number of participants by head count	306	515	5,439	537
Actual hours of training	719	928	6,010	2,560

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

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

(1) Self-requested Retirement: Employees with one of the following circumstances may request retirement:

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

②Employees that have worked for more than 25 years.

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

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

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

①Employees that are 65 years old or older.

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

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

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

As of December 31, 2018 and 2017, the Company’s labor pension fund account balance at Bank of Taiwan amounted to $27,351 and $26,779. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

4. Labor-management agreement

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

5. The protection of employee rights

The responsibilities and rights of the employees have been explicitly stated in the internal control system and management regulations of the Company. In addition, the Company has established the Employee Welfare Committee to organize welfare activities.

Employees are entitled to a bonus, salary adjustment, bonus, promotion or other incentives through routine performance evaluation.

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

5.6 Important contracts: None.

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

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

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

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

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

5.9 Procedure for handling internal information in materiality

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

5.10 Work environment and the protection of labor safety

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

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

(三) The working environment of the company's Neihu headquarters and Linkou factory are non-hazardous workplaces. The specific implementation of employee safety measures at workplace environments are as follows:

1、Take labor insurance, health insurance, and group insurance for the protection of the employees.

2、Ensure safe workplace environments and provide qualified operating equipment in accordance with the Labor Facilities Safety Regulations.

3、Have regular quarterly inspections and maintenances of fire-fighting facilities (fire extinguishers, fire prevention refuge facilities, emergency lights, electrical appliances, fire pumps and fire hydrants), annual inspections and maintenances of smoke ventilation equipment, employee safety educational training sessions and disaster prevention drills every 6 months

4、Conduct daily / weekly / month / quarterly maintenance for various types of manufacturing equipment according to the ISO’s “Equipment Maintenance Procedures.”

5、Appoint professional technicians to inspect electrical equipment monthly.

6、Daily patrols by the Company’s security personnel.

7、Routine health examination for the employees every year.

8、Maintenances, replacement of filters, and water quality inspections for the company drinking-water equipment every 3 months.

9、Providing nutritious and healthy group lunch services for employees of the Linkou factory

VI. Financial summary

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

(I) Condensed balance sheet and consolidated income statement - International Financial Reporting Standards

1. The condensed and consolidated balance sheet for the last 5 years - International Financial Reporting Standards

Unit: NTD thousand

Item / Year		Financial information for the latest 5 years (Note 1)					2019 to end of Q1 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		4,085,795	4,517,968	4,378,175	4,182,710	4,066,365	–
Property, plant, and equipment		1,148,004	1,156,416	1,145,713	1,207,027	1,167,147	–
Intangible assets		10,399	208,409	587,900	535,467	438,285	–
Other assets		37,701	63,927	62,004	83,358	7,335	–
Total assets		5,313,794	5,976,099	6,201,367	6,050,863	5,806,721	–
Current liabilities	Before dividend distribution	1,131,478	1,019,047	1,213,092	1,382,274	1,013,545	–
	After Distribution	1,961,378	1,897,257	1,944,934	2,026,054	Not yet appropriated	–
Non-current liabilities		64,117	62,397	134,604	114,179	109,393	–
Total liabilities	Before dividend distribution	1,195,595	1,081,444	1,347,696	1,496,453	1,122,938	–
	After Distribution	2,025,495	1,959,654	2,079,538	2,140,233	Not yet appropriated	–
Equity of the parent company		4,081,471	4,558,248	4,529,103	4,235,807	4,391,203	–
Capital stock		1,329,472	1,463,683	1,463,683	1,463,683	1,430,623	–
Capital surplus		586,395	756,228	761,822	762,804	745,778	–
Retained earnings	Before dividend distribution	2,150,310	2,322,362	2,325,968	2,332,494	2,255,146	–
	After Distribution	1,320,410	1,444,152	1,594,126	1,688,714	Not yet appropriated	–
Other equity		15,294	15,975	(22,370)	(37,221)	(40,344)	–
Treasury stock		–	–	–	(285,953)	–	–
Non-controlling interest		36,728	336,407	324,568	318,603	292,580	–
Total equity	Before dividend distribution	4,118,199	4,894,655	4,853,671	4,554,410	4,683,783	–
	After Distribution	3,288,299	4,016,445	4,121,829	3,910,630	Not yet appropriated	–

Note 1: The 5-year financial data referred to above have been audited by the CPA..

Note 2: As of April 30 2019, audited financial information covering 2019 Q1 was still unavailable.

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

Unit: NTD thousand

Year / Item	Financial information for the latest 5 years (Note 1)					2019 to end of Q1 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	4,748,478	5,213,056	5,633,782	6,565,317	6,569,769	—
Gross profit	1,524,945	1,793,747	1,893,789	1,944,203	1,926,378	—
Operating gains and losses	1,021,691	1,128,696	982,369	934,178	906,424	—
Non-operating revenues and expenses	83,314	75,218	21,111	(102,424)	13,461	—
Net profit before taxation	1,105,005	1,203,914	1,003,480	831,754	919,885	—
Current year profit of continuing business units	964,902	1,042,732	871,847	731,420	792,493	—
gain(loss) from discontinued operations	—	—	—	—	—	—
Net income or loss for current period	964,902	1,042,732	871,847	731,420	792,493	—
Current period other comprehensive income (post-tax profit or loss)	13,549	660	(39,251)	(13,422)	(3,081)	—
Current period other comprehensive income (Gross)	978,451	1,043,392	832,596	717,998	789,412	—
Net profit attributable to parent company	959,324	1,016,596	881,816	738,368	801,448	—
Net profit attributable to non-controlling interest	5,578	26,136	(9,969)	(6,948)	(8,955)	—
Total comprehensive income attributable to owners of the parent company	972,873	1,017,277	843,471	723,517	798,325	—
Comprehensive income, gross, attributable to non-controlling interest	5,578	26,115	(10,875)	(5,519)	(8,913)	—
Earnings per share (ex-right)	6.89	7.02	6.02	5.06	5.60	—

Note 1: The 5-year financial data referred to above have been audited by the CPA.

Note 2: As of April 30 2019, audited financial information covering 2019 Q1 was still unavailable.

3. The condensed individual balance sheet for the last 5 years - International Financial Reporting Standards

Unit: NTD thousand

Item / Year		Financial information from the past five years (note)				
		2014	2015	2016	2017	2018
Current assets		3,635,811	3,630,029	3,237,330	2,834,223	2,931,119
Property, plant, and equipment		1,122,136	1,100,091	1,081,495	1,151,134	1,108,620
Intangible assets		10,294	8,884	8,534	6,265	3,837
Other assets		5,034	11,404	10,614	4,849	2,968
Total assets		5,227,461	5,517,089	5,532,203	5,153,895	5,196,354
Current liabilities	Before dividend distribution	1,081,873	896,784	918,643	868,746	751,529
	After Distribution	1,911,773	1,774,994	1,650,485	1,512,526	NA
Non-current liabilities		64,117	62,057	84,457	49,342	53,622
Total liabilities	Before dividend distribution	1,145,990	958,841	1,003,100	918,088	805,151
	After Distribution	1,975,890	1,837,051	1,734,942	1,561,868	NA
Capital stock		1,329,472	1,463,683	1,463,683	1,463,683	1,430,623
Capital surplus		586,395	756,228	761,822	762,804	745,778
Retained earnings	Before dividend distribution	2,150,310	2,322,362	2,325,968	2,332,494	2,255,146
	After Distribution	1,320,410	1,444,152	1,594,126	1,688,714	NA
Other equity		15,294	15,975	(22,370)	(37,221)	(40,344)
Treasury stock		—	—	—	(285,953)	—
Total equity	Before dividend distribution	4,081,471	4,558,248	4,529,103	4,235,807	4,391,203
	After Distribution	3,251,571	3,680,038	3,797,261	3,592,027	NA

Note: The 5-year financial data referred to above have been audited by the CPA.

4. The condensed individual composite income statement for the last 5 years - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year	Financial information from the past five years (note)				
	2014	2015	2016	2017	2018
Operating revenue	4,487,853	4,492,061	4,536,778	4,580,890	4,628,305
Gross profit	1,390,271	1,510,564	1,548,750	1,387,265	1,388,268
Operating gains and losses	990,483	1,056,484	1,068,316	935,507	919,636
Non-operating revenues and expenses	98,756	97,960	(64,577)	(105,809)	10,259
Net profit before taxation	1,089,239	1,154,444	1,003,739	829,698	929,895
Current year profit of continuing business units	959,324	1,016,596	881,816	738,368	801,448
gain(loss) from discontinued operations	—	—	—	—	—
Net income or loss for current period	959,324	1,016,596	881,816	738,368	801,448
Current period other comprehensive income (post-tax profit or loss)	13,549	681	(38,345)	(14,851)	(3,123)
Current period other comprehensive income (Gross)	972,873	1,017,277	843,471	723,517	798,325
Earnings per share (ex-right)	6.89	7.02	6.02	5.06	5.60

Note: The 5-year financial data referred to above have been audited by the CPA.

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

Year	Name of CPA Firm	Name of CPAs	Auditor/s opinion
2014	KPMG	Huei-Chen Chang, Huang Bai-shu	Unqualified opinion
2015	KPMG	Huei-Chen Chang, Huang Bai-shu	Unqualified opinion
2016	KPMG	Huei-Chen Chang, Wei-Ming Shih,	Unqualified opinion
2017	KPMG	Huei-Chen Chang, Wei-Ming Shih,	Unqualified opinion
2018	KPMG	Wei-Ming Shih, Yung-Sheng Wang	Unqualified opinion

6.2 Financial analysis for the latest 5 years

(I) Financial Analysis - International Financial Reporting Standards (consolidated)

Analysis items (Note 2) / Year		Financial analysis for the latest 5 years (Note 1)					2019 to end of Q1 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio	22.50	18.10	21.73	24.73	19.34	—
	Ratio of long-term capital to property, plant and equipment	364.31	428.66	435.39	386.78	410.67	—
Solvency (%)	Current ratio	361.10	443.35	360.91	302.60	401.20	—
	Liquid ratio	317.23	373.61	290.09	237.85	316.07	—
	Interest coverage ratio	181.35	960.29	685.5	216.54	280.18	—
Operating ability	Account receivable turnover (times)	5.26	4.93	5.12	5.22	5.96	—
	Days sales in account receivable	69.41	74.11	71.33	69.98	61.20	—
	Inventory turnover (times)	7.19	5.99	5.03	5.55	5.58	—
	Account payable turnover (times)	8.00	6.90	5.81	6.18	6.95	—
	Average days in sales	50.74	60.93	72.61	65.74	65.39	—
	Property, plant, and equipment turnover (times)	4.14	4.51	4.92	5.44	5.63	—
	Total assets turnover (times)	0.89	0.87	0.91	1.09	1.13	—
Profitability	ROA (%)	18.91	18.49	14.34	11.99	13.41	—
	Return on equity (%)	24.30	23.14	17.89	15.55	17.16	—
	Pre-tax profits to paid-up capital ratio (%)	83.12	82.25	68.56	56.83	62.85	—
	Net profit rate (%)	20.32	20.00	15.48	11.14	12.06	—
	After the earnings per share (yuan) is traced back	6.89	7.02	6.02	5.06	5.60	—
Cash flows	Cash flow ratio (%)	70.60	115.13	97.96	50.93	132.48	—
	Cash flow adequacy ratio (%)	104.86	105.93	122.12	111.68	118.81	—
	Cash flow reinvestment ratio (%)	1.70	6.52	6.16	-0.58	13.96	—
Leverage	Operating leverage	1.09	1.13	1.18	1.20	1.21	—
	Financial leverage	1.01	1.00	1.00	1.00	1.00	—

Note 1: The 5-year financial data referred to above have been audited by the CPA.

Note 2: As of April 30 2019, audited financial information covering 2019 Q1 was still unavailable.

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

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

(II) Financial Analysis - International Financial Reporting Standards (individual)

Analysis items (Note 2)	Year	Financial analysis for the latest 5 years (Note 1)				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to assets ratio	21.92	17.38	18.13	17.81	15.49
	Ratio of long-term capital to property, plant and equipment	369.44	419.99	426.59	372.25	400.93
Solvency (%)	Current ratio	336.07	404.78	352.43	326.24	390.02
	Liquid ratio	296.41	345.02	295.74	269.38	324.61
	Interest coverage ratio	178.81	920.88	20,912.23	12,572.18	92,990.50
Operating ability	Account receivable turnover (times)	5.10	4.59	4.72	4.66	5.25
	Days sales in account receivable	71.63	79.51	77.41	78.34	69.49
	Inventory turnover (times)	8.18	6.52	5.97	6.63	6.87
	Account payable turnover (times)	7.90	6.41	5.44	5.74	6.80
	Average days in sales	44.63	55.95	61.13	63.55	53.69
	Property, plant, and equipment turnover (times)	4.00	4.08	4.19	3.98	4.17
	Total assets turnover (times)	0.86	0.81	0.82	0.89	0.89
Profitability	ROA (%)	19.10	18.94	15.96	13.82	15.49
	Return on equity (%)	24.38	23.53	19.41	16.85	18.58
	Pre-tax profits to paid-up capital ratio (%)	81.93	78.87	68.58	56.69	65.00
	Net profit rate (%)	21.38	22.63	19.44	16.12	17.32
	After the earnings per share (yuan) is traced back	6.89	7.02	6.02	5.06	5.60
Cash flows	Cash flow ratio (%)	73.17	123.15	115.95	82.92	143.99
	Cash flow adequacy ratio (%)	104.29	104.43	125.83	107.72	109.60
	Cash flow reinvestment ratio (%)	1.58	5.41	5.41	-0.23	8.62
Leverage	Operating leverage	1.08	1.10	1.09	1.09	1.1
	Financial leverage	1.01	1.00	1.00	1.00	1.0

Note 1: The 5-year financial data referred to above have been audited by the CPA.

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

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

2. Solvency

   Current ratio = current assets / current liabilities.

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

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

3. Operating ability

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

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

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

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

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

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

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

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

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

4. Profitability

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

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

   (3) Profit ratio=net income/net sales

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

5. Cash flow

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

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

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

6. Leverage

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

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

6.3 Audit report on the most recent year financial statements by the supervisor or the audit committee: please refer to page 150

6.4 The most recent annual financial report: please refer to pages 151-218

6.5 The Company's individual financial statements audited and certified by a certified public accountant in the most recent fiscal year. Please refer to page 219-281.

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

6.7. Accounting treatment of impairment of assets

(I) Impairment of financial assets

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses or reversal in profit or loss.

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

(II) Impairment of non-financial assets

1. Goodwill

For the purpose of impairment testing, goodwill arising from a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs with goodwill are tested annually (or when there are indications that a CGU may have been impaired) for impairment. When the recoverable amount of a CGU is less than the carrying amount of the CGU, the impairment loss is recognized firstly by reducing the carrying amount of any goodwill allocated to the CGU and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. Any impairment loss on goodwill is recognized immediately in profit or loss. A subsequent reversal of the impairment loss on goodwill is prohibited.

2. Other tangible and intangible assets

Non-financial assets other than inventories and deferred income tax assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the CGU to which the asset has been allocated.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization of depreciation) that would have been determined had no impairment loss been recognized in prior years.

6.8 The foundation and basis for evaluating the method of listing assets and liabilities

The Company’s financial report is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretative Announcements recognized by the approved by the Financial Supervisory Commission. The explanation regarding the foundation and basis for evaluating the method of listing assets and liabilities is as follows:

(I) Receivables allowance for doubtful accounts and impairment

The company provides credit lines for long-term clients after rigorous evaluations and credit reporting procedures based on the “Client Credit Regulations.” The remaining clients use advance sales receipts or letters of credit at sight as the main transaction methods, and have most credit clients be insured with receivables insurance.

The listing methods of the allowance for doubtful accounts use the “aging analysis” to analyze the ageing of clients’ aging of accounts. The ratio of accounts receivable can be decided based on the collectability to be 1% of the receivable balance after comparisons with past payment records, and assessment of account quality according to the economic situations of sales regions.

Information on the listing methods of the allowance for doubtful accounts and the explanation for impairments to accounts receivable can be found on page 123-124 (I) Explanation of impairments to financial assets.

(II) Financial assets measured at fair value through profit or loss and subsequent evaluation

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

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

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

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

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

(III) Allowance for inventory price decline

Inventory is measured using the lower value between cost and net realizable value. Cost includes the acquisition, production or processing costs and other costs incurred in the locations and conditions of making it available for use. It is calculated using the weighted average method. The fixed manufacturing costs are allocated to manufactured goods and goods that are being manufactured based on the normal production capacity or higher actual production capacity of the production equipment. The allocation basis for variable manufacturing costs are based on the actual production. The net realizable value is the basis for calculating the estimated selling price under normal business conditions minus the cost expended until completion and marketing expenses.

The final evaluation of the allowance for falling inventory prices uses the “inventory age analysis” to list the allowance for falling inventory prices based on the inventory age at the end of the period. Inventory that has been shelved for 1 to 2 years will be listed at 50%, and inventory that has been shelved for more than 2 years will be listed at 80%. The basis of the evaluation will use the lower value between the cost and net realizable value of each inventory at that time, assessing to determine if the listed amount is sufficient.

(IV) Financial Derivatives and Hedging

The Company’s financial derivatives are forward exchange contract, which are mainly used to avoid exchange rate risks exposed by holding foreign currency for operational activities. Due to this policy, the Company’s financial derivatives are for hedging purposes and aren’t applicable to hedge accounting conditions. The initial recognition time is measured at fair value, and the transaction costs is recognized as income. The subsequent evaluation is measured at fair value, and the profits (losses) from the re-evaluation are directly included into the income and listed under non-operating income and expenses. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(V) Financial liabilities

1.Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as a financial liability at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorized as financial liabilities at fair value through profit or loss unless they are designated as hedges. Moreover, since 2017, under the newly adapted IFRS 3, the acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability.

At initial recognition, this type of financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss and included in the line item of non-operating income and loss of the consolidated statement of comprehensive income.

2. Financial liabilities measured at amortized cost

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise notes and accounts payable, and other payables, are measured at fair value, plus, any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

7.1 Financial status

Unit: NTD thousand

Item \ Year	2017	2018	Variation: Increase (decrease) in amount	Variation: %
Current assets	4,182,710	4,066,365	(116,345)	(2.78)
Non-Current assets	1,868,153	1,740,356	(127,797)	(6.84)
Total assets	**6,050,863**	**5,806,721**	**(244,142)**	**(4.03)**
Current liabilities	1,382,274	1,013,545	(368,729)	(26.68)
Non-current liabilities	114,179	109,393	(4,786)	(4.19)
Total liabilities	**1,496,453**	**1,122,938**	**(373,535)**	**(24.96)**
Capital stock	1,463,683	1,430,623	(33,060)	(2.26)
Capital surplus	762,804	745,778	(17,026)	(2.23)
Retained earnings	2,332,494	2,255,146	(77,348)	(3.32)
Total shareholders' equity	**4,554,410**	**4,683,783**	**129,373**	**2.84**

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

The decrease in current liabilities/total liabilities was mainly due to the decrease in accounts payable. And short-term loans.

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

(III) The future response plan: Not applicable.

7.2 Financial Performance

(I) Comparative analysis of operating results

Unit: NTD thousand

Item \ Year	2017 Total	2018 Total	Increase (decrease)	Variation (%)
Operating revenue - net	6,565,317	6,569,769	4,452	0.07
Operating cost	(4,621,114)	(4,643,391)	22,277	0.48
Gross profit	1,944,203	1,926,378	(17,825)	(0.92)
Operating expenses	(1,010,025)	(1,019,954)	9,929	0.98
Operating profit	934,178	906,424	(27,754)	(2.97)
Non-operating revenues and	(102,424)	13,461	115,885	(113.14)
Net profit before taxation	831,754	919,885	88,131	10.60
Income tax expenses	(100,334)	(127,392)	(27,058)	26.97
Net income	$ 731,420	$ 792,493	61,073	8.35

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

1. Increase in non-operating income and expenses were mainly due to foreign currency exchange gains.
2. The increase in income tax expenses is mainly due to the increase in the pre-tax net profit of the current year compared to the previous year, resulting in an increase in income tax expenses.

(II) Analysis of changes in gross profit:

Unit: NTD thousand

	Number of increases and decreases from early to later periods	The root cause of the difference			
		Price differentiation	Cost price variance	Sales-mix variance	Quantity variance
Gross profit	(17,825)	(13,490)	(6,116)	(1,009)	2,790
Remark		Note 1	Note 2	Note 3	Note 4

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

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

Note 3: An in-depth analysis will not be done due to the sales mix difference between the early and later periods being very minor.

Note 4: The Company is committed to promoting various series of products and gaining the ability to being a market-leading company, therefore generating favorable quantitative differences.

