

Syscom Computer Engineering Co.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Syscom Computer Engineering Co.

Opinion

We have audited the accompanying financial statements of Syscom Computer Engineering Co. (the "Corporation"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements of the Corporation for the year ended December 31, 2019 are stated as follows:

Recognition of Contract Revenue

The Corporation generates revenue through rendering of services according to contract. Revenue from contract is recognized by reference to the stage of completion of contract activity. The stage of completion of the contract is measured based on the proportion of contract cost incurred for work performed to date relative to the estimated total contract cost. The management estimates total contract cost upon signing of the contract. However, the estimated total cost may change as

the contract activity progresses and such change may have material impact on revenue recognition; therefore, the recognition of contract revenue is deemed to be a key audit matter.

We focused on the measurement of stage of completion while testing the recognition of contract revenue. The procedures we performed are the following:

1. We examined the underlying documents of original contract and related addendum used as basis for contract revenue recognized.
2. We verified the accuracy of accumulated incurred cost through test of details.
3. We assessed the appropriateness of underlying information and assumptions the management used in estimating total cost.
4. We performed retrospective review of discrepancy between actual costs incurred and estimated total cost of completed contract.

Please refer to Notes 4 and 5 to the accompanying financial statements for related disclosure on revenue recognition.

Valuation of Inventory

The inventories of the Corporation, which amounted to NT\$397,672 thousand as of December 31, 2019, are stated at the lower of cost or net realizable value. As described in Note 5, net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Since the estimation is subject to management's judgement, the valuation of inventory is deemed to be a key audit matter.

In respect of the valuation of inventory, the procedures we performed are the following:

1. We verified the reasonableness of the estimated net realizable value through examining recent sales information and the underlying documents;
2. We observed the annual physical inventory count and assessed the adequacy of the methods used by management to identify obsolete inventory.

Other Matter

The financial statements as of and for the years ended December 31, 2019 and 2018 of some investees in which the Corporation had equity-method investments were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the accompanying financial statements for these investees, is based solely on the reports of the other auditors. As of December 31, 2019 and 2018, the aforementioned investments accounted for using equity method amounted to NT\$204,762 thousand and NT\$210,130 thousand, which were 5% and 7% of total assets of the Corporation. For the years ended December 31, 2019 and 2018, investment loss from the aforementioned equity-method investments amounted to NT\$4,209 thousand and NT\$1,289 thousand, which represented (3%) and (2%) of total comprehensive income of the Corporation.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the 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 entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

Notice to Readers

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

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

SYSCOM COMPUTER ENGINEERING CO.

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 302,994	8	\$ 310,707	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	60,002	2	-	-
Financial assets at amortized cost - current (Notes 4, 9 and 27)	144,076	4	125,313	4
Contract assets - current (Notes 4 and 20)	524,705	13	210,541	7
Notes receivable	1,966	-	2,176	-
Accounts receivable (Notes 4, 5, 10 and 26)	1,125,428	28	825,342	26
Lease receivables - current	83	-	83	-
Other receivables	4,406	-	5,745	-
Inventories (Notes 4, 5 and 11)	397,672	10	302,666	10
Prepayments	255,976	6	215,345	7
Other current assets	<u>80,773</u>	<u>2</u>	<u>92,117</u>	<u>3</u>
Total current assets	<u>2,898,081</u>	<u>73</u>	<u>2,090,035</u>	<u>67</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	64,656	2	3,086	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	130,979	3	107,303	4
Investments accounted for using the equity method (Notes 4 and 12)	302,686	8	409,441	13
Property, plant and equipment (Notes 4, 13, 26 and 27)	376,412	9	419,519	14
Right-of-use assets (Notes 4 and 14)	111,698	3	-	-
Intangible assets (Notes 4 and 15)	8,812	-	8,092	-
Deferred tax assets (Notes 4, 5 and 22)	26,099	1	31,750	1
Lease receivables - non-current	717	-	1,350	-
Other non-current assets	<u>33,231</u>	<u>1</u>	<u>37,219</u>	<u>1</u>
Total non-current assets	<u>1,055,290</u>	<u>27</u>	<u>1,017,760</u>	<u>33</u>
TOTAL	<u>\$ 3,953,371</u>	<u>100</u>	<u>\$ 3,107,795</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 130,000	3	\$ 100	-
Short-term bills payable (Note 16)	129,804	3	34,970	1
Contract liabilities - current (Notes 4 and 20)	133,058	4	88,821	3
Notes payable	34	-	13,369	-
Accounts payable (Note 26)	1,271,295	32	880,386	28
Other payables (Note 17)	219,492	6	172,152	6
Current tax liabilities	7,992	-	6,939	-
Lease liabilities - current (Notes 4, 14 and 26)	37,427	1	-	-
Unearned receipts	-	-	19,584	1
Other current liabilities	<u>11,812</u>	<u>-</u>	<u>13,084</u>	<u>-</u>
Total current liabilities	<u>1,940,914</u>	<u>49</u>	<u>1,229,405</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	12,021	-	12,750	1
Lease liabilities - non-current (Notes 4, 14 and 26)	79,547	2	-	-
Net defined benefits liabilities - non-current (Notes 4, 5 and 18)	109,927	3	123,617	4
Guarantee deposits received	<u>13,458</u>	<u>1</u>	<u>9,370</u>	<u>-</u>
Total non-current liabilities	<u>214,953</u>	<u>6</u>	<u>145,737</u>	<u>5</u>
Total liabilities	<u>2,155,867</u>	<u>55</u>	<u>1,375,142</u>	<u>44</u>
EQUITY (Notes 4, 19 and 23)				
Share capital - ordinary shares	<u>1,000,000</u>	<u>25</u>	<u>1,000,000</u>	<u>32</u>
Capital surplus	<u>1,130</u>	<u>-</u>	<u>10</u>	<u>-</u>
Retained earnings				
Legal reserve	250,217	6	243,926	8
Special reserve	17,619	-	17,619	1
Unappropriated earnings	<u>543,200</u>	<u>14</u>	<u>481,767</u>	<u>15</u>
Total retained earnings	<u>811,036</u>	<u>20</u>	<u>743,312</u>	<u>24</u>
Other equity	<u>(14,662)</u>	<u>-</u>	<u>(10,669)</u>	<u>-</u>
Total equity	<u>1,797,504</u>	<u>45</u>	<u>1,732,653</u>	<u>56</u>
TOTAL	<u>\$ 3,953,371</u>	<u>100</u>	<u>\$ 3,107,795</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 20 and 26)				
Sales	\$ 4,320,690	80	\$ 3,381,193	77
Maintenance revenue	1,068,924	20	970,973	22
Rental revenue	<u>22,101</u>	<u>-</u>	<u>33,443</u>	<u>1</u>
Total operating revenue	<u>5,411,715</u>	<u>100</u>	<u>4,385,609</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 21 and 26)				
Cost of goods sold	3,435,943	63	2,578,182	59
Maintenance costs	848,615	16	782,822	18
Rental costs	<u>14,569</u>	<u>-</u>	<u>22,977</u>	<u>-</u>
Total operating costs	<u>4,299,127</u>	<u>79</u>	<u>3,383,981</u>	<u>77</u>
GROSS PROFIT	<u>1,112,588</u>	<u>21</u>	<u>1,001,628</u>	<u>23</u>
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	742,957	14	660,623	15
Research and development expenses	<u>235,047</u>	<u>4</u>	<u>243,900</u>	<u>6</u>
Total operating expenses	<u>978,004</u>	<u>18</u>	<u>904,523</u>	<u>21</u>
PROFIT FROM OPERATIONS	<u>134,584</u>	<u>3</u>	<u>97,105</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 21 and 26)	63,630	1	53,218	1
Other gains and losses (Notes 4 and 21)	2,131	-	(4,903)	-
Finance costs (Note 21)	(5,036)	-	(1,842)	-
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	<u>(38,278)</u>	<u>(1)</u>	<u>(59,631)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>22,447</u>	<u>-</u>	<u>(13,158)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	157,031	3	83,947	2
INCOME TAX EXPENSE (Notes 4 and 22)	<u>27,881</u>	<u>1</u>	<u>21,035</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>129,150</u>	<u>2</u>	<u>62,912</u>	<u>2</u>

