Systex Corporation and Subsidiaries

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

Deloitte.

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019 is addressed as follows:

Valuation of Receivables

As of December 31, 2019, notes receivable and accounts receivable amounted to $3,774,194 thousand. When evaluating impairment of receivables, the management uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we consider the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 11 to the consolidated financial statements.

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

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

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

3. We tested the recoverability of 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 receivables.

Other Matter

We did not audit the financial statements as of and for the year ended December 31, 2019 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which were all subsidiaries of the Group included in the consolidated financial statements. The aggregate assets of these subsidiaries as of December 31, 2019 amounted to $846,991 thousand, or 3.92% of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2019 was $1,558,408 thousand, or 7.07% of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2019 of Genesis Technology Inc. and Fuco Technology Co., Ltd., which investments were accounted for using the equity method in the accompanying consolidated financial statements. The aggregate carrying amounts of which investments accounted for using the equity method was $313,467 thousand, or 1.45% of the consolidated assets as of December 31, 2019. The aggregate amounts of the share in their profit and other comprehensive income in 2019 was $1,837 thousand, or 0.12% 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, 2019 and 2018 on which we have issued an unqualified report with other matter paragraph and an unqualified report, respectively.

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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2020

<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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,775,343	13	$ 2,815,309	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,342,025	16	3,079,485	15
Notes receivable, net (Notes 4 and 11)	36,214	-	70,881	-
Accounts receivable, net (Notes 4, 5, 11 and 27)	3,737,980	17	3,632,563	18
Other receivables (Note 28)	353,521	2	264,386	1
Inventories (Notes 4 and 12)	3,064,087	14	2,894,176	15
Prepayments	893,884	4	934,370	5
Refundable deposits - current	336,545	2	320,128	2
Other current assets	43,369	-	50,868	-
Total current assets	14,582,968	68	14,062,166	70
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,498,961	7	1,679,823	8
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,486,829	7	111,870	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	500,000	2	500,000	3
Investments accounted for using equity method (Notes 4 and 14)	826,251	4	1,240,816	6
Property, plant and equipment (Notes 4, 15 and 28)	1,929,649	9	1,913,330	10
Right-of-use assets (Note 16)	320,023	1	-	-
Computer software (Note 4)	71,871	-	58,359	-
Goodwill (Notes 4 and 23)	-	-	26,703	-
Other intangible assets (Note 4)	14,408	-	31,012	-
Deferred tax assets (Notes 4 and 21)	57,264	-	75,600	-
Refundable deposits - non-current (Note 28)	181,562	1	189,310	1
Long-term receivables (Notes 4 and 11)	11,574	-	600	-
Other non-current assets (Note 28)	105,194	1	89,874	1
Total non-current assets	7,003,586	32	5,917,297	30
TOTAL	$ 21,586,554	100	$ 19,979,463	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 28)	$ 527,301	2	$ 815,925	4
Notes and accounts payable (Note 27)	3,828,904	18	3,193,059	16
Contract liabilities (Note 4)	1,300,693	6	1,071,102	5
Other payables	1,376,637	6	1,094,195	6
Lease liabilities - current (Note 16)	124,295	1	-	-
Current tax liabilities (Notes 4 and 21)	103,738	1	126,689	1
Other current liabilities	211,424	1	191,400	1
Total current liabilities	7,472,992	35	6,492,370	33
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	139,438	1	5,938	-
Lease liabilities - non-current (Note 16)	197,816	1	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	282,856	1	273,652	1
Other non-current liabilities	11,319	-	12,552	-
Total non-current liabilities	631,429	3	292,142	1
Total liabilities	8,104,421	38	6,784,512	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)				
Common shares	2,693,933	12	2,693,933	14
Capital surplus	6,407,221	30	6,729,035	34
Retained earnings				
Legal reserve	1,119,831	5	1,014,689	5
Special reserve	383,842	2	453,327	2
Unappropriated earnings	4,295,725	20	3,622,248	18
Total retained earnings	5,799,398	27	5,090,264	25
Other equity	(579,466)	(3)	(383,842)	(2)
Treasury shares	(928,443)	(4)	(1,003,629)	(5)
Total equity attributable to owners of the Corporation	13,392,643	62	13,125,761	66
NON-CONTROLLING INTERESTS (Notes 19 and 24)	89,490	-	69,190	-
Total equity	13,482,133	62	13,194,951	66
TOTAL	$ 21,586,554	100	$ 19,979,463	100