7.3 Cash flow

(I) Cash flow analysis in the most recent year

Unit: NTD thousand

Beginning of year cash balance (1)	Expected net operating cash flow for the whole year (2)	Net annual cash outflow (3)	Cash surplus (deficit) (1)+(2)-(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Wealth management
1,796,799	1,342,759	856,718	2,282,840	-	-

1. Changes of cash flow in current year analysis:
   (1) Operating Activities: The net cash flow from operating activities was NTD 1,342,759 thousand, which was mainly composed of cash flow from the net profit generated from 2018 operating activities.
   (2) Investment Activities: The net cash flow from investment activities was NTD 84,191 thousand, which was composed NTD 46,604 thousand of cash flow from fixed assets and prepayments for equipment from this year, and NTD 42,000 thousand of prepayments for long-term investment funds.
   (3) Financing Activities: The net cash flow from financing activities was NTD 768,720 thousand, which was composed from shareholders' cash dividends.

2. Responsive measures and liquidity analysis on cash flow deficits:
   No cash shortages are expected.

(II) Liquidity analysis for the next year

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

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

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

(II) Expected effects: Not applicable

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

Unit: NTD thousand

Item \ Remark	Re-investment policy	Invested Company's 2018 profit and loss	Main causes of profit or loss	Improvement Plan	Other future investment plan
Box Holdings	Achieve vertical integration synergy	40,570	Strategic success Greatly expand the UK market		-
Flytech USA	Expanding the American market and customer services	(749)	Customer service base fee Center		-
Flytech HK	Expanding the Asian market and customer services	(2,526)	Invest in iSAPPOS	Expand the market	-
Flytech Technology (Shanghai)	Expand the market of Mainland China, production and customer services	5,998	Strategic success and operational growth		-
Flytech Inc.,Beijing	Expand the market of Mainland China, production and customer services	(405)	Customer service center cost center		-
iSAPPOS Systems	Horizontal integration including large product lines	(5,109)	New startup company	Expand the market	-
iRuggy Systems	Horizontal integration including large product lines	169	New startup company		-
Poindus system	Horizontal integration including large product lines	28,666	Strategic success Continuous operational growth		-
Poindus America	Horizontal integration including large product lines	(2,682)	Fierce competition in the Americas brand market	Enhance marketing	-
Poindus UK	Horizontal integration including large product lines	(6,035)	The startup is still in the investment layout stage	Enhance marketing	-
Poindus GE	Horizontal integration including large product lines	0			-
Adasys GmbH	Horizontal integration to expand product line	(9,564)	New company is still in the investment and layout stage	Enhance marketing	
Box UK	Achieve vertical integration synergy	34,103	Strategic success Greatly expand the UK market		-
Box Sweden	Achieve vertical integration synergy	6,467			-

7.6 Key performance indicators (individuals)

Purpose		Indicator	Formula	Target KPI	2017	2018
Financial indicator	enhance management Ability	Days sales in account receivable	365/ Receivable Turnover Rate	70 days	78 days	69 days
		Average days in sales	365/ Inventory Turnover Rate	50 days	55 days	54 days
Performance indicator	Effective control costs have the best performance	Productivity benefit indicator	Revenue / actual number of employees at the end of the year	NTD 110.99 million	NTD 9.68 million	NTD 105.67 million
		Marketing performance indicator	Revenue/promotion costs	NTD 37	NTD 30	NTD 28
		Management performance indicator	Revenue/management expenses	NTD 45	NTD 43	NTD 41
		R&D performance indicator	Revenue / R&D expenses	NTD 32	NTD 24	NTD 24

7.7 Risk assessment

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

1. The impact of interest rate changes and response measures

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

2. The impact of exchange rate changes and response measures

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

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

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

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

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

3. The impact of price changes and response measures

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

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

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

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

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

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

1. The Company adopts a steady and conservative financial management policy, and the relevant operating procedures and announcements are handled in accordance with the Company's "Procedures for Acquisition or Disposal of Assets," "Procedures of Endorsements and Guarantees" and "Management of Loans to Others."
2. The Company follows a steady and conservative financial management policy. In the past, the Company did not engage in high-risk and highly leveraged investment activities. The Company will continue to carefully evaluate high-risk investments and financial activities to avoid potential risks. The situation of the Company and its subsidiaries for 2018 and up until the most recent annual report are as follows:

(1)Endorsement and guarantee

Subsidiary Box Technologies Limited (a subsidiary of Box Holdings) has applied for a £5 million credit line to Chang Hwa Commercial Bank in order to expand the operating turnover requirements of the European market. The Company has evaluated this case using the "Procedures of Endorsements and Guarantees" and reported it to the board of directors for approval providing a 100% guarantee for the aforementioned credit case, which did not exceed the limit. The subsidiary has not yet used the facilities as of the annual report's publication date. Apart from this case, all subsidiaries have not been endorsed or guaranteed by others.

(2) Loans to others

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

(3)Derivative transactions

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

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

The Company's 2018 R&D plans were carried out according to schedule. Apart from a small number of products that have completed testing, verification and production trials for mass production during the first half of 2019, the rest have already been put into mass production and sales. Apart from completing unfinished products from the previous year, expand its product range and existing product series, the company's 2019 R&D direction will continue to develop competitive new product lines with high added value for different market segments and application areas, and actively expand emerging demand markets to innovatively develop diverse application fields. In addition, the Company controls the R&D progress using projects, and pays constant attention to the development of technology, product trends, the situation of competitors, sales markets and demand changes in the material supply market. They are all factors that can potentially affect the success of the R&D, therefore all R&D plans must meet market demands and completed on schedule.

Year	R&D Plan	Current progress of unfinished R&D Plans	Expected mass production completion time	Reinvested R&D expenses	The main factors affecting successful R&D in the future
2018	1. Industrial computer series: POSD337N2/ POS655/ PB82/ PB99/ T605A+/ K75D/ K959/ PB81/ PB85/ PB88/ K85B 2. New motherboard series: D01/ D42/ D42L/ D86S/ D87U/ D89S	Most of them have been developed in 2018, and a small number of unfinished products will be mass-produced in the first half of 2018.	Mass production according to the original plan	None	None
2019	1. Industrial computer series: POS614/ POS617/ POS667/ POS458/ PB82/ PB96/ PB97/ PB98/ PB99 K85B 2. New motherboard series: D84U/ E64/ E66	In progress	End of 108	It is estimated that the research and development expenses will be NTD 152,687 thousand in 2019	None

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

The Company continues to pay attention to changes in domestic and foreign political and economic environments, important policies and laws. The company is always analyzing and reviewing the impact of these changes, and make revisions to company regulations when competent authorities issue important information on corporate governance and risk control. After assessments, the aforementioned changes up until the 2018 annual report publication date have not significantly impacted the Company's finances and businesses. Therefore, the response measures are not applicable.

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

Since its inception, the Company has been actively involved in the design, sales channels and R&D of computer products. Since the Company's establishment, Taiwan's electronic industry has undergone dramatic changes and various innovative technologies have been introduced in recent years, such as mobile payments, big data applications, and unmanned stores. The Company fully understands the pace of technology and industry trends, and has introduced new product designs to provide innovative applications. Therefore, correct product positioning with flexible sales strategies and extensive market channels allows the company to be ahead of its competitors. The Company’s products are customized products tailor-made to client specifications as the Company’s competitive foundation is based on flexible customization and offering products to a wide range of applicative products, and is capable of maintaining stable profits. After assessments, the changes in technology and industries up until the Company’s 2018 annual income and annual report publication dates have not significantly impacted the Company's finances and businesses. Therefore, the response measures are not applicable.

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

Since its inception, the Company has always adhered to the principle of “pursuing excellence,” and managing with integrity and stability. The Company has focused on its own industry, striving to be “flexible” and “innovative” while attaching importance to the corporate image and risk control. For organizational operation and system promotion, the Company has emphasized “having the system of a large organization and the flexibility of small company,” possessing a high degree of flexibility when facing various changes to the environment and quickly respond to market changes, disasters (typhoons, floods, earthquakes, disconnection of information systems, shortages of power supply or raw materials). The Company has established emergency recovery plans, contingency plans, task groups, and makes regular assessments/adjustments to these plans along with drills to prepare the company for recover quickly from emergency incidents. No critical incidents have happened up until the 2018 annual report publication date.

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

None

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

The Company has no plans to expand the factory for the most recent year of 2018 and publication date of the annual report.

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

1. Purchase: During 2018 and up until the publication date of the annual report, the company has not exceeded the net purchase amount of 10%, except for purchases from large-scale IC agency Synnex Technology. The purchases were not overly concentrated either.
2. Sales: The Company is a professional manufacturer of custom development and designs for industrial computers, and its main sales targets include system integrators, enterprise projects, and international companies. The types of clients are more dispersed as there are no concerns of excessive concentration.

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

In 2018 and up until the publication date of the annual report, the Company’s directors, supervisors or shareholders holding more than 10% of the shares did not have large share transfers or replacements.

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

The Company has no circumstances or plans for the transfer of management rights in 2018 and up till the publication date of the annual report.

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

The Company has no related lawsuits or non-contentious cases for 2018 and up until the publication date of the annual report.

(XIII) Other significant risks and responsive measures:

There are no other important risks in 2018 and up until the publication date of the annual report.

(XIV) Risk management policies, organizational structure, and response strategies:

1. Risk Management Policies

In order to effectively identify, measure, monitor and control various risks, the Company shall deal with the risks to the following operating cycles and important tasks: sales and collection, procurement and payment, production, wages, financing, fixed assets, investments, research and development, use of computerized information. The Company will also handle risks related to: seal management, bill collection management, budget management, property management, endorsement guarantee/debt commitment and contingency management, job authorization and substitution, loans to others, financial and non-financial information management, supervision and management of subsidiaries, management of related party transactions, management of financial statement preparation process, management of procedures for board meetings, management of preventing insider trading, management of operating the salary compensation payroll committee, management of applicable international accounting standards, accounting professional judgment procedures, accounting policies and management of the procedures for estimating changes, assessing the occurrence possibility of risks, methods to determine hedging to avoid risks, formulating appropriate and effective internal control systems, management regulations, ISO standard operating procedures and other necessary management mechanisms. It will be carried out by various departments of the risk management organizations. The supervisors at all levels, internal audit units, the board of directors, and the audit committee are responsible for supervising and regularly checking the effectiveness of the risk management mechanism’s design and implementation to ensure its continued application. The various risk management situations are as follows:

2. Risk management organizational structure

(1) Board of Directors: Review all important regulatory issues, supervise the management performance of management, prevent conflict of interests and ensure that the Company adheres to various laws and regulations.

(2) Internal Audit: Check,evaluate, report, and provide recommendations to improve the effectiveness of risk management designs and implementation for each department, and assist management to effectively monitor risks.

(3) General Manager's Office: Design, plan, and manage the risk management mechanisms (internal control systems, management regulations, and ISO standard operating procedures) of each operation cycle and important operation items to properly and effectively manage: product positioning, marketing strategies, development and design, manufacturing, environmental protection, product quality, material costs, inventory, sales, collection, finance, legal affairs, related persons, cyber security, human resources, property management and other risks. The general manager’s office also supervises the compliance situations of all executive departments.

(4) Executive Departments:

①Marketing Center (Europe/Americas/Asia Pacific Business Offices):

Execute risk management design for management and proper management of risks from: sales plans, product promotion, processing orders, client credit, shipping, opening sales invoices, collections, client complaints.

② R&D Center (Product Planning Office, R&D Office, Purchasing Office):

Execute management risk management designs and proper management of risks from: product positioning and design, project planning, technology development, design verification and testing, patent development and usage, research and development technical file management, procurement strategy and planning, supplier management and other risks.

③ Manufacturing Center (manufacturing office, quality assurance office):

Execute management risk management and proper management of risks from: raw material demand planning, production capacity, production process, production scheduling, manufacturing, engineering, efficiency, inventory management and taking inventory, warehousing operations, production costs and other projects, raw materials / work in progress / finished goods / suppliers / management of instruments, and prevention and correction of abnormal conditions.

④ Management Center (Management Office, Finance Department):

Execute risk management design for management and proper management of risks from: corporate governance, corporate social responsibility, integrity management, legal affairs, contracts, patents, intellectual property rights, fixed assets, information environment, environmental safety and health, human resources, education and training, attendance, salary management, budgets, collection, payments, financing, investments, acquisition and disposal of assets, endorsements and guarantees, loans, derivatives transactions, accounting and financial statements.

3. Risk management response strategies:

(1) Market risk: The market risk of the Company mainly comes from the prosperity of the international economy, competitor's strategies and client operation status. The response strategies include: participation in guilds and trade shows to understand changes to the market, have the marketing center analyze market trends and provide information regarding the business during the regular weekly meeting, track key client orders and inventory status, review with senior management to decide whether to make adjustments to marketing and product strategies. The management model for 2018 and up until the publication date of the annual report should be appropriate and should not have any significant impact on the Company's income.

(2) Financial risk: Please refer to the explanations on pages 208and 267.

(3) Liquidity risk: Please refer to the instructions on pages 209 and 268.

(4) Credit risk: Please refer to the instructions on pages 209 and 267.

(5) Legal risk: The company employs a perennial legal adviser to provide legal advice. The management center also has a legal unit to review external contracts, employee rights and interests, and follow the release of laws and regulations related to company operations to ensure that the Company is adhering to the law. The management model for 2018 and up until the publication date of the annual report should be appropriate. The Company has no related lawsuits or non-contentious cases. Which should have no significant impact on the Company's income.

(6) Strategic and operational risks: The general manager's office is responsible for tracking and assessing the Company's overall operating conditions and risks, and presents an analysis report during the regular monthly operation meeting. The general manager's office gets together with senior management to decide whether to make adjustments to marketing and product strategies. If adjustments need to be made, the management center will be responsible for the assessment and implementation of the adjustments. The management model for 2018 and up until the publication date of the annual report should be appropriate, which should have no significant impact on the Company's income.

7.8 Objectives and methods of applying hedge accounting

The company's sales targets are mainly foreign clients; therefore, the quotations are mainly done in foreign currencies and some of the primary raw materials are also purchased in foreign currency. In order to avoid the risk of exchange rate fluctuations, the establishment of processing procedures for derivatives transactions in the "Procedures for Acquisition or Disposal of Assets" in addition to establishing appropriate natural hedging for multiple/empty positions holding foreign currencies is done to effectively regulate related operations. The Company's forward exchange contracts during 2018 and up until the publication date of the annual report are all hedge transactions with the aim of avoiding foreign currency loan exchange rate risks. The accounting treatment of the 2018 hedge transactions are registered on memos on the date of the contract, and evaluated on the quarterly balance sheet The book is recorded as a memorandum and is evaluated on the quarterly balance sheet according to the listed exchange rate. It is then included in the "Financial Assets/Liabilities at fair value through income statement," and listed on the income statement of that period by calculating the difference between the contract's and cost's exchange rates for the foreign currency. The transaction conditions of the Company's derivatives do not meet the applicable conditions of the financial accounting standards bulletin regarding hedge accounting. Therefore, hedge accounting is not applied.

7.9 Other important disclosures: None.

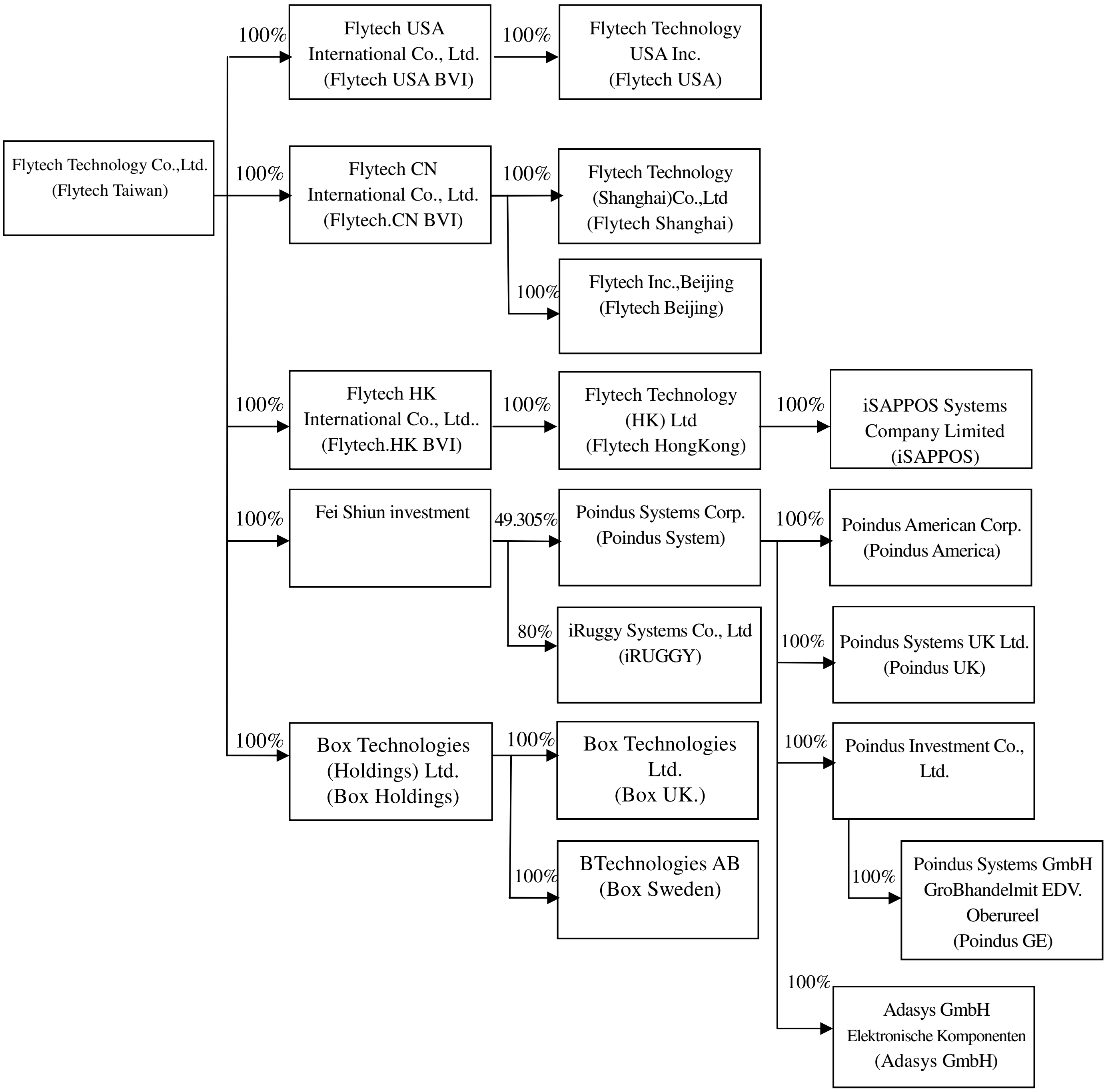
VIII. Special remarks

8.1 Affiliated companies

(I) Affiliates consolidated business report:

1. Affiliated Enterprises overview

(1) The investment relationship and shareholding ratio of the Company and its subsidiaries are as follows (data deadline: December 31st, 2018)



(2) Profiles of the Affiliated Enterprises

December 31, 2018; Unit: NTD thousand

Name of enterprise	Date of establishment	Address	Paid-in shares Capital	Major operations
Flytech USA BVI	2001.05	BVI Suzhou	3,357	Holdings
Flytech HK BVI	2001.05	BVI Suzhou	1,724	Holdings
Flytech CN BVI	2001.07	BVI Suzhou	4,975	Holdings
Fei-Syun investment Co. Ltd.	2008.01	Taipei City	190,000	General investment business
Box Holdings	2004.01	United Kingdom	189	General investment business
Flytech USA	1989.11	U.S.	23,741	Transactions of computers, instrument systems, peripheral equipment
Flytech HK	1989.12	Hong Kong	10,433	Transactions of computers, instrument systems, peripheral equipment
Flytech Technology (Shanghai)Co.,Ltd	2001.10	Shanghai	69,089	Transactions of computers, instrument systems, peripheral equipment
Flytech Inc.,Beijing (Beijing)	2015.02	Beijing	15,420	Transactions of computers, instrument systems, peripheral equipment
iSAPPOS Systems	2015.12	Hong Kong	31,690	Transactions of computers, instrument systems, peripheral equipment
iRuggy Systems	2015.12	Taipei City	60,000	Transactions of computers, instrument systems, peripheral equipment
Poindus system	98.06	Taipei City	210,000	Transactions of computers, instrument systems, peripheral equipment
Poindus America	2014.08	U.S.	32,195	Transactions of computers, instrument systems, peripheral equipment
Poindus Investment	2009.07	Taipei City	4,100	General investment business
Poindus UK	2015.10	United Kingdom	14,297	Transactions of computers, instrument systems, peripheral equipment
Adasys GmbH	1994.03	Germany	3,292	Transactions of computers, instrument systems, peripheral equipment
Poindus GE	2015.10	Germany	1,195	Transactions of computers, instrument systems, peripheral equipment
Box UK	1992.06	United Kingdom	472	Transactions of computers, instrument systems, peripheral equipment
Box Sweden	2013.08	Sweden	2,330	Transactions of computers, instrument systems, peripheral equipment