(Continued)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 18, 19 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (4,954)	-	\$ (1,510)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(3,098)	-	29	-
Share of the other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(103)	-	(408)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	991	-	2,064	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(3,112)	-	3,406	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	<u>2,251</u>	<u>-</u>	<u>(387)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(8,025)</u>	<u>-</u>	<u>3,194</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 121,125</u>	<u>2</u>	<u>\$ 66,106</u>	<u>2</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.29</u>		<u>\$ 0.63</u>	
Diluted	<u>\$ 1.29</u>		<u>\$ 0.63</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	\$ 1,000,000	\$ 99	\$ 234,824	\$ 17,619	\$ 500,574	\$ (11,577)	\$ (2,140)	\$ 1,739,399
Appropriation of the 2017 earnings								
Legal reserve	-	-	9,102	-	(9,102)	-	-	-
Cash dividends - NT\$0.7 per share	-	-	-	-	(70,000)	-	-	(70,000)
Net profit for the year ended December 31, 2018	-	-	-	-	62,912	-	-	62,912
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	146	3,019	29	3,194
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	63,058	3,019	29	66,106
Changes in percentage of ownership interests in subsidiaries	-	(89)	-	-	(2,763)	-	-	(2,852)
BALANCE AT DECEMBER 31, 2018	1,000,000	10	243,926	17,619	481,767	(8,558)	(2,111)	1,732,653
Effect of retrospective application and retrospective restatement	-	-	-	-	(7,394)	-	-	(7,394)
BALANCE AT JANUARY 1, 2019, AS RESTATED	<u>1,000,000</u>	<u>10</u>	<u>243,926</u>	<u>17,619</u>	<u>474,373</u>	<u>(8,558)</u>	<u>(2,111)</u>	<u>1,725,259</u>
Appropriation of the 2018 earnings								
Legal reserve	-	-	6,291	-	(6,291)	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	(50,000)	-	-	(50,000)
Net profit for the year ended December 31, 2019	-	-	-	-	129,150	-	-	129,150
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(4,066)	(861)	(3,098)	(8,025)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	125,084	(861)	(3,098)	121,125
Actual acquisition of interests in subsidiaries	-	325	-	-	-	-	-	325
Unclaimed dividends	-	795	-	-	-	-	-	795
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	34	-	(34)	-
BALANCE AT DECEMBER 31, 2019	<u>\$ 1,000,000</u>	<u>\$ 1,130</u>	<u>\$ 250,217</u>	<u>\$ 17,619</u>	<u>\$ 543,200</u>	<u>\$ (9,419)</u>	<u>\$ (5,243)</u>	<u>\$ 1,797,504</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 157,031	\$ 83,947
Adjustments for:		
Depreciation expenses	126,177	88,339
Share of loss of subsidiaries, associates and joint ventures	38,278	59,631
Finance costs	5,036	1,842
Net gain on disposal of investments accounted for using the equity method	(4,244)	(258)
Interest income	(2,453)	(2,686)
(Reversal of) write-downs of inventories	(1,096)	2,479
Amortization expenses	663	200
Net gain on financial assets at fair value through profit or loss	(289)	(170)
Loss on disposal of property, plant and equipment	280	1,021
Dividend income	(33)	(43)
Net loss on foreign currency exchange	17	752
Changes in operating assets and liabilities		
Contract assets	(314,164)	140,074
Notes receivable	210	(1,613)
Accounts receivable	(300,086)	97,714
Other receivables	1,339	8,774
Inventories	(111,700)	8,950
Prepayments	(40,631)	(62,552)
Other current assets	875	(732)
Lease receivables	633	(116)
Contract liabilities	44,237	(12,704)
Notes payable	(13,335)	12,717
Accounts payable	392,206	(68,629)
Other payables	50,029	(20,599)
Unearned receipts	(19,584)	19,584
Other current liabilities	1,214	(2,171)
Net defined benefits liabilities	<u>(18,644)</u>	<u>(17,455)</u>
Cash (used in) generated from operations	(8,034)	336,296
Interest received	2,453	2,686
Dividends received	33	43
Interest paid	(6,913)	(2,014)
Income tax paid	<u>(20,915)</u>	<u>(17,975)</u>
Net cash (used in) generated from operating activities	<u>(33,376)</u>	<u>319,036</u>
		(Continued)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	\$ (480,000)	\$ (330,000)
Proceeds from sale of financial assets at fair value through profit or loss	420,287	520,178
(Purchase of) proceeds from sale of financial assets at amortized cost	(42,439)	45,222
Payments for property, plant and equipment	(29,745)	(38,279)
Decrease (increase) in refundable deposits	14,457	(33,460)
Proceeds from sale of financial assets at fair value through other comprehensive income	5,682	-
Net cash inflow on disposal of subsidiaries	1,727	-
Payments for intangible assets	(1,383)	(300)
Net cash inflow on disposal of associates	-	7,364
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>423</u>
Net cash (used in) generated from investing activities	<u>(111,414)</u>	<u>171,148</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	129,900	(229,900)
Proceeds from (repayments of) short-term bills payable	94,163	(15,203)
Dividends paid	(50,000)	(70,000)
Repayment of the principal portion of lease liabilities	(36,483)	-
Proceeds from guarantee deposits received	1,602	2,330
Acquisition of subsidiaries	(1,445)	(68,633)
Unclaimed dividends	<u>654</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>138,391</u>	<u>(381,406)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(1,314)</u>	<u>596</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,713)	109,374
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>310,707</u>	<u>201,333</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 302,994</u>	<u>\$ 310,707</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Syscom Computer Engineering Co. (the “Corporation”) was incorporated in July 1975. The Corporation mainly and sells computer systems and designs computer software. It also provides services for the integration of computer information systems and maintenance of computer hardware.

The Corporation’s shares have been listed on the Taiwan Stock Exchange since May 22, 2001.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 23, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Corporation elected to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value assets and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Corporation elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

- 1) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.5%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 149,521
Less: Recognition exemption for short-term leases	<u>(234)</u>
Undiscounted amount on January 1, 2019	<u>\$ 149,287</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 145,002</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 145,002</u>

The Corporation as lessor

The Corporation does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ <u>-</u>	\$ <u>139,058</u>	\$ <u>139,058</u>
Total effect on assets	\$ <u>-</u>	\$ <u>139,058</u>	\$ <u>139,058</u>
Lease liabilities - current	\$ -	\$ 35,791	\$ 35,791
Lease liabilities - non-current	<u>-</u>	<u>109,211</u>	<u>109,211</u>
Total effect on liabilities	\$ <u>-</u>	\$ <u>145,002</u>	\$ <u>145,002</u>
Retained earnings	\$ <u>743,312</u>	\$ <u>(5,944)</u>	\$ <u>737,368</u>
Total effect on equity	\$ <u>743,312</u>	\$ <u>(5,944)</u>	\$ <u>737,368</u>

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligations less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation 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 that are measured at historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The cost of the prepayments for contracts was evaluated base on each contract. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Corporation.

g. Investment in associates and joint ventures

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Corporation uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and joint venture. The Corporation also recognizes the changes in the Corporation's share of the equity of associates and joint ventures attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate and joint venture. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate and joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Corporation transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized only in the parent company's financial statements only to the extent of interests in the associate and the joint venture that are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments at amortized cost, notes receivable, accounts receivable, lease receivables, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits and commercial bills with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), lease receivables, as well as contract assets.

The Corporation always recognizes lifetime Expected Credit Loss (ECLs) for accounts receivable, lease receivables and contract assets. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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.

