Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

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

In our opinion, based on our audits and the reports of other independent auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements for the year ended December 31, 2018 are addressed as follows:

Valuation of Accounts Receivable

As of December 31, 2018, accounts receivable amounted to $3,632,563 thousand. When evaluating impairment of accounts receivable, the management uses the expected credit loss model based on the lifetime expected credit loss. The valuation of accounts receivable involves accounting estimates and assumptions determined by the management. Therefore, we consider the valuation of accounts receivable as a key audit matter. For the disclosures related to accounts receivable, refer to Notes 5 and 13 to the consolidated financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of accounts receivable impairment and assessed the reasonableness of the methodology and data used in the reports.

2. We tested the accounts receivable aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on accounts receivable.

3. We tested the recoverability of accounts receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue accounts receivable.

Other Matter

We did not audit the financial statements as of and for the year ended December 31, 2017 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2017 amounted to $468,683 thousand, or 2.42% of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2017 were $1,183,995 thousand, or 7.02% of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2017 of Sanfran Technologies, Mohist Web Technology Co., Limited and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted by the equity method in the accompanying consolidated financial statements. The aggregate carrying amounts of these investments accounted by equity method as of December 31, 2017, including those reclassified to noncurrent assets held for sale, were $801,036 thousand, or 4.14% of the consolidated assets. The aggregate amount of the share in their profit and other comprehensive income in 2017 was $40,158 thousand, or 5.34% of the consolidated comprehensive income. The financial statements of the abovementioned subsidiaries and investees were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified report with other matter paragraph.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 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 Shu-Wan Lin and Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

<u>Notice to Readers</u>

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,815,309	14	$ 3,708,235	19
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,079,485	15	3,222,285	17
Available-for-sale financial assets (Notes 4 and 11)	-	-	16,561	-
Debt investments with no active market - current (Notes 4 and 12)	-	-	357,120	2
Notes receivable, net (Notes 4 and 13)	70,881	-	64,837	1
Accounts receivable, net (Notes 4, 5, 13 and 29)	3,632,563	18	3,217,198	17
Other receivables (Notes 30 and 31)	264,386	1	204,277	1
Inventories (Notes 4 and 14)	2,894,176	15	2,910,565	15
Prepayments	934,370	5	836,115	4
Refundable deposits - current	320,128	2	220,715	1
Other current assets (Note 29)	50,868	-	63,149	-
Total current assets	14,062,166	70	14,821,057	77
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,679,823	8	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	111,870	1	-	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	500,000	3	-	-
Financial assets measured at cost - non-current (Notes 4 and 15)	-	-	509,150	3
Debt investments with no active market-non-current (Notes 4 and 12)	-	-	574,400	3
Investments accounted for using equity method (Notes 4 and 17)	1,240,816	6	1,153,527	6
Property, plant and equipment (Notes 4, 18 and 30)	1,913,330	10	1,940,525	10
Computer software (Note 4)	58,359	-	51,368	-
Goodwill (Notes 4 and 25)	26,703	-	-	-
Other intangible assets (Note 4)	31,012	-	-	-
Deferred tax assets (Notes 4 and 23)	75,600	-	54,870	-
Refundable deposits - non-current (Note 31)	189,310	1	162,086	1
Long-term receivables (Notes 4 and 13)	600	-	4,944	-
Other non-current assets (Notes 30 and 31)	89,874	1	92,243	-
Total non-current assets	5,917,297	30	4,543,113	23
TOTAL	$ 19,979,463	100	$ 19,364,170	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 19 and 30)	$ 815,925	4	$ 1,460,053	7
Notes and accounts payable (Note 29)	3,193,059	16	3,100,522	16
Contract liabilities (Note 4)	1,071,102	5	1,081,130	6
Other payables	1,094,195	6	902,169	5
Current tax liabilities (Notes 4 and 23)	126,689	1	62,039	-
Other current liabilities	191,400	1	160,581	1
Total current liabilities	6,492,370	33	6,766,494	35
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	5,938	-	5,023	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	273,652	1	263,637	1
Other non-current liabilities	12,552	-	6,860	-
Total non-current liabilities	292,142	1	275,520	1
Total liabilities	6,784,512	34	7,042,014	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 21)				
Common shares	2,693,933	14	2,693,933	14
Capital surplus	6,729,035	34	7,363,072	38
Retained earnings				
Legal reserve	1,014,689	5	896,914	5
Special reserve	453,327	2	64,494	-
Unappropriated earnings	3,622,248	18	2,708,899	14
Total retained earnings	5,090,264	25	3,670,307	19
Other equity	(383,842)	(2)	(453,327)	(2)
Treasury shares	(1,003,629)	(5)	(1,003,629)	(5)
Total equity attributable to owners of the Corporation	13,125,761	66	12,270,356	64
NON-CONTROLLING INTERESTS (Note 21)	69,190	-	51,800	-
Total equity	13,194,951	66	12,322,156	64
TOTAL	$ 19,979,463	100	$ 19,364,170	100

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

(With Deloitte & Touche audit report dated March 21, 2019)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018 Amount	2018 %	2017 Amount	2017 %
OPERATING REVENUES (Notes 4 and 29)				
Sales	$ 14,304,148	73	$ 12,181,047	72
Less: Sales returns and allowances	40,380	-	86,183	-
Net sales	14,263,768	73	12,094,864	72
Service revenue	5,188,203	27	4,706,829	28
Other operating revenue	64,018	-	72,586	-
Total operating revenues	19,515,989	100	16,874,279	100
OPERATING COSTS (Notes 4, 22 and 29)				
Cost of goods sold	12,224,462	63	10,350,367	61
Service cost	2,246,078	11	1,967,169	12
Other operating cost	11,238	-	23,015	-
Total operating costs	14,481,778	74	12,340,551	73
GROSS PROFIT	5,034,211	26	4,533,728	27
OPERATING EXPENSES (Notes 20, 22 and 29)				
Selling expenses	3,524,984	18	3,194,696	19
General and administrative expenses	368,538	2	359,085	2
Research and development expenses	452,967	2	440,821	3
Total operating expenses	4,346,489	22	3,994,602	24
PROFIT FROM OPERATIONS	687,722	4	539,126	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 17)	44,296	-	66,479	1
Interest income (Note 4)	40,237	-	48,528	-
Dividend income (Note 4)	76,717	1	47,243	-
Other income, net (Note 29)	48,087	-	56,818	-
Gain on sale of investments, net (Note 22)	601,223	3	478,622	3
Foreign exchange gain (loss), net (Note 4)	(10,379)	-	34,492	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	(222,621)	(1)	98,992	1
Interest expense	(30,513)	-	(32,359)	-
Other expenses	(2,131)	-	(4,227)	-
Gain on disposal of property, plant and equipment, net (Note 4)	8,589	-	4,229	-
Impairment loss on assets (Notes 4 and 22)	-	-	(37,783)	-
Total non-operating income and expenses	553,505	3	761,034	5

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 1,241,227	7	$ 1,300,160	8
INCOME TAX EXPENSE (Notes 4 and 23)	191,055	1	127,042	1
NET INCOME	1,050,172	6	1,173,118	7
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 20)	(26,385)	-	(32,743)	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	860	-	-	-
Share of the other comprehensive income of associates accounted for using the equity method	5	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 20)	2	-	(151)	-
	(25,518)	-	(32,894)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	80,968	-	(434,475)	(3)
Unrealized loss on available-for-sale financial assets	-	-	(613)	-
Share of the other comprehensive gain (loss) of associates accounted for using the equity method	(17,595)	-	47,070	-
	63,373	-	(388,018)	(3)
Other comprehensive income (loss) for the year, net of income tax	37,855	-	(420,912)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,088,027	6	$ 752,206	4
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,051,418	5	$ 1,177,749	7
Non-controlling interests	(1,246)	-	(4,631)	-
	$ 1,050,172	5	$ 1,173,118	7

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,089,408	6	$ 756,949	4
Non-controlling interests	(1,381)	-	(4,743)	-
	$ 1,088,027	6	$ 752,206	4
EARNINGS PER SHARE (Note 21)				
Basic	$4.27		$4.79	
Diluted	$4.26		$4.79	