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

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

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

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

As of Dec. 31, 2018

Name of enterprise	Title	Company name or representative	Status of shareholding: Number of shares or contribution amount	Status of shareholding: Shareholding or contribution ratio (%)
Flytech USA BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei-wei	100,000 shares	100 %
Flytech HK BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei-wei	50,000 shares	100 %
Flytech CN BVI	Chairman	Feijie Technology Co., Ltd. Representative: Wang Wei-wei	150,000 shares	100 %
Fei-Syun investment Co. Ltd.	Chairman	Feijie Technology Co., Ltd. Representative: Liu Jiu-chao	19,000,000 shares	100 %
	Director	Feijie Technology Co., Ltd. Representative: Hsieh Sheng-wen		
	Director	Feijie Technology Co., Ltd. Representative: Liu Yun-ping		
	Supervisor	Feijie Technology Co., Ltd. Representative: Li Mei-hui		
Box Holdings	Chairman	Liu Chiu Tsao	-	-
	Director	Lin Yi-zhi		
	Director	Russell Willcox		
Flytech USA	Chairman	Lam Tai Seng	-	-
Flytech HK	Chairman	Wang Wei-wei	HKD 1,000,000	100 %
	Director	Flytech HK BVI		
Flytech Technology (Shanghai)Co.,Ltd	Chairman	Flytech CN BVI Representative: Wang Wei-wei	USD 2,000,000	100 %
	Director	Flytech CN BVI Representative: Lin Da-cheng		
	Director	Flytech CN BVI Representative: Liu Jiu-chao		
	Supervisors	Flytech CN BVI Representative: Li Mei-hui		
Flytech Inc.,Beijing	Chairman	Flytech CN BVI Representative: Liu Jiu-chao	USD 500,000	100 %
	Director	Flytech CN BVI Representative: Wang Wei-wei		
	Director	Flytech CN BVI Representative: Li Dong-ling		
	Supervisors	Flytech CN BVI Representative: Wang Q-izhen		
iSAPPOS Systems Co., Ltd.	Chairman	Pan Ming-an	7,500,000 shares	100 %
	Director	Lin Yi-zhi		
iRuggy Systems Co., Ltd.	Chairman	Chang Zong-ju	480,000 shares	10 %
	Director	Flytech Investment Co., Ltd. Representative: Liu Jiu-chao	4,800,000 shares	80 %
	Director	Flytech Investment Co., Ltd. Representative: Xiao Wen-zhao		
	Supervisor	Lee Mei-hui	-	-
Poindus Systems	Chairman	Hu Mu-zhen	358,000 shares	1.70 %
	Director	Flytech Investment Co., Ltd. Representative: Liu Jiu-chao	10,354,000 shares	49.305 %
	Independent director	Liu Tian-lai	-	-
	Independent director	Huang Ren-qi	-	-
	Independent director	Li Yu-jing	-	-
	Director	Wang Sizhen	-	-
Poindus America	Director	Poindus Systems Co., Ltd. Representative: Hu Mu-zhen	USD 1,000,000	100 %
	Director	Poindus Systems Co., Ltd. Representative: Chang Hong-rui		
	Director	Poindus Systems Co., Ltd. Representative: Hu Xiao-tian		
Poindus Investment Co., Ltd.	Chairman	Poindus Systems Co., Ltd. Representative: Chang Hong-rui	NTD 4,100,000	100 %
	Director	Poindus Systems Co., Ltd. Representative: Hu Mu-zhen		

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Number of shares or contribution amount	Shareholding or contribution ratio (%)
Poindus Systems UK	Director	Poindus Systems Co., Ltd. Representative: Hu Mu-zhen	GBP 300,000	100 %
	Director	Poindus Systems Co., Ltd. Representative: Chang Hong-rui		
Adasys GmbH	Executive Director	Thomas Schäfer	-	-
Poindus GE	Director	Poindus Systems Co., Ltd. Representative: Chang Hong-rui	EUR 25,000	100 %
Box UK	Chairman	Russell Willcox	-	-
	Director	Liu Chiu Tsao		
	Director	Chang Zong-ju		
	Director	Hsieh Sheng-wen		
	Director	Lin Yi-zhi		
	Director	Stuart Walker		
	Director	Ian Patterson		
Box Sweden	Executive Director	Ralf Hedvold	-	-
	Director	Russell Willcox		
	Director	Stuart Walker		

2. Business Performance of Affiliated Enterprises

As of Dec. 31, 2018; Unit: NTD thousand

Name of enterprise	Capital	Total assets	Total Debt	Net value	Operating revenue	Operating profit	Current period profit (after tax)	Earnings per share (After tax)
Flytech USA BVI	3,357	19,289	0	19,289	0	0	(744)	–
Flytech HK BVI	1,724	129,851	0	129,851	0	0	(2,526)	–
Flytech CN BVI	4,975	113,197	0	113,197	0	(70)	5,528	–
Fei-Syun investment Co. Ltd.	190,000	419,307	53	419,254	0	(86)	(8,520)	–
Box Holdings	189	210,320	40,175	170,145	0	0	40,570	–
Flytech USA	23,741	19,916	1,684	18,232	4,028	(22,593)	(749)	–
Flytech HK	10,433	143,309	13,481	129,828	88,669	615	(2,526)	–
Flytech Technology (Shanghai)Co.,Ltd	69,089	130,830	30,984	99,846	115,169	7,094	5,998	–
Flytech Inc.,Beijing (Beijing)	15,420	11,472	0	11,472	0	(409)	(405)	–
iSAPPOS Systems Co., Ltd.	31,690	5,370	1,094	4,276	5,235	(5,191)	(5,109)	–
iRuggy Systems Co., Ltd.	60,000	50,252	22,107	28,145	45,718	(604)	169	–
Poindus Systems	210,000	687,452	162,129	515,769	780,441	51,028	28,666	1.37
Poindus America	32,195	5,816	3,363	2,453	13,879	(2,659)	(2,682)	–
Poindus Investment Co., Ltd.	4,100	915	0	915	0	(1)	1	–
Poindus Systems UK	14,297	40,816	41,741	(925)	96,778	(6,077)	(6,035)	–
Adasys GmbH	3,292	99,528	102,143	(2,615)	252,501	(13,600)	(9,564)	–
Poindus GE	1,195	650	712	(62)	0	0	–	
Box UK	472	374,924	183,163	191,761	1,421,001	38,127	34,103	–
Box Sweden	2,330	50,530	36,219	14,311	130,671	9,181	6,467	–

(II) Consolidated financial statement of affiliated enterprises:

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2018 (January 1 to December 31, 2018) pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the Statements of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

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

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

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

8.4. Other supplementary information: None

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

Audit Committee's Review Report

To: The 2019 Annual Meeting of Shareholders of This Company

We reviewed the financial statements (including the consolidated financial statements) of Flytech Technology Co., Ltd. in 2018, which have been audited by Shih Wei-Ming, CPAs Wang Yung Sheng,CPA of KPMG Taiwan, with the issuance of the Auditors' Report. We also reviewed the business report and the proposal for the distribution of earnings, which we found to be conforming to applicable laws and principles. We hereby report on our review pursuant to Article 219 of the Company Act.

Best regards

Flytech Technology Co., Ltd.

The head of Audit Committee: Chen Kuo Hung

March 19, 2019

Representation Letter

The entities that are required to be included in the combined financial statements of Flytech Technology Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Flytech Technology Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company Name:Flytech Technology Co., Ltd.
Chairman:Tai-Seng, Lam
Date:March 19, 2019

Independent Auditors' Report

To the Board of Directors

Flytech Technology Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Flytech Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Valuation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Impairment of Goodwill

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting standards, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Yung-Sheng Wang.

KPMG
Taipei, Taiwan (Republic of China)
March 19, 2019

Notes to Readers

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

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

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			December 31, 2018		December 31, 2017	
	Assets		**Amount**	**%**	**Amount**	**%**
	Current assets:					
1100	Cash and cash equivalents (note 6(a))	$	2,282,840	39	1,796,799	29
1110	Financial assets at fair value through profit or loss－current (note 6(b))		846	-	-	-
1136	Financial assets at amortised cost－current (note 6(c))		107,945	2	-	-
1150-1170	Notes and accounts receivable, net (notes 6(d) and (q) and 8)		811,631	14	1,391,562	23
130X	Inventories (notes 6(e) and 8)		816,271	14	847,568	14
1410-1470	Prepayments and other current assets (note 6(d))		46,610	1	47,462	1
1476	Other financial assets－current (note 8)		222	-	99,319	2
	Total current assets		4,066,365	70	4,182,710	69
	Non-current assets:					
1535	Financial assets at amortised cost－non-current(note 6(c))		25,938	-	-	-
1422	Prepayments for investments (note 6(g))		42,000	1	-	-
1600	Property, plant and equipment (note 6(h))		1,167,147	20	1,207,027	20
1780	Intangible assets (note 6(i))		438,285	8	535,467	9
1840	Deferred income tax assets (note 6(n))		59,651	1	42,301	1
1915	Prepayments for equipment		1,624	-	5,284	-
1980	Other financial assets－non-current		5,711	-	78,074	1
	Total non-current assets		1,740,356	30	1,868,153	31
	Total assets	**$**	**5,806,721**	**100**	**6,050,863**	**100**

See accompanying notes to consolidated financial statements

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018			December 31, 2017	
	Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
	Current liabilities:					
2100	Short-term borrowings (notes 6(j) and 8)	$	8,800	-	114,569	2
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))		-	-	34,862	1
2150-2170	Notes and accounts payable		564,962	10	771,024	13
2200	Other payables (note 6(s))		260,819	4	288,609	5
2230	Current income tax liabilities		110,262	2	89,808	1
2250	Provisions—current (note 6(k))		34,022	-	31,322	-
2300	Other current liabilities		34,680	1	52,080	1
	Total current liabilities		1,013,545	17	1,382,274	23
	Non-current liabilities:					
2570	Deferred income tax liabilities (note 6(n))		67,043	1	70,892	1
2640	Net defined benefit liabilities (note 6(m))		42,350	1	43,287	1
	Total non-current liabilities		109,393	2	114,179	2
	Total liabilities		1,122,938	19	1,496,453	25
	Equity (notes 6(o) and (p)):					
3110	Common stock		1,430,623	25	1,463,683	24
3200	Capital surplus		745,778	13	762,804	13
	Retained earnings:					
3310	Legal reserve		915,594	16	841,757	14
3320	Special reserve		37,221	1	22,370	-
3350	Unappropriated earnings		1,302,331	22	1,468,367	24
3400	Other equity		(40,344)	(1)	(37,221)	-
3500	Treasury stock		-	-	(285,953)	(5)
	Equity attributable to shareholders of the Company		4,391,203	76	4,235,807	70
36XX	Non-controlling interests		292,580	5	318,603	5
	Total equity		4,683,783	81	4,554,410	75
	Total liabilities and equity	$	5,806,721	100	6,050,863	100

See accompanying notes to consolidated financial statements

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Revenue (notes 6(q) and (r))**	$ 6,569,769	100	6,565,317	100
5000	**Cost of revenue (notes 6(e), (h), (i), (k), (l), (m) and (s) and 12)**	(4,643,391)	(71)	(4,621,114)	(70)
	Gross profit	1,926,378	29	1,944,203	30
	Operating expenses (notes 6(d), (h), (i), (l), (m) and (s), 7 and 12):				
6100	Selling expenses	(540,999)	(8)	(535,902)	(8)
6200	Administrative expenses	(275,702)	(4)	(258,847)	(4)
6300	Research and development expenses	(203,253)	(3)	(215,276)	(4)
	Total operating expenses	(1,019,954)	(15)	(1,010,025)	(16)
	Operating income	906,424	14	934,178	14
	Non-operating income and loss (note 6(t)):				
7010	Other income	14,711	-	12,300	-
7020	Other gains and losses	2,045	-	(110,865)	(1)
7050	Finance costs	(3,295)	-	(3,859)	-
	Total non-operating income and loss	13,461	-	(102,424)	(1)
	Income before income tax	919,885	14	831,754	13
7950	**Less: Income tax expense (note 6(n))**	(127,392)	(2)	(100,334)	(2)
	Net income	792,493	12	731,420	11
	Other comprehensive income(loss):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(112)	-	2,405	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	263	-	(1,092)	-
		151	-	1,313	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(3,232)	-	(14,735)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(3,232)	-	(14,735)	-
	Other comprehensive income (loss) for the year	(3,081)	-	(13,422)	-
	Total comprehensive income for the year	**$ 789,412**	**12**	**717,998**	**11**
	Net income attributable to:				
8610	Shareholders of the Company	$ 801,448	12	738,368	11
8620	Non-controlling interests	(8,955)	-	(6,948)	-
		$ 792,493	**12**	**731,420**	**11**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 798,325	12	723,517	11
8720	Non-controlling interests	(8,913)	-	(5,519)	-
		$ 789,412	**12**	**717,998**	**11**
	Earnings per share (in New Taiwan dollars) (note 6(o)) :				
9750	Basic earnings per share	**$**	**5.60**		**5.06**
9850	Diluted earnings per share	**$**	**5.55**		**5.03**

See accompanying notes to consolidated financial statements

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company												
			Retained earnings				Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 1,463,683	761,822	753,576	-	1,572,392	2,325,968	(17,694)	(4,676)	(22,370)	-	4,529,103	324,568	4,853,671
Appropriation of earnings:													
Legal reserve	-	-	88,181	-	(88,181)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	22,370	(22,370)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(731,842)	(731,842)	-	-	-	-	(731,842)	-	(731,842)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(285,953)	(285,953)	-	(285,953)
Changes in ownership interests in subsidiaries	-	982	-	-	-	-	-	-	-	-	982	11,850	12,832
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,296)	(12,296)
Net income in 2017	-	-	-	-	738,368	738,368	-	-	-	-	738,368	(6,948)	731,420
Other comprehensive income (loss) in 2017	-	-	-	-	-	-	(14,704)	(147)	(14,851)	-	(14,851)	1,429	(13,422)
Total comprehensive income (loss) in 2017	-	-	-	-	738,368	738,368	(14,704)	(147)	(14,851)	-	723,517	(5,519)	717,998
Balance at December 31, 2017	1,463,683	762,804	841,757	22,370	1,468,367	2,332,494	(32,398)	(4,823)	(37,221)	(285,953)	4,235,807	318,603	4,554,410
Effects of retrospective application	-	-	-	-	851	851	-	-	-	-	851	(1,141)	(290)
Equity at beginning of period after adjustments	1,463,683	762,804	841,757	22,370	1,469,218	2,333,345	(32,398)	(4,823)	(37,221)	(285,953)	4,236,658	317,462	4,554,120
Appropriation of earnings:													
Legal reserve	-	-	73,837	-	(73,837)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	14,851	(14,851)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)	-	(643,780)
Retirement of treasury shares	(33,060)	(17,026)	-	-	(235,867)	(235,867)	-	-	-	285,953	-	-	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(15,969)	(15,969)
Net income in 2018	-	-	-	-	801,448	801,448	-	-	-	-	801,448	(8,955)	792,493
Other comprehensive income (loss) in 2018	-	-	-	-	-	-	(3,334)	211	(3,123)	-	(3,123)	42	(3,081)
Total comprehensive income (loss) in 2018	-	-	-	-	801,448	801,448	(3,334)	211	(3,123)	-	798,325	(8,913)	789,412
Balance at December 31, 2018	**$ 1,430,623**	**745,778**	**915,594**	**37,221**	**1,302,331**	**2,255,146**	**(35,732)**	**(4,612)**	**(40,344)**	**-**	**4,391,203**	**292,580**	**4,683,783**

See accompanying notes to consolidated financial statements.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 919,885	831,754
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	92,806	93,206
Amortization	94,265	93,678
Expected credit gain / Provision for bad debt expense	(654)	73
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	4,277	611
Interest expense	3,295	3,859
Interest income	(7,370)	(6,791)
Loss on disposal of propety, plant and equipment	382	6,120
Impairment loss on goodwill	6,248	-
Unrealized exchange loss of contingent consideration	-	400
Total non-cash profit and loss	193,249	191,156
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	580,373	(261,244)
Inventories	27,029	32,156
Prepayments and other current assets	(1,748)	8,265
Net changes in operating assets	605,654	(220,823)
Changes in operating liabilities:		
Notes and accounts payable	(206,062)	15,950
Other payables	(27,780)	8,860
Provisions－current	2,700	18,499
Other current liabilities	(17,400)	1,953
Net defined benefit liabilities	(878)	(2,407)
Net changes in operating liabilities	(249,420)	42,855
Total changes in operating assets and liabilities	356,234	(177,968)
Cash provided by operations	1,469,368	844,942
Income taxes paid	(126,609)	(140,976)
Net cash provided by operating activities	1,342,759	703,966

(Continued)

See accompanying notes to consolidated financial statements

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Payment of contingent consideration arising from business combination	(39,992)	-
Increase in prepayments for investments	(42,000)	-
Acquisition of a subsidiary, net of cash acquired	-	(18,998)
Proceeds from disposal of shares in subsidiaries	-	12,832
Additions to property, plant and equipment (including prepayments for equipment)	(46,604)	(144,040)
Proceeds from disposal of property, plant and equipment	1,350	1,983
Additions to intangible assets	(3,470)	(4,100)
Decrease (increase) in other financial assets	37,577	(10,078)
Interest received	8,948	7,100
Net cash flows used in investing activities	(84,191)	(155,301)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(105,676)	34,232
Cash dividends	(643,780)	(731,842)
Purchase of treasury shares	-	(285,953)
Cash dividends paid to non-controlling interests	(15,969)	(12,296)
Interest paid	(3,295)	(4,000)
Net cash flows used in financing activities	(768,720)	(999,859)
Effect of foreign exchange rate changes	(3,807)	(9,741)
Net increase (decrease) in cash and cash equivalents	486,041	(460,935)
Cash and cash equivalents at beginning of period	1,796,799	2,257,734
Cash and cash equivalents at end of period	$ 2,282,840	1,796,799

See accompanying notes to consolidated financial statements

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2019.

3. Application of new and revised accounting standards and interpretations

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

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

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

(Continued)

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

(i) IFRS 9 "Financial Instruments"

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

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to note 4(g).

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

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Please refer to note 4(g) for more details.

3) Transition

The adoption of IFRS 9 has generally been applied retrospectively, except as described below:

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

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

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

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

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

- If the investments of debt security had low credit risk at the date of initial application, the Group assumes that credit risk of assets has not increase significantly since initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. There is no change in the categories and carrying amount of financial liabilities.

	IAS39		**IFRS9**	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	1,796,799	Amortized cost	1,796,799
Debt instruments (Originally recorded as other financial assets)	Loans and receivables (Note 2)	173,085	Amortized cost	173,085
Notes and accounts receivable and other receivables	Loans and receivables (Note 1 and 3)	1,395,865	Amortized cost	1,395,575
Other financial assets - non-current (Refundable deposits)	Loans and receivables (Note 1)	4,308	Amortized cost	4,308

Note1: Cash and cash equivalents, accounts receivable (including notes and accounts receivables and other receivables) and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note2: Financial assets that were previously classified as debt investments without an active market (recorded as other financial assets) are now classified as financial assets measured at amortized cost. The Group intends to hold the assets to maturity to collect the contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(Continued)

Note3: An increase of $290 thousand in the allowance for impairment was recognized in opening retained earnings and non-controlling interests upon transition to IFRS 9 on January 1, 2018.

(ii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(x).

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

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

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

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

(i) IFRS 16 "Leases"

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

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

(Continued)

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or

- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

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

2) Transition

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

- retrospective approach; or

- modified retrospective approach with optional practical expedients.

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

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

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review;

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application;

- exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) So far, the most significant impact identified is that the Group will have to recognize right-of-use assets and lease liabilities for its operating leases of offices, factories and warehouses. The Group estimates that it wiil result in an increase of $63,859 in its right-of-use assets and lease liabilities on January 1, 2019.

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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

The following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

(Continued)

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

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

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

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

			Percentage of Ownership		
Name of Investor	**Name of Investee**	**Principal activities**	December 31, 2018	December 31, 2017	**Note**
The Company	Flytech USA International Co., Ltd. (Flytech USA BVI)	Investment holding	100.00%	100.00%	-
The Company	Flytech JP International Co., Ltd. (Flytech JP BVI)	Investment holding	-	-	Note 1
The Company	Flytech HK International Co., Ltd. (Flytech HK BVI)	Investment holding	100.00%	100.00%	-
The Company	Flytech CN International Co., Ltd. (Flytech CN BVI)	Investment holding	100.00%	100.00%	-
The Company	Flycom Investment Co., Ltd. (Flycom Investment)	Investment holding	100.00%	100.00%	-
The Company	Box Technologies (Holdings) Ltd. (Box Holdings)	Investment holding	100.00%	100.00%	
Flytech USA BVI	Flytech Technology (U.S.A.) Inc. (Flytech USA)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech HK BVI	Flytech Technology Hong Kong Ltd. (Flytech HK)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech CN BVI	Flytech Technology (Shanghai) Co., Ltd. (Flytech CN)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech CN BVI	Flytech Inc. Beijing (Flytech BJ)	Sale of computers and peripherals	100.00%	100.00%	-
Flytech HK	iSappos System co., Ltd. (iSappos)	Sale of computers and peripherals	100.00%	100.00%	-
Flycom Investment	Iruggy System Co., Ltd. (Iruggy System)	Sale of computers and peripherals	80.00%	80.00%	-
Flycom Investment	Poindus Systems Corporation (Poindus Systems)	Sale of computers and peripherals	49.31%	49.31%	-

(Continued)

Name of Investor	Name of Investee	Principal activities	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
Poindus Systems	Poindus America Corp. (Poindus America.)	Sale of computers and peripherals	49.31%	49.31%	-
Poindus Systems	Poindus Investment Co., Ltd. (Poindus Investment)	Investment holding	49.31%	49.31%	-
Poindus Systems	Poindus Systems UK Limited (Poindus UK)	Sale of computers and peripherals	49.31%	49.31%	-
Poindus Systems	Adasys GmbH Elektronische Komponenten (Adasys)	Sale of computers and peripherals	49.31%	49.31%	Note 2
Poindus Investment	Poindus Systems GmbH GroBhandel mit EDV. Oberursel (Poindus GmbH)	Sale of computers and peripherals	49.31%	49.31%	-
Box Holdings	Box Technologies Limited (Box UK)	Sale of computers and peripherals	100.00%	100.00%	
Box Holdings	BTechnologies AB (Box Nordic)	Sale of computers and peripherals	100.00%	100.00%	

Note 1: In September 2017, Flytech JP BVI was liquidated and excluded from the consolidated financial statements.
Note 2: Starting April 1, 2017, Adasys is included in the consolidated entities of the Company since Poindus Systems obtained 100% ownership over it.