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

(With Deloitte & Touche audit report dated March 19, 2020)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 27)				
Sales	$ 16,445,449	74	$ 14,304,148	73
Less: Sales returns and allowances	73,915	-	40,380	-
Net sales	16,371,534	74	14,263,768	73
Service revenue	5,619,929	26	5,188,203	27
Other operating revenue	59,560	-	64,018	-
Total operating revenues	22,051,023	100	19,515,989	100
OPERATING COSTS (Notes 4, 20 and 27)				
Cost of goods sold	13,998,053	64	12,224,462	63
Service cost	2,493,196	11	2,246,078	11
Other operating cost	10,482	-	11,238	-
Total operating costs	16,501,731	75	14,481,778	74
GROSS PROFIT	5,549,292	25	5,034,211	26
OPERATING EXPENSES (Notes 18, 20 and 27)				
Selling expenses	4,081,891	18	3,524,984	18
General and administrative expenses	406,474	2	368,538	2
Research and development expenses	453,910	2	452,967	3
Total operating expenses	4,942,275	22	4,346,489	23
PROFIT FROM OPERATIONS	607,017	3	687,722	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 14)	68,296	-	44,296	-
Interest income (Note 4)	43,114	-	40,237	-
Dividend income (Note 4)	69,109	-	76,717	1
Other income, net (Note 29)	47,370	-	48,087	-
Gain on sale of investments, net (Notes 14 and 20)	1,720,272	8	601,223	3
Foreign exchange gain (loss), net (Note 4)	2,750	-	(10,379)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	81,113	1	(222,621)	(1)
Interest expense	(33,500)	-	(30,513)	-
Other expenses	(30,712)	-	(2,131)	-
(Loss) gain on disposal of property, plant and equipment, net (Note 4)	(435)	-	8,589	-
Impairment loss on assets (Notes 4 and 14)	(370,887)	(2)	-	-
Total non-operating income and expenses	1,596,490	7	553,505	3

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 2,203,507	10	$ 1,241,227	6
INCOME TAX EXPENSE (Notes 4 and 21)	392,204	2	191,055	1
NET INCOME	1,811,303	8	1,050,172	5
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(41,866)	-	(26,385)	-
Unrealized (loss) gain on equity instruments at fair value through other comprehensive income	(177,121)	(1)	860	-
Share of the other comprehensive income of associates accounted for using the equity method	24	-	5	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	(20)	-	2	-
	(218,983)	(1)	(25,518)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(94,111)	-	80,968	-
Share of the other comprehensive gain (loss) of associates accounted for using the equity method	65,520	-	(17,595)	-
	(28,591)	-	63,373	-
Other comprehensive (loss) income for the year, net of income tax	(247,574)	(1)	37,855	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,563,729	7	$ 1,088,027	6
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,808,042	8	$ 1,051,418	5
Non-controlling interests	3,261	-	(1,246)	-
	$ 1,811,303	8	$ 1,050,172	5

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,560,779	7	$ 1,089,408	6
Non-controlling interests	2,950	-	(1,381)	-
	$ 1,563,729	7	$ 1,088,027	6
EARNINGS PER SHARE (Note 22)				
Basic	$7.31		$4.27	
Diluted	$7.28		$4.26	