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

(With Deloitte & Touche audit report dated March 21, 2019) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4 and 21)												
			Retained Earnings				Other Equity						
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-Controlling Interests (Note 21)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,693,933	$ 7,634,980	$ 786,087	$ -	$ 2,681,315	$ 3,467,402	$ (83,286)	$ 18,792	$ -	$ (1,003,629)	$ 12,728,192	$ 31,003	$ 12,759,195
Appropriation of 2016 earnings													
Legal reserve	-	-	110,827	-	(110,827)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	64,494	(64,494)	-	-	-	-	-	-	-	-
Cash dividends - NT$3.5 per share	-	-	-	-	(942,877)	(942,877)	-	-	-	-	(942,877)	-	(942,877)
Change in capital surplus from investments in associates accounted for by using equity method	-	54,304	-	-	-	-	-	-	-	-	54,304	-	54,304
Distribution in cash of the capital surplus - NT$1.5 per share	-	(404,090)	-	-	-	-	-	-	-	-	(404,090)	-	(404,090)
Net income (loss) for 2017	-	-	-	-	1,177,749	1,177,749	-	-	-	-	1,177,749	(4,631)	1,173,118
Other comprehensive income (loss) for 2017	-	-	-	-	(31,967)	(31,967)	(387,405)	(1,428)	-	-	(420,800)	(112)	(420,912)
Total comprehensive income (loss) for 2017	-	-	-	-	1,145,782	1,145,782	(387,405)	(1,428)	-	-	756,949	(4,743)	752,206
Cash dividends received by subsidiaries from the Corporation	-	117,049	-	-	-	-	-	-	-	-	117,049	-	117,049
Disposal of investments accounted for by using equity method	-	(39,171)	-	-	-	-	-	-	-	-	(39,171)	-	(39,171)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	25,540	25,540
BALANCE AT DECEMBER 31, 2017	2,693,933	7,363,072	896,914	64,494	2,708,899	3,670,307	(470,691)	17,364	-	(1,003,629)	12,270,356	51,800	12,322,156
Effect of retrospective application	-	-	-	-	1,068,262	1,068,262	-	(17,364)	22,619	-	1,073,517	1,215	1,074,732
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,693,933	7,363,072	896,914	64,494	3,777,161	4,738,569	(470,691)	-	22,619	(1,003,629)	13,343,873	53,015	13,396,888
Appropriation of 2017 earnings													
Legal reserve	-	-	117,775	-	(117,775)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	388,833	(388,833)	-	-	-	-	-	-	-	-
Cash dividends - NT$2.5 per share	-	-	-	-	(673,483)	(673,483)	-	-	-	-	(673,483)	-	(673,483)
Distribution in cash of the capital surplus - NT$2.5 per share	-	(673,483)	-	-	-	-	-	-	-	-	(673,483)	-	(673,483)
Net income (loss) for 2018	-	-	-	-	1,051,418	1,051,418	-	-	-	-	1,051,418	(1,246)	1,050,172
Other comprehensive income (loss) for 2018	-	-	-	-	(26,240)	(26,240)	63,365	-	865	-	37,990	(135)	37,855
Total comprehensive income (loss) for 2018	-	-	-	-	1,025,178	1,025,178	63,365	-	865	-	1,089,408	(1,381)	1,088,027
Cash dividends received by subsidiaries from the Corporation	-	117,049	-	-	-	-	-	-	-	-	117,049	-	117,049
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,499	1,499
Disposal of investments accounted for by using equity method	-	(77,603)	-	-	-	-	-	-	-	-	(77,603)	-	(77,603)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	16,057	16,057
BALANCE AT DECEMBER 31, 2018	$ 2,693,933	$ 6,729,035	$ 1,014,689	$ 453,327	$ 3,622,248	$ 5,090,264	$ (407,326)	$ -	$ 23,484	$ (1,003,629)	$ 13,125,761	$ 69,190	$ 13,194,951

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

(With Deloitte & Touche audit report dated March 21, 2019)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,241,227	$ 1,300,160
Adjustments for :		
Depreciation expenses	106,052	114,811
Amortization expenses	30,727	43,620
Expected credit loss recognized	4,084	-
Provision for allowance for doubtful accounts	-	6,057
Loss (gain) on financial assets at fair value through profit or loss, net	222,621	(98,992)
Interest expense	30,513	32,359
Interest income	(40,237)	(48,528)
Dividend income	(76,717)	(47,243)
Share of profit of associates	(44,296)	(66,479)
Gain on disposal of property, plant and equipment, net	(8,589)	(4,229)
Gain on sale of non-current assets held for sale	-	(193,003)
Gain on sale of investments accounted for using equity method	(401,599)	(257,467)
Impairment loss on financial assets	-	4,129
Impairment loss on non-financial assets	-	33,654
Write-down of inventories	58,245	12,731
Unrealized loss on foreign currency exchange, net	2,116	8,982
Changes in operating assets and liabilities		
Increase in financial assets held for trading	-	(328,122)
Increase in financial assets mandatorily classified as at fair value through profit or loss	(112,511)	-
(Increase) decrease in notes receivable	(3,791)	2,742
Increase in accounts receivable	(213,097)	(52,500)
(Increase) decrease in other receivables	(55,654)	17,889
Decrease (increase) in inventories	118,567	(504,184)
Increase in prepayments	(81,346)	(5,995)
Decrease (increase) in other current assets	12,545	(10,066)
(Decrease) increase in contract liabilities	(86,786)	208,421
(Decrease) increase in notes and accounts payable	(121,103)	253,029
Increase in other payables	144,988	13,227
Increase in other current liabilities	28,058	50,410
Decrease in net defined benefit liabilities	(40,011)	(15,485)
Cash generated from operations	714,006	469,928
Interest paid	(30,394)	(32,258)
Income tax paid	(127,657)	(218,027)
Net cash generated from operating activities	555,955	219,643
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(47,520)	-
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	1,008	-

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds on sale of financial assets at amortized cost	$ 357,120	$ -
Acquisition of debt investments with no active market	-	(32,705)
Acquisition of financial assets measured at cost	-	(88,465)
Return of capital from capital reduction of financial assets measured at cost	-	7,064
Acquisition of investments accounted for using equity method	(324,840)	(33,600)
Proceeds on sale of investments accounted for using equity method	589,935	344,010
Acquisition of subsidiaries (Note 25)	(64,697)	-
Proceeds on sale of non-current assets held for sale	-	275,370
Payments for property, plant and equipment	(93,613)	(61,655)
Proceeds on disposal of property, plant and equipment	18,516	13,530
Increase in refundable deposits	(103,091)	(56,507)
Payments for intangible assets	(37,224)	(16,360)
Decrease in long-term receivables	4,344	49,251
Increase in pledged time deposits	(3,066)	(7,973)
Increase in time deposits with original maturities of more than 3 months	-	(268,614)
(Decrease) increase in other non-current assets	5,458	(4,732)
Interest received	44,272	45,024
Dividends received	76,717	47,341
Dividends received from associates	23,558	31,057
Net cash generated from investing activities	446,877	242,036
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(696,043)	441,084
(Decrease) increase in guarantee deposits received	(3,586)	420
Dividends paid	(673,483)	(942,877)
Increase in non-controlling interests	16,057	25,540
Cash dividends received by subsidiaries from the Corporation	117,049	117,049
Distribution in cash from the capital surplus	(673,483)	(404,090)
Net cash used in financing activities	(1,913,489)	(762,874)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	17,731	(235,852)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(892,926)	(537,047)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,708,235	4,245,282
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,815,309	$ 3,708,235

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

(With Deloitte & Touche audit report dated March 21, 2019) (Concluded)

1. GENERAL INFORMATION

Systex Corporation (the Corporation) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation's shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 21, 2019.

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 Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied 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 would not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively, the "Group"):

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Classification, measurement and impairment of financial assets</u>

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 3,708,235	$ 3,708,235	a)
Equity securities	Held‐for‐trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	137,061	137,061	
	Available‐for‐sale	Mandatorily at FVTPL	386,872	1,540,222	b)
	Available‐for‐sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	60,955	56,132	b)
Investments in preferred shares	Available‐for‐sale	Mandatorily at FVTPL	50,000	50,000	b)
Other equity securities	Available‐for‐sale	Mandatorily at FVTPL	5,000	5,000	b)
	Available‐for‐sale	FVTOCI - equity instruments	14,849	15,454	b)
Mutual funds	Held‐for‐trading	Mandatorily at FVTPL	3,073,085	3,073,085	
Debt securities	Held‐for‐trading	Mandatorily at FVTPL	12,139	12,139	
	Available‐for‐sale	Mandatorily at FVTPL	8,035	8,035	c)
	Loans and receivables	Mandatorily at FVTPL	74,400	-	d)
	Loans and receivables	Amortized cost	500,000	500,000	e)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	357,120	357,120	a)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	3,298,759	3,298,759	a)
Refundable deposits	Loans and receivables	Amortized cost	382,801	382,801	a)
Lease receivables	Loans and receivables	Amortized cost	56,147	56,147	a)
Long-term receivables	Loans and receivables	Amortized cost	4,944	4,944	a)
Pledged time deposits	Loans and receivables	Amortized cost	218,601	218,601	a)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interests Effect on January 1, 2018	Remark
FVTPL								
	$ 3,222,285							
Add: Reclassification from available-for-sale (IAS 39)	-	$ 449,907	$ 1,153,350					b) and c)
Add: Reclassification from loans and receivables (IAS 39)	-	74,400	(74,400)					d)
	3,222,285	524,307	1,078,950	$ 4,825,542	$ 1,068,262	$ 9,473	$ 1,215	
FVTOCI								
Equity instruments	-							
Add: Reclassification from available-for-sale (IAS 39)	-	75,804	(4,218)					b)
	-	75,804	(4,218)	71,586	-	(4,218)	-	
Amortized cost								
	-							
Add: Reclassification from loans and receivables (IAS 39)	-	8,526,607	-					a) and e)
	-	8,526,607	-	8,526,607	-	-	-	
	$ 3,222,285	$ 9,126,718	$ 1,074,732	$ 13,423,735	$ 1,068,262	$ 5,255	$ 1,215	

a) Cash and cash equivalents, time deposits with original maturities of more than 3 months, notes receivable, accounts receivable, other receivables, refundable deposits, lease receivables, long-term receivables and pledged time deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) The Group elected to designate its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $9,421 thousand was reclassified to retained earnings.