1. Revenue recognition

The Corporation identifies performance obligations of each contract with customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from sales

Contract revenue

Contract revenue comes from software and hardware integration services.

As the Corporation provides software and hardware integration services, customers simultaneously receive and consume the benefits provided by the Corporation's performance. The effort of technical personnel and the completion of the equipment are required to perform software and hardware integration services. The Corporation measures the stage of completion based on the proportion of contract costs incurred on the work performed to date relative to the estimated total costs. Customers paid in installments according to contract. Contract assets are recognized over the period in which the services are performed and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Corporation recognizes contract liabilities for the difference.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of computer software, hardware and peripherals. The Corporation recognizes revenue and accounts receivable when performance obligations are satisfied. The performance obligations are satisfied when customers obtain control and right of use of the promised goods and bear inventory risks.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from follow-up maintenance services of software and hardware during the contract period. The Corporation recognizes revenue over time.

m. Leases

2019

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Corporation's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Corporation as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represent the actual deficit (surplus) in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Republic of China Income Tax Law, an additional tax of unappropriated earnings is recognized in current tax in the year of approval by the shareholders' meeting resolution.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. 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 if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of accounts receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and the liabilities.

d. Revenue recognition

For every contract, the Corporation determines whether its performance obligation is satisfied over time or at a point in time based on the conditions in the contract and applicable regulation.

The Corporation generates revenue through rendering of software and hardware integration services according to contract. The effort of technical personnel and the completion of the equipment are required to perform software and hardware integration services. The Corporation measures the stage of completion based on the proportion of contract costs incurred on the work performed to date relative to the estimated total contract costs. Customers paid in installments according to contract. Contract assets are recognized over the period in which the services are performed. Contract revenue is recognized by reference to the stage of completion of each contract. The Corporation estimated total contract cost upon signing the contract. If the estimated cost changes, the Corporation amends the percentage of completion and the related contract revenue.

e. Income taxes

As of December 31, 2019 and 2018, the carrying amount of deferred tax assets in relation to unused tax losses was \$26,099 thousand and \$31,750 thousand, respectively. As of December 31, 2019 and 2018, no deferred tax asset has been recognized on tax losses of \$335 thousand and of \$355 thousand, respectively, due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 405	\$ 435
Checking accounts and demand deposits	302,589	309,187
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	1,085
	<u>\$ 302,994</u>	<u>\$ 310,707</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank demand deposits	0.07%	0.08%
Time deposits with original maturities less than 3 months	-	0.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 60,002	\$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed shares	\$ 63,061	\$ 1,491
Unlisted shares	<u>1,595</u>	<u>1,595</u>
	<u>\$ 64,656</u>	<u>\$ 3,086</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

The Corporation's investments in Dimension Computer Technology Co., Ltd. were reclassified from investments accounted for using the equity method to financial assets at FVTOCI from the second quarter of 2019. Refer to Note 12.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Pledged time deposits	\$ 240,805	\$ 177,613
Time deposits with original maturities of more than 3 months	<u>34,250</u>	<u>55,003</u>
	<u>\$ 275,055</u>	<u>\$ 232,616</u>
Current	\$ 144,076	\$ 125,313
Non-current	<u>130,979</u>	<u>107,303</u>
	<u>\$ 275,055</u>	<u>\$ 232,616</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.77%-1.07% and 0.6%-1.245% per annum as of December 31, 2019 and 2018, respectively.

Refer to Note 26 for information relating to financial assets at amortized cost pledged as security.

Based on the Corporation's assessment, the credit risk of the above-mentioned financial assets at amortized cost is not expected to be high and has not increased since initial recognition. The Corporation does not expect to recognize any credit loss resulting from default events on financial assets at amortized cost that are possible within 12 months after the reporting date. Accordingly, no impairment loss was recognized as of December 31, 2019 and 2018.

10. ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
<u>At amortized cost</u>		
Accounts receivable	\$ 1,126,197	\$ 826,111
Less: Allowance for impairment loss	<u>(769)</u>	<u>(769)</u>
	<u>\$ 1,125,428</u>	<u>\$ 825,342</u>

The average credit period of sales of goods was 60 to 120 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor, an analysis of the debtor's current financial position, past experience with collecting payments, observable changes in national or local economic conditions that correlate with defaults on receivables, as well as indicators of the industry in which the debtors operate.

The Corporation writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Considering the above conditions, the Corporation assesses the credit risk of individual customers based on the aging schedule of accounts receivable (based on invoice date). The following table details the loss allowance of accounts receivable.

December 31, 2019

	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 993,409	\$ 39,782	\$ 17,112	\$ 75,894	\$1,126,197
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(769)</u>
Amortized cost	<u>\$ 993,409</u>	<u>\$ 39,782</u>	<u>\$ 17,112</u>	<u>\$ 75,125</u>	<u>\$1,125,428</u>

December 31, 2018

	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 736,508	\$ 25,788	\$ 5,460	\$ 58,355	\$ 826,111
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(769)</u>
Amortized cost	<u>\$ 736,508</u>	<u>\$ 25,788</u>	<u>\$ 5,460</u>	<u>\$ 57,586</u>	<u>\$ 825,342</u>

The loss allowance of accounts receivable did not change in 2019 and 2018.

11. INVENTORIES

	December 31	
	2019	2018
Commodities	\$ 176,522	\$ 184,553
Prepayments for contracts	209,151	114,250
Inventories in transit	11,912	3,768
Maintenance materials	<u>87</u>	<u>95</u>
	<u>\$ 397,672</u>	<u>\$ 302,666</u>

The commodities mainly consisted of computer hardware and software.

Prepayment for contracts are the cost incurred to date related to computer hardware, software and labor.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$3,435,943 thousand and \$2,578,182 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of \$1,096 thousand and inventory write-downs of \$2,479 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	\$ 239,256	\$ 280,954
Investments in associates	12,267	77,950
Investments in joint venture	<u>51,163</u>	<u>50,537</u>
	<u>\$ 302,686</u>	<u>\$ 409,441</u>

Investments in Subsidiaries

Name of Subsidiaries	December 31	
	2019	2018
Unlisted company		
CASEMaker, Inc.	\$ 109,494	\$ 115,058
WiseMaker Technology Co.	55,709	53,366
Syscom International Inc.	34,494	68,973
Netmaker Technology Co.	32,951	35,560
Coach Tech Management Co.	2,836	3,618
Syscom Computer (Thailand) Co., Ltd.	3,802	2,528
Syscom Vietnam Co., Ltd.	-	1,851
	<u>\$ 239,256</u>	<u>\$ 280,954</u>

At the end of the reporting period, the proportions of ownership and voting rights in subsidiaries held by the Corporation were as follows:

Name of Subsidiaries	Proportion of Ownership and Voting Rights		Notes
	December 31		
	2019	2018	
CASEMaker, Inc.	100.00%	100.00%	a)
WiseMaker Technology Co.	98.68%	98.68%	a)
Syscom International Inc.	100.00%	100.00%	a), b), c)
Netmaker Technology Co.	80.00%	76.00%	a), f)
Coach Tech Management Co.	97.50%	97.50%	a)
Syscom Computer (Thailand) Co., Ltd.	91.40%	90.32%	a), d), e)
Syscom Vietnam Co., Ltd.	-	100.00%	a)

- Except for Syscom Vietnam Co., Ltd., whose financial statements for the year ended December 31, 2018 have not been audited, the investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited. The Corporation's board of directors resolved to liquidate Syscom Vietnam Co., Ltd. on March 26, 2018. The liquidation has been completed on December 31, 2019.
- In March 2018, the Corporation subscribed for cash capital increase of indirect subsidiary, Xian Lian Computer Company, at a percentage different from its existing ownership percentage through Syscom International Inc. The investments amounted to US\$700 thousand.
- In August 2018, the Corporation fully subscribed for cash capital increase of indirect subsidiary, Syscom Computer (Shenzhen) Co., Ltd., through Syscom International Inc. The investment amounted to US\$1,500 thousand.
- Syscom Computer (Thailand) Co., Ltd. increased its capital by THB2,000 thousand in December 2018, which had been fully subscribed by the Corporation; after the capital increase, the Corporation's percentage of ownership in Syscom Computer (Thailand) Co., Ltd. increased to 90.32%.
- In August 2019, the Corporation acquired additional 40 thousand shares of Syscom Computer (Thailand) Co., Ltd. from an unrelated party for \$125 thousand; after the acquisition of further interests, the Corporation's percentage of ownership in Syscom Computer (Thailand) Co., Ltd. increased to 91.40%.