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

(With Deloitte & Touche audit report dated March 19, 2020) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)												
			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 19)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 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
Appropriation of 2018 earnings													
Legal reserve	-	-	105,142	-	(105,142)	-	-	-	-	-	-	-	-
Cash dividends - NT$3.8 per share	-	-	-	-	(1,023,695)	(1,023,695)	-	-	-	-	(1,023,695)	-	(1,023,695)
Special reserve reversed	-	-	-	(69,485)	69,485	-	-	-	-	-	-	-	-
Change in capital surplus and unappropriated earnings from investments in associates accounted for by using equity method	-	(24,447)	-	-	(23,574)	(23,574)	-	-	-	-	(48,021)	-	(48,021)
Distribution in cash of the capital surplus - NT$1.2 per share	-	(323,272)	-	-	-	-	-	-	-	-	(323,272)	-	(323,272)
Net income (loss) for 2019	-	-	-	-	1,808,042	1,808,042	-	-	-	-	1,808,042	3,261	1,811,303
Other comprehensive income (loss) for 2019	-	-	-	-	(41,584)	(41,584)	(28,582)	-	(177,097)	-	(247,263)	(311)	(247,574)
Total comprehensive income (loss) for 2019	-	-	-	-	1,766,458	1,766,458	(28,582)	-	(177,097)	-	1,560,779	2,950	1,563,729
Disposal of the Corporation's share by subsidiaries regarded as treasury share transaction	-	66,274	-	-	-	-	-	-	-	75,186	141,460	-	141,460
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for by using equity method	-	(147,418)	-	-	-	-	-	-	-	-	(147,418)	-	(147,418)
Disposal of investments in equity instruments at of fair value through other comprehensive income	-	-	-	-	(10,055)	(10,055)	-	-	10,055	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	17,350	17,350
BALANCE AT DECEMBER 31, 2019	$ 2,693,933	$ 6,407,221	$ 1,119,831	$ 383,842	$ 4,295,725	$ 5,799,398	$ (435,908)	$ -	$ (143,558)	$ (928,443)	$ 13,392,643	$ 89,490	$ 13,482,133

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

(With Deloitte & Touche audit report dated March 19, 2020)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,203,507	$ 1,241,227
Adjustments for :		
Depreciation expenses	256,240	106,052
Amortization expenses	32,651	30,727
Expected credit loss recognized	119,451	4,084
(Gain) loss on financial assets at fair value through profit or loss, net	(81,113)	222,621
Interest expense	33,500	30,513
Interest income	(43,114)	(40,237)
Dividend income	(69,109)	(76,717)
Share of profit of associates	(68,296)	(44,296)
Loss (gain) on disposal of property, plant and equipment, net	435	(8,589)
Gain on sale of investments accounted for using equity method	(1,574,851)	(401,599)
Impairment loss on financial assets	344,184	-
Impairment loss on non-financial assets	26,703	-
Write-down of inventories	102,146	58,245
Unrealized loss on foreign currency exchange, net	1,988	2,116
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(22,489)	(112,511)
Notes receivable	34,667	(3,791)
Accounts receivable	(273,394)	(213,097)
Other receivables	(88,908)	(55,654)
Inventories	(275,841)	118,567
Prepayments	(67,934)	(81,346)
Other current assets	7,367	12,545
Contract liabilities	232,592	(86,786)
Notes and accounts payable	670,261	(121,103)
Other payables	196,557	144,988
Other current liabilities	21,821	28,058
Net defined benefit liabilities	(32,662)	(40,011)
Cash generated from operations	1,686,359	714,006
Interest paid	(31,214)	(30,394)
Income tax paid	(260,111)	(127,657)
Net cash generated from operating activities	1,395,034	555,955
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(7,799)	(47,520)
Disposal of financial assets at fair value through other comprehensive income	29,745	-
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	730	1,008
Proceeds on sale of financial assets at amortized cost	-	357,120

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2019	2018
Acquisition of investments accounted for using equity method	$ (427,226)	$ (324,840)
Proceeds on sale of investments accounted for using equity method	546,308	589,935
Acquisition of subsidiaries (Note 23)	-	(64,697)
Payments for property, plant and equipment	(136,191)	(93,613)
Proceeds on disposal of property, plant and equipment	221	18,516
Increase in refundable deposits	(9,589)	(103,091)
Payments for intangible assets	(45,429)	(37,224)
Proceeds from disposal of intangible assets	12,354	-
(Increase) decrease in long-term receivables	(10,974)	4,344
Decrease (increase) in pledged time deposits	2,338	(3,066)
(Decrease) increase in other non-current assets	(17,710)	5,458
Interest received	43,288	44,272
Dividends received	69,586	76,717
Dividends received from associates	45,974	23,558
Net cash generated from investing activities	95,626	446,877
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(275,154)	(696,043)
Decrease in guarantee deposits received	(1,194)	(3,586)
Repayment of the principal portion of lease liabilities	(144,487)	-
Dividends paid	(1,023,695)	(673,483)
Increase in non-controlling interests	17,350	16,057
Proceeds on disposal of the Corporation's share by subsidiaries	141,460	-
Cash dividends received by subsidiaries from the Corporation	107,049	117,049
Distribution in cash from the capital surplus	(323,272)	(673,483)
Net cash used in financing activities	(1,501,943)	(1,913,489)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(28,683)	17,731
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,966)	(892,926)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,815,309	3,708,235
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,775,343	$ 2,815,309