   Investments in unlisted equity securities, preferred stocks and other equity securities previously measured at cost under IAS 39 have been classified at FVTPL and FVTOCI under IFRS 9 and were remeasured at fair value. As a result, an increase of $1,153,350 thousand was recognized in financial assets at FVTPL, a decrease of $4,218 thousand was recognized in financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI, an increase of $1,152,135 thousand was recognized in retained earnings and an increase of $1,215 thousand was recognized in non-controlling interests on January 1, 2018.

c) Debt investments previously classified as available‑for‑sale under IAS 39 were classified as at FVTPL under IFRS 9, because the objective of the Group's business model was not to collect contractual cash flows nor was it achieved by both collecting contractual cash flows and selling financial assets. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $52 thousand was reclassified to retained earnings.

d) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at FVTPL under IFRS 9 and were remeasured at fair value, because the objective of the Group's business model was not to collect contractual cash flows nor was it achieved by both collecting contractual cash flows and selling financial assets on the basis of the facts and circumstances that existed as of January 1, 2018. As a result, retained earnings decreased by $74,400 thousand on January 1, 2018.

e) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as of January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

   IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

   The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

   In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the New IFRSs)	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present 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 consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be 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 will be measured at an amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 337,657	$ 337,657
Lease liabilities - current	$ -	$ 122,877	$ 122,877
Lease liabilities - non-current	-	214,780	214,780
Total effect on liabilities	$ -	$ 337,657	$ 337,657

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the other revisions and amendments will not result in significant impacts on the Group’s financial positions and financial performance.

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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 twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

  The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

  Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

  See Note 16 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (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 on 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 not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Corporation and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized 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 Group'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 Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had 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 by the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of the 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 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.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) 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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

Gains or losses arising from 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.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

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 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal groups) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When to a sale plan would result in loss of control of a subsidiary, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for by the equity method.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence nor joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

When a subsidiary, associate, or a portion of an interest in an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. Financial statements for the periods since classification as held for sale are amended accordingly.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 issue 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 category

<u>2018</u>

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost 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 does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

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 and trade receivables at amortized cost, 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, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits 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 Group 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 Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss that are assets held for trading.

Financial assets at fair value through profit or loss are stated 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 does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either not classified as loans and receivables or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit and loss or other comprehensive income. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and lease receivables. For all other financial instruments, the Group 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 a financial instrument has not increased significantly since initial recognition, the Group 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 Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

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

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and so on.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Group 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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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) Equity instruments

Equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

o. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered to the customers because it is the time when the customer has full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation. As the Group provides services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenues from sales of computer hardware and software are recognized when the items and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized by reference to the stage of completion of the contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. When total contract cost is estimated to be greater than total contract revenue at the end of a year, the excess should be recognized as operating cost in the current year.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. Leasing

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 Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group'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 Group'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 Group as lessee

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

q. 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 the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. 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 they occur. 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) represents the actual deficit (surplus) in the Group's defined benefit plan. 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.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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 the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, personnel training expenditures and investments 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, except where the Group 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 liability is settled or the asset 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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.

Valuation of Accounts Receivable

2018

The valuation of accounts receivable is based on assumptions about rates of default and expected loss. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 490	$ 683
Checking and savings accounts	1,833,991	1,705,305
Cash equivalent		
Time deposits with original maturities less than 3 months	980,828	2,002,247
	$ 2,815,309	$ 3,708,235
Market interest rate interval		
Time deposits with original maturities less than 3 months	0.60%-3.01%	0.60%-1.85%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Current		
Financial assets held for trading		
Mutual funds	$ -	$ 3,073,085
Corporation bonds	-	12,139
Listed shares	-	137,061
	-	3,222,285
Financial assets mandatorily classified as at FVTPL		
Mutual funds	2,917,622	-
Corporation bonds	12,200	-
Listed shares	149,663	-
	3,079,485	-
	$ 3,079,485	$ 3,222,285
Non-current		
Financial assets mandatorily classified as at FVTPL		
Unlisted common shares	$ 1,618,670	$ -
Unlisted preferred shares	47,877	-
Others	13,276	-
	$ 1,679,823	$ -

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT - 2018

Investments in equity instruments

	December 31, 2018
Unlisted shares	$ 97,695
Others	14,175
	$ 111,870

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 Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as financial assets measured at cost under IAS 39. Refer to Note 3 and Note 15 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT - 2018

	December 31, 2018
Domestic corporate bonds	$ 500,000
Market interest rate	3.5%

The bonds were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at amortized cost.

	December 31, 2018
Gross carrying amount	$ 500,000
Less: Allowance for impairment loss	-
Amortized cost	$ 500,000

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31, 2018
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	$ 500,000

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Listed shares	$ 8,526
Corporate bonds	8,035
	$ 16,561

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 357,120
Non-current	
Domestic corporate bonds	$ 500,000
Overseas convertible bonds	74,400
	$ 574,400
Market interest rate interval	
Time deposits with original maturities of more than 3 months	1.63%-1.73%
Domestic corporate bonds	3.5%
Overseas convertible bonds	5%-6%

13. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	December 31	
	2018	2017
Notes receivable	$ 71,112	$ 65,068
Less: Allowance for doubtful accounts	(231)	(231)
	$ 70,881	$ 64,837
Accounts receivable	$ 3,677,809	$ 3,257,736
Less: Allowance for doubtful accounts	(45,246)	(40,538)
	$ 3,632,563	$ 3,217,198
Long-term receivables	$ 638	$ 5,210
Less: Unrealized interest income	(38)	(266)
	$ 600	$ 4,944

In 2018

The average credit period of accounts receivables was 60 to 90 days. The Group delegated a department responsible for managing accounts receivable, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group.

The Group 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 trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 90 Days	91 to 270 Days	Over 271 Days	Total
Expected credit loss rate	-	-	0.15%	4.21%	56.89%	-
Gross carrying amount	$ 3,022,517	$ 284,121	$ 172,759	$ 205,220	$ 64,304	$ 3,748,921
Loss allowance (Lifetime ECL)	-	-	(265)	(8,632)	(36,580)	(45,477)
Amortized cost	$ 3,022,517	$ 284,121	$ 172,494	$ 196,588	$ 27,724	$ 3,703,444

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1	$ 40,769
Add: Provision for loss allowance	4,084
Foreign exchange translation gains and losses	624
Balance at December 31	$ 45,477

In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of accounts receivable, the Group considered, based on the historical experience, the risk of non-collection of receivable was higher when the receivables were not collected on due date. Therefore, the Group assessed the receivables individually and recognized an allowance for doubtful accounts of 100% against receivables that are irrecoverable. Allowance for doubtful accounts was recognized against other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables (based on invoice date) was as follows:

	December 31, 2017
Less than 90 days	$ 2,904,996
91-120 days	158,607
121-180 days	108,475
181-360 days	84,896
Over 361 days	65,830
	$ 3,322,804

The aging of receivables that were past due but not impaired (based on invoice date) was as follows:

	December 31, 2017
91-120 days	$ 158,548
121-180 days	107,830
181-360 days	79,009
Over 361 days	31,652
	$ 377,039

Because there was no significant change in credit quality and the amounts were still considered recoverable, the Group did not hold any collateral or other credit enhancements for these balances. In addition, the Group does not have the legal right to offset receivables with accounts payable with the same counterparty.

The Group's transactions were made with a large number of unrelated customers; thus, the concentration of credit risk was limited.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 76,020	$ 64,079	$ 140,099
Add: Impairment losses recognized on receivables	1,020	5,037	6,057
Less: Amounts written off during the year as uncollectible	(67,333)	(37,638)	(104,971)
Foreign exchange translation gains and losses	-	(416)	(416)
Balance at December 31, 2017	$ 9,707	$ 31,062	$ 40,769

14. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 2,861,767	$ 2,875,190
Maintenance parts	32,409	35,375
	$ 2,894,176	$ 2,910,565

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $12,224,462 thousand and $10,350,367 thousand, respectively. The cost of goods sold included inventory write-downs of $58,245 thousand and $12,731 thousand, respectively.

15. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Unlisted common shares	$ 439,301
Unlisted preferred shares	50,000
Others	19,849
	$ 509,150

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was significant and the possibility for each estimate cannot be reasonably determined.