- f. In July 2019, the Corporation acquired additional 132 thousand shares of Netmaker Technology Co. from an unrelated party for \$1,320 thousand; after the acquisition of further interests, the Corporation's percentage of ownership in Netmaker Technology Co. increased to 80.00%.

Investment in Associates

	December 31	
	2019	2018
<u>Associates that are not individually material</u>		
Listed company		
Dimension Computer Technology Co., Ltd.	\$ -	\$ 64,671
Unlisted company		
DBMaker Japan Inc.	<u>12,267</u>	<u>13,279</u>
	<u>\$ 12,267</u>	<u>\$ 77,950</u>

All the associates were accounted for using the equity method.

As at the end of the reporting period, the proportions of ownership and voting rights in associates held by the Corporation were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associates	2019	2018
Dimension Computer Technology Co., Ltd.	-	15.88%
DBMaker Japan Inc.	49.89%	49.89%

Although the Corporation's holding in Dimension Computer Technology Co., Ltd. was less than 20%, the Corporation was able to exercise significant influence over the investee and accounted for the investment as an associate due to the fact that it served as the investee's corporate director. However, the Corporation was not elected to be the corporate director of Dimension Computer Technology Co., Ltd. after the annual shareholders' meetings on June 24, 2019. As a result, the Corporation ceased to have significant influence over Dimension Computer Technology Co., Ltd. and no longer accounted the investment using the equity method. The Corporation's investments in Dimension Computer Technology Co., Ltd. were reclassified from investments accounted for using the equity method to financial assets at FVTOCI from the date of loss of significant influence. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

	December 31, 2019
Fair value of retained investments (15.88%)	\$ 70,350
Less: Carrying amount of investment on the date of loss of significant influence	(63,667)
Less: Share of other comprehensive income of the associate	<u>(1,751)</u>
Gain recognized	<u>\$ 4,932</u>

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associates	December 31	
	2019	2018
Dimension Computer Technology Co., Ltd.	\$ <u>-</u>	\$ <u>67,000</u>

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	For the Year Ended December 31	
	2019	2018
The Corporation's share of:		
Net (loss) profit for the year	\$ (2,488)	\$ 352
Other comprehensive income	<u>472</u>	<u>9</u>
Total comprehensive (loss) income for the year	\$ <u>(2,016)</u>	\$ <u>361</u>

Except for Dimension Computer Technology Co., Ltd. for the year ended December 31, 2018, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of associates which have not been audited.

Investment in Joint Venture

	December 31	
	2019	2018
Joint venture that is not individually material		
CloudMaster Co., Ltd. ("CloudMaster")	\$ <u>51,163</u>	\$ <u>50,537</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entity held by the Corporation was as follows:

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
CloudMaster	50.00%	50.00%

The joint venture is accounted for using the equity method.

The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	For the Year Ended December 31	
	2019	2018
The Corporation's share of:		
Net profit (loss) for the year	\$ 646	\$ (1,268)
Other comprehensive (loss) income	<u>(20)</u>	<u>198</u>
Total comprehensive income (loss) for the year	<u>\$ 626</u>	<u>\$ (1,070)</u>

In March 2013, under the authorization of the Investment Commission of the Ministry of Economic Affairs, the Corporation incorporated CloudMaster under the joint venture agreement and had 50% of ownership. CloudMaster provides services in information software, data processing and electronic information. Under the joint venture agreement, in the meetings of the board of directors and the shareholders of CloudMaster, majority rule shall prevail. However, the Corporation's seat in CloudMaster's board of director does not exceed half of the board. Besides, under CloudMaster's policies, significant strategic decisions should be made by unanimous agreement of the shareholders of both entities, and the Corporation has no right to obtain the variable rewards which is unavailable to CloudMaster's shareholders and does not have direct ability to affect the rewards from investing in CloudMaster. As a result, the Corporation has no control over CloudMaster.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the joint venture's financial statements audited by auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Corporation	\$ 339,407
Assets leased under operating leases	<u>37,005</u>
	<u>\$ 376,412</u>

a. Assets used by the Corporation - 2019

<u>Cost</u>	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improve- ments	Others	Total
Balance at January 1, 2019	\$ 116,553	\$ 83,229	\$ 109,542	\$ 251,256	\$ 92,538	\$ 95,607	\$ 748,725
Adjustments on initial application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,524)</u>	<u>(78,524)</u>
Balance at January 1, 2019 (restated)	116,553	83,229	109,542	251,256	92,538	17,083	670,201
Additions	-	-	7,913	17,626	1,910	2,296	29,745
Disposals	-	-	-	(3,992)	-	-	(3,992)
Reclassification	<u>-</u>	<u>-</u>	<u>9,037</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>17,037</u>
Balance at December 31, 2019	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 126,492</u>	<u>\$ 272,890</u>	<u>\$ 94,448</u>	<u>\$ 19,379</u>	<u>\$ 712,991</u>

(Continued)

<u>Accumulated depreciation</u>	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improvements	Others	Total
Balance at January 1, 2019	\$ -	\$ 36,144	\$ 66,540	\$ 131,013	\$ 57,081	\$ 38,428	\$ 329,206
Adjustments on initial application of IFRS 16	-	-	-	-	-	(28,354)	(28,354)
Balance at January 1, 2019 (restated)	-	36,144	66,540	131,013	57,081	10,074	300,852
Disposals	-	-	-	(3,712)	-	-	(3,712)
Depreciation expense	-	1,409	16,148	47,749	9,541	1,936	76,783
Reclassification	-	-	(336)	(3)	-	-	(339)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 37,553</u>	<u>\$ 82,352</u>	<u>\$ 175,047</u>	<u>\$ 66,622</u>	<u>\$ 12,010</u>	<u>\$ 373,584</u>
Carrying amounts at December 31, 2019	<u>\$ 116,553</u>	<u>\$ 45,676</u>	<u>\$ 44,140</u>	<u>\$ 97,843</u>	<u>\$ 27,826</u>	<u>\$ 7,369</u>	<u>\$ 339,407</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	50-60 years
Maintenance equipment	6 years
Computer equipment	2-6 years
Leasehold improvements	2-10 years
Others	
Research and development equipment	3 years
Furniture and fixtures	5-8 years
Transportation equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 27.

b. Assets leased under operating leases - 2019

<u>Cost</u>	Equipment
Balance at January 1, 2019	\$ -
Adjustments on initial application of IFRS 16	<u>78,524</u>
Balance at January 1, 2019 (restated)	78,524
Disposals	(185)
Reclassification	<u>414</u>
Balance at December 31, 2019	<u>\$ 78,753</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ -
Adjustments on initial application of IFRS 16	<u>28,354</u>
Balance at January 1, 2019 (restated)	28,354
Depreciation expense	13,579
Disposals	<u>(185)</u>
Balance at December 31, 2019	<u>\$ 41,748</u>
Carrying amounts at December 31, 2019	<u>\$ 37,005</u>

Operating leases relate to leases of equipment with lease terms between 1 to 4 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	<u>\$ 11,310</u>
Year 2	<u>\$ 404</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over 1 to 6 years estimated useful lives.