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchanges rates at the end of the period (the “reporting date”) of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate prevailing at the date when the fair value is determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, except for exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items denominated in a foreign currency that are measured at historical cost are not retranslated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

(Continued)

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

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

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

(Continued)

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Financial assets measured at fair value through profit or loss (Financial assets measured at "FVTPL")

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

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

3) Impairment of financial assets

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

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

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

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

(Continued)

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses or reversal in profit or loss.

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

4) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presents it in the line item of non-operating income and loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss

(Continued)

allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses.

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, and loans and receivables. Regular way purchases or sales of financial assets are recognized or derecognized based on a trade-date basis.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedges.

At initial recognition, financial assets carried at fair value through profit or loss are recognized at fair value. Any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to the initial recognition, changes in fair value (including dividend income and interest income) are recognized in profit or loss and included in the line itme of non-operating income and loss.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise notes and accounts receivable, other receivables, and investments in debt instrument with no active market. At initial recognition, such assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less, any impairment losses. Interest income is recognized as non-operating income and loss.

3) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties.

(Continued)

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a group of financial assets with similar credit risk characteristics which are then collectively assessed for impairment. Objective evidence that receivables are impaired includes the Group's collection experience in the past, an increase in delayed payments, and national or local economic conditions that correlate with overdue receivables.

An impairment loss is recognized by reducing the carrying amount of the respective financial assets with the exception of receivables, where the carrying amount is reduced through an allowance account. Except for the write-off of uncollectible receivables against the allowance account, changes in the amount of the allowance account are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

The impairment loss and the reversal gain for accounts receivable are recognized as administrative expenses, and as non-operating income and loss for financial assets other than accounts receivable.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable is recognized in profit or loss, and included in the line item of non-operating income and loss.

On derecognition of part of a financial asset, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part of the financial asset derecognized and the cumulative gain or loss that had been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(Continued)

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as a financial liability at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorized as financial liabilities at fair value through profit or loss unless they are designated as hedges. Moreover, since 2017, under the newly adapted IFRS 3, the acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability.

At initial recognition, this type of financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss and included in the line item of non-operating income and loss of the consolidated statement of comprehensive income.

2) Financial liabilities measured at amortized cost

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise notes and accounts payable, and other payables, are measured at fair value, plus, any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss and included in the line item of non-operating income and loss of the consolidated statement of comprehensive income.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(v) Derivative financial instruments

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at cost; and derivatives that are classified as financial liabilities are measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related.

(h) Inventories

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence means that the Group has authorities to involve in the determination of the financial and operational policies of the associate.

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

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes such change in its associate's equity in "capital surplus" in proportion to its ownership.

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

When an associate issues new shares and the Group does not subscribe to the new shares in proportion to its original ownership percentage, the Group's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Group's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive

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income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in other gains and losses.

(ii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized in profit or loss. All other repairs and maintenance are charged to expense as incurred.

(iii) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

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

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

(k) Leases

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

(Continued)

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

(l) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(m) Impairment of non-financial assets

(i) Goodwill

For the purpose of impairment testing, goodwill arising from a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs with goodwill are tested annually (or when there are indications that a CGU may have been impaired) for impairment. When the recoverable amount of a CGU is less than the carrying amount of the CGU, the impairment loss is recognized firstly by reducing the carrying amount of any goodwill allocated to the CGU and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. Any impairment loss on goodwill is recognized immediately in profit or loss. A subsequent reversal of the impairment loss on goodwill is prohibited.

(ii) Other tangible and intangible assets

Non-financial assets other than inventories and deferred income tax assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the CGU to which the asset has been allocated.

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The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization of depreciation) that would have been determined had no impairment loss been recognized in prior years.

(n) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(o) Revenue recognition

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

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring its control of goods or services to a customer.

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

The Group grants its customers the right to return the faulty goods under the standard warranty terms and has recognized warranty provisions for this obligation.

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

Revenue from providing services is recognized by reference to the stage of completion at the end of the reporting period in which the services are rendered.

(Continued)

(ii) Revenue from contracts with customers (policy applicable before January 1, 2018)

Revenue from the sale of goods or services is measured at the fair value of consideration received or receivable, net of returns, rebates, and other similar discounts.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2) Services

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

3) Interest income and dividend income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

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

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

(iii) Short-term employee benefits

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

(q) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that have vested.

(r) Treasury stock

Common stock repurchased by the Group treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

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(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, the tax payables that are calculated based on the part of prior year's earnings not distributed in the current year's shareholders' meeting using the statuary tax rate, and any adjustment to tax payable in respect of previous years.

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

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences arising from investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the differences will not reverse in the foreseeable future; and

(iii) Temporary differences arising from initial recognition of goodwill.

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

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when where is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Business combinations

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

(Continued)

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

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

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

Contingent consideration is measured as the acquisition date fair value of consideration transferred. Any fluctuation of the fair value during the measurement period after acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of contingent consideration happened not during the measurement period, the accounting treatment is based on the classification of contingent consideration. Contingent consideration classified as equity can't be re-measured and has to be adjusted under owner's equity.

Contingent consideration classified as an asset or a liability that (i) is a financial instrument, and is within the scope of IAS 39, shall be measured at fair value, with any resulting gain or loss recognized in profit or loss in accordance with that IFRS and (ii) is not within the scope of IAS 39 shall not be measured at fair value, with any resulting gain or loss recognized in profit or loss in accordance with that IFRS.

(u) Earnings per share ("EPS")

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

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

(Continued)

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

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

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

(a) Valuation of inventory

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

(b) Impairment of goodwill

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

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 2,117	1,407
Demand deposits and checking accounts	2,148,582	1,664,448
Time deposits with original maturities less than 3 months	132,141	130,944
	$ 2,282,840	1,796,799

As of December 31, 2018 and 2017, the time deposits with original maturities of more than three months amounted to $133,883, and $143,324, respectively, which were classified as financial assets at amortised cost and other financial asset.

(Continued)

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

	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 846	-

	December 31, 2018	December 31, 2017
Contingent consideration arising from business combination	-	(32,088)
Financial liabilities held-for-trading－foreign currency forward contracts	-	(2,774)
	$ -	(34,862)

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

The Group entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities classified. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss. (On December 31, 2018, the contracts were classified as mandatorily measured at fair value through profit or loss, and were classified as financial assets held-for-trading on December 31, 2017):

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

	December 31, 2017			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial liabilities—foreign currency forward contract	GBP	3,500	GBP/NTD	2018.3.22~2018.4.3
	EUR	190	EUR/USD	2018.3.29~2018.4.16
	USD	840	GBP/USD	2018.2.28

(Continued)

(c) Financial assets measured at amortised cost

		December 31, 2018
Foreign and domestic time deposits	$	133,833
Presented as:		
Current	$	107,945
Non-current		25,938
	$	133,883

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

(d) Notes and accounts receivable, and other receivables (measured at amortized cost)

		December 31, 2018	December 31, 2017
Notes receivable	$	5,332	12,300
Accounts receivable		818,348	1,392,354
Less: loss allowance		(12,049)	(13,092)
		811,631	1,391,562
Other receivables (Classified as other current assets)		5,699	4,303
	$	817,330	1,395,865

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

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	540,488	0.29%	1,555
Past due 0-30 days		213,166	0.67%	1,436
Past due 31-60 days		61,009	8.20%	5,005
Past due 61-90 days		6,449	23.01%	1,484
Past due over 180 days		2,569	100.00%	2,569
	$	823,681		12,049

(Continued)

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

	December 31, 2017
Past due 0-30 days	$ 230,661
Past due 31-60 days	27,824
Past due 61-90 days	18,771
Past due 91-121 days	2,355
Past due 121-365 days	5,101
	$ 284,712

The allowance for doubtful receivables is assessed by referring to the collectability of receivables based on the historical payment behaviour, current financial condition of the customers and the amount received in the subsequent period. Notes and accounts receivable that are past due, but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment, are still considered recoverable.

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

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1 (per IAS 39)	$ 13,092	3,263	9,662
Adjustment on initial application of IFRS 9	290		
Balance at January 1 (per IFRS 9)	13,382		
Acquision through business combination	-	-	415
Impairment losses recognized (reversed)	(654)	(519)	592
Write-off	(600)	-	(380)
Effect of exchange rate changes	(79)	41	18
Balance at December 31	$ 12,049	2,785	10,307

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

	December 31, 2018					
Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Advance amount	Interest rate	Collateral
Deutsche Factoring Bank	$ 35,200	8,562	8,562	7,680	2.75%	Nil

(Continued)

	December 31, 2018					
Underwriting bank	**Factoring credit limit**	**Receivables sold**	**Receivables derecognized**	**Advance amount**	**Interest rate**	**Collateral**
Deutsche Factoring Bank	$ 35,570	14,192	14,192	12,765	2.75%	Nil

The factored accounts receivable, net of the advance amount, were $882 and $1,427 respectively, which were classified as "Prepayments and other current assets" in the accompanying consolidated balance sheets on December 31, 2018 and 2017, respectively.

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

(e) Inventories

(i) The information of inventories was as follows:

	December 31, 2018	December 31, 2017
Raw materials	$ 386,115	404,954
Work in process	120,794	170,830
Finished goods	93,049	88,063
Merchandise	216,313	183,721
	$ 816,271	847,568

(ii) For the years ended December 31, 2018 and 2017, the amounts of inventories recognized as cost of revenue were as follows:

	2018	2017
Costs of inventories sold	$ 4,538,078	4,516,962
Write-downs of inventories	8,006	17,630
Losses on scrap in inventories	40,754	20,053
Inventories shortage	736	394
Transfer for repairment costs	49,751	50,197
	$ 4,637,325	4,605,236

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

(f) Acquisition of subsidiaries

(i) Adasys GmbH Elektronische Komponenten (Adasys)

To enhance the competitiveness of its products and expand its market share, the board of directors of Poindus Systems resolved to acquire 100% shares of Adasys on March 16, 2017, resulting in Adasys to be included in the consolidated entities starting from the acquisition date (April 1, 2017).

(Continued)

The acquisition of Adasys enables Poindus Systems to increase its revenue through benefiting from Adasys' marketing capability, existing customers, and channels. In addition, the acquisition expects to integrate the Group’s development and operation in Germany. On March 16, 2017, the board of directors of Poindus Systems resolved to increase the capital of Adasys by $ 4,940 (EUR 150) to enhance its working capital.

1) Consideration transferred

According to the Share Purchase Agreement, Poindus Systems acquired 100% of Adasys' common shares for a total cash consideration of $37,194 (EUR 1,130).

2) In accordance with IFRSs, the identifiable assets and liabilities assumed at the acquisition date are measured at fair value. The measurement, made by the expert engaged by the Group, is as follows:

Items	Amount
Consideration transferred:	
Cash	$ 37,194
Less: Identifiable assets acquired and liabilities assumed at fair value	
Cash and cash equivalents	18,196
Financial asset at fair value through profit or loss - current	2,042
Account receivable	4,410
Other receivable	7,510
Inventories	64,468
Prepayments and other current assets	1,139
Property, Plant and equipment	2,129
Intangible assets - computer softwares	122
Intangible assets - customer relationships	18,762
Deferred income tax assets	8,428
Short-term borrowings	(11,194)
Account payable	(30,154)
Other payables	(13,557)
Current tax liabilities	(5,537)
Advance received and other current liabilities	(21,435)
Deferred income tax liabilities	(6,178)
Net defined benefit liabilities	(20,136)
The fair value of identifiable net assets acquired	19,015
Goodwill	**$ 18,179**

3) Intangible assets

The above customer relationships are amortized on a straight-line basis over the estimated future economic useful life of 7 years.

The goodwill is attributable mainly to Adasys's reputation in the POS market, profitability, and value of assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

(Continued)

4) Pro forma information

From the acquisition date to December 31, 2017, Adasys contributed a revenue of $204,667 and a net loss of $7,526. If the acquisition had occurred on January 1, 2017, the management estimates that the consolidated revenue in 2017 would have been $6,650,507, and consolidated net income would have been $734,397.

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

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

Subsidiaries	Principal place of business /Registration country	The Percentage of ownership and voting rights held by non-controlling interests December 31, 2018	December 31, 2017
Poindus System Co., Ltd.	Taiwan	50.69%	50.69%

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

	December 31, 2018	December 31, 2017
Current assets	$ 639,821	719,114
Non-current assets	135,855	177,592
Current liabilities	(189,102)	(257,463)
Non-current liabilities	(20,542)	(21,812)
Net assets	$ 566,032	617,431
The carrying amount of non-controlling interests	$ 286,951	313,008

	2018	2017
Net sales	$ 1,014,080	1,194,281
Net losses	$ (17,730)	(7,756)
Other comprehensive income	81	2,883
Total comprehensive income	$ (17,649)	(4,873)
Net losses attributable to non-controlling interests	$ (8,989)	(3,892)
Total comprehensive income (loss) attributable to non-controlling interests	$ 42	1,429
Cash flow from operating activities	$ 66,521	37,029
Cash flow from investing activities	(8,568)	(21,618)
Cash flow from financing activities	(39,788)	(19,213)
Effects of foreign exchange rate changes	117	105
Net increase (decrease) in cash and cash equivalents	$ 18,282	(3,697)

(Continued)

(g) Prepayments for investments

The Group invested in aiXpert Solutions Inc. (aiXpert) through Flycom Investment and held 70% of aiXpert shares. As of December 31, 2018, the balance for prepayment for investments was $42,000 thousand.

(h) Property, plant and equipment

		Land	Buildings	Machinery	Mold equipment	Furniture and fixtures	Other equipment	Construction in progress	Total
Cost:									
Balance at January 1, 2018	$	382,446	657,515	321,366	419,964	91,523	38,047	33,914	1,944,775
Additions		-	685	1,964	16,747	4,261	790	7,973	32,420
Reclassification		-	-	-	27,546	911	6,419	-	34,876
Disposals		-	-	(32,735)	(23,435)	(5,312)	(2,046)	-	(63,528)
Effect of exchange rate changes		-	238	(172)	-	(684)	(216)	-	(834)
Balance at December 31, 2018	$	382,446	658,438	290,423	440,822	90,699	42,994	41,887	1,947,709
Balance at January 1, 2017	$	339,424	656,513	309,290	368,519	77,027	36,667	-	1,787,440
Acquisition through business combination (note 6(f))		-	-	374	-	10,155	3,864	-	14,393
Additions		43,022	2,539	17,447	43,837	7,136	2,379	33,914	150,274
Reclassification		-	825	-	9,506	-	1,740	-	12,071
Disposals		-	-	(5,763)	(1,898)	(3,510)	(6,710)	-	(17,881)
Effect of exchange rate change		-	(2,362)	18	-	715	107	-	(1,522)
Balance at December 31, 2017	$	382,446	657,515	321,366	419,964	91,523	38,047	33,914	1,944,775
Accumulated depreciation:									
Balance at January 1, 2018	$	-	133,251	195,518	319,240	65,754	23,985	-	737,748
Depreciation		-	15,345	21,410	45,873	6,834	3,344	-	92,806
Reclassification		-	-	-	9,702	909	2,151	-	12,762
Disposals		-	-	(32,735)	(23,275)	(4,928)	(858)	-	(61,796)
Effect of exchange rate changes		-	(203)	(85)	-	(636)	(34)	-	(958)
Balance at December 31, 2018	$	-	148,393	184,108	351,540	67,933	28,588	-	780,562
Balance at January 1, 2017	$	-	118,595	174,079	275,488	52,339	21,226	-	641,727
Acquisition through business combination (note 6(e))		-	-	374	-	8,875	3,015	-	12,264
Depreciation		-	15,107	22,807	44,886	6,938	3,468	-	93,206
Disposals		-	-	(1,781)	(1,134)	(3,039)	(3,824)	-	(9,778)
Effect of exchange rate changes		-	(451)	39	-	641	100	-	329
Balance at December 31, 2017	$	-	133,251	195,518	319,240	65,754	23,985	-	737,748
Carrying amount:									
Balance at December 31, 2018	$	382,446	510,045	106,315	89,282	22,766	14,406	41,887	1,167,147
Balance at December 31, 2017	$	382,446	524,264	125,848	100,724	25,769	14,062	33,914	1,207,027
Balance at January 1, 2017	$	339,424	537,918	135,211	93,031	24,688	15,441	-	1,145,713

(Continued)

(i) Intangible assets

	Trademarks	Patents and technology	Customer relationships	Goodwill	Others	Total
Cost:						
Balance at January 1, 2018	$ 99,692	102,847	320,021	202,652	39,635	764,847
Additions	-	-	-	-	3,470	3,470
Effect of exchange rate changes	-	-	-	-	(15)	(15)
Reclassification	216	-	-	-	(273)	(57)
Balance at December 31, 2018	**$ 99,908**	**102,847**	**320,021**	**202,652**	**42,817**	**768,245**
Balance at January 1, 2017	$ 99,692	102,847	301,259	184,473	35,305	723,576
Acquisition through business combination (Note 6(f))	-	-	18,762	18,179	122	37,063
Additions	-	-	-	-	4,100	4,100
Effect of exchange rate changes	-	-	-	-	108	108
Balance at December 31, 2017	**$ 99,692**	**102,847**	**320,021**	**202,652**	**39,635**	**764,847**
Accumulated amortization:						
Balance at January 1, 2018	$ 46,103	59,993	92,718	-	30,566	229,380
Amortization	18,032	20,569	49,328	-	6,336	94,265
Impairment loss	-	-	-	6,248	-	6,248
Effect of exchange rate	-	-	-	-	(10)	(10)
Reclassification	169	-	-	-	(92)	77
Balance at December 31, 2018	**$ 64,304**	**80,562**	**142,046**	**6,248**	**36,800**	**329,960**
Balance at January 1,2017	$ 28,093	39,424	44,060	-	24,099	135,676
Amortization	18,010	20,569	48,658	-	6,441	93,678
Effect of exchange rate changes	-	-	-	-	26	26
Balance at December 31, 2017	**$ 46,103**	**59,993**	**92,718**	**-**	**30,566**	**229,380**
Carrying amount:						
Balance at January 1, 2018	**$ 53,589**	**42,854**	**227,303**	**202,652**	**9,069**	**535,467**
Balance at December 31, 2018	**$ 35,604**	**22,285**	**177,975**	**196,404**	**6,017**	**438,285**
Balance at December 31, 2017	**$ 53,589**	**42,854**	**227,303**	**202,652**	**9,069**	**535,467**

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

	2018	2017
Cost of revenue	$ 734	749
Selling expenses	314	271
Administrative expenses	89,903	89,070
Research and development expenses	3,314	3,588
	$ 94,265	**93,678**

(Continued)

The carrying amounts of goodwill resulted from business acquisition were allocated to the respective CGUs identified as the following subsidiaries as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Box	$ 175,358	175,358
Poindus Systems	9,115	9,115
Adasys	11,931	18,179
	$ 196,404	202,652

Each CGU to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. As of December 31, 2018 and 2017, the recoverable amounts exceeded their carrying amounts based on the results of the impairment tests conducted by the Group; therefore, no impairment losses were recognized except for that the expected recoverable amount of CGU-Adasys was less than its carrying amount, as a result, the Group recognized an impairment loss on goodwill of $6,248 in 2018. The recoverable amounts of a CGU were determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2018		December 31, 2017	
	Box	Adasys	Box	Adasys
Revenue growth rates	-8%~5%	12%~54%	5%~41%	5%~21%
Discount rates	12.76%	14.39%	13.31%	15.93%

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

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

(j) Short-term borrowings

The information of short-term borrowings were as follows:

	December 31, 2018	December 31, 2017
Secured bank loans	$ -	105,676
Unsecured loan from non-financial institution	8,800	8,893
	$ 8,800	114,569
Unused credit facilities	$ 2,315,492	2,077,313
Interest rate	1%~7.18%	2%~7.17%

For more information about the Group's exposure to interest rate risk and liquidity risk see note 6(t). Refer to Note 8 for detail on related assets pledged as collateral for secured loans.