16. SUBSIDIARIES

Subsidiaries Included in the consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31 2018	2017	Remark
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services.	100.00	100.00	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	48.92	48.92	a)
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services.	100.00	100.00	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	100.00	100.00	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation.	100.00	100.00	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.00	100.00	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software.	84.07	84.07	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
The Corporation	Systex Solutions Corporation II (Syxtex Solutions II)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	84.19	84.19	b)
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation of computer software and related equipment, network certification and software publication.	100.00	100.00	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2018	2017	Remark
GBC	SoftMobile Technology Corporation (Soft Mobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation of computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances.	69.59	69.59	
TEDP	Medincom Technology Corporation (Medincom)	Installation, sale and consultation of computer software and related equipment, and wholesale and retailing of medical appliances.	-	100.00	c)
Syspower	Medincom	Installation, sale and consultation of computer software and related equipment, and wholesale and retailing of medical appliances.	100.00	-	c)
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	98.59	-	d)
Top Information	Top International Holdings Ltd. (Top International)	General Investment activities	100.00	-	d)
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	100.00	100.00	
Kimo BVI	Systex Information (H.K.) Limited (Systex Info)	Sale of computer and peripheral equipment, retailing and processing of information of software.	100.00	100.00	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment.	100.00	100.00	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	100.00	100.00	e)
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	e)
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	
Kimo BVI	Systex Solutions (HK) Limited	Investment activities including financial trust and holding.	100.00	100.00	
Kimo BVI and SCGI	Syscore Corporation (Syscore)	General investment activities.	100.00	100.00	f)
Syscore	Syslink Corporation (Syslink)	General Investment activities	100.00	-	g)
Syslink	Syswiser Technology Corporation(Syswiser)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	-	h)
Syslink	Smartsys Technology Corporation (Smartsys)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	-	h)
Systex Info	Systex Group (China) Ltd. (Systex China)	Management consultation, marketing and sale, and capital and operation financial management.	100.00	100.00	
Systek and Ucom Shanghai	Rainbow Tech (Guangzhou) Inc. (RTGI)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	
Systex Group (China) Ltd. (Systex Group)	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software.	100.00	100.00	

(Concluded)

a. The Group holds a 48.9% interest in Hanmore. The directors of the Corporation consider the Group's absolute size of holding in Hanmore and the relative size of and dispersion of the shareholdings owned by the other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Hanmore and therefore the Group has control over Hanmore.

b. The Corporation purchased shares of Etu in June and July 2017 from the shareholders of non-controlling interests, resulting in an increase of the ownership percentage.

c. Due to organization adjustment, the shareholders' meeting of TEDP on December 24, 2018, and Syspower's board of directors on December 25, 2018, respectively, approved that TEDP would sell all of its shares of Medincom to Syspower. In addition, the board of directors of Syspower and Medincom approved the merger of Syspower and Medincom, with base date of consolidation as January 31, 2019, and Syspower is the surviving company and Medincom is the dissolved company.

d. CSMC acquired 98.59% interests of Top Information on November, 2018. Since the date of acquisition, Top Information and its subsidiary, Top International, were included in consolidated financial statements of the Group.

e. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process is estimated to take one year. After that, Systek is the surviving company and Ucom Shanghai is the dissolved company.

f. Syscore was incorporated in October 2017.

g. Syslink was incorporated in March 2018.

h. Syswiser and Smartsys were both incorporated in April 2018.

All accounts of subsidiaries were included in consolidated financial statements for the years ended December 31, 2018 and 2017.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2018 of Sysware Singapore, Stystex Info and RTIHK were not audited; the financial statements as of and for the year ended December 31, 2017 of Sysware Singapore was not audited. The aggregate assets of the subsidiary as of December 31, 2018 and 2017 amounted to $701,873 thousand and $7,788 thousand, respectively, which were 3.51% and 0.04% of the respective consolidated assets, and the aggregate liabilities amounted to $166,726 thousand and $76 thousand, respectively, which were 2.46% and 0% of the respective consolidated liabilities. The aggregate net operating revenues of the subsidiary in 2018 and 2017 amounted to $1,090,477 thousand and $0 thousand, respectively, which were 5.59% and 0% of the respective consolidated net operating revenues, and the aggregate amounts of comprehensive gain (loss) amounted to $3,120 thousand and $(2,020) thousand in 2018 and 2017, respectively, which were 0.29% and (0.27%) of the respective consolidated total comprehensive income. The Corporation believes that any adjustment that might have resulted had the financial statements of the subsidiary been audited would not be material to the consolidated financial statements taken as a whole.

17. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	December 31	
	2018	**2017**
Investments in associates		
Material associates		
Forms Syntron Information (Shenzhen) Limited	$ 498,394	$ 737,516
Associates that are not individually material	742,422	416,011
	$ 1,240,816	$ 1,153,527

a. Material associates

Name of Associates	**Proportion of Ownership and Voting Rights December 31 2018**	**2017**
Forms Syntron Information (Shenzhen) Limited	7.69%	11.69%

Although the Group only owns less than 20% of interests of Forms Syntron Information (Shenzhen) Limited, the Group has significant influence over the investee since the Group holds a director of the investee; therefore, the investment is accounted for using the equity method.

Fair values (Level 1) of investment in the associate with available published price quotation are summarized as follows:

Name of Associate	**December 31 2018**	**2017**
Forms Syntron Information (Shenzhen) Limited	$ 805,701	$ 2,288,705

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Forms Syntron Information (Shenzhen) Limited

	December 31 2018	**2017**
Assets	$ 5,798,521	$ 5,315,268
Liabilities	(530,003)	(235,625)
Equity	$ 5,268,518	$ 5,079,643
Proportion of the Group's ownership	7.69%	11.69%
Equity attributable to the Group	$ 405,281	$ 594,031
Goodwill	95,299	147,440
Other payables	(2,186)	(3,955)
Carrying amount	$ 498,394	$ 737,516

	For the Year Ended December 31 2018	**2017**
Operating revenue	$ 2,222,755	$ 1,664,593
Net profit for the year	$ 313,687	$ 417,417
Other comprehensive income (loss)	11,571	(542)
Total comprehensive income for the year	$ 325,258	$ 416,875
Dividends received from Forms Syntron Information (Shenzhen) Limited	$ 10,555	$ 14,960

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	**2017**
The Group's share of:		
Net profit for the year	$ 16,185	$ 11,762
Other comprehensive income (loss)	(8,595)	13,261
Total comprehensive income for the year	$ 7,590	$ 25,023

Except for E-Customer Capital Limited, Systex Infopro Co., Ltd., Sunlight-tech Inc., GenSys Technology (International) Ltd., Retail System Co., Ltd., Systemweb Technologies Co., Ltd., Sanfran Technologies Inc., Shengsen Corp., Frog-jump Information Co., Ltd., Forms Syntron Information (Shenzhen) Limited and Neweb Information Co., Ltd. for the year ended December 31, 2018, and E-Customer Capital Limited, Systex Infopro Co., Ltd. and Sunlight-tech Inc., for the year ended December 31, 2017, investments accounted for by the equity method and the share of profit or loss and other comprehensive income were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

18. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2017	$ 831,068	$ 1,477,105	$ 194,552	$ 13,428	$ 86,196	$ 42,806	$ 86,616	$ 2,731,771
Additions	-	-	44,075	508	5,431	4,015	7,626	61,655
Disposals	(5,310)	(2,873)	(42,303)	-	(22,880)	(7,773)	(6,224)	(87,363)
Reclassification	-	-	63	-	(1,780)	(248)	288	(1,677)
Effect of foreign currency exchange differences	-	(5,751)	(2,364)	(55)	(117)	(382)	(1,831)	(10,500)
Balance at December 31, 2017	$ 825,758	$ 1,468,481	$ 194,023	$ 13,881	$ 66,850	$ 38,418	$ 86,475	$ 2,693,886
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ 14,853	$ 483,924	$ 98,050	$ 2,917	$ 44,676	$ 23,641	$ 54,037	$ 722,098
Depreciation expenses	-	22,442	43,675	1,955	26,943	7,640	12,156	114,811
Disposals	-	(1,084)	(40,127)	-	(22,880)	(7,773)	(6,198)	(78,062)
Reclassification	-	-	62	-	(1,581)	(4)	44	(1,479)
Effect of foreign currency exchange differences	-	(973)	(1,869)	(50)	(34)	(304)	(777)	(4,007)
Balance at December 31, 2017	$ 14,853	$ 504,309	$ 99,791	$ 4,822	$ 47,124	$ 23,200	$ 59,262	$ 753,361
Carrying amounts at December 31, 2017	$ 810,905	$ 964,172	$ 94,232	$ 9,059	$ 19,726	$ 15,218	$ 27,213	$ 1,940,525
Cost								
Balance at January 1, 2018	$ 825,758	$ 1,468,481	$ 194,023	$ 13,881	$ 66,850	$ 38,418	$ 86,475	$ 2,693,886
Additions	-	-	56,938	1,688	5,770	19,425	9,792	93,613
Disposals	(12,946)	(19,195)	(17,459)	(1,880)	(17,764)	(7,521)	(18,544)	(95,309)
Acquisitions through business combinations (Note 25)	-	-	3,077	471	-	5,277	1,436	10,261
Reclassification	-	-	(4,022)	-	(261)	-	(81)	(4,364)
Effect of foreign currency exchange differences	-	(4,818)	197	(44)	(95)	93	(573)	(5,240)
Balance at December 31, 2018	$ 812,812	$ 1,444,468	$ 232,754	$ 14,116	$ 54,500	$ 55,692	$ 78,505	$ 2,692,847