c. 2018

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improve- ments	Others	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 116,553	\$ 83,229	\$ 179,536	\$ 265,426	\$ 90,930	\$ 153,462	\$ 889,136
Additions	-	-	6,873	26,861	1,608	2,937	38,279
Disposals	-	-	(77,363)	(68,110)	-	(5,475)	(150,948)
Reclassification	-	-	496	27,079	-	(55,317)	(27,742)
Balance at December 31, 2018	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 109,542</u>	<u>\$ 251,256</u>	<u>\$ 92,538</u>	<u>\$ 95,607</u>	<u>\$ 748,725</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 34,734	\$ 124,899	\$ 162,590	\$ 47,675	\$ 56,800	\$ 426,698
Depreciation expense	-	1,410	17,855	36,554	9,406	23,114	88,339
Disposals	-	-	(76,184)	(67,970)	-	(5,350)	(149,504)
Reclassification	-	-	(30)	(161)	-	(36,136)	(36,327)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 36,144</u>	<u>\$ 66,540</u>	<u>\$ 131,013</u>	<u>\$ 57,081</u>	<u>\$ 38,428</u>	<u>\$ 329,206</u>
Carrying amounts at December 31, 2018	<u>\$ 116,553</u>	<u>\$ 47,085</u>	<u>\$ 43,002</u>	<u>\$ 120,243</u>	<u>\$ 35,457</u>	<u>\$ 57,179</u>	<u>\$ 419,519</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	55-60 years
Maintenance equipment	6 years
Computer equipment	2-6 years
Leasehold improvements	4-10 years
Others	
Research and development equipment	3 years
Furniture and fixtures	5-8 years
Transportation equipment	5-8 years
Equipment under capital leases	1-6 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 27.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ <u>111,698</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	\$ <u>8,454</u>
Depreciation charge for right-of-use assets Buildings	\$ <u>35,815</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	\$ <u>37,427</u>
Non-current	\$ <u>79,547</u>

Range of discount rate for lease liabilities was 1.2%-1.5% on December 31, 2019.

c. Material leasing activities and terms

As lessee, the Corporation leases buildings for the use as offices and dormitory with lease terms of 5 to 10 years. All lease contracts with lease terms over 5 years specify that lease payments will be adjusted every 5 years on the basis of changes in market rental rates. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold property, plant and equipment are set out in Note 13.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	\$ <u>2,679</u>
Total cash outflow for leases	\$ <u>(41,088)</u>

As lessee, the Corporation leases certain buildings and leasehold improvements which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

Operating leases relate to leases of office with lease terms between 1 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have a bargain purchase option to acquire the leased office at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	\$ 38,938
Later than 1 year and not later than 5 years	<u>115,344</u>
	<u>\$ 154,282</u>

15. INTANGIBLE ASSETS

	Computer Software Cost	Customer Relations	Total
Balance at January 1, 2018	\$ 992	\$ 7,000	\$ 7,992
Additions	300	-	300
Amortization expenses	<u>(200)</u>	<u>-</u>	<u>(200)</u>
Carrying amounts at December 31, 2018	<u>\$ 1,092</u>	<u>\$ 7,000</u>	<u>\$ 8,092</u>
Balance at January 1, 2019	\$ 1,092	\$ 7,000	\$ 8,092
Additions	1,383	-	1,383
Amortization expenses	<u>(663)</u>	<u>-</u>	<u>(663)</u>
Carrying amounts at December 31, 2019	<u>\$ 1,812</u>	<u>\$ 7,000</u>	<u>\$ 8,812</u>

Computer software is being depreciated on a straight-line basis and will be amortized over 1 to 10 years.

The value of customer relations is recognized as intangible asset based on the expected benefit from sustainable partnership with the customers. The Corporation expects to gain economic benefits from the intangible asset, but its economic life cannot be estimated. Therefore, the asset is assessed for impairment annually or when there is indication of impairment, based on IAS 36.

No impairment assessment was performed for the years ended December 31, 2019 and 2018 as there was no indication of impairment.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	<u>\$ 130,000</u>	<u>\$ 100</u>

The range of weighted average effective interest rates on bank loans was 1.20%-1.28% and 1.50% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 130,000	\$ 35,000
Less: Unamortized discounts on bills payable	<u>(196)</u>	<u>(30)</u>
	<u>\$ 129,804</u>	<u>\$ 34,970</u>

Outstanding short-term bills payable were as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Starting Date	Ending Date
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 40,000	\$ 55	\$ 39,945	1.198%	2019/12/13	2020/02/11
Mega Bills Finance Corporation	40,000	50	39,950	1.200%	2019/12/09	2020/02/07
Dah Chung Bills Finance Corporation	<u>50,000</u>	<u>91</u>	<u>49,909</u>	1.270%	2019/12/25	2020/02/21
	<u>\$ 130,000</u>	<u>\$ 196</u>	<u>\$ 129,804</u>			

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Starting Date	Ending Date
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 35,000	\$ 30	\$ 34,970	1.258%	2018/12/27	2019/01/25

The payables of commercial paper have not been discounted, because the effect were not material.

17. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries or bonus	\$ 149,298	\$ 112,282
Payables for value-added tax	18,177	17,402
Payables for insurance	13,848	12,831
Payables for pension	12,620	12,039
Payables for annual leave	1,733	1,000
Others	<u>23,816</u>	<u>16,598</u>
	<u>\$ 219,492</u>	<u>\$ 172,152</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 218,109	\$ 214,118
Fair value of plan assets	<u>(108,182)</u>	<u>(90,501)</u>
Net defined benefit liabilities	<u>\$ 109,927</u>	<u>\$ 123,617</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	<u>\$ 215,727</u>	<u>\$ (76,165)</u>	<u>\$ 139,562</u>
Current service cost	401	-	401
Net interest expense (income)	<u>1,989</u>	<u>(677)</u>	<u>1,312</u>
Recognized in profit or loss	<u>2,390</u>	<u>(677)</u>	<u>1,713</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,407)	(2,407)
Actuarial loss - changes in financial assumptions	927	-	927
Actuarial loss - experience adjustments	<u>2,990</u>	<u>-</u>	<u>2,990</u>
Recognized in other comprehensive income	<u>3,917</u>	<u>(2,407)</u>	<u>1,510</u>
Contributions from the employer	-	(19,168)	(19,168)
Benefits paid	<u>(7,916)</u>	<u>7,916</u>	<u>-</u>
Balance at December 31, 2018	<u>214,118</u>	<u>(90,501)</u>	<u>123,617</u>
Current service cost	385	-	385
Net interest expense (income)	<u>1,875</u>	<u>(774)</u>	<u>1,101</u>
Recognized in profit or loss	<u>2,260</u>	<u>(774)</u>	<u>1,486</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,281)	(3,281)
Actuarial loss - changes in financial assumptions	3,544	-	3,544
Actuarial loss - experience adjustments	<u>4,691</u>	<u>-</u>	<u>4,691</u>
Recognized in other comprehensive income	<u>8,235</u>	<u>(3,281)</u>	<u>4,954</u>
Contributions from the employer	-	(20,130)	(20,130)
Benefits paid	<u>(6,504)</u>	<u>6,504</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 218,109</u>	<u>\$ (108,182)</u>	<u>\$ 109,927</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating expenses	<u>\$ 1,486</u>	<u>\$ 1,713</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate	0.70%	0.90%
Expected rate of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate		
0.25% increase	\$ (4,417)	\$ (4,573)
0.25% decrease	\$ 4,554	\$ 4,720
Expected rate of salary increase		
0.25% increase	\$ 4,484	\$ 4,656
0.25% decrease	\$ (4,372)	\$ (4,535)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	\$ 2,606	\$ 2,627
Average duration of the defined benefit obligation	8.23years	8.68 years

19. EQUITY

a. Share Capital-ordinary shares

	December 31	
	2019	2018
Number of authorized shares (in thousands)	157,000	157,000
Amount of authorized shares	\$ 1,570,000	\$ 1,570,000
Number of issued and fully paid shares (in thousands)	100,000	100,000
Amount of issued and fully paid shares	\$ 1,000,000	\$ 1,000,000

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

Such capital surplus arise from the difference between consideration paid or received and the carrying amount of the subsidiaries' net assets during actual acquisition or disposal under equity transactions.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, unless the legal reserve has reached the Corporation's total paid-up capital. The remaining profit shall be set aside or reverse a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors, refer to "employee's compensation and remuneration of directors and supervisors " in Note 21.f.