(Continued)

(k) Provision for warranties

		2018	2017
Balance at January 1	$	31,322	12,823
Provisions made		9,865	24,958
Amount utilized		(6,536)	(6,459)
Effect of exchange rate changes		(629)	-
Balance at December 31	$	34,022	31,322

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

(l) Operating lease (the Group as lessee)

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

		December 31, 2018	December 31, 2017
Not later than 1 year	$	24,860	22,358
Later than 1 year but not later than 5 years		39,881	39,500
	$	64,741	61,858

The Group leases offices, factories and parking spaces under operating leases. The leases typically run for a period of 1 to 5 years. In 2018 and 2017, the rental expenses of operating leases amounted to $31,096 and $29,569, respectively.

(m) Employee benefits

(i) Defined benefit plans

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

		December 31, 2018	December 31, 2017
Present value of benefit obligations	$	83,433	83,226
Fair value of plan assets		(41,083)	(39,939)
Net defined benefit liabilities	$	42,350	43,287

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

(Continued)

1) Composition of plan assets

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

As of December 31, 2018 and 2017, the Company's labor pension fund account balance at Bank of Taiwan amounted to $27,351 and $26,779. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

2) Movements in present value of defined benefit obligations

	2018	2017
Defined benefit obligations at January 1	$ 83,226	50,293
Acquisition through business combination (note 6 (f))	-	31,682
Current service costs and interest expense	1,727	1,674
Remeasurement of net defined benefit liabilities:		
－Actuarial losses arising from experience adjustments	135	(30)
–Actuarial losses arising from changes in financial assumptions	255	(2,852)
Benefits paid by plan	(1,593)	-
Effect of exchange rate changes	(317)	2,459
Defined benefit obligations at December 31	**$ 83,433**	**83,226**

3) Movements of fair value of plan assets

	2018	2017
Fair value of plan assets at January 1	$ 39,939	24,882
Acquisition through business combination (note 6 (f))	-	11,546
Interest income	662	579
Remeasurement on net defined benefit liabilities:		
–Return on plan assets (excluding amounts included in net interest expense)	278	(477)
Contributions by plan participants	1,942	2,462
Benefits paid by the plan	(1,593)	-
Effect of exchange rate changes	(145)	947
Fair value of plan assets at December 31	**$ 41,083**	**39,939**

(Continued)

4) Changes in the effect of the asset ceiling

In 2018 and 2017, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or losses were as follows:

		2018	2017
Current service cost	$	353	401
Net interest expense		712	694
	$	1,065	1,095
Operating expenses	$	1,065	1,095

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

		2018	2017
Accmulated amount at January 1		(3,229)	(5,634)
Recognized during the period		(112)	2,405
Accmulated amount at December 31	$	(3,341)	(3,229)

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

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.1%~2.25%	1.35%~2.18%
Future salary increases rate	0%~2.00%	0%~2.00%

The weighted-average duration of the defined benefit plans is 13~17.9 years. The Group expects to make contribution of $1,489 to the defined benefit plans in the year following December 31, 2018.

8) Sensitivity analysis

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

(Continued)

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

	Impact on defined benefit obligation	
	0.25% Increase	**0.25% Decrease**
December 31, 2018		
Discount rate	(2,356)	2,551
Future salary increase rate	1,209	(1,055)
December 31, 2017		
Discount rate	(3,821)	4,186
Future salary increase rate	1,408	(1,229)

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

(ii) Defined contribution plans

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

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

	2018	2017
Cost of revenue	$ 5,662	5,619
Operating expenses	18,929	18,605
	$ 24,591	**24,224**

(n) Income taxes

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

(Continued)

(i) The components of income tax expense were as follows:

		2018	2017
Current income tax expense			
Current period	$	147,631	121,500
Adjustments for prior periods		749	(1,598)
		148,380	119,902
Deferred tax benefit			
Origination and reversal of temporary differences		(20,988)	(19,568)
Income tax expense	$	127,392	100,334

The Group's income tax benefits (losses) recognized in other comprehensive income were as follows:

		2018	2017
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	$	263	(1,092)

The reconciliation of the expected income tax expense calculated based on the R.O.C. statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income were as follows:

		2018	2017
Income before income tax	$	919,885	831,754
Income tax using the Company's statutory tax rate	$	183,977	141,398
Effect of different tax rates in foreign jurisdictions		15,234	17,289
Tax-exempt income		(47,658)	(98,332)
Investment tax credits		(11,467)	(12,332)
Changes in unrecognized temporary differences		(1,300)	174
10% surtax on undistributed earnings		1,100	4,145
Alternative minimum tax		48	55,166
Prior-year adjustments		749	(1,598)
Adjustments in tax rate		(1,459)	-
Others		(11,832)	(5,576)
	$	127,392	100,334

(ii) Deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of temporary differences associated with the loss on its investments in its subsidiaries, and concludes that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax assets.

1) Unrecognized deferred income tax assets

		December 31, 2018	December 31, 2017
Loss related to investments in subsidiaries	$	15,075	13,919

(Continued)

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Defined benefit plans	Inventory provisions	Others	Total
Balance at January 1, 2018	$ 9,839	11,436	21,026	42,301
Recognized in profit or loss	145	3,123	13,901	17,169
Recognized in other comprehensive (loss) income	264	-	-	264
Effect of exchange rate changes	(48)	(34)	(1)	(83)
Balance at December 31, 2018	**$ 10,200**	**14,525**	**34,926**	**59,651**
Balance at January 1, 2017	$ 4,700	7,808	15,067	27,575
Acquisition through business combination	5,755	2,556	117	8,428
Recognized in profit or loss	(106)	855	5,975	6,724
Recognized in other comprehensive (loss) income	(1,092)	-	-	(1,092)
Effect of exchange rate changes	582	217	(133)	666
Balance at December 31, 2017	**$ 9,839**	**11,436**	**21,026**	**42,301**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Intangible assets acquired through business combination	Others	Total
Balance at January 1, 2018	$ 22,696	47,042	1,154	70,892
Recognized in profit or loss	4,459	(8,562)	284	(3,819)
Effect of exchange rate changes	-	-	(30)	(30)
Balance at December 31, 2018	**$ 27,155**	**38,480**	**1,408**	**67,043**
Balance at January 1, 2017	$ 24,015	49,833	3,657	77,505
Acquisition through business combination	-	5,572	606	6,178
Recognized in profit or loss	(1,319)	(8,363)	(3,162)	(12,844)
Effect of exchange rate changes	-	-	53	53
Balance at December 31, 2017	**$ 22,696**	**47,042**	**1,154**	**70,892**

(iii) The Company's income tax returns for the years through 2014 have been examined and approved by the R.O.C. income tax authorities.

(o) Capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 180,000 thousand shares, with par value of $10 (dollars) per share, of which 143,062 thousand shares and 146,368 thousand shares, respectively, were issued and outstanding. All issued shares were paid up upon issuance.

(Continued)

The movements in outstanding common shares in 2018 and 2017 were as follows (in thousands of shares):

	2018	2017
Balance at January 1	143,062	146,368
Retirement of treasury shares	-	(3,306)
Balance at December 31	143,062	143,062

(ii) Capital surplus

		December 31, 2018	December 31, 2017
Premium derived from the issuance of shares in excess of par value:			
Preumium on common stock issued of conversion of convertible bonds	$	736,754	753,780
Forfeited employee stock options		2,433	2,433
Difference between the proceeds and the carring amounts arising from the acquisition or disposal of shares in subsidiaries		982	982
Changes in ownership interest in subsidiaries		5,594	5,594
Gain on disposal of assets		15	15
	$	745,778	762,804

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

(Continued)

According to the Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. Legal reserve can be used to offset a deficit. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

The distribution of earnings for 2017 and 2016 had been approved in the meetings of shareholders held on June 8, 2018, and June 8, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		**2016**	
	Dividends per share (dollars)	**Total amount**	**Dividends per share (dollars)**	**Total amount**
Dividends distributed to shareholders:				
Cash	$ 4.50	643,780	5.00	731,842

The appropriation of 2018 earnings had been proposed by the Company's Board of Directors on March 19, 2019, which included the appropriation of capital surplus of $71,531, as well as the distribution of cash dividends amounting to $715,311 (at $5.0 dollars per share).

Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(Continued)

(iv) Treasury stock

On September 26, 2017, the Board of Directors approved a resolution to purchase 5,000,000 shares of its own common shares in order to maintain the credit of the Company and the right of the shareholders. The Company purchased 3,306,000 shares of its own common shares for the amount of $285,953 thousands from September 27, 2017 to November 26, 2017. On February 13, 2018 the related registration process to retire the aforementioned treasury stock has been completed.

(v) Other equity items (net after tax)

	Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2018	$ (32,398)	(4,823)	(37,221)
Foreign currency translation differences (net of tax)	(3,334)	-	(3,334)
Remeasurement of defined benefit plans (net of tax)	-	211	211
Balance at December 31, 2018	$ (35,732)	(4,612)	(40,344)
Balance at January 1, 2017	$ (17,694)	(4,676)	(22,370)
Foreign currency translation differences (net of tax)	(14,704)	-	(14,704)
Remeasurement of defined benefit plans (net of tax)	-	(147)	(147)
Balance at December 31, 2017	$ (32,398)	(4,823)	(37,221)

(vi) Non-controlling interests (net after tax)

	2018	2017
Balance at January 1(per IAS 39)	$ 318,603	324,568
Effects of retrospective application of IFRS 9	(1,141)	-
Balance at January 1(per IFRS 9)	317,462	324,568
Equity attributable to non-controlling interest:		
Net losses	(8,955)	(6,948)
Cash dividends of subsidiaries distributed to non-controlling interests	(15,969)	(12,296)
Changes of ownership in subsidiaries	-	11,850
Foreign currency translation differences	102	(31)
Remeasurement of defined benefit plans (net of tax)	(60)	1,460
	$ 292,580	318,603

(Continued)

(p) Earnings per share ("EPS")

(i) Basic EPS

	2018	2017
Profit attributable to shareholders of the Company	$ 801,448	738,368
Weighted-average number of ordinary shares outstanding (in thousand shares)	143,062	146,051
Basic EPS (dollars)	**$ 5.60**	**5.06**

(ii) Diluted EPS

	2018	2017
Profit attributable to shareholders of the Company (diluted)	$ 801,448	738,368
Weighted-average number of ordinary shares outstanding (in thousand shares)	143,062	146,051
Effect of dilutive potential common stock:		
Effect of employee bonuses	1,310	783
Weighted-average number of ordinary shares outstanding (in thousand shares) (including effect of dilutive potential common stock)	144,372	146,834
Diluted EPS (dollars)	**$ 5.55**	**5.03**

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets:	
Domestic sales	$ 229,688
Export:	
Asia	778,775
America	2,226,709
Europe and Africa	3,334,597
	6,340,081
	$ 6,569,769
Major products:	
Industrial computers	$ 5,153,871
Peripherals	1,290,605
Others	125,293
	$ 6,569,769

(Continued)

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable	$ 823,680	1,404,654
Less: loss allowance	(12,049)	(13,382)
Total	$ 811,631	1,391,272

Please refer to note 6(d) for details on notes and accounts receivable and related loss allowance.

(r) Revenue

	2017
Revenue from sale of goods	$ 6,463,171
Revenue from services rendered	65,220
Others	36,926
	$ 6,565,317

(s) Remuneration of employees and directors and supervisors

Pursuant to the Company's articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors. The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements. If the compensation of employees is resolved to be distributed in stock, the number of shares is determined by reference to the closing price of the Company's common stock on the day preceding the Board of Directors' meeting.

For the year ended December 31, 2018 and 2017, the Company accrued the remuneration to its employees amounting to $80,000 and $49,316, respectively, and the remuneration to its directors amounting to $2,400 and $3,200, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as cost of revenue and operating expenses. The differences between the aforementioned accrued remuneration and the amounts approved by the Board of Directors were $0 and $684, respectively, which shall be accounted for as changes in accounting estimates. The remuneration will be paid in cash. The related information would be available at the Market Observation Post System website.

(Continued)

(t) Non-operating income and loss

(i) Other income

		2018	2017
Interest income from bank deposits	$	6,845	6,791
Interest income from debt instruments		525	-
Others		7,341	5,509
	$	14,711	12,300

(ii) Other gains and losses

		2018	2017
Loss on disposal of property, plant and equipment	$	(382)	(6,120)
Foreign currency exchange gain (loss), net		13,650	(101,434)
Loss on financial assets and liabilities at fair value through profit or loss		(4,277)	(4,816)
Impairment loss on goodwill		(6,248)	-
Gain on change in fair value of contingent consideration		-	4,205
Others		(698)	(2,700)
	$	2,045	(110,865)

(iii) Finance costs

		2018	2017
Interest expense from bank loans	$	3,295	3,859

(u) Financial instruments

(i) Categories of financial instruments

1) Financial assets

		December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss：			
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	$	846	-
Financial assets measured at amortized cost (note):			
Cash and cash equivalents	$	2,282,840	1,796,799
Financial assets measured at amortized cost		133,883	-
Notes and accounts receivable		811,631	1,391,562
Other receivables(reported under other current assets)		5,699	4,303
Other financial assets－current		222	99,319
Other financial assets－non-current		5,711	78,074
	$	3,239,986	3,370,057

(Continued)

Note: classified as loans and receivables as of December 31, 2017.

2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss :		
Contingent consideration arising from business combination	$ -	32,088
Foreign currency forward contracts – held for trading	-	2,774
	$ -	34,862
Financial liabilities measured at amortized cost:		
Short term borrowings	$ 8,800	114,569
Notes and accounts payable	564,962	771,024
Other payables	63,036	120,898
	$ 636,798	1,006,491

(ii) Fair value valuation-financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Financial instruments that are measured at fair value

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

3) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2018				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	$ 846	-	846	-	846

(Continued)

	December 31, 2017				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss:					
Held for trading－foreign currency forward contracts	$ 2,774	-	2,774	-	2,774
Contingent consideration arising from business combination	$ 32,088	-	-	32,088	32,088

There were no transfers between fair value levels for the years ended December 31, 2018 and 2017.

Movement in financial liabilities included Level 3 fair value hierarchy:

	2018	2017
Balance at January 1	$ 32,088	35,217
Recognized in profit or loss	7,904	(3,129)
Repaid	(39,992)	-
Balance at December 31	$ -	32,088

(iv) Valuation techniques and assumptions used in fair value measurement

1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. Discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the present value of the consideration to pay.

2) Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

(v) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Group has disclosed the information on exposure to the aforementioned risks, the Group's policies and procedures to measure and manage those risks, and the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

As of December 31, 2018 and 2017, four and three clients accounted to a total of 46% and 49%, respectively, of the Group's notes and accounts receivable. In order to reduce credit risk, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, and maintaining adequate cash and banking facilities. As of December 31, 2018 and 2017, the Group had unused credit facilities of $2,315,492 and $2,077,313, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

(Continued)

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$ 8,800	8,800	-	-	-
Notes and accounts payable	564,962	564,962	-	-	-
Other payables	63,036	63,036	-	-	-
	$ 636,798	636,798	-	-	-
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings	$ 114,569	114,569	-	-	-
Notes and accounts payable	771,024	771,024	-	-	-
Other payables	120,898	119,693	901	76	228
Contingent consideration	40,110	-	40,110	-	-
	$ 1,046,601	1,005,286	41,011	76	228
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	$ 144,822	144,822	-	-	-
Inflow	(142,048)	(142,048)	-	-	-
	$ 2,774	2,774	-	-	-

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

(iii) Market risk

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

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

(Continued)

1) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable(payables), other payables and other long-term liabilities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Amount in Thousands of Dollars)

	December 31, 2018				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 31,523	30.72	968,387	1%	9,684
EUR	1,813	35.20	63,818	1%	638
GBP	2,540	38.88	98,755	1%	988
Financial liabilities					
Monetary items					
USD	9,602	30.72	294,973	1%	2,950
GBP	648	38.88	25,194	1%	252

	December 31, 2017				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 66,473	29.76	1,978,236	1%	19,782
EUR	953	35.57	33,898	1%	339
GBP	3,982	40.11	159,718	1%	1,597
Financial liabilities					
Monetary items					
USD	13,908	29.76	413,902	1%	4,139
GBP	800	40.11	32,088	1%	321

Due to the varieties of functional currency within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. For the years ended December 31, 2018 and 2017, the aggregate of realized and unrealized foreign exchange gain (loss) amounted to $13,650 and $(101,434), respectively.

(Continued)

2) Interest rate risk

The Group's short-term borrowings carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the years ended December 31, 2018 and 2017, would have been \$88 and \$1,146, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(w) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(x) Changes in liabilities from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes	
	January 1, 2018	**Cash flows**	**Fluctuation of foreign exchange ratet**	**December 31, 2018**
Short-term borrowings	$ 114,569	(105,676)	(93)	8,800

(Continued)

7. Related-party transactions

(a) Significant related-party transactions: None.

(b) Compensation of key management personnel

	2018	2017
Short-term employee benefits	$ 71,573	69,110
Post-employment benefits	3,512	3,318
	$ 75,085	72,428

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Time deposits	Guarantee deposit for custom duties	$ 222	219
Accounts receivable	Secured bank loans	64,731	416,959
Inventories	Credit lines of bank loans	64,658	80,240
		$ 129,611	497,418

9. Significant commitments and contingencies

(a) As of December 31, 2018 and 2017, the Group had issued promissory notes amounting to $1,250,000 and $1,000,000 for short-term borrowings.

(b) Please refer to note 6(l) for non-cancellable rentals payable of operating leases.

10. Significant losses due to major disasters:None

11. Significant subsequent events:None

12. Others

Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

By function / By item	2018 Cost of sales	2018 Operating expenses	2018 Total	2017 Cost of sales	2017 Operating expenses	2017 Total
Employee benefits:						
Salaries	169,341	453,167	622,508	166,897	477,743	644,640
Insurance	14,414	26,668	41,082	14,083	27,261	41,344
Pension	5,662	19,994	25,656	5,619	19,700	25,319
Remuneration to directors	-	5,082	5,082	-	5,478	5,478
Others	6,192	17,067	23,259	6,392	17,631	24,023
Depreciation	76,213	16,593	92,806	74,896	18,310	93,206
Amortization	734	93,531	94,265	749	92,929	93,678

(Continued)

13. Additional disclosures

(a) Information on significant transactions:

The followingt is the information for the Group.

(i) Financing provided to other parties:

(Amounts in Thousands of New Taiwan Dollars/Euro)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
1	Poindus Systems	Adasys	Other receivables	Yes	16,308 (EUR 450)	15,840 (EUR 450)	15,840 (EUR 450)	4%	1	71,543		-		-	51,577	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	8,973 (EUR 200)	8,800 (EUR 250)	8,800 (EUR 250)	4%	1	55,984		-		-	51,577	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	7,248 (EUR 200)	7,040 (EUR 200)	7,040 (EUR 200)	4%	1	49,782		-		-	49,782	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	7,248 (EUR 200)	7,040 (EUR 200)	7,040 (EUR 200)	4%	1	94,757		-		-	51,577	206,308

Note 1. Represents the Company.
Note 2. Nature of financing
1. Business transaction purpose
2. Short-term financing
Note 3. The total amount of external endorsements and/or guarantees shall worth no more than 50 percent of the Company's net worth. Amount which the amount of endorsements guarantees for any single whose voting shares are 100% owned by the Company shall not exceed 20 percent of the Company's net worth.