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ 14,853	$ 504,309	$ 99,791	$ 4,822	$ 47,124	$ 23,200	$ 59,262	$ 753,361
Depreciation expenses	-	22,438	47,451	2,063	15,239	8,442	10,419	106,052
Disposals	(7,159)	(15,521)	(17,422)	(1,691)	(17,764)	(7,381)	(18,444)	(85,382)
Acquisitions through business combinations (Note 25)	-	-	2,689	471	-	4,889	1,093	9,142
Reclassification	-	-	(2,141)	-	(166)	-	(75)	(2,382)
Effect of foreign currency exchange differences	-	(1,064)	265	(17)	(95)	(26)	(337)	(1,274)
Balance at December 31, 2018	$ 7,694	$ 510,162	$ 130,633	$ 5,648	$ 44,338	$ 29,124	$ 51,918	$ 779,517
Carrying amounts at December 31, 2018	$ 805,118	$ 934,306	$ 102,121	$ 8,468	$ 10,162	$ 26,568	$ 26,587	$ 1,913,330

(Concluded)

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

Buildings	19-60 years
Computer equipment and other equipment	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years or the period of lease, if shorter

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

19. SHORT-TERM LOANS

Bank Loans

	December 31	
	2018	2017
Unsecured loans	$ 321,650	$ 901,000
Secured loans	494,275	559,053
	$ 815,925	$ 1,460,053
Annual interest rate		
Unsecured loans	1.16%-2.35%	1.13%-2.34%
Secured loans	1.50%-5.66%	1.40%-4.92%

Refer to Note 30 for the carrying amounts of property, plant and equipment - buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries 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.

The employees of Systex Info, RTIHK, Systek, Ucom Shanghai, Sysware Shenglong, RTGI, Systex China, Systex Ucom and Sysware Singapore are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes to funds the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation and several of its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 615,763	$ 504,162
Fair value of plan assets	(342,111)	(240,525)
Net defined benefit liability	$ 273,652	$ 263,637

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 510,678	$ (264,299)	$ 246,379
Service cost			
Current service cost	2,236	-	2,236
Net interest expense (income)	6,992	(3,740)	3,252
Recognized in profit or loss	9,228	(3,740)	5,488
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,453	1,453
Actuarial gain - changes in demographic assumptions	(5,109)	-	(5,109)
Actuarial loss - changes in financial assumptions	7,326	-	7,326
Actuarial loss - experience adjustments	29,073	-	29,073
Recognized in other comprehensive income	31,290	1,453	32,743

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (12,924)	$ (12,924)
Benefits paid	(47,034)	38,985	(8,049)
Balance at December 31, 2017	504,162	(240,525)	263,637
Service cost			
Current service cost	2,071	-	2,071
Net interest expense (income)	7,681	(3,999)	3,682
Recognized in profit or loss	9,752	(3,999)	5,753
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,808)	(7,808)
Actuarial loss - changes in demographic assumptions	264	-	264
Actuarial loss - changes in financial assumptions	13,072	-	13,072
Actuarial loss - experience adjustments	20,857	-	20,857
Recognized in other comprehensive income	34,193	(7,808)	26,385
Contributions from the employer	-	(45,764)	(45,764)
Benefits paid	(14,930)	14,930	-
Business combinations (Note 25)	82,586	(58,945)	23,641
Balance at December 31, 2018	$ 615,763	$ (342,111)	$ 273,652

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group 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	
	2018	2017
Discount rates	1.05%-1.75%	1.25%-1.75%
Expected rates of salary increase	1.00%-2.50%	1.00%-2.50%

If possible reasonable change 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	
	2018	**2017**
Discount rates		
0.25%-0.5% increase	$ (32,807)	$ (30,460)
0.25%-0.5% decrease	$ 30,815	$ 28,339
Expected rates of salary increase		
0.25%-0.5% increase	$ 30,811	$ 28,438
0.25%-0.5% decrease	$ (32,561)	$ (30,317)

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

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 42,701	$ 17,631
The average duration of the defined benefit obligation	12 years	13 years

21. EQUITY

a. Share capital

	December 31	
	2018	**2017**
Number of common shares authorized (in thousands)	400,000	400,000
Common shares authorized	$ 4,000,000	$ 4,000,000
Number of common shares issued (in thousands)	269,393	269,393
Common shares issued	$ 2,693,933	$ 2,693,933

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

b. Capital surplus

	December 31	
	2018	**2017**
Maybe used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)		
Issue of common shares	$ 4,964,759	$ 5,638,242
Donations	544	544

(Continued)

	December 31	
	2018	2017
May not be used for any purpose		
Changes in percentage of ownership interest in subsidiaries (2)	$ 8,576	$ 8,576
Share of changes in associates accounted for by using equity method	193,072	270,675
Treasury share transactions	1,557,591	1,440,542
Gain on sale of property and equipment	4,493	4,493
	$ 6,729,035	$ 7,363,072

(Concluded)

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles ("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, setting aside or reversing 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, please refer to employees' compensation and remuneration of directors in Note 22 c.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

1) Determine the optimal capital budget.

2) Determine the funding requirements to meet the optimal.

3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).

4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. 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.

Under the local regulations, an amount equal to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings held on June 15, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 117,775	$ 110,827	$ -	$ -
Special reserve	388,833	64,494	-	-
Cash dividends	673,483	942,877	2.5	3.5
	$ 1,180,091	$ 1,118,198	$ 2.5	$ 3.5

The shareholders resolved the distribution in cash of the capital surplus arising from issuance of common shares in the shareholders' meeting held on June 15, 2018 and June 16, 2017, respectively. The distribution amounted to $673,483 thousand (at NT$2.5 per share) and $404,090 thousand (at NT$1.5 per share), respectively.

The appropriations of earnings for 2018 had been proposed by the Corporation's board of directors on March 21, 2019. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 105,142	$ -
Reversal of special reserve	(69,485)	-
Cash dividends	1,023,695	3.8

In addition, the board of directors proposed in the same meeting the distribution in cash of the capital surplus arising from issuance of common shares, amounting to $323,272 thousand at NT$1.2 per share.

The appropriations of 2018 earnings and distribution of capital surplus will be resolved by the shareholders in their meeting scheduled for June 2019.

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (470,691)	$ (83,286)
Exchange differences arising on translating the net asset of foreign operations	80,960	(434,475)
Share of exchange difference of associates accounted for using the equity method	(17,595)	47,070
Balance at December 31	$ (407,326)	$ (470,691)

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ 18,792
Unrealized loss arising on revaluation of available-for-sale financial assets	(1,428)
Balance at December 31, 2017	$ 17,364
Balance at January 1, 2018 per IAS 39	$ 17,364
Adjustment on initial application of IFRS 9	(17,364)
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain on financial assets as at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	22,619
Balance at January 1 per IFRS 9	22,619
Recognized for the year	
Unrealized gain	860
Share from associates accounted for using the equity method	5
Balance at December 31	$ 23,484

f. Treasury share (in thousand)

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
2018				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	23,410	-	-	23,410
2017				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	23,410	-	-	23,410

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	December 31	
	2018	2017
Hanmore		
Share (in thousand)	21,317	21,317
Investments cost	$ 781,060	$ 834,351
Market value	$ 1,310,976	$ 1,264,079
Ching Pu		
Share (in thousand)	12,982	12,982
Investments cost	$ 306,490	$ 338,944
Market value	$ 798,361	$ 769,802

For the Corporation's shares held by Hanmore, the investment cost at 48.9% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, amounting to $515,618 (10,428 thousand shares) as of December 31, 2018 and 2017, respectively. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

g. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1 per IAS 39	$ 51,800	$ 31,003
Adjustment on initial application of IFRS 9	1,215	-
Balance at January 1 per IFRS 9	53,015	31,003
Attributable to non-controlling interests:		
Share of loss for the year	(1,246)	(4,631)
Unrealized gain on available-for-sale financial asset	-	815
Remeasurement on defined benefit plans	(143)	(927)
Cash dividends received from subsidiaries	(38,384)	(28,465)
Exchange difference on translating the net assets of foreign operations	8	-
Non-controlling interests arising from cash dividends received by subsidiaries (Hanmore) from the Corporation	54,441	54,441
Non-controlling interests arising from acquisition of subsidiaries (Top information)	1,499	-
Change in subsidiaries ownership	-	(436)
Balance at December 31	$ 69,190	$ 51,800

22. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 106,052	$ 114,811
Intangible assets	30,727	43,620
	$ 136,779	$ 158,431
An analysis of depreciation by function		
Operating costs	$ 27,387	$ 37,583
Operating expenses	78,665	77,228
	$ 106,052	$ 114,811
An analysis of amortization by function		
Operating costs	$ 3,341	$ 2,922
Operating expenses	27,386	40,698
	$ 30,727	$ 43,620

b. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 154,162	$ 127,437
Defined benefits plans (Note 20)	5,753	5,488
	159,915	132,925
Termination benefits	28,425	9,975
Payroll and other employee benefits	3,150,892	2,831,288
	$ 3,339,232	$ 2,974,188
An analysis of employee benefits expenses by function		
Operating costs	$ 9,837	$ -
Operating expenses	3,329,395	2,974,188
	$ 3,339,232	$ 2,974,188

As of December 31, 2018 and 2017, the Group has 3,264 and 2,907 employees, respectively.