The Corporation distributes both cash and share dividends, taking into account its profitability, future capital expenditure requirements and cash position. The distribution of cash dividends should not be less than 10% of the total dividends of the year. The Corporation may raise the percentage of cash dividend distribution only if the Corporation's earnings and cash position are strong.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 13, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 6,291	\$ 9,102		
Cash dividends	<u>50,000</u>	<u>70,000</u>	\$0.5	\$0.7
	<u>\$ 56,291</u>	<u>\$ 79,102</u>		

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 23, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	<u>\$ 12,915</u>
Cash dividends	<u>\$ 100,000</u>
Cash dividends per share (NT\$)	<u>\$ 1</u>

The appropriation of earnings for 2019 are subject to the resolution in the shareholders' meeting to be held on June 12, 2020.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated for special reserve, the amount that was the same as the cumulative translation differences transferred to retained earnings, which was \$17,619 thousand.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (8,558)	\$ (11,577)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(3,112)	3,406
Share from subsidiaries, associates and joint venture accounted for using the equity method	<u>2,251</u>	<u>(387)</u>
Balance at December 31	<u>\$ (9,419)</u>	<u>\$ (8,558)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (2,111)	\$ (2,140)
Recognized for the year		
Unrealized (loss) gain - equity instruments	(3,098)	29
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(34)</u>	<u>-</u>
Balance at December 31	<u>\$ (5,243)</u>	<u>\$ (2,111)</u>

20. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Contract revenue and revenue from sale of goods	\$ 4,320,690	\$ 3,381,193
Revenue from rendering of services	<u>1,068,924</u>	<u>970,973</u>
	<u>5,389,614</u>	<u>4,352,166</u>
Rental income		
Rental income from equipment	<u>22,101</u>	<u>33,443</u>
	<u>\$ 5,411,715</u>	<u>\$ 4,385,609</u>

a. Contract information

Revenue from contracts with customers

Contract revenue comes from rendering of computer software and hardware integration services according to contract, which is recognized by reference to the stage of completion of contract activity. The consideration promised is paid by customers based on the schedule in the contract.

Revenue from the sale of goods is recognized when performance obligations are satisfied. The performance obligations are satisfied when customers obtained control and right of use of the promised good and bear inventory risks.

Revenue from rendering of services

Revenue from rendering of services comes from maintenance services. The Corporation requires partial payments from the customers when the contract is signed. Revenue is recognized on a straight-line basis during the contract period.

b. Contract balances

	December 31	
	2019	2018
Accounts receivable (Note 10)	<u>\$ 1,125,428</u>	<u>\$ 825,342</u>
Contract assets		
System Integration services	\$ 524,705	\$ 210,541
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Contract assets - current	<u>\$ 524,705</u>	<u>\$ 210,541</u>
Contract liabilities		
System Integration services	<u>\$ 133,058</u>	<u>\$ 88,821</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Corporation's performance and the respective customer's payment. Except for adjustments resulting from the changes in the measure of progress, there was no significant change in the current period.

21. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Government grants	\$ 47,716	\$ 35,912
Rental income	5,632	5,492
Interest income of bank deposits	2,453	2,686
Customer marketing incentive income	2,438	2,482
Fire insurance claim income	-	1,657
Others	<u>5,391</u>	<u>4,989</u>
	<u>\$ 63,630</u>	<u>\$ 53,218</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange losses	\$ (1,575)	\$ (1,254)
Loss on disposal of property, plant and equipment	(280)	(1,021)
Net gain on disposal of investments accounted for using the equity method	4,244	258
Net gain on fair value changes of financial assets mandatorily classified as at FVTPL	289	170
Others	<u>(547)</u>	<u>(3,056)</u>
	<u>\$ 2,131</u>	<u>\$ (4,903)</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 3,109	\$ 1,842
Interest on lease liabilities	<u>1,927</u>	<u>-</u>
	<u>\$ 5,036</u>	<u>\$ 1,842</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 27,422	\$ 21,180
Operating expenses	<u>98,755</u>	<u>67,159</u>
	<u>\$ 126,177</u>	<u>\$ 88,339</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 663</u>	<u>\$ 200</u>

e. Employee benefit expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salary	\$ 1,016,061	\$ 943,361
Labor and health Insurance	90,519	85,741
Others	<u>42,455</u>	<u>37,612</u>
	<u>1,149,035</u>	<u>1,066,714</u>
Post-employment benefits (Note 18)		
Defined contribution plans	48,897	47,089
Defined benefit plans	<u>1,486</u>	<u>1,713</u>
	<u>50,383</u>	<u>48,802</u>
Total employee benefits expense	<u>\$ 1,199,418</u>	<u>\$ 1,115,516</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of employee benefits expense by function		
Operating costs	\$ 463,467	\$ 421,151
Operating expenses	<u>735,951</u>	<u>694,365</u>
	<u>\$ 1,199,418</u>	<u>\$ 1,115,516</u>
		(Concluded)

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation at rates of no less than 3% of net profit before income tax and employees' compensation. The employees' compensation in the amounts of \$4,900 thousand and \$2,600 thousand, representing 3.03% and 3% of net profit before tax for the years ended December 31, 2019 and 2018, respectively, were approved by the Corporation's board of directors on March 23, 2020 and March 22, 2019, respectively. The Corporation did not accrue remuneration of directors and supervisors for the years ended December 31, 2019 and 2018.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 20,499	\$ 15,537
Income tax on unappropriated earnings	-	559
Adjustments for prior years	1,469	1,960
Deferred tax		
In respect of the current year	5,913	(4,833)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>7,812</u>
Income tax expense recognized in profit or loss	<u>\$ 27,881</u>	<u>\$ 21,035</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before income tax	\$ 157,031	\$ 83,947
Income tax expense calculated at the statutory rate	\$ 31,406	\$ 16,789
Tax-exempt income	760	(815)
Investment tax credits	(8,785)	(6,898)
Income tax on unappropriated earnings	-	559
Unrecognized deductible temporary differences	3,031	1,628
Effect of tax rate changes	-	7,812
Adjustments for prior years' tax	1,469	1,960
Income tax expense recognized in profit or loss	\$ 27,881	\$ 21,035

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventories	\$ 6,809	\$ (3,024)	\$ -	\$ 3,785
Defined benefit obligations	24,723	(3,729)	991	21,985
Others	<u>218</u>	<u>111</u>	<u>-</u>	<u>329</u>
	<u>\$ 31,750</u>	<u>\$ (6,642)</u>	<u>\$ 991</u>	<u>\$ 26,099</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries, associates and joint ventures	\$ (12,750)	\$ 729	\$ -	\$ (12,021)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventories	\$ 7,921	\$ (1,112)	\$ -	\$ 6,809
Defined benefit obligations	23,726	(1,067)	2,064	24,723
Others	<u>376</u>	<u>(158)</u>	<u>-</u>	<u>218</u>
	<u>\$ 32,023</u>	<u>\$ (2,337)</u>	<u>\$ 2,064</u>	<u>\$ 31,750</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries, associates and joint ventures	\$ (12,074)	\$ (676)	\$ -	\$ (12,750)
Others	<u>(34)</u>	<u>34</u>	<u>-</u>	<u>-</u>
	<u>\$ (12,108)</u>	<u>\$ (642)</u>	<u>\$ -</u>	<u>\$ (12,750)</u>

c. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Deferred tax</u>		
Effect of tax rate changes	\$ -	\$ 1,762
In respect of the current year - remeasurement of defined benefit plans	<u>(991)</u>	<u>302</u>
	<u>\$ (991)</u>	<u>\$ 2,064</u>

d. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2019	2018
Earnings used in the computation of basic earnings per share	<u>\$ 129,150</u>	<u>\$ 62,912</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 129,150</u>	<u>\$ 62,912</u>

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,000	100,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>334</u>	<u>288</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,334</u>	<u>100,288</u>

Since the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2013.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

The Corporation is not subject to any externally imposed capital requirements.