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

(With Deloitte & Touche audit report dated March 19, 2020) (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 19, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and 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"):

   - IFRS 16 "Leases"

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

     Definition of a lease

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

The Group as lessee

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

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

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.25%-5.00%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 392,200
Less: Recognition exemption for short-term leases and low-value asset leases	(15,197)
Undiscounted amounts on January 1, 2019	$ 377,003
Lease liabilities recognized on January 1, 2019 (discounted amounts using the incremental borrowing rate on January 1, 2019)	$ 337,657

The Group as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

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

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

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

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.

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

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

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

As of the date the 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

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 13 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's 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. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease term is shorter than the useful lives, such assets are depreciated over lease terms. 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) 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.

3) Derecognition of intangible assets

On derecognition of an intangible asset, 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. 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 ("FVTPL")) 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

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income ("FVTOCI").

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified 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.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

b) Impairment of financial assets

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

The Group always recognizes lifetime 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.

ECLs 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.

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.

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

2) Equity instruments

Debts or 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.

n. Revenue recognition

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 and the customers have 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.

o. Leases

<u>2019</u>

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

1) The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor plus (b) initial direct costs and is presented as a lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

2018

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

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 expenses on a straight-line basis over the lease term.

p. 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 (including 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.

q. 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 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 Receivables

The valuation of receivables 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 and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 522	$ 490
Checking and savings accounts	2,426,030	1,833,991
Cash equivalent		
Time deposits with original maturities less than 3 months	348,791	980,828
	$ 2,775,343	$ 2,815,309
Market interest rate interval		
Time deposits with original maturities less than 3 months	0.60%-2.10%	0.60%-3.01%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Current		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	$ 3,227,288	$ 2,917,622
Corporation bonds	11,427	12,200
Listed shares	103,310	149,663
	$ 3,342,025	$ 3,079,485

(Continued)

	December 31	
	2019	2018
Non-current		
Financial assets mandatorily classified as at FVTPL		
Unlisted common shares	$ 1,381,630	$ 1,618,670
Unlisted preferred shares	95,590	47,877
Others	21,741	13,276
	$ 1,498,961	$ 1,679,823

(Concluded)

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

Investments in Equity Instruments

	December 31	
	2019	2018
Listed shares (Note 14)	$ 1,373,557	$ -
Unlisted shares	113,272	97,695
Others	-	14,175
	$ 1,486,829	$ 111,870

These investments in equity instruments 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.

In 2019, the share sold at fair value and its related unrealized valuation loss of $10,055 thousand was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Non-current		
Domestic corporate bonds	$ 500,000	$ 500,000
Interest rate	3.5%	3.5%

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31	
	2019	2018
Gross carrying amount	$ 500,000	$ 500,000
Less: Allowance for impairment loss	-	-
Amortized cost	$ 500,000	$ 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	
				2019	2018
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	$ 500,000	$ 500,000

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

	December 31	
	2019	2018
Notes receivable	$ 36,445	$ 71,112
Less: Allowance for doubtful accounts	(231)	(231)
	$ 36,214	$ 70,881
Accounts receivable	$ 3,893,435	$ 3,677,809
Less: Allowance for doubtful accounts	(155,455)	(45,246)
	$ 3,737,980	$ 3,632,563
Long-term receivables	$ 11,649	$ 638
Less: Unrealized interest income	(75)	(38)
	$ 11,574	$ 600