(ii) Guarantees and endorsements provided to other parties:

(Amount in Thousands of New Taiwan Dollars)

No.	Endorsemen Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Nature of Relationship (Note 1)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)(Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	The Company	Box Technologies limited	2	878,241	200,000	200,000	-	-	4.55%	2,195,602	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is “0”
(2) The subsidiaries are numbered in order starting from “1”
Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as “2” the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.
Note 3: The Company provides guarantee to a subsidiary which the parent company owns directly 100% of its voting shares; the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the Company should not exceed 50% of its net worth.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):None

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed $300 million or 20% of the paid-in capital:None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital:None

(Continued)

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details: Purchases/ (Sales)	Transaction Details: Amount (Note 3)	Transaction Details: % of Total Purchases/ (Sales)	Transaction Details: Payment Terms	Transactions with Terms Different from Others: Unit Price	Transactions with Terms Different from Others: Payment Terms	Notes/Accounts Receivable (Payable): Ending Balance	Notes/Accounts Receivable (Payable): % of Total Notes/Accounts Receivable (Payable)	Note
The Company	Poindus systems	Subsidiary	(Sales)	173,501	2.64%	EM 60	(Note 1)	(Note 2)	62,428	7.69%	
The Company	Box UK	Subsidiary	(Sales)	470,624	7.16%	EM 75	(Note 1)	(Note 2)	59,194	7.29%	

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.
Note 2: The trade terms of sales with related parties are EOM 60~75 days, and the trade terms with third parties are OA 30~75 days.
Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:None

(Amounts in Thousands of New Taiwan Dollars)

(ix) Transactions in derivative instruments: None.Refer to note 6(b)

(x) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counter-party	Relationship	Transaction Details: Account (Note 2)	Transaction Details: Amount	Transaction Details: Transaction Terms	Transaction Details: Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	The Company	Poindus System	Subsidiary	Sales	173,501	EM 60	2.64%
0	The Company	Box UK	Subsidiary	Sales	470,624	EM 75	7.16%
0	The Company	Flytech CN	Subsidiary	Sales	81,658	EM 90	1.24%
0	The Company	Poindus System	Subsidiary	Accounts receivable	62,428	EM 60	1.08%
0	The Company	Box UK	Subsidiary	Accounts receivable	59,194	EM 75	1.02%

Note 1: Parties to intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1"

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated revenue or total assets. The corresponding purchases and accounts payables are not disclosed.
Note 3: Based on the transaction amount divided by consolidated revenue or total assets.
Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

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

(Amounts in Thousands of shares/ foreign currency and New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	Balance as of December 31, 2018: Shares (in thousands)	Balance as of December 31, 2018: Percentage of Ownership	Balance as of December 31, 2018: Carrying value	Maximum Percentage of Ownership during 2018: Shares (in thousands)	Maximum Percentage of Ownership during 2018: Percentage of Ownership	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
The Company	Flytech USA BVI	British Virgin Islands	Investment and holding activity	38,652	38,652	100	100.00%	19,266	100	100.00%	(744)	(744)	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	128,619	50	100.00%	(2,526)	(2,526)	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	84,343	84,343	150	100.00%	110,893	150	100.00%	5,528	5,528	
The Company	Flycom Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	409,707	19,000	100.00%	(8,520)	(8,520)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	471,900	4	100.00%	453,561	4	100.00%	40,570	9,504	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	18,233 (USD594)	700	100.00%	(749) (USD(25))	-	
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	129,829 (USD4,227)	1,000	100.00%	(2,526) (USD(84))	-	
Flytech HK	iSAPPOS	Hong Kong	Sale of computers and peripherals	31,690 (HKD7,500)	31,690 (HKD7,500)	(Note 2)	100.00%	4,276 (HKD1,090)	(Note 2)	100.00%	(5,109) (HKD(1,328))	-	
Flycom Investment	NeoVideo	Taiwan	Sale of computers and peripherals	-	15,000	(Note 3)	- %	-	1,500	27.27%	-	-	

(Continued)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares (in thousands)	Balance as of December 31, 2018 Percentage of Ownership	Balance as of December 31, 2018 Carrying value	Maximum Percentage of Ownership during 2018 Shares (in thousands)	Maximum Percentage of Ownership during 2018 Percentage of Ownership	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
Flycom Investment	IRUGGY System	Taiwan	Sale of computers and peripherals	48,000	48,000	4,800	80.00%	22,515	4,800	80.00%	169	-	
Flycom Investment	Poindus Systems	Taiwan	Sale of computers and peripherals	308,070	308,070	10,354	49.31%	288,197	10,354	49.31%	28,666	-	
Poindus Systems	Poindus Investment	Taiwan	Investment and holding activity	4,100	4,100	(Note 2)	100.00%	915	(Note 2)	100.00%	1	-	
Poindus Systems	Adasys	Germany	Sale of computers and peripherals	42,134 (EUR 1,280)	42,134 (EUR 1,280)	-	100.00%	9,887	(Note 2)	100.00%	(9,564)	-	
Poindus Systems	Poindus America	USA	Sale of computers and peripherals	32,195 (USD 1,000)	32,195 (USD 1,000)	1,000	100.00%	1,837	1,000	100.00%	(2,682)	-	
Poindus Systems	Poindus UK	United Kingdom	Sale of computers and peripherals	14,297 (GBP 300)	14,297 (GBP 300)	300	100.00%	(9,554)	300	100.00%	(6,035)	-	
Poindus Investment	Poindus GmbH	Germany	Sale of computers and peripherals	1,195 (EUR 25)	1,195 (EUR 25)	(Note 2)	100.00%	(62)	(Note 2)	100.00%	-	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP 10)	472 (GBP 10)	10	100.00%	196,009 (GBP 5,041)	10	100.00%	34,103 (GBP 847)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	2,330 (GBP 49)	2,330 (GBP 49)	5	100.00%	14,311 (GBP 368)	5	100.00%	6,467 (GBP 161)	-	

Note 1: The intercompany transactions have been eliminated when preparing the consolidated financial statements.
Note 2: There were no shares as the company is a limited liability company.
Note 3: In February 2018, the Company sold all their shares in NeoVideo.
Note 4: Included the movement in unrealized gross profit and the difference between investment cost and net shares value which is recognized as amortization.

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows Outflow	Investment Flows Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Maximum Percentage of Ownership during 2017 Shares (in thousands)	Maximum Percentage of Ownership during 2017 Percentage of Ownership	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Flytech CN	Sale of computers and peripherals	69,089 (USD 2,000)	Note 1	69,089 (USD 2,000)	-	-	69,089 (USD 2,000)	5,998 (USD 199)	100.00%	(Note 3)	100.00%	5,998 (USD 199)	99,845 (USD 3,251)	-
Flytech BJ	Sale of computers and peripherals	15,420 (USD 500)	Note 1	15,420 (USD 500)	-	-	15,420 (USD 500)	(405) (USD (13))	100.00%	(Note 3)	100.00%	(405) (USD (13))	(11,472) (USD 373)	-

Note 1: Indirect investment in Mainland China through a holding company,Flytech CN BVI, established in a third country
Note 2: Investment income or loss was recognized based on financial statements audited by the auditors of the parent company.
Note 3: There were no shares as the company is a limited liability company.
Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Accumulated investment in Mainland China as of December 31, 2018	Investment amount authorized by Ministry of Economic Affairs Investment Commission	Upper Limit onInvestment
84,509 (USD 2,500)	84,509 (USD 2,500)	2,634,722

(iii) Significant transactions with the investee in Mainland China:None

(Continued)

14. Segment information

(a) General information

The three original reportable segments of the Group were: (i) Point of Sales systems (POS), (ii) Original Design Manufacturer (ODM), and (iii) Computer and Peripherals. As the Group adjusted its organizational structure in August 2018, the reportable segments had changed. The prior period information was restated for comparision.

The three current reportable segments of the Group are: (i) the domestic sales segment, (ii) the European sales segment and (iii) the Poindus Systems. The domestic sales segment engages mainly in the development, design, manufacture, sales and provide after sale service of the products; the European sales segment engages mainly in the sales and provide after sales service of the products in Europe; and the Poindus Systems engages mainly in the sales and provide after sale service for Poindus Systems' products globally.

The classification of the segments is based on the products, services or geographical location of each respective segment. Each segment manages and caters to the different needs of their customers, as well as needs different marketing strategies, and thus, should be managed separately.

The Group uses income (loss) before income tax as the measurement for each segment's profit and the basis of resource allocation and performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. Sales and transfers among reportable segments are recorded in line with sales to third-party customers.

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

	2018					
	Domestic sale segment	European sale segment	Poindus Systems	Others	Adjustments and eliminations	Total
Revenues from external customers	$ 3,812,547	1,540,283	979,836	237,103	-	6,569,769
Intra-group revenue	815,758	9,490	34,244	21,715	(881,207)	-
Total segment revenue	$ 4,628,305	1,549,773	1,014,080	258,818	(881,207)	6,569,769
Segment income before income tax	$ 929,895	47,731	27,690	3,038	(88,469)	919,885

	2017					
	Domestic sale segment	European sale segment	Poindus Systems	Others	Adjustments and eliminations	Total
Revenues from external customers	$ 3,942,419	1,264,536	1,157,232	201,130	-	6,565,317
Intra-group revenue	638,471	8,727	37,049	2,334	(686,581)	-
Total segment revenue	$ 4,580,890	1,273,263	1,194,281	203,464	(686,581)	6,565,317
Segment income before income tax	$ 829,698	42,360	44,497	(22,073)	(62,728)	831,754

(Continued)

(b) Product information

Revenues from external customers are detailed below:

Products		2018	2017
Industrial computers	$	5,153,871	4,909,675
Peripherals and others		1,415,898	1,655,642
	$	6,569,769	6,565,317

(c) Geographic information

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

Region		2018	2017
Europe and Africa	$	3,334,597	3,423,500
Americas		2,226,709	1,931,601
Asia		778,775	985,557
Taiwan		229,688	224,659
	$	6,569,769	6,565,317

Non-current assets:

Region		December 31, 2018	December 31, 2017
Taiwan	$	1,133,853	1,287,364
Asia		26,330	27,865
Americas		1,499	21
Europe		445,374	432,528
	$	1,607,056	1,747,778

Non-current assets include property, plant and equipment, intangible assets, and other assets－non-current, but do not include financial instruments and deferred income tax assets.

(d) Major customer information

		2018	2017
Total consolidated revenue from Customer A	$	1,244,807	1,037,688
Total consolidated revenue from Customer B		617,930	716,303

(Continued)

Independent Auditors' Report

To the Board of Directors

Flytech Technology Co., Ltd.:

Opinion

We have audited the accompanying parent-company-only financial statements of Flytech Technology Co., Ltd. (the "Company"), which comprise the accompanying parent-company-only balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Valuation of inventories

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

(Continued)

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2.Impairment of Goodwill included in investments in subsidiaries accounted for using equity method

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

(Continued)

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

Auditors’ Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identify and assesse the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’ s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’ s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’ s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using equity method to express an opinion on these parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

(Continued)

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

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Yung-Sheng Wang.

KPMG
Taipei, Taiwan (Republic of China)

March 19, 2019

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,686,065	32	1,330,547	26
1110	Financial assets at fair value through profit or loss－current (note 6(b))	744	-	-	-
1150-1170	Notes and accounts receivable, net (note 6(c))	583,501	11	786,226	15
1180	Accounts receivable from related parties (notes 6(c) and 7)	169,214	3	223,491	4
130X	Inventories (note 6(d))	469,991	9	469,207	9
1410-1470	Prepayments and other current assets	21,604	1	24,752	1
	Total current assets	2,931,119	56	2,834,223	55
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(e))	1,122,046	22	1,136,284	22
1600	Property, plant and equipment (note 6(f))	1,108,620	21	1,151,134	23
1780	Intangible assets	3,837	-	6,265	-
1840	Deferred income tax assets (note 6(j))	27,764	1	21,140	-
1915	Prepayments for equipment	682	-	2,566	-
1980	Other financial assets－non-current (note 8)	2,286	-	2,283	-
	Total non-current assets	2,265,235	44	2,319,672	45
	Total assets	$ 5,196,354	100	5,153,895	100

See accompanying notes to parent company only financial statements.

(Continued)

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Balance Sheets (Continued)

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))	$ -	-	33,239	1
2150-2170	Notes and accounts payable	411,021	8	522,796	10
2180	Accounts payable to related parties (note 7)	8,185	-	7,319	-
2200	Other payables (note 6(o))	196,011	4	206,109	4
2230	Current income tax liabilities	100,730	2	68,742	1
2250	Provisions－current (notes 6(g))	12,735	-	12,619	-
2300	Other current liabilities	22,847	-	17,922	1
	Total current liabilities	751,529	14	868,746	17
	Non-current liabilities:				
2570	Deferred income tax liabilities (note 6(j))	27,635	-	22,892	-
2640	Net defined benefit liabilities (note 6(i))	25,987	1	26,450	1
	Total non-current liabilities	53,622	1	49,342	1
	Total liabilities	805,151	15	918,088	18
	Equity (notes 6(i), (j) and (k)):				
3110	Common stock	1,430,623	28	1,463,683	28
3200	Capital surplus	745,778	14	762,804	15
	Retained earnings:				
3310	Legal reserve	915,594	18	841,757	16
3320	Special reserve	37,221	1	22,370	-
3350	Unappropriated earnings	1,302,331	25	1,468,367	29
3400	Other equity	(40,344)	(1)	(37,221)	(1)
3500	Treasury stock	-	-	(285,953)	(5)
	Total equity	4,391,203	85	4,235,807	82
	Total liabilities and equity	$ 5,196,354	100	5,153,895	100

See accompanying notes to parent company only financial statements.

(Continued)

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Revenue (notes 6(m) and (n) and 7)**	$ 4,628,305	100	4,580,890	100
5000	**Cost of revenue (notes 6(d), (f), (g), (i) and (o), 7 and 12)**	(3,227,059)	(70)	(3,193,625)	(70)
	Gross profit before unrealized gross profit	1,401,246	30	1,387,265	30
5910	Unrealized (realized) gross profit from sales	12,978	-	(1,689)	-
	Gross profit	1,388,268	30	1,388,954	30
	Operating expenses (notes 6(c), (f), (h), (i) and (n), 7 and 12):				
6100	Selling expenses	(165,622)	(4)	(153,314)	(3)
6200	Administrative expenses	(113,020)	(2)	(105,376)	(3)
6300	Research and development expenses	(189,990)	(4)	(194,757)	(4)
	Total operating expenses	(468,632)	(10)	(453,447)	(10)
	Operating income	919,636	20	935,507	20
	Non-operating income and loss (note 6(p)):				
7010	Other income	7,012	-	4,874	-
7020	Other gains and losses	15	-	(88,120)	(2)
7050	Finance costs	(10)	-	(66)	-
7375	Share of profit (loss) of subsidiaries accounted for using equity method	3,242	-	(22,497)	-
		10,259	-	(105,809)	(2)
	Income before income tax	929,895	20	829,698	18
7950	**Less: Income tax expense (note 6(j))**	(128,447)	(3)	(91,330)	(2)
	Net income	801,448	17	738,368	16
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	56	-	(1,889)	-
8330	Share of remeasurements of defined benefit plans of associates accounted for using equity method	(59)	-	1,421	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	214	-	321	-
		211	-	(147)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(3,334)	-	(14,704)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(3,334)	-	(14,704)	-
	Other comprehensive income (loss) for the year	(3,123)	-	(14,851)	-
	Total comprehensive income for the year	$ 798,325	17	723,517	16
	Earnings per share (in New Taiwan dollars) (note 6(l)) :				
9750	Basic earnings per share	$	5.60		5.06
9850	Diluted earnings per share	$	5.55		5.03

See accompanying notes to parent company only financial statements.

(Continued)

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury stock	Total equity
Balance at January 1, 2017	$ 1,463,683	761,822	753,576	-	1,572,392	2,325,968	(17,694)	(4,676)	(22,370)	-	4,529,103
Appropriation of earnings:											
Legal reserve	-	-	88,181	-	(88,181)	-	-	-	-	-	-
Special reserve	-	-	-	22,370	(22,370)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(731,842)	(731,842)	-	-	-	-	(731,842)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(285,953)	(285,953)
Changes in ownership interests in subsidiaries	-	982	-	-	-	-	-	-	-	-	982
Net income in 2017	-	-	-	-	738,368	738,368	-	-	-	-	738,368
Other comprehensive income (loss) in 2017	-	-	-	-	-	-	(14,704)	(147)	(14,851)	-	(14,851)
Total comprehensive income (loss) in 2017	-	-	-	-	738,368	738,368	(14,704)	(147)	(14,851)	-	723,517
Balance at December 31, 2017	1,463,683	762,804	841,757	22,370	1,468,367	2,332,494	(32,398)	(4,823)	(37,221)	(285,953)	4,235,807
Effects of retrospective application	-	-	-	-	851	851	-	-	-	-	851
Equity at beginning of period after adjustments	1,463,683	762,804	841,757	22,370	1,469,218	2,333,345	(32,398)	(4,823)	(37,221)	(285,953)	4,236,658
Appropriation of earnings:											
Legal reserve	-	-	73,837	-	(73,837)	-	-	-	-	-	-
Special reserve	-	-	-	14,851	(14,851)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(643,780)	(643,780)	-	-	-	-	(643,780)
Retirement of treasury shares	(33,060)	(17,026)	-	-	(235,867)	(235,867)	-	-	-	285,953	-
Net income in 2018	-	-	-	-	801,448	801,448	-	-	-	-	801,448
Other comprehensive income (loss) in 2018	-	-	-	-	-	-	(3,334)	211	(3,123)	-	(3,123)
Total comprehensive income (loss) in 2018	-	-	-	-	801,448	801,448	(3,334)	211	(3,123)	-	798,325
Balance at December 31, 2018	$ 1,430,623	745,778	915,594	37,221	1,302,331	2,255,146	(35,732)	(4,612)	(40,344)	-	4,391,203

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 929,895	829,698
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	80,639	81,751
Amortization	4,732	4,901
Expected credit loss / Provision for bad debt expense	60	537
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	6,009	(3,054)
Share of loss (profit) of subsidiaries accounted for using equity method	(3,242)	22,497
Loss on disposal of property, plant and equipment	-	1,160
Interest expense	10	66
Interest income	(3,861)	(2,926)
Loss on disposal of investments accounted for using equity method	-	413
Unrealized (realized) gross profit on sales to subsidiaries	12,978	(1,689)
Unrealized exchange loss of contingent consideration	-	400
Total non-cash profit and loss	97,325	104,056
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	204,625	57,069
Accounts receivable from related parties	54,277	(110,765)
Inventories	(784)	25,161
Prepayments and other current assets	3,148	1,791
Net changes in operating assets	261,266	(26,744)
Changes in operating liabilities:		
Notes and accounts payable	(111,775)	(49,840)
Accounts payable to related parties	866	(1,928)
Other payables	(1,927)	(10,735)
Provisions－current	116	164
Other current liabilities	4,925	(1,996)
Net defined benefit liabilities	(407)	(850)
Net changes in operating liabilities	(108,202)	(65,185)
Total changes in operating assets and liabilities	153,064	(91,929)
Cash provided by operations	1,180,284	841,825
Income taxes paid	(98,126)	(121,436)
Net cash provided by operating activities	1,082,158	720,389

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Statements of Cash Flows (Continued)
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Proceeds from disposal of investments accounted for using equity method	-	2,929
Payment of contingent consideration arising from business combination	(39,992)	-
Additions to property, plant and equipment (including prepayments for equipment)	(44,412)	(134,445)
Proceeds from disposal of property, plant and equipment	-	1,178
Additions to intangible assets	(2,304)	(2,632)
Increase in other financial assets	(3)	(1,798)
Interest received	3,861	2,926
Net cash flows used in investing activities	(82,850)	(131,842)
Cash flows from financing activities:		
Cash dividends	(643,780)	(731,842)
Purchase of treasury shares	-	(285,953)
Interest paid	(10)	(66)
Net cash flows used in financing activities	(643,790)	(1,017,861)
Net increase (decrease) in cash and cash equivalents	355,518	(429,314)
Cash and cash equivalents at beginning of year	1,330,547	1,759,861
Cash and cash equivalents at end of year	$ 1,686,065	1,330,547

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

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

2. Authorization of the parent company only financial statements

These parent-company-only financial statements were authorized for issuance by the Board of Directors on March 19, 2019.

3. Application of new and revised accounting standards and interpretations

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

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

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

Except for the following items, the Company assessed that the initial application of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of changes are as follows:

(i) IFRS 9 "Financial Instruments"

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

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to note 4(f).

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

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Please refer to note 4(f) for more details.

3) Transition

The adoption of IFRS 9 has generally been applied retrospectively, except as described below:

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

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

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

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

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

- If the investment of debt security had low credit risk at the date of initial application, the Company assumes that credit risk of assets has not increase significantly since initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’ s financial assets as of January 1, 2018. (There is no change in the categories and carrying amount of financial liabilities.)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	1,330,547	Amortized cost	1,330,547
Notes and accounts receivable and other receivables	Loans and receivables (Note 1 and 2)	1,009,717	Amortized cost	1,011,677
Other financial assets - non-current (Refundable deposits)	Loans and receivables (Note 1)	2,283	Amortized cost	2,283

Note1:Cash and cash equivalents, accounts receivable (including notes and accounts receivables and accounts receivable from related parties) and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note2: A decrease of $1,960 thousand in the allowance for impairment was recognized in opening retained earnings and non-controlling interests upon transition to IFRS 9 on January 1, 2018.

(Continued)

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

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

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

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

(i) IFRS 16 "Leases"

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

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

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

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

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

(Continued)

2) Transition

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

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

The Company plans to initially apply IFRS 16 using the modified retrospective approach, with no restatement of comparative information.

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

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

3) So far, the most significant impact identified is that the Company will have to recognize right-of-use assets and lease liabilities for its operating leases of parking spaces. The Company estimates that it will result in an increase of $926 in its right-of-use assets and lease liabilities on January 1, 2019.

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

(Continued)

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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

The following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

(Continued)

4. Summary of significant accounting policies

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

(a) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchanges rates at the end of the period (the "reporting date") of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate prevailing at the date when the fair value is determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, except for exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items denominated in a foreign currency that are measured at historical cost are not retranslated.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, are translated into the presentation currency of the Company' s parent company only financial statement at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Company' s parent company only financial statement at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

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

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

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

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

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL). The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

1) Financial assets measured at amortized cost

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

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

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

2) Financial assets measured at fair value through profit or loss (Financial assets measured at "FVTPL")

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(Continued)

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, accounts receivable from related parties and other financial assets).

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses or reversal in profit or loss.

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

(Continued)

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.
On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presents it in the line item of non-operating income and loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses.

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

Regular way purchases or sales of financial assets are recognized or derecognized based on a trade-date basis.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedges.

At initial recognition, financial assets carried at fair value through profit or loss are recognized at fair value. Any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to the initial recognition, changes in fair value (including dividend income and interest income) are recognized in profit or loss and included in the line item of non-operating income and loss.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable, other receivables, and investments in debt instrument with no active market. At initial recognition, such assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less, any impairment losses. Interest income is recognized as non-operating income and loss.

3) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a Company of financial assets with similar credit risk characteristics which are then collectively assessed for impairment. Objective evidence that receivables are impaired includes the Company's collection experience in the past, an increase in delayed payments, and national or local economic conditions that correlate with overdue receivables.

An impairment loss is recognized by reducing the carrying amount of the respective financial assets with the exception of receivables, where the carrying amount is reduced through an allowance account. Except for the write-off of uncollectible receivables against the allowance account, changes in the amount of the allowance account are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

The impairment loss and the reversal gain for accounts receivable are recognized as administrative expenses, and as non-operating income and loss for financial assets other than accounts receivable.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable is recognized in profit or loss, and included in the line item of non-operating income and loss.

On derecognition of part of a financial asset, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part of the financial asset derecognized and the cumulative gain or loss that had been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as a financial liability at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorized as financial liabilities at fair value through profit or loss unless they are designated as hedges. Moreover, since 2017, under the newly adapted IFRS 3, the acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability.

At initial recognition, this type of financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss and included in the line item of non-operating income and loss of the consolidated statement of comprehensive income.

2) Financial liabilities measured at amortized cost

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise accounts payable, and other payables, are measured at fair value, plus, any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss and included in the line

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item of non-operating income and loss the consolidated statement of comprehensive income.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(v) Derivative financial instruments

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at cost; and derivatives that are classified as financial liabilities are measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related.

(g) Inventories

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

(h) Investments in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. The carrying amount of investments in subsidiaries includes goodwill arising from initial recognition, less, any accumulated impairment losses, which is recognized as a reduction of the carry amount. Under equity method, profit or loss and other comprehensive income recognized in the parent-company-only financial statement are the same as those of the total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in the parent-company-only financial statement is the same as the changes in equity attributable to the owners of the parent in the consolidated financial statements. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

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

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Contingent consideration as part of the consideration transferred is measured at the acquisition date fair value. Any fluctuation of the fair value during the measurement period after the acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of the contingent consideration that occurred not during the measurement period, the accounting treatment will be based on the classification of contingent consideration. Contingent consideration classified as equity can not be re-measured and has to be adjusted under owner’s equity.

Those contingent consideration that qualify for classification as liabilities which meet the definition of derivative instruments in IAS 39 would be subsequently measured at fair value at the end of each reporting period, and recognized in profit or loss. Those contingent consideration that qualify for classification as liabilities which do not meet the definition of derivative instruments in IAS 39 should be subsequently measured at fair value at the end of each reporting period, and recognized in profit or loss.

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

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in other gains and losses.

(ii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized in profit or loss. All other repairs and maintenance are charged to expense as incurred.

(iii) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

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

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

(j) Leases

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

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

(k) Intangible assets

The Company's intangible assets are acquired software, which are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over 3 to 5 years.

The residual value, amortization period, and amortization method, are reviewed at least every financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Impairment of non-financial assets

(i) Goodwill

For the purpose of impairment testing, goodwill arising from a business combination is allocated to each of the Company's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs with goodwill are tested annually (or when there are indications that a CGU may have been impaired) for impairment. When the recoverable amount of a CGU is less than the carrying amount of the CGU, the impairment loss is recognized firstly by reducing the carrying amount of any goodwill allocated to the CGU and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. Any impairment loss on goodwill is recognized immediately in profit or loss. A subsequent reversal of the impairment loss on goodwill is prohibited.

(ii) Other tangible and intangible assets

Non-financial assets other than inventories and deferred income tax assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Company estimates the recoverable amount of the CGU to which the asset has been allocated.

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The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Company assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization of depreciation) that would have been determined had no impairment loss been recognized in prior years.

(m) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(n) Revenue recognition

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

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring its control of goods or services to a customer.

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

The Company grants its customers the right to return the faulty goods under the standard warranty terms and has recognized warranty provisions for this obligation.

A receivable is recognized when the goods are delivered as this is the timing that the Company has a right to an amount of consideration that is unconditional.

Revenue from providing services is recognized by reference to the stage of completion at the end of the reporting period in which the services are rendered.

(Continued)

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods or services is measured at the fair value of consideration received or receivable, net of returns, rebates, and other similar discounts.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2) Services

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

3) Dividend income and interest income

Dividend income from investments is recognized when the shareholder' s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less any unrecognized past service costs and the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

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

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

(iii) Short-term employee benefits

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

(p) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that have vested.

(q) Treasury stock

Common stock repurchased by the Company treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

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(r) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, the tax payables that are calculated based on the part of prior year's earnings not distributed in the current year's shareholders' meeting using the statuary tax rate, and any adjustment to tax payable in respect of previous years.

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

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences arising from investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the differences will not reverse in the foreseeable future; and

(iii) Temporary differences arising from initial recognition of goodwill.

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

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

(s) Earnings per share (“EPS”)

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

(t) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, it does not disclose the operating segment information in the parent-company-only financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

There is no information involving critical judgments in applying the accounting policies in the parent-company-only financial statements.

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

(a) Valuation of inventory

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

(b) Impairment of goodwill

The entire carrying amount of investments in subsidiaries includes goodwill arising from initial recognition. The assessment of impairment of goodwill requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(e) for more details of the impairment of goodwill.

(Continued)

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 932	981
Demand deposits and checking accounts	1,685,133	1,329,566
	$ 1,686,065	1,330,547

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

	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 744	-

	December 31, 2018	December 31, 2017
Contingent consideration arising from business combination	-	(32,088)
Financial liabilities held-for-trading－foreign currency forward contracts	-	(1,151)
	$ -	(33,239)

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

The Company entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss. (On December 31, 2018, the contracts were classified as mandatorily measured at fair value through profit and loss, and were classified as financial assets and liabilities held-for-trading on December 31, 2017):

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

	December 31, 2017			
	Contract amount (in thousands)		Sell / Buy	Maturity period
Financial liabilities－foreign currency forward contracts	GBP	3,500	GBP/NTD	2018.3.22~2018.4.3
	EUR	190	EUR/USD	2018.3.29~2018.4.16
	USD	840	GBP/USD	2018.2.28

(Continued)

(c) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 5,048	12,056
Accounts receivable	586,752	784,369
Less: loss allowance	(8,299)	(10,199)
	583,501	786,226
Accounts receivable from related parties	169,214	223,491
	$ 752,715	1,009,717

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

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 370,979	0.35%	1,310
Past due 1-30 days	167,654	0.65%	1,095
Past due 31-60 days	49,073	8.93%	4,382
Past due 61-90 days	4,094	36.93%	1,512
	$ 591,800		8,299

There were no loss allowance provisions for accounts receivable from related parties on December 31, 2018.

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

	December 31, 2017
Past due 1-30 days	$ 163,609
Past due 31-60 days	13,184
Past due 61-90 days	11,675
	$ 188,468

The allowance for doubtful receivables is assessed by referring to the collectability of receivables based on the historical payment behavior, current financial condition of the customers and the amount received in the subsequent period. Notes and accounts receivable that are past due, but for which the Company has not recognized a specific allowance for doubtful receivables after the assessment, are still considered recoverable.

(Continued)

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

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance at January 1 (per IAS 39)	$ 10,199	-	9,662
Adjustment on initial application of IFRS 9	(1,960)		
Balance at January 1 (per IFRS 9)	8,239		
Impairment loss recognized	60	-	537
Balance at December 31	$ 8,299	-	10,199

(d) Inventories

(i) The information of inventories was as follows:

	December 31, 2018	December 31, 2017
Raw materials	$ 324,459	285,893
Work in process	111,036	161,937
Finished goods	34,496	21,361
Merchandise	-	16
	$ 469,991	469,207

(ii) For the years ended December 31, 2018 and 2017, the amounts of inventories recognized as cost of revenue were as follows:

	2018	2017
Costs of inventories sold	$ 3,178,084	3,166,888
Write-downs of inventories	2,500	2,400
Losses on scrap in inventories	36,456	14,647
Transfer for repairment costs	3,475	3,912
	$ 3,220,515	3,187,847

(e) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Subsidiaries	$ 1,122,046	1,136,284

(i) Please refer to the 2018 consolidated financial statements for more details.

(ii) Impairment test on goodwill

At the end of each reporting period, the carrying amount of goodwill included in the investments in subsidiaries is tested for impairment. No impairment losses were recognized except for that Poindus Systems, a subsidiary of the Company, recognized an impartment loss on goodwill of $6,248 for its investment in German subsidiary. Please refer to the 2018 consolidated financial statements for more details.

(Continued)

(f) Property, plant and equipment

The movements of cost and accumulated depreciation of the property, plant and equipment were as follows:

		Land	Buildings	Machinery	Mold equipment	Furniture and fixtures	Other equipment	Construction in progress	Total
Cost:									
Balance at January 1, 2018	$	382,446	612,662	315,933	385,137	50,403	17,726	33,914	1,798,221
Additions		-	685	1,041	12,961	2,004	185	7,973	24,849
Reclassification		-	-	-	13,276	-	-	-	13,276
Disposals		-	-	(32,735)	(20,646)	(4,218)	(331)	-	(57,930)
Balance at December 31, 2018	$	382,446	613,347	284,239	390,728	48,189	17,580	41,887	1,778,416
Balance at January 1, 2017	$	339,424	609,298	299,501	333,732	48,903	21,828	-	1,652,686
Additions		43,022	2,539	16,658	42,601	4,765	600	33,914	144,099
Reclassification		-	825	-	8,804	-	-	-	9,629
Disposals		-	-	(226)	-	(3,265)	(4,702)	-	(8,193)
Balance at December 31, 2017	$	382,446	612,662	315,933	385,137	50,403	17,726	33,914	1,798,221
Accumulated depreciation:									
Balance at January 1, 2018	$	-	114,362	192,654	297,281	31,692	11,098	-	647,087
Depreciation		-	13,716	20,779	39,876	5,013	1,255	-	80,639
Disposals		-	-	(32,735)	(20,646)	(4,218)	(331)	-	(57,930)
Balance at December 31, 2018	$	-	128,078	180,698	316,511	32,487	12,022	-	669,796
Balance at January 1, 2017	$	-	100,885	171,798	257,024	29,346	12,138	-	571,191
Depreciation		-	13,477	21,082	40,257	5,161	1,774	-	81,751
Disposals		-	-	(226)	-	(2,815)	(2,814)	-	(5,855)
Balance at December 31, 2017	$	-	114,362	192,654	297,281	31,692	11,098	-	647,087
Carrying amount:									
Balance at December 31, 2018	$	382,446	485,269	103,541	74,217	15,702	5,558	41,887	1,108,620
Balance at December 31, 2017	$	382,446	498,300	123,279	87,856	18,711	6,628	33,914	1,151,134
Balance at January 1, 2017	$	339,424	508,413	127,703	76,708	19,557	9,690	-	1,081,495

(g) Provision for warranties

		2018	2017
Balance at January 1	$	12,619	12,455
Provisions made		6,544	5,778
Amount utilized		(6,428)	(5,614)
Balance at December 31	$	12,735	12,619

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

(Continued)

(h) Operating lease (the Company as lessee)

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

	December 31, 2018	December 31, 2017
Not later than 1 year	$ 506	889
Later than 1 year but not later than 5 years	-	481
	$ 506	1,370

The Company leases parking spaces under operating leases. The leases typically run for a period of 1 to 3 years. In 2018 and 2017, the rental expenses of operating leases amounted to $1,031 and $1,018, respectively.

(i) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of benefit obligations	$ 53,338	53,229
Fair value of plan assets	(27,351)	(26,779)
Net defined benefit liabilities	$ 25,987	26,450

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

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2018 and 2017, the Company's labor pension fund account balance at Bank of Taiwan amounted to $27,351 and $26,779. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

(Continued)

2) Movements in present value of defined benefit obligations

		2018	2017
Defined benefit obligations at January 1	$	53,229	50,293
Current service costs and interest expense		1,072	1,206
Remeasurement of net defined benefit liabilities:			
–Actuarial loss arising from changes in financial assumptions		630	1,730
Benefits paid by plan		(1,593)	-
Defined benefit obligations at December 31	**$**	**53,338**	**53,229**

3) Movements of fair value of plan assets

		2018	2017
Fair value of plan assets at January 1	$	26,779	24,882
Interest income		366	403
Remeasurement on net defined benefit liabilities:			
–Return on plan assets (excluding amounts included in net interest expense)		686	(159)
Contributions by plan participants		1,113	1,653
Benefits paid by the plan		(1,593)	-
Fair value of plan assets at December 31	**$**	**27,351**	**26,779**

4) Changes in the effect of the asset ceiling

In 2018 and 2017, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2018	2017
Current service cost	$	354	401
Net interest expense		352	402
	$	**706**	**803**
Operating expenses	**$**	**706**	**803**
Actual return on plan assets	**$**	**1,052**	**244**

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

		2018	2017
Accumulated amount at January 1	$	(7,523)	(5,634)
Recognized during the period		56	(1,889)
Accumulated amount at December 31	**$**	**(7,467)**	**(7,523)**

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

(Continued)

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.10%	1.35%
Future salary increases rate	2.00%	2.00%

The weighted-average duration of the defined benefit plans was 13 years. The Company expects to make contribution of $660 to the defined benefit plans in the year following December 31, 2018.

8) Sensitivity analysis

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

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

	Impact on defined benefit obligation	
	0.25% Increase	0.25% Decrease
Balance at December 31, 2018		
Discount rate	(1,116)	1,161
Future salary	1,209	(1,055)
Balance at December 31, 2017		
Discount rate	(1,297)	1,348
Future salary	1,408	(1,229)

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

(Continued)

(ii) Defined contribution plans

The Company contribute monthly an amount equal to 6% of each employee’ s monthly wages to the employee’ s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

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

	2018	2017
Cost of revenue	$ 4,981	4,984
Operating expenses	8,711	8,701
	$ 13,692	13,685

(j) Income taxes

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

(i) The components of income tax expense were as follows:

	2018	2017
Current income tax expense		
Current period	$ 130,114	95,120
Deferred tax benefit		
Origination and reversal of temporary differences	(1,667)	(3,790)
Income tax expense	$ 128,447	91,330

The Company’ s income tax benefits recognized in other comprehensive income were as follows:

	2018	2017
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	$ 214	321

(Continued)

The reconciliation of the expected income tax expense calculated based on the R.O.C. statutory tax rate and the actual income tax expense reported in the parent company only statements of comprehensive income were as follows:

	2018	2017
Income before income tax	$ 929,895	829,698
Income tax using the Company's statutory tax rate	$ 185,979	141,049
Tax-exempt income	(47,658)	(98,332)
Investment tax credits	(10,297)	(12,332)
Share of income or loss of domestic subsidiaries	1,704	2,454
Changes in unrecognized temporary differences	(1,901)	(438)
10% surtax on undistributed earnings	590	3,942
Alternative minimum tax	-	55,117
Adjustments in tax rate	459	-
Others	(429)	(130)
	$ 128,447	91,330

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

As the Company is able to control the timing of the reversal of temporary differences associated with the loss on its investments in its subsidiaries, and concludes that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax assets.

	December 31, 2018	December 31, 2017
Loss related to investments in subsidiaries	$ 8,648	8,967

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Defined benefit plans	Inventory provisions	Others	Total
Balance at January 1, 2018	$ 4,877	5,100	11,163	21,140
Recognized in profit or loss	553	1,400	4,457	6,410
Recognized in other comprehensive income	214	-	-	214
Balance at December 31, 2018	$ 5,644	6,500	15,620	27,764
Balance at January 1, 2017	$ 4,700	4,692	12,103	21,495
Recognized in profit or loss	(144)	408	(940)	(676)
Recognized in other comprehensive income	321	-	-	321
Balance at December 31, 2017	$ 4,877	5,100	11,163	21,140

(Continued)

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2018	$ 22,696	-	196	22,892
Recognized in profit or loss	4,458	-	285	4,743
Balance at December 31, 2018	**$ 27,154**		**481**	**27,635**
Balance at January 1, 2017	$ 24,015	3,279	64	27,358
Recognized in profit or loss	(1,319)	(3,279)	132	(4,466)
Balance at December 31, 2017	**$ 22,696**	**-**	**196**	**22,892**

(iii) The Company's income tax returns for the years through 2014 have been examined and approved by the R.O.C. income tax authorities.

(k) Capital and other equity

(i) Common stock

As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 180,000 thousand shares, with par value of $10 (dollars) per share, of which 143,062 thousand shares and 146,368 thousand shares, respectively, were issued and outstanding. All issued shares were paid up upon issuance.

The movements in outstanding common shares in 2018 and 2017 were as follows (in thousands of shares):

	2018	**2017**
Balance at January 1	143,062	146,368
Retirement of treasury shares	-	(3,306)
Balance at December 31	**143,062**	**143,062**

(ii) Capital surplus

	December 31, 2018	**December 31, 2017**
Premium derived from the issuance of share in excess of par value:		
Premium on common stock issued for conversion of convertible bonds	$ 736,754	753,780
Forfeited employee stock options	2,433	2,433
Difference between the proceeds and the carrying amounts arising from the acquisition or disposal of shares in subsidiaries	982	982
Changes in ownership interest in subsidiaries	5,594	5,594
Gain on disposal of assets	15	15
	$ 745,778	**762,804**

(Continued)

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

According to the Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. Legal reserve can be used to offset a deficit. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

The distribution of earnings for 2017 and 2016 had been approved in the meetings of shareholders held on June 8, 2018, and June 8, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Dividends per share (dollars)	**Total amount**	**Dividends per share (dollars)**	**Total amount**
Dividends distributed to shareholders:				
Cash	$ 4.50	**643,780**	5.00	**731,842**

(Continued)

The appropriation of 2018 earnings had been proposed by the Company's Board of Directors on March 19, 2019, which included the appropriation of capital surplus of $71,531, as well as the distribution of cash dividends amounting to $715,311 (at $5.0 dollars per share).

Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Treasury stock

On September 26, 2017, the Board of Directors approved a resolution to purchase 5,000,000 shares of its own common shares in order to maintain the credit of the Company and the right of the shareholders. The Company purchased 3,306,000 shares of its own common shares for the amount of $285,953 from September 27, 2017 to November 26, 2017. On February 13, 2018 the related registration process to retire the aforementioned treasury stock has been completed.

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear and any shareholders' rights prior to being sold to third parties.

(v) Other equity items (net after tax)

	Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2018	$ (32,398)	(4,823)	(37,221)
Exchange differences on subsidiaries accounted for using equity method (net of tax)	(3,334)	-	(3,334)
Remeasurement of defined benefit plans (net of tax)	-	270	270
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method	-	(59)	(59)
Balance at December 31, 2018	**$ (35,732)**	**(4,612)**	**(40,344)**

(Continued)

		Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2017	$	(17,694)	(4,676)	(22,370)
Exchange differences on subsidiaries accounted for using equity method (net of tax)		(14,704)	-	(14,704)
Remeasurement of defined benefit plans (net of tax)		-	(1,568)	(1,568)
Remeasurement of defined benefit plans on subsidiaries accounted for using equity method		-	1,421	1,421
Balance at December 31, 2017	$	(32,398)	(4,823)	(37,221)

(l) Earnings per share (“EPS”)

(i) Basic EPS

		2018	2017
Profit attributable to shareholders of the Company	$	801,448	738,368
Weighted-average number of ordinary shares outstanding (in thousands)		143,062	146,051
Basic EPS (dollars)	$	5.60	5.06

(ii) Diluted EPS

		2018	2017
Profit attributable to shareholders of the Company (diluted)	$	801,448	738,368
Weighted-average number of ordinary shares outstanding (in thousands)		143,062	146,051
Effect of employee bonuses		1,310	783
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)		144,372	146,834
Diluted EPS (dollars)	$	5.55	5.03

(Continued)

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets:	
Domestic sales	$ 401,931
Export:	
Asia	430,607
America	2,123,173
Europe and Africa	1,672,594
	4,226,374
	$ 4,628,305
Major products:	
Industrial computers	$ 3,971,676
Peripherals	627,788
Others	28,841
	$ 4,628,305

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 761,014	1,019,916
Less: loss allowance	(8,299)	(8,239)
	$ 752,715	**1,011,677**

Please refer to note 6(c) for details on notes and accounts receivable and its loss allowance.

(n) Revenue

	2017
Revenue from sale of goods	$ 4,561,989
Revenue from services rendered	10,052
Others	8,849
	$ 4,580,890

(Continued)

(o) Remuneration of employees and directors and supervisors

Pursuant to the Company’ s articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors. The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company’ s subsidiaries conforming to certain requirements. If the compensation of employees is resolved to be distributed in stock, the number of shares is determined by reference to the closing price of the Company’ s common stock on the day preceding the Board of Directors’ meeting

For the year ended December 31, 2018 and 2017, the Company accrued the remuneration to its employees amounting to $80,000 thousand and $49,316, respectively, and the remuneration to its directors amounting to $2,400 and $3,200, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as cost of revenue and operating expenses. The differences between the aforementioned accrued remuneration and the amounts approved by the Board of Directors were $0 and $684, respectively, which shall be accounted for as changes in accounting estimates. The remuneration will be paid in cash. The related information would be available at the Market Observation Post System website.