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Corporation's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values. Therefore, the carrying amounts of balance sheet is a reasonable basis for estimating the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Mutual funds	\$ 60,002	\$ -	\$ -	\$ 60,002
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares	\$ 63,061	\$ -	\$ -	\$ 63,061
Unlisted shares	-	-	1,595	1,595
	<u>\$ 63,061</u>	<u>\$ -</u>	<u>\$ 1,595</u>	<u>\$ 64,656</u>
<u>December 31, 2018</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares	\$ 1,491	\$ -	\$ -	\$ 1,491
Unlisted shares	-	-	1,595	1,595
	<u>\$ 1,491</u>	<u>\$ -</u>	<u>\$ 1,595</u>	<u>\$ 3,086</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 60,002	\$ -
Financial assets at amortized cost (1)	1,710,649	1,378,019
Financial assets at FVTOCI		
Equity instruments	64,656	3,086
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,750,625	1,100,977

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable, lease receivables and other receivables.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, accounts payable and other payables.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings, short-term bills payable and lease liabilities. The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Corporation have foreign currency sales and purchases, which exposes the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Corporation is mainly exposed to USD.

The following details the Corporation's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 10% used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. For the years ended December 31, 2019 and 2018, there would be an increase of \$304 thousand and \$1,819 thousand, respectively, in pre-tax profit associated with New Taiwan dollars strengthen 10% against USD. For a 10% weakening of New Taiwan dollars against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative. The effect of exchange rate changes was mainly attributable to the exposure outstanding on USD cash, payables and borrowings, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrow funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 275,055	\$ 233,701
Financial liabilities	376,778	35,070
Cash flow interest rate risk		
Financial assets	302,574	309,140
Financial liabilities	-	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$30 thousand and \$31 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of counterparties to discharge its obligation and due to the financial guarantees provided by the Corporation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties. Before trading with new customers, the Corporation assessed the credit quality of potential customer by internal credit checking and set the credit limit which is reassessed annually.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Corporation had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ -	\$ 1,490,771	\$ -	\$ -	\$ -
Lease liabilities	3,239	6,477	29,147	80,225	542
Financial guarantee contracts	-	-	490,027	-	-
Variable interest rate liabilities	-	-	-	-	-
Fixed interest rate liabilities	<u>70,211</u>	<u>129,986</u>	<u>60,006</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,450</u>	<u>\$ 1,627,234</u>	<u>\$ 579,180</u>	<u>\$ 80,225</u>	<u>\$ 542</u>
		Less than 1 Year	1-5 Years	5-10 Years	
Lease liabilities		<u>\$ 38,863</u>	<u>\$ 80,225</u>	<u>\$ 542</u>	

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
Non-interest bearing	\$ -	\$ 1,065,907	\$ -
Financial guarantee contracts	-	-	461,811
Variable interest rate liabilities	-	-	-
Fixed interest rate liabilities	<u>35,000</u>	<u>-</u>	<u>101</u>
	<u>\$ 35,000</u>	<u>\$ 1,065,907</u>	<u>\$ 461,912</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Corporation could be required to settle under the arrangement with option to demand full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2019	2018
Secured bank financing facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>200,000</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

(Continued)

	December 31	
	2019	2018
Unsecured bank financing facilities, reviewed annually and payable on demand:		
Amount used	\$ 817,101	\$ 269,316
Amount unused	<u>1,122,899</u>	<u>1,060,684</u>
	<u>\$ 1,940,000</u>	<u>\$ 1,330,000</u>
		(Concluded)

26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related-party and its relationship

Related Party	Relationship
Furly Investment Co., Ltd.	Investors with significant influence over the Corporation
Chuan Gao Investment Co., Ltd.	Investors with significant influence over the Corporation
Welida Investment Co., Ltd.	Investors with significant influence over the Corporation
DBMaker Japan Inc.	Associates
Dimension Computer Technology Co., Ltd.	Associates (1)
CloudMaster Co., Ltd.	Joint ventures
CASEMaker, Inc.	Subsidiaries
Netmaker Technology Co.	Subsidiaries
WiseMaker Technology Co.	Subsidiaries
Syscom Computer (Thailand) Co., Ltd.	Subsidiaries
Coach Tech Management Co.	Subsidiaries
Syscom Vietnam Co., Ltd.	Subsidiaries (2)
Syscom Computer Engineering (Shenzhen) Co., Ltd.	Subsidiaries

1) The Corporation lost its significant influence over the associate from the second quarter of 2019.

2) The liquidation of the subsidiary has been completed on December 31, 2019.

b. Operating revenue (sales, maintenance and rental revenue)

	For the Year Ended December 31	
Related Party Categories	2019	2018
Subsidiaries	\$ 6,449	\$ 9,809
Associates	1,037	2,156
Joint ventures	<u>184</u>	<u>10</u>
	<u>\$ 7,670</u>	<u>\$ 11,975</u>

- c. Operating costs (sales, maintenance and rental revenue)

Related Party Categories	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 52,309	\$ 45,383
Associates	13,261	7,457
Joint ventures	<u>1,006</u>	<u>7,220</u>
	<u>\$ 66,576</u>	<u>\$ 60,060</u>

- d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Categories	December 31	
		2019	2018
Accounts receivable	Subsidiaries	\$ 3,840	\$ 1,784
	Joint ventures	193	-
	Associates	<u>14</u>	<u>-</u>
		<u>\$ 4,047</u>	<u>\$ 1,784</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on accounts receivable from related parties.

- e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Categories	December 31	
		2019	2018
Accounts payable	Subsidiaries	\$ 5,630	\$ 9,806
	Joint ventures	380	147
	Investors with significant influence over the Corporation	<u>1</u>	<u>1</u>
		<u>\$ 6,011</u>	<u>\$ 9,954</u>

The outstanding accounts payable from related parties are unsecured.

- f. Acquisitions of property, plant and equipment

Related Party Categories	Purchase Price	
	For the Year Ended December 31	
	2019	2018
Associates	<u>\$ 5,147</u>	<u>\$ 9,691</u>

- g. Lease arrangements - 2019

Line Item	Related Party Category/Name	December 31, 2019
Lease liabilities	Chuan Gao Investment Co., Ltd.	\$ 65,487
	Furly Investment Co., Ltd.	<u>45,490</u>
		<u>\$ 110,977</u>

Related Party Category/Name	For the Year Ended December 31, 2019
<u>Interest expense</u>	
Furly Investment Co., Ltd.	\$ 1,102
Chuan Gao Investment Co., Ltd.	<u>783</u>
	<u>\$ 1,885</u>

h. Endorsements and guarantees

Refer to Table 1 for information relating to endorsements and guarantees provided with related parties.

i. Rental expense

Line Item	Related Party Categories	For the Year Ended December 31	
		2019	2018
Operating expenses	Furly Investment Co., Ltd.	\$ 1,310	\$ 16,540
	Chuan Gao Investment Co., Ltd.	788	22,412
	Investors with significant influence over the Corporation	<u>72</u>	<u>69</u>
		<u>\$ 2,170</u>	<u>\$ 39,021</u>

j. Rental revenue

Line Item	Related Party Categories	For the Year Ended December 31	
		2019	2018
Other income	Netmaker Technology Co.	\$ 1,686	\$ 1,486
	WiseMaker Technology Co.	1,420	1,326
	Cloud Master Co., Ltd.	1,252	1,415
	Coach Tech Management Co.	<u>10</u>	<u>-</u>
		<u>\$ 4,368</u>	<u>\$ 4,227</u>