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Corporation's board of directors on March 21, 2019 and March 22, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Accrual Rate	Cash	Accrual Rate	Cash
Employees' compensation	3.0%	$ 34,056	0.1%	$ 1,216
Remuneration of directors	2.0%	22,704	2.0%	24,317

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

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain (loss) on sale of investments, net

	For the Year Ended December 31	
	2018	2017
Financial asset at FVTPL	$ 199,624	$ 28,152
Investments accounted for using the equity method	401,599	257,467
Non-current assets held for sale	-	193,003
	$ 601,223	$ 478,622

e. Impairment losses on assets

	For the Year Ended December 31	
	2018	2017
Financial assets		
Financial assets measured at cost	$ -	$ 882
Investments accounted for using the equity method	-	3,247
	-	4,129
Non-financial assets		
Computer software	-	8,535
Technological expertise	-	23,213
Other intangible assets	-	1,906
	-	33,654
	$ -	$ 37,783

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 163,197	$ 82,099
Additional income tax on unappropriated earnings	505	210
Land value increment tax	209	102
Investment tax credit deduction	(8,819)	-
Enterprise Income Tax on securities	55,982	34,204
Adjustments for prior years' tax	(3,087)	(383)
	207,987	116,232
Deferred tax		
In respected of the current year	(12,857)	10,810
Effect of tax rate changes	(4,075)	-
	(16,932)	10,810
Income tax expense recognized in profit or loss	$ 191,055	$ 127,042

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 1,241,227	$ 1,300,160
Income tax expense calculated at the statutory rate	$ 248,245	$ 221,027
Nondeductible expenses in determining taxable income	2,206	4,668
Tax-exempt income	(30,216)	(67,198)
Additional income tax on unappropriated earnings	505	210
Unrecognized temporary differences	(16,015)	(9,898)
Investment tax credits recognized	(35)	-
(Loss carryforwards used) unrecognized loss carryforwards	(25)	5,062
Effect of different tax rate of group entities operating in other jurisdictions	(70,149)	(60,752)
Adjustments for prior years' tax	(3,087)	(383)
Land value increment tax	209	102
Enterprise Income Tax on securities	55,982	34,204
Additional income tax under the Alterative Minimum Tax Act	7,510	-
Effect of tax rate changes	(4,075)	-
Income tax expense recognized in profit or loss	$ 191,055	$ 127,042

Systex Solution (HK) Limited sold investments accounted for using equity method in 2018 and 2017 and incurred Enterprise Income Tax of $55,982 thousand and $34,204 thousand, respectively, according to the related tax laws in its jurisdiction.

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Remeasurement on defined benefit plan	$ 2	$ (151)

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets (included in other receivables)		
Tax refund receivable	$ 4,665	$ 20,373
Current tax liabilities		
Income tax payable	$ 118,128	$ 50,105
In respect of prior years	8,561	11,934
	$ 126,689	$ 62,039

As of December 31, 2018 and 2017, income tax payables were net of prepayments aggregating $36,755 thousand and $33,252 thousand, respectively.

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2018

	Opening Balance	Acquisition from Business Combinations	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized project costs	$ 136	$ 1,209	$ (228)	$ -	$ 1,117
Allowance for loss on inventories	5,879	708	11,170	-	17,757
Deferred revenue	1,891	-	946	-	2,837
Payable for annual leave	1,449	86	859	-	2,394
Defined benefit obligation	3,082	912	1,128	2	5,124
Others	10,430	1	11,581	-	22,012
	22,867	2,916	25,456	2	51,241
Loss carryforwards	2,255	-	888	-	3,143
Investment credits	29,748	-	(8,532)	-	21,216
	$ 54,870	$ 2,916	$ 17,812	$ 2	$ 75,600
Deferred tax liabilities					
Temporary differences					
Exchange differences on foreign operations	$ 4,969	$ -	877	$ -	$ 5,846
Others	54	35	3	-	92
	$ 5,023	$ 35	$ 880	$ -	$ 5,938

For the year ended December 31, 2017

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized project costs	$ 196	$ (60)	$ -	$ 136
Allowance for loss on inventories	20,531	(14,652)	-	5,879
Deferred revenue	772	1,119	-	1,891
Payable for annual leave	5,968	(4,519)	-	1,449
Defined benefit obligation	3,017	216	(151)	3,082
Others	4,931	5,499	-	10,430
	35,415	(12,397)	(151)	22,867
Loss carryforwards	1,287	968	-	2,255
Investment credits	30,000	(252)	-	29,748
	$ 66,702	$ (11,681)	$ (151)	$ 54,870
Deferred tax liabilities				
Temporary differences				
Exchange differences on foreign operations	$ 4,969	$ -	$ -	$ 4,969
Others	925	(871)	-	54
	$ 5,894	$ (871)	$ -	$ 5,023

e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expiry in 2018	$ -	$ 52,116
Expiry in 2019	121,102	122,224
Expiry in 2020	19,687	19,687
Expiry in 2021	4,316	4,316
Expiry in 2022	78,990	78,990
Expiry in 2023	49,995	14,698
Expiry in 2024	29,353	9,989
Expiry in 2025	109,271	85,255
Expiry in 2026	124,452	108,682
Expiry in 2027	30,435	38,738
Expiry in 2028	25,407	-
	$ 593,008	$ 534,695
Investment credits		
Equity investment	$ 1,945	$ 1,980
Research and development	4,504	6,658
	$ 6,449	$ 8,638

f. Information about unused investment credits and unused loss carryforwards

As of December 31, 2018, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Act for promotion of private participation in infrastructure project	Equity investment	$ 23,188	2020
Statute for Industrial Innovation	Research and development	4,476	2019
		$ 27,664	

Loss carryforwards as of December 31, 2018 comprised of:

Expiry Year	Total Credit
2019	$ 121,102
2020	19,687
2021	4,316
2022	78,990
2023	49,995
2024	29,353
2025	109,271
2026	131,797
2027	37,372
2028	26,840
	$ 608,723

g. Income tax assessments

Income tax returns through 2016 and undistributed earnings through 2015 of Nexsys, Taifon, Ching Pu, Hanmore, TEDP, Medincom, GBC, Soft Mobile, CSMC, Sytex Solution II, SSSC, Etu, Top Information and Naturint; income tax returns through 2015 and undistributed earnings through 2014 of the Syspower; income tax returns through 2016 and undistributed earnings through 2015 of the Corporation have been assessed by the tax authorities, and income tax returns through 2014 and undistributed earnings through 2013 of the Corporation have been assessed by the tax authorities.

SCGI and KIMO are exempt from income tax under their local government regulations.

24. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2018	2017
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,051,418	$ 1,177,749
Number of shares (thousand)		
Weighted average number of common shares in the computation of basic earnings per share	245,983	245,983
Effect of potentially dilutive common shares:		
Employees' compensation	558	21
Weighted average number of common shares in the computation of diluted earnings per share	246,541	246,004
Earnings per share (NT$)		
Basic earnings per share	$4.27	$4.79
Diluted earnings per share	$4.26	$4.79

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	For the Year Ended December 31	
	2018	2017
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,109,943	$ 1,259,683
Number of shares (thousand)		
Weighted average number of common shares in the computation of pro forma earnings per shares	269,393	269,393
Effect of potentially dilutive common shares:		
Employees' compensation	558	21
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	269,951	269,414
Earnings per share (NT$)		
Basic earnings per share	$4.12	$4.68
Diluted earnings per share	$4.11	$4.68

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Top Information and its subsidiary	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	November 13, 2018	98.59%	$ 150,000

Top Information and its subsidiary were acquired in order to continue the expansion of the Group's activities.

b. Consideration transferred

	Top Information and Its Subsidiary
Cash	$ 150,000

c. Assets acquired and liabilities assumed at the date of acquisition

	Top Information and Its Subsidiary
Current assets	
Cash and cash equivalents	$ 85,303
Accounts receivable and other receivables	180,723
Inventories	161,597
Other current assets	12,465
Non-current assets	
Equipment	1,119
Other intangible assets	18,577
Deferred tax assets	2,916
Other non-current assets	23,054
Current liabilities	
Short-term loans	(37,650)
Accounts Payable and other payables	(216,119)
Other current liabilities	(74,287)

(Continued)

	Top Information and Its Subsidiary
Non-current liabilities	
Deferred tax liabilities	$ (35)
Net defined benefit liabilities - non-current	(23,641)
Other non-current liabilities	(9,226)
	$ 124,796

(Concluded)

d. Goodwill recognized on acquisitions

	Top Information and Its Subsidiary
Consideration transferred	$ 150,000
Plus: Non-controlling interests (1.41% in Top Information)	1,499
Less: Fair value of identifiable net assets acquired	(124,796)
Goodwill recognized on acquisitions	$ 26,703

The goodwill recognized in the acquisitions of Top Information and its subsidiaries mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	Top Information and Its Subsidiary
Consideration paid in cash	$ 150,000
Less: Cash and cash equivalent acquired	(85,303)
	$ 64,697

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income has no significant impact on the Group's operating.