(p) Non-operating income and loss

(i) Other income

	2018	2017
Interest income from bank deposits	$ 3,861	2,926
Other income – other	3,151	1,948
	$ 7,012	4,874

(ii) Other gains and losses

	2018	2017
Gain on change in fair value of contingent consideration	$ -	4,205
Loss on financial assets and liabilities at fair value through profit or loss	(6,105)	(1,151)
Foreign currency exchange gain (loss), net	6,120	(89,068)
Loss on disposal of property, plant and equipment, net	-	(1,160)
Loss on disposal of investment on subsidiaries accounted for using equity method	-	(413)
Others	-	(533)
	$ 15	(88,120)

(Continued)

(iii) Finance costs

	2018	2018
Interest expense from bank loans	$ 10	66

(q) Categories and fair value of financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	$ 744	-
Financial assets measured at amortized cost (note):		
Cash and cash equivalents	$ 1,686,065	1,330,547
Notes and accounts receivable (including related parties)	752,715	1,009,717
Other financial assets – non-current	2,286	2,283
	$ 2,441,066	2,342,547

Note: classified as loans and receivables as of December 31, 2017.

2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss :		
Held for trading－foreign currency forward contracts	$ -	1,151
Contingent consideration arising from business combination	-	32,088
	$ -	33,239
Financial liabilities measured at amortized cost:		
Notes and accounts payable (including related parties)	419,206	530,115
Other payables	38,119	62,774
	$ 457,325	592,889

(Continued)

(ii) Fair value information—financial instruments not measured at fair value

The Company considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Financial instruments that are measured at fair value

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

3) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2018				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Financial assets mandatorily measured at fair value through profit or loss－foreign currency forward contracts	$ 744	-	744	-	744

	December 31, 2017				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss:					
Foreign currency forward contracts	$ 1,151	-	1,151	-	1,151
Contingent consideration arising from business combination	$ 32,088	-	-	32,088	32,088

There were no transfers between fair value levels for the years ended December 31, 2018 and 2017.

(Continued)

Movement in financial liabilities included Level 3 fair value hierarchy:

	2018	2017
Balance at January 1	$ 32,088	35,217
Recognized in profit or loss	7,904	(3,129)
Repaid	(39,992)	-
Balance at December 31	$ -	32,088

(iv) Valuation techniques and assumptions used in fair value measurement

1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. Discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the present value of the consideration to pay.

2) Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

(r) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Company has disclosed the information on exposure to the aforementioned risks, the Company’s policies and procedures to measure and manage those risks, and the quantitative information below.

The Company’s Board of Directors is responsible for developing and monitoring the Company’s risk management policies. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s operations.

The Company’s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company’s Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s cash and cash equivalents, notes and receivables from customers (including related parties). The maximum exposure to credit risk is equal to the carrying amount of the Company’s financial assets.

(Continued)

The Company maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

As of December 31, 2018 and 2017, four clients accounted to a total of 49% and 62%, respectively, of the Company's notes and accounts receivable (including related parties). In order to reduce credit risk, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

For credit risk exposure and loss allowance of notes and accounts receivables, please refer to note 6(c). Cash, accounts receivable from related parties and other financial assets are considered as low-credit-risk financial assets, and thus, the loss allowance are measured using 12-mondths ECL, please refer to note 4(f) for descriptions about how the Company determines the credit risk. As of December 31, 2018, no loss allowance was provided for these financial assets after management's assessment.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and maintaining adequate cash and cash equivalents, and banking facilities. As of December 31, 2018 and 2017, the Company had unused credit facilities of $1,715,005 and $1,708,320, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including the estimating interest.

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years
December 31, 2018					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	419,206	419,206	-	-	-
Other payables	38,119	38,119	-	-	-
	$ 457,325	457,325	-	-	-
December 31, 2017					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	$ 530,115	530,115	-	-	-
Other payables	62,774	62,774	-	-	-
Contingent consideration	40,110	40,110	-	-	-
	$ 632,999	632,999	-	-	-
Derivative financial instruments:					
Foreign currency forward contracts:					
Outflow	$ 138,732	138,732	-	-	-
Inflow	(137,581)	(137,581)	-	-	-
	$ 1,151	1,151	-	-	-

(Continued)

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

1) Foreign currency risk

The Company's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (payables)(including related parties). At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Company entities were as follows:

(Amount in Thousands of Dollars)

	December 31, 2018				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
USD	$ 21,670	30.72	665,702	1%	6,657
GBP	1,404	38.88	54,588	1%	546
Financial liabilities					
USD	7,694	30.72	236,360	1%	2,364

	December 31, 2017				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
USD	$ 52,831	29.76	1,572,251	1%	15,723
Financial liabilities					
USD	10,113	29.76	300,963	1%	3,010
GBP	800	40.11	32,088	1%	321

For the years ended December 31, 2018 and 2017, the aggregate of realized and unrealized foreign exchange gain (loss) amounted to $6,120 and $(89,068), respectively.

(Continued)

2) Interest rate risk

The Company operates primarily with its own working capital and there is no liabilities bearing floating interest rates at the end of the reporting period.

The changes in interest rate would not cause significant potential financial impact on the Company's financial assets, and therefore the management believes that there is no significant interest risk.

(s) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

7. Related-party transactions

(a) Name and relationship with related parties

The following are the Company's subsidiaries:

Name of related parties	Relationship with the Company
Flytech USA International Co., Ltd. (Flytech USA BVI)	The Company's subsidiary
Flytech HK International Co., Ltd. (Flytech HK BVI)	The Company's subsidiary
Flytech CN International Co., Ltd. (Flytech CN BVI)	The Company's subsidiary
Flycom Investment Co., Ltd. (Flycom Investment)	The Company's subsidiary
Box Technologies (Holdings) Ltd. (Box Holdings)	The Company's subsidiary
Flytech Technology (U.S.A.) Inc. (Flytech USA)	The Company's subsidiary
Flytech Technology Hong Kong Ltd. (Flytech HK)	The Company's subsidiary
Flytech Technology (Shanghai) Co., Ltd. (Flytech CN)	The Company's subsidiary
Flytech Inc. Beijing (Flytech BJ)	The Company's subsidiary
iSappos System co., Ltd. (iSappos)	The Company's subsidiary
Iruggy System Co., Ltd. (Iruggy System)	The Company's subsidiary
Poindus Systems Corporation (Poindus Systems)	The Company's subsidiary
Poindus America Corp. (Poindus America)	The Company's subsidiary
Poindus Investment Co., Ltd. (Poindus Investment)	The Company's subsidiary
Poindus Systems UK Limited (Poindus UK)	The Company's subsidiary
Adasys GmbH Elektronische Komponenteas (Adasys)	The Company's subsidiary
Poindus Systems GmbH GroBhandel mit EDV. Oberursel (Poindus GmbH)	The Company's subsidiary
Box Technologies Limited (Box UK)	The Company's subsidiary
BTechnologies AB (Box Nordic)	The Company's subsidiary

(Continued)

(b) Significant related-party transactions:

(i) Revenue

		2018	2017
Subsidiaries:			
Box UK	$	470,624	244,917
Others		345,134	394,196
	$	815,758	639,113

The selling price and payment terms of sales of related parties depend on the economic environment and market competition, the trade terms of sales with related parties are EOM 60~120 days, and the trade terms with third parties are OA 30~75 days. Receivables from related parties were not secured with collateral and did not require provisions for expected credit loss.

(ii) Purchases

		2018	2017
Subsidiaries	$	22,613	31,037

There are no significant differences between the purchase prices for related parties and those for third-party vendors. The payment terms of 30~60 days shows no significant difference between related parties and third-party vendors.

(iii) Operating expenses

Account	Related-party categories		December 31, 2018	December 31, 2017
Operating expenses	Subsidiaries	$	28,963	18,364

(iv) Receivables from related parties

Account	Related party categories		December 31, 2018	December 31, 2017
Accounts receivable-related parties	Subsidiaries—Box UK	$	59,194	142,904
Accounts receivable-related parties	Other subsidiaries		110,020	80,587
		$	169,214	223,491

(v) Payables to related parties

Account	Related party categories		December 31, 2018	December 31, 2017
Accounts payable related parties	Subsidiaries	$	8,185	7,319

(Continued)

(c) Compensation of key management personnel

	2018	2017
Short-term employee benefits	$ 39,325	34,525
Post-employment benefits	660	540
	$ 39,985	35,065

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Time deposits	Guarantee deposit for custom duties	$ 222	219

9. Significant commitments and contingencies

(a) As of December 31, 2018 and 2017, the Company had issued promissory notes amounting to \$1,250,000 and \$1,000,000 for short-term borrowings.

(b) Please refer to note 6(h) for non-cancellable rentals payable of operating leases.

10. Significant losses due to major disasters:None

11. Significant subsequent events:None

12. Others

Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

By function / By item	2018			2017		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	155,800	249,421	405,221	154,072	224,331	378,403
Insurance	13,134	15,759	28,893	12,885	16,270	29,155
Pension	4,981	9,417	14,398	4,984	9,504	14,488
Remuneration to directors	-	3,760	3,760	-	4,400	4,400
Others	5,419	5,261	10,680	5,594	5,465	11,059
Depreciation	69,462	11,177	80,639	70,116	11,635	81,751
Amortization	106	4,626	4,732	121	4,780	4,901

As of December 31, 2018 and 2017, the employees of the Company were 438 and 478, respectively, including 4 and 3 non-employee directors, respectively.

(Continued)

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties:

(Amounts in Thousands of New Taiwan Dollars/Euro)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Actual Drawdown Amounts	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Poindus Systems	Adasys	Other receivables	Yes	16,308 (EUR 450)	15,840 (EUR 450)	15,840 (EUR 450)	4%	1	71,543	-	-		-	51,577	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	8,973 (EUR 250)	8,800 (EUR 250)	8,800 (EUR 250)	4%	1	55,984		-		-	51,577	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	7,248 (EUR 200)	7,040 (EUR 200)	7,040 (EUR 200)	4%	1	49,782		-		-	49,782	206,308
1	Poindus Systems	Adasys	Other receivables	Yes	7,248 (EUR 200)	7,040 (EUR 200)	7,040 (EUR 200)	4%	1	94,757		-		-	51,577	206,308

Note 1. Parties to intercompany transactions are identified and numbered as follows:
1. "0" represents the Company
2. Subsidiaries are numbered from "1".

Note 2. Nature of financing
1. Business transaction purpose
2. Short-term financing

Note 3. The individual financing amounts shall not exceed the lower amounts of transaction amounts of the most recent year and 10% of the most recent audited or reviewed net worth of Poindus Systems. The aggregate financing amount shall not exceed 40% of the most recent audited or reviewed net worth of Poindus Systems.

(ii) Guarantees and endorsements provided to other parties:

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guarantee Party		Limit on Endorsement/ Guarantee Amount Provided to Each Guarantee Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Name of Relationship (Note 2)										
0	The Company	Box Technologies limited	2	878,241	200,000	200,000	-	-	4.55%	2,195,602	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is "0"
(2) The subsidiaries are numbered in order starting from "1"

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as "2" the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.

Note 3: The Company provides guarantee to a subsidiary which the parent company owns directly 100% of its voting shares; the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the Company should not exceed 50% of its net worth.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):None

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed $300 million or 20% of the paid-in capital:None

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital:None

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

			Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		
Company Name	Related Party	Relationship	Purchases/ (Sales)	Amount (Note 3)	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable (Payable)	Note
The Company	Poindus systems	Subsidiary	(Sales)	173,501	3.75%	EM 60	(Note 1)	(Note 2)	62,428	8.29%	
The Company	Box UK	Subsidiary	(Sales)	470,624	10.17%	EM 75	(Note 1)	(Note 2)	59,194	7.86%	

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.
Note 2: The trade terms of sales with related parties are EOM 60~75 days, and the trade terms with third parties are OA 30~75 days.
Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:None

(ix) Transactions in derivative instruments: None.Refer to note 6(b)

(b) Information on investees:

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

(Amounts in Thousands of shares/ foreign currency and New Taiwan Dollars)

			Main	Original Investment Amount		Balance as of December 31, 2018			Net Income	Investment	
Investor	Investee	Location	Businesses and Products	December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying value	(Loss) of the Investee	Income (Loss)	Note
The Company	Flytech USA BVI	British Virgin Islands	Investment and holding activity	38,652	38,652	100	100.00%	19,266	(744)	(744)	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	128,619	(2,526)	(2,526)	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	84,343	84,343	150	100.00%	110,893	5,528	5,528	
The Company	Flycom Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	409,707	(8,520)	(8,520)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	471,900	4	100.00%	453,561	40,570	9,504	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	18,233 (USD594)	(749) (USD(25))	-	
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	129,829 (USD4,227)	(2,526) (USD(84))	-	
Flytech HK	iSAPPOS	Hong Kong	Sale of computers and peripherals	31,690 (HKD7,500)	31,690 (HKD7,500)	(Note 1)	100.00%	4,276 (HKD1,040)	(5,109) (HKD(1,328))	-	
Flycom Investment	NeoVideo	Taiwan	Sale of computers and peripherals	-	15,000	-	- %	-	-	-	
Flycom Investment	IRUGGY System	Taiwan	Sale of computers and peripherals	48,000	48,000	4,800	80.00%	22,515	169	-	
Flycom Investment	Poindus Systems	Taiwan	Investment and holding activity	308,070	308,070	10,354	49.31%	288,197	28,666	-	
Poindus Systems	Poindus Investment	Taiwan	Sale of computers and peripherals	4,100	4,100	-	100.00%	915	1	-	
Poindus Systems	Adasys	Germany	Sale of computers and peripherals	42,134 (EUR 1,280)	42,134 (EUR 1,280)	-	100.00%	9,887	(9,564)	-	
Poindus Investment	Poindus America	USA	Sale of computers and peripherals	32,195 (USD 1,000)	32,195 (USD 1,000)	1,000	100.00%	1,837	(2,682)	-	
Poindus Investment	Poindus UK	United Kingdom	Sale of computers and peripherals	14,297 (GBP 300)	14,297 (GBP 300)	300	100.00%	(9,554)	(6,035)	-	
Poindus Investment	Poindus GmbH	Germany	Sale of computers and peripherals	1,195 (EUR 25)	1,195 (EUR 25)	-	100.00%	(62)	-	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP 10)	472 (GBP 10)	10	100.00%	196,009 (GBP 504)	34,103 (GBP 847)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	2,330 (GBP 49)	2,330 (GBP 49)	5	100.00%	14,311 (GBP 368)	6,467 (GBP 161)	-	

Note 1: There were no shares as the company is a limited liability company.
Note 2: In February 2018, the Company sold all their shares in NeoVideo.

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Flytech CN	Sale of computers and peripherals	69,089 (USD 2,000)	Note 1	69,089 (USD 2,000)	-	-	69,089 (USD 2,000)	5,998 (USD 199)	100.00%	5,998 (USD 199)	99,845 (USD 3,251)	-
Flytech BJ	Sale of computers and peripherals	15,420 (USD 500)	Note 1	15,420 (USD 500)	-	-	15,420 (USD 500)	(405) (USD (13))	100.00%	(405) (USD (13))	11,472 (USD 373)	-

Note 1: Indirect investment in Mainland China through a holding company, Flytech CN BVI, established in a third country

Note 2: Investment income or loss was recognized based on financial statements audited by the auditors of the parent company.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and United States Dollars)

Accumulated investment in Mainland China as of December 31, 2018	Investment amount authorized by Ministry of Economic Affairs Investment Commission	Upper limit on investment
84,509 (USD 2,500)	84,509 (USD 2,500)	2,634,722

(iii) Significant transactions with the investee in Mainland China:None

14. Segment information

Please refer to the consolidated financial statements for the years ended December 31, 2018 and 2017 for disclosure of segment information.

Flytech Technology Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and cash in foreign currency		$ 932
Demand deposits		1,584,793
Checking accounts		8
Foreign currency deposits (Note 1)	USD：3,109 thousand	100,332
	CNY：997 thousand	
		$ 1,686,065

Note 1: Foreign currency deposits were translated at the spot exchange rate on December 31, 2018 as follows:

Currency	Exchange rate
USD	30.715
CNY	4.472

(Continued)

Flytech Technology Co., Ltd.

Statement of Notes and Accounts Receivable

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Name of Customers	Description	Amount	Note
Customer A		$ 176,347	
Customer B		75,751	
Customer C		63,912	
Customer D		50,700	
Other (less than 5%)		225,090	
Less : Loss allowance		(8,299)	
		$ 583,501	

Statement of Accounts Receivable From Related Parties

Name of related parties	Amount
Poindus Systems Corp.	$ 62,428
Box Technologies Limited	59,194
Flytech CN	22,522
IRUGGY System	18,273
Other (less than 5%)	6,797
	$ 169,214

(Continued)

Flytech Technology Co., Ltd.

Statement of Inventories

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount		Note
	Carrying amount	Net realizable value	
Raw materials	$ 324,459	317,772	
Work in porcess	111,036	154,321	
Finished goods	34,496	46,373	
	$ 469,991	**518,466**	

Statement of Prepayments and Other Current Assets

Item	Description	Amount	Note
VAT refund		$ 11,744	
Prepaid insurance expense		2,077	
Subsidies receivable		2,457	
Other (less than 5%)		5,326	
		$ 21,604	

(Continued)

Flytech Technology Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Name of investees	Balance at January 1, 2018 Shares	Balance at January 1, 2018 Amount	Adjustments IFRS 9	Addition Shares	Addition Amount	Decrease Shares	Decrease Amount	Investment incon method	Foreign curre difference	Additional pa benefit plan	Realized (unrealized) gross profit	Balance at December 31, 2018 Shares	Balance at December 31, 2018 %	Balance at December 31, 2018 Amount	Total equity	Collateral or pledge
Flytech USA BVI	100	$ 19,386	-	-	-	-	-	(744)	608	-	16	100	100.00%	19,266	19,289	No
Flytech HK BVI	50	126,849	-	-	-	-	-	(2,526)	3,801	-	495	50	100.00%	128,619	129,851	No
Flytech CN BVI	150	108,251	-	-	-	-	-	5,528	(2,249)	-	(637)	150	100.00%	110,893	113,197	No
Flycom Investment	19,000	418,454	(1,109)	-	-	-	-	(8,520)	99	(59)	842	19,000	100.00%	409,707	419,255	No
Box Holdings	4	463,344	-	-	-	-	-	9,504	(5,593)	-	(13,694)	4	100.00%	453,561	283,416	No
		$ 1,136,284	(1,109)		-		-	3,242	(3,334)	(59)	(12,978)			1,122,046		

(Continued)

Flytech Technology Co., Ltd.

Statement of Change in of Intangible Assets

For the year ended December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Begining balance	Increase during 2018	Transferred from advance equipment	Decrease during 2018	Ending balance	Note
Cost：						
Computer software	$ 32,245	2,304	-	-	34,549	
Amortization：						
Computer software	(25,980)	(4,732)	-	-	(30,712)	Amortizing by straight-line method
	$ 6,265	**(2,428)**	**-**	**-**	**3,837**	

Flytech Technology Co., Ltd.

Statement of Notes and Accounts Payable

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

Name of cusomers	Description	Amount	Note
Vendor A		$ 52,027	
Other (less than 5%)		358,994	
		$ 411,021	

Statement of Other Payables

Item	Description	Amount	Note
Accrued remuneration to employees, and directors and supervisors		$ 80,000	
Accrued Bonus		48,154	
Salaries and wages payable		22,415	
Other (less than 5%)		45,442	
		$ 196,011	

Flytech Technology Co., Ltd.
Statement of Internal Control System

Date: Mar 19th 2019

Based on the findings of a self-assessment, Flytech Technology Co., Ltd. (Flytech) states the following with regard to its internal control system during the year 2018:

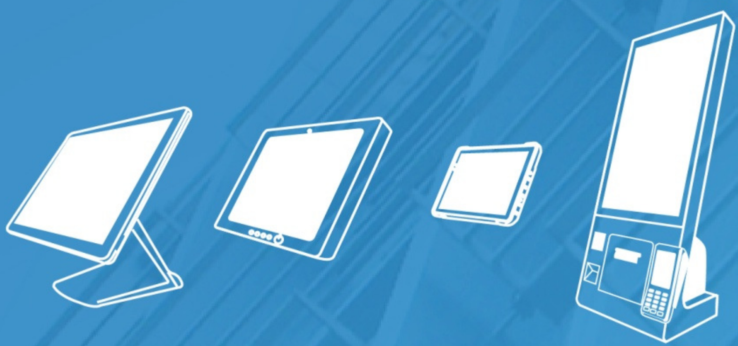
1. Flytech's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and Flytech has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of Flytech contains self-monitoring mechanisms, and Flytech takes immediate remedial actions in response to any identified deficiencies.
3. Flytech evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Flytech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Flytech believes that, on December 31, 2018, it has maintained, in all material respects, and effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Flytech's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 19th, 2019, with none of the five attending directors expressing dissenting opinions, and remainders all affirming the content of this Statement.

Flytech Technology Co.,Ltd.

Chairman
Lam Tai Seng

President
Liu Chiu Tsao

Stock Code:6206



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Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
2018 Annual Report is available at: http://www.flytech.com
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