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 233,533	\$ 202,758
Post-employment benefits	<u>9,903</u>	<u>9,250</u>
	<u>\$ 243,346</u>	<u>\$ 212,008</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for system design contract, bank loans and for product warranty were as follows:

	December 31	
	2019	2018
Pledge deposits (classified as financial assets at amortized cost)	\$ 240,805	\$ 177,613
Property, plant and equipment, net	<u>76,938</u>	<u>77,604</u>
	<u>\$ 317,743</u>	<u>\$ 255,217</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2019, for the contracts with customers and the application for government grants, the Corporation issued guarantee notes and had bank guarantee amounting to \$231,427 thousand and \$576,788 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,606	29.980	\$ 48,148
Non-monetary items			
USD	4,802	29.980	143,957
JPY	44,446	0.276	12,267
<u>Financial liabilities</u>			
Monetary items			
USD	1,707	29.980	51,186

		December 31, 2018	
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 899	30.7150	\$ 27,617
Non-monetary items			
USD	5,992	30.7150	184,031
JPY	47,731	0.2782	13,279

Financial liabilities

Monetary items			
USD	1,491	30.7150	45,805

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
2019		2018		
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.912 (USD:NTD)	\$ (1,575)	30.149 (USD:NTD)	\$ (1,254)

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.

10) Information on investees (Table 3)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

TABLE 1

SYSCOM COMPUTER ENGINEERING CO.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Syscom Computer Engineering Co.	Netmaker Technology Co.	Subsidiary	20% of net worth, \$359,501	\$ 150,000	\$ 130,000	\$ 53,115	\$ -	7.23	50% of net worth, \$898,752	Yes	No	No
		Syscom Computer (Shenzhen) Co., Ltd.	Indirect subsidiary	Same as above	308,794 (US\$ 10,300)	308,794 (US\$ 10,300)	154,763 (US\$ 5,162)	-	17.18	Same as above	Yes	No	Yes
		WiseMaker Technology Co.	Subsidiary	Same as above	10,000	10,000	-	-	0.56	Same as above	Yes	No	No
		Xian Lian Computer Company	Indirect subsidiary	Same as above	26,233 (US\$ 875)	26,233 (US\$ 875)	26,233 (US\$ 875)	-	1.46	Same as above	Yes	No	Yes
		Coach Tech Management Co.	Subsidiary	Same as above	15,000	15,000	2,400	-	0.83	Same as above	Yes	No	No

Note: The above amounts were translated into New Taiwan dollar at the prevailing exchange rate as of December 31, 2019.

TABLE 2

SYSCOM COMPUTER ENGINEERING CO.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars and in thousands of shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Syscom Computer Engineering Co.	<u>Beneficiary certificates</u> Balaid New Taiwan Dollar Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,618	\$ 60,002	-	\$ 60,002	Note 3
	<u>Ordinary shares</u> Engsound Technical Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	273	1,595	9.09	1,595	Note 4
	Shin Kong Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	166	1,720	-	1,720	Note 2
	Dimension Computer Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	5,602	61,341	14.60	61,341	Note 2

Note 1: The securities referred to in this table include stocks, bonds, mutual funds and securities derived from the above - mentioned items within the scope of International Financial Reporting Standard No. 9 “Financial Instruments”.

Note 2: The basis of market value: For listed shares, closing price as of December 31, 2019.

Note 3: Fair value is recognized as the basis of fund value of December 31, 2019.

Note 4: The calculation of the net asset value was based on the unaudited financial statements as of December 31, 2019.

Note 5: The above shares or certificates were not provided as guarantee.

TABLE 3**SYSCOM COMPUTER ENGINEERING CO.****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, U.S. Dollars, Japanese Yen and Thai Baht, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares (Thousands)	Percentage of Ownership	Carrying Amount			
Syscom Computer Engineering Co.	Dimension Computer Technology Co., Ltd.	Taipei	Wholesale and retail of information software, electronic devices and machinery equipment.	\$ -	\$ 35,401	-	-	\$ -	\$ -	\$ -	Equity-method investee (Note 2)
	CASEMaker, Inc.	California	Sale of computer software and related products.	US\$ 1,300	US\$ 1,300	1,300	100.00	109,464	(2,785)	(2,785)	Subsidiary
	Syscom International Inc.	Cayman Islands	Investment	US\$ 6,050	US\$ 6,050	6,050	100.00	34,494	(31,969)	(31,969)	Subsidiary
	Netmaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	16,585	15,265	2,640	80.00	32,951	(5,607)	(4,352)	Subsidiary
	WiseMaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	41,675	41,675	2,664	98.68	55,709	2,618	2,584	Subsidiary
	DBMaker Japan Inc.	Tokyo	Sale of computer software and related products	JPY 53,260	JPY 53,260	5	49.89	12,267	(1,868)	(932)	Equity-method investee
	Syscom Vietnam Co., Ltd.	Vietnam	Consultation and administration of computer system, consultation on computer science and technology and other related computer services	-	US\$ 400	-	-	-	-	-	Subsidiary (Note 3)
	Coach Tech Management Co.	Taipei	Business management consulting.	19,200	19,200	1,950	97.50	2,836	(773)	(754)	Subsidiary
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 33,014	THB 32,894	3,400	91.40	3,802	1,208	1,098	Subsidiary
	CloudMaster Co., Ltd.	Taipei	Provision of services on information software, data processing and electronic information.	65,000	65,000	6,500	50.00	51,163	1,292	646	Equity-method investee
Coach Tech Management Co.	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 200	THB 200	20	0.54	22	1,208	Not applicable	Subsidiary

Note 1: The foreign currency amount of the net income of the investee is expressed in New Taiwan dollars at the average exchange rate in 2019.

Note 2: The Corporation reclassified its investments in Dimension Computer Technology Co., Ltd. from investments accounted for using the equity method to financial assets at FVTOCI from the second quarter of 2019. Refer to Note 12.

Note 3: The liquidation of Syscom Vietnam Co., Ltd. has been completed in the fourth quarter of 2019.

TABLE 4**SYSCOM COMPUTER ENGINEERING CO.****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Syscom Computer (Shenzhen) Co., Ltd.	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	\$ 134,910 (US\$ 4,500)	Note 1	\$ 125,017 (US\$ 4,170)	\$ -	\$ -	\$ 125,017 (US\$ 4,170)	\$ (27,257) (US\$ (882)) (Note 2)	98.27	\$ (26,770) (US\$ (866)) (Note 2)	\$ 10,253 (US\$ 342) (Note 2)	\$ -	
Xian Lian Computer Company	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	68,954 (US\$ 2,300)	Note 1	45,510 (US\$ 1,518)	-	-	45,510 (US\$ 1,518)	(10,169) (US\$ (329)) (Note 2)	74.38	(7,573) (US\$ (245)) (Note 2)	30,430 (US\$ 1,015) (Note 2)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 170,526 (US\$ 5,688)	\$ 170,526 (US\$ 5,688) (Note 1,b)	\$1,078,502
	13,071 (US\$ 436) (Note 1,a)	

Note 1: a. An investee of CASEMaker, Inc., a wholly owned subsidiary of Syscom Computer Engineering Company and dividend from paid capital.

b. An investee of Syscom International Inc., a wholly owned subsidiary of Syscom Computer Engineering Company.

Note 2: The calculation was based on the investees' audited financial statements as of December 31, 2019.

Note 3: The upper limit is calculated as follows:

$$60\% \text{ of the shareholders' equity} = \$1,797,504 \times 60\% = \$1,078,502$$

Note 4: The foreign currency amounts of original investment amount and carrying value are expressed in New Taiwan dollars at exchange rate as of December 31, 2019. The foreign currency amount of net income is expressed in New Taiwan dollars at average exchange rate for the year ended December 31, 2019.