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue would have been $20,270,581 thousand, and the profit would have been $1,056,459 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In June and July 2017, the Group purchased shares of Etu from the shareholders of non-controlling interests, increasing its interests from 78.26% to 84.19%.

The above transactions were accounted for as equity transactions, since the Group did not change the influence on these subsidiaries.

	For the Year Ended December 31, 2017
Cash consideration paid	$ (436)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	436
Differences recognized from equity transaction	$ -

27. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, legal reserve, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

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

   The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets at FVTPL				
Listed shares	$ 149,663	$ -	$ -	$ 149,663
Unlisted common shares	-	-	1,618,670	1,618,670
Unlisted preferred shares	-	-	47,877	47,877
Corporate bonds	-	12,200	-	12,200
Mutual funds	2,917,622	-	-	2,917,622
Others	-	-	13,276	13,276
	$ 3,067,285	$ 12,200	$ 1,679,823	$ 4,759,308
Financial assets at FVTOCI				
Unlisted shares	$ -	$ -	$ 97,695	$ 97,695
Others	-	-	14,175	14,175
	$ -	$ -	$ 111,870	$ 111,870
December 31, 2017				
Financial assets at FVTPL				
Listed shares	$ 137,061	$ -	$ -	$ 137,061
Corporation bonds	-	12,139	-	12,139
Mutual funds	3,073,085	-	-	3,073,085
	$ 3,210,146	$ 12,139	$ -	$ 3,222,285
Available-for sale financial assets				
Listed shares	$ 8,526	$ -	$ -	$ 8,526
Corporation bonds	-	8,035	-	8,035
	$ 8,526	$ 8,035	$ -	$ 16,561

There were no transfers between Levels 1 and 2 in 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1	$ 1,586,696	$ 71,586	$ 1,658,282
Recognized in profit or loss	85,334	-	85,334
Recognized in other comprehensive income	-	860	860
Purchases	10,000	37,520	47,520
Disposals	(2,265)	-	(2,265)
Net exchange differences	58	2,912	2,970
Capital reduction	-	(1,008)	(1,008)
Balance at December 31	$ 1,679,823	$ 111,870	$ 1,791,693
Recognized in other gains and losses - unrealized	$ 84,321	$ -	$ 84,321

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Except the fair value of shares of Taiwan Futures Exchange determined using the market approach, the fair values of unlisted equity securities were determined using the asset approach. In the asset approach, the value of a company was identified by the net asset value of a company. The significant unobservable inputs used are listed in the table below. A decrease in discount for lack of marketability used in isolation would result in increases in fair value.

	December 31, 2018
Discount for lack of marketability	0%-30%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	December 31, 2018
Discount for lack of marketability	
2.5% increase	$ (61,742)
2.5% decrease	$ 56,499

c. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
FVTPL		
Held for trading	$ -	$ 3,222,285
Mandatorily classified as at FVTPL	4,759,308	-
Loans and receivables (1)	-	8,601,007
Available-for-sale financial assets (2)	-	525,711
Financial assets at amortized cost (3)	7,889,489	-
Financial assets at FVTOCI	111,870	-
<u>Financial liabilities</u>		
Amortized cost (4)	5,110,929	5,469,604

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets) and lease receivables - non-current (included in other non-current assets).

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables-current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets), lease receivables (included in other non-current assets) and debt investment (included in financial assets at amortized cost - non-current).

4) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables and guarantee deposits received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The Group’s main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group’s financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group’s significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Group designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates a decrease/increase in pre-tax loss associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2018	**2017**
USD		
Increase/decrease	$ 64,083	$ 18,864
RMB		
Increase/decrease	6,055	8,950

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,480,828	$ 2,933,767
Financial liabilities	815,925	1,460,053
Cash flow interest rate risk		
Financial assets	1,833,991	1,705,305

The Group acquired better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	For the Year Ended December 31	
	2018	**2017**
Increase/decrease	$ 1,834	$ 1,705

c) Other price risk

The Group was exposed to price risk through its investments in listed shares, corporate bonds and mutual funds. The Group established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Group’s pre-tax net income and other comprehensive income would have been as follows:

	For the Year Ended December 31	
	2018	**2017**
Pre-tax net income		
Increase/decrease	$ 237,965	$ 161,114
Other comprehensive income		
Increase/decrease	5,594	828

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposure to credit risk for financial assets at the balance sheet date are their carrying amounts.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Group put in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term market under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual terms.

December 31, 2018

	Less than 1 Year	**1-5 Years**	**5+ Years**	**Total**
Non-derivative financial liabilities				
Short-term loans	$ 815,925	$ -	$ -	$ 815,925

December 31, 2017

	Less than 1 Year	**1-5 Years**	**5+ Years**	**Total**
Non-derivative financial liabilities				
Short-term loans	$ 1,460,053	$ -	$ -	$ 1,460,053

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Group’s investments in mutual funds and listed shares are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

29. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationship with the Group

Related Parties	Relationship with the Group
Systemweb Technologies Co., Ltd.	Associate
Sanfran Technologies Inc.	Associate
Investment Media Ltd.	Associate
Mohist Web Technology Co., Ltd.	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd.	Associate
Shengsen Corp.	Associate
Forms Syntron Information (Shenzhen) Limited	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate

b. Operating revenue

		For the Year Ended December 31	
Line Items	**Related Party Categories**	**2018**	**2017**
Sales	Associates	$ 2,808	$ 6,124
Service revenue	Associates	$ 5,626	$ 5,045
Other operating revenue	Associates	$ 22	$ -

c. Purchases of goods

	For the Year Ended December 31	
Related Party Categories	**2018**	**2017**
Associates	$ 82,826	$ 70,074

d. Receivables from related parties

		December 31	
Line Items	**Related Party Categories**	**2018**	**2017**
Notes and accounts receivable	Associates	$ 4,261	$ 1,603

e. Payables to related parties

		December 31	
Line Items	**Related Party Categories**	**2018**	**2017**
Accounts payable	Associates	$ 47,296	$ 53,726

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those for third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31 2018	2017
Service cost	Associates	$ 19,440	$ 20,571
Operating expenses	Associates	$ 1,764	$ 99

g. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 149,948	$ 111,191
Post-employment benefits	3,601	3,350
	$ 153,549	$ 114,541

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. PLEDGED ASSETS

The following assets were pledged as the Group's collateral for bank loans, contract guarantees, guarantees of gift certificates and gift cards and import duty guarantee:

	December 31 2018	2017
Property, plant and equipment - buildings, net	$ 212,693	$ 221,999
Pledged time deposits - current (included in other receivables)	215,450	167,180
Pledged time deposits - non-current (included in other non-current assets)	54,487	51,421
The shares of the Corporation (Note)	615,000	593,000
	$ 1,097,630	$ 1,033,600

Note: Hanmore pledged 10,000 thousand shares of the Corporation as of December 31, 2018 and 2017, and it was eliminated on consolidation.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. Unused letters of credit of the Corporation in aggregate amount were as follows:

	December 31	
	2018	**2017**
	$ 747	$ 720

b. Outstanding sales contracts of the Group in the amount were as follows:

	December 31	
	2018	**2017**
	$ 8,705,938	$ 6,927,594

c. The Group provided endorsements for Systex Solutions II, RTGI, Systek, SSSC, Systex Info, Systex Ucom, and Systex China up to $300,000 thousand, $46,073 thousand, $15,358 thousand, $700,000 thousand, $184,290 thousand, $134,259 thousand and $1,925,332 thousand, respectively. Ucom Shanghai provided endorsement for Systex China up to $111,883 thousand. Systek provided endorsement for Systex China up to $111,883 thousand.

d. The Group issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Group entered into a trust agreement with E.SUN Commercial Bank according to the "Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies" issued by the Ministry of Economic Affairs. According to the trust agreement, the Group opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Group on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2018, the Group's assets in the trust account amounted to $13,829 thousand (included in other receivables and other non-current assets).

e. As of December 31, 2018, the Group had lease contracts for office premises, parking lots and warehouse with rentals paid monthly or annually, expiring between August 2019 and April 2025, and the refundable deposits for above lease contracts amounted to $27,286 thousand (included in refundable deposits). Future rentals are as follows:

Year	Amount
2019	$ 141,194
2020	96,924
2021	75,248
2022	46,630
2023	23,198
2024	7,137
2025	1,869

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' 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, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 27,135	4.48	$ 121,439
USD	36,886	30.72	1,132,962
Non-monetary items			
Financial assets at fair value through profit or loss			
HKD	4,703	3.92	18,439
Investment accounted for using equity method			
RMB	130,820	4.48	585,461
USD	1,570	30.72	48,232
Financial liabilities			
Monetary item			
USD	9,808	30.72	301,239
RMB	77	4.48	343

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 39,491	4.55	$ 179,864
USD	18,709	29.76	556,774
Non-monetary items			
Financial assets at fair value through profit or loss			
HKD	11,817	3.81	44,989
RMB	1,700	4.55	7,743
Investment accounted for using equity method			
RMB	173,484	4.55	790,132
USD	1,356	29.76	40,346
Financial liabilities			
Monetary item			
USD	6,032	29.76	179,503
RMB	190	4.55	864

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $(10,379) thousand and $34,492 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

Financial business integration provides financial technologies and develops smart finance, centered on FinTech, to assist financial customers (mainly engaged in large-scale financial customers) in digital transformation, including transformation services in mobile applications, integration services for investor and wealth management upgrade services. Customer market integration focus on new retail, provides full-channel and full payment services, and assists customers, especially digital e-commerce customer, in operating O2O business to realize digital transformation. Data Technology integration provides comprehensive Data Technology product portfolio and solution to drive business intelligence growth of customers, acts as the Data Enabler for customers and actively introduces domestic and foreign leading digital technology to provide solution to customer in digital transformation. China Group, in the way of alliance with local suppliers, expands self-employed business, develops independent products, provides system integration and value-added services, and provides commercial software and cloud platform tools in China. Investment department engages in investment activities.

The chief operating decision-maker of the Group divided the domestic information service business into three operating segments according to industry level and customer's service requirements and has taken China Group as a reportable segment due to regional specialties. In addition, the financial investment business is considered as an investment department that should be reported separately. Financial business integration included domestic departments which provide a cross-border financial transaction cloud, APP and customized development, community services for investors, and ITDM services of securities or futures trading in Greater China. Customer market integration included domestic departments which provide mobile payments, O2O integration services, data processing services, precision marketing solution, government official website, service platform, and e-commerce platform. Data Technology integration included domestic departments which provide big data platform and value-added innovation, commercial software, cloud value-added services, Cyber-security, IT development training courses, and book publishing.

a. Segment revenues and results

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
2018							
Sales to customers	$ 2,584,391	$ 3,067,951	$ 9,160,643	$ 4,703,004	$ -	$ -	$ 19,515,989
Sales to other segments	294,520	175,637	983,889	569,657	-	(2,023,703)	-
Total sales	$ 2,878,911	$ 3,243,588	$ 10,144,532	$ 5,272,661	$ -	$ (2,023,703)	$ 19,515,989
Segment income	$ 349,508	$ 351,394	$ 403,401	$ 52,429	$ 462,921	$ -	$ 1,619,653
Corporate general expenses							(378,426)
Income before income tax							$ 1,241,227
Segment depreciation and amortization expenses	$ 31,685	$ 27,659	$ 26,057	$ 22,276	$ -		$ 107,677
Non-segment depreciation and amortization expenses							29,102
Total depreciation and amortization expenses							$ 136,779
Segment assets	$ 2,648,943	$ 2,184,709	$ 4,202,137	$ 2,834,162	$ 7,265,414		$ 19,135,365
General assets							844,098
Total assets							$ 19,979,463

(Continued)

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
2017							
Sales to customers	$ 2,504,443	$ 3,040,054	$ 7,364,325	$ 3,965,457	$ -	$ -	$ 16,874,279
Sales to other segments	215,644	171,676	732,496	705,688	-	(1,825,504)	-
Total sales	$ 2,720,087	$ 3,211,730	$ 8,096,821	$ 4,671,145	$ -	$ (1,825,504)	$ 16,874,279
Segment income	$ 328,031	$ 322,103	$ 339,637	$ 34,630	$ 622,838	$ -	$ 1,647,239
Corporate general expenses							(347,079)
Income before income tax							$ 1,300,160
Segment depreciation and amortization expenses	$ 46,560	$ 32,206	$ 22,635	$ 25,388	$ -		$ 126,789
Non-segment depreciation and amortization expenses							31,642
Total depreciation and amortization expenses							$ 158,431
Segment assets	$ 2,217,675	$ 1,944,099	$ 4,391,675	$ 2,705,027	$ 6,995,370		$ 18,253,846
General assets							1,110,324
Total assets							$ 19,364,170

(Concluded)

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	2018	2017
Domestic	$ 14,908,217	$ 13,033,319
Asia	4,607,772	3,840,960
	$ 19,515,989	$ 16,874,279

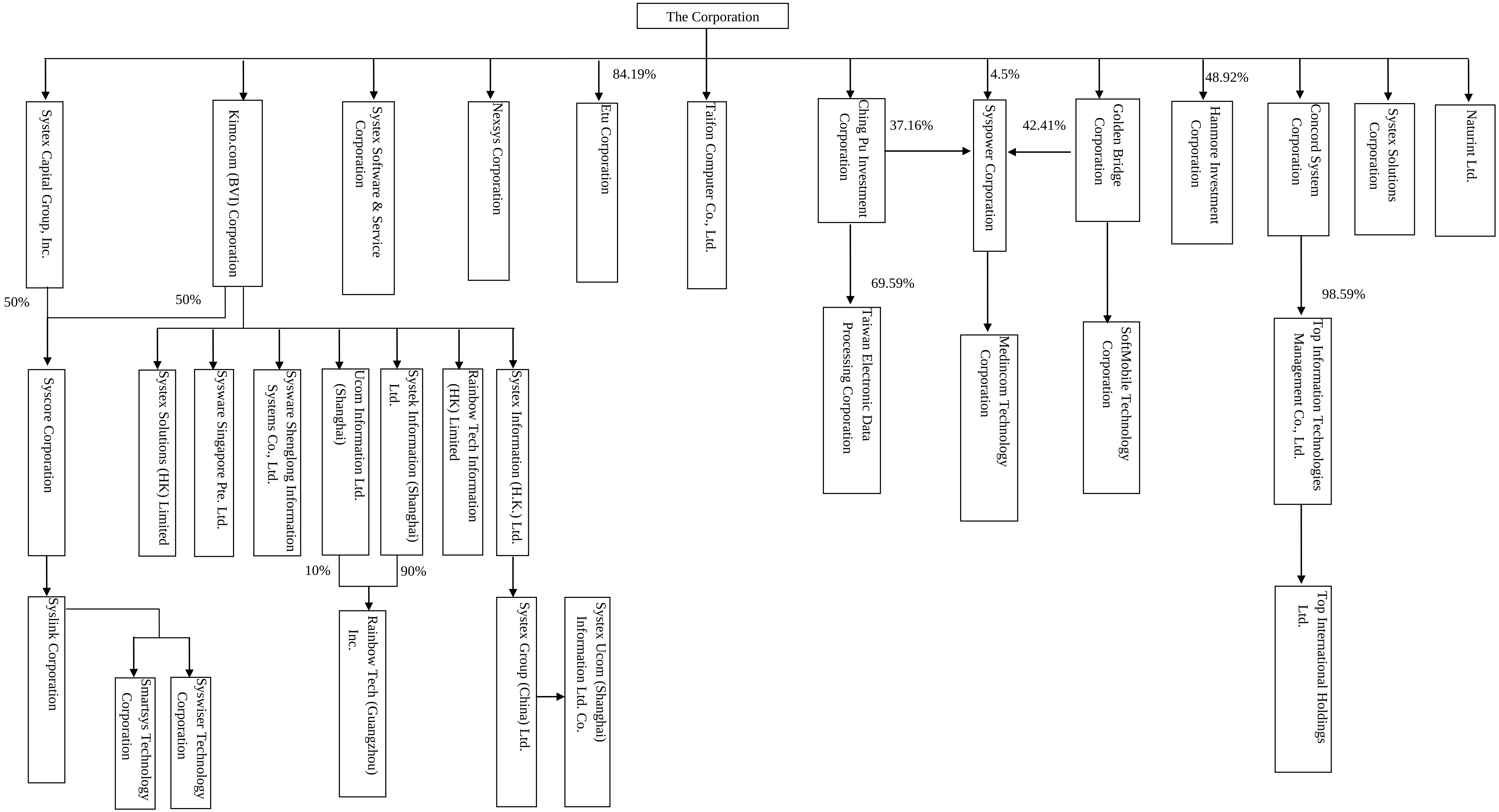
	Non-current Assets December 31	
	2018	2017
Domestic	$ 4,802,747	$ 3,222,501
Asia	954,781	1,190,268
Others	159,769	130,344
	$ 5,917,297	$ 4,543,113

c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2018 and 2017.

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2018



Note: Percentage of ownership is 100% unless noted on the chart.