The average credit period of receivables was 60 to 90 days. The Group delegated a department responsible for managing receivables, 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 receivables. The expected credit losses on 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 receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For 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 receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 90 Days	91 to 270 Days	Over 271 Days	Total
Expected credit loss rate	-	-	0.53%	30.30%	65.11%	
Gross carrying amount	$ 3,087,772	$ 241,801	$ 167,576	$ 364,705	$ 68,026	$ 3,929,880
Loss allowance (Lifetime ECL)	-	-	(893)	(110,501)	(44,292)	(155,686)
Amortized cost	$ 3,087,772	$ 241,801	$ 166,683	$ 254,204	$ 23,734	$ 3,774,194

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 receivable were as follows:

	2019	2018
Balance at January 1	$ 45,477	$ 40,769
Add: Net remeasurement of loss allowance	119,451	4,084
Less: Amount written off	(4,412)	-
Foreign exchange translation gains and losses	(4,830)	624
Balance at December 31	$ 155,686	$ 45,477

12. INVENTORIES

	December 31	
	2019	2018
Merchandise	$ 3,033,649	$ 2,861,767
Maintenance parts	30,438	32,409
	$ 3,064,087	$ 2,894,176

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $13,998,053 thousand and $12,224,462 thousand, respectively. The cost of goods sold included inventory write-downs of $102,146 thousand and $58,245 thousand, respectively.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31 2019	% of Ownership December 31 2018	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	
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 2019	2018	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	
Syspower	Medincom Technology Corporation (Medincom)	Installation, sale and consultation of computer software and related equipment, and wholesale and retailing of medical appliances.	-	100.00	b)
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	98.98	98.59	c)
Top Information	Top International Holdings Ltd. (Top International)	General Investment activities	-	100.00	c)
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	d)
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	d)
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 (SSHK)	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	
Syscore	Syslink Corporation (Syslink)	General Investment activities	100.00	100.00	e)
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	100.00	f)
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	100.00	f)
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 China	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software.	100.00	100.00	
RTGI and Systex Ucom	Guangzhou Systex Rainbow Tech Inc. (Rainbow Information)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	-	g)

(Concluded)

a. The Group holds a 48.92% 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. 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.

c. CSMC acquired 98.59% interest of Top Information in November 2018. Since the date of acquisition, Top Information and its subsidiary, Top International, were included in consolidated financial statements of the Group. In April 2019, CSMC purchased 0.39% interests of Top Information from non-controlling interests and increased its share of interests. In addition, Top International completed liquidation and dissolution in January 2019.

d. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process is completed in January 2020. After that, Systek is the surviving company and Ucom Shanghai is the dissolved company.

e. Syslink was incorporated in March 2018.

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

g. Rainbow Information was incorporated in January 2019.

All accounts of subsidiaries were included in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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 aggregate assets of the subsidiary as of December 31, 2018 amounted to $701,873 thousand, which was 3.51% of the consolidated assets, and the aggregate liabilities amounted to was $166,726 thousand, which was 2.46% of the consolidated liabilities. The aggregate net operating revenues of the subsidiary in 2018 amounted to $1,090,477 thousand, which was 5.59% of the consolidated net operating revenues, and the aggregate amounts of comprehensive gain (loss) amounted to $3,120 thousand in 2018, which was 0.29% of the 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.

14. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in associates		
Material associates		
Forms Syntron Information (Shenzhen) Limited	$ -	$ 498,394
Associates that are not individually material	826,251	742,422
	$ 826,251	$ 1,240,816

a. Material associates

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

2019

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

In 2019, the Group sold partial investments in Forms Syntron Information (Shenzhen) Limited and recognized gain on disposal of investments amounted to $427,952 thousand, which was calculated by proceeds from disposal of $548,308 thousand less book amount of $158,106 thousand and the disposal in proportion to previously recognized capital surplus and other comprehensive income related to the investee $39,750 thousand.

Moreover, the Group lost significant influence on Forms Syntron Information (Shenzhen) Limited in December 2019 and recognized financial assets at FVTOCI of $1,390,694 thousand in the amount of fair value of shares owned by the Group on the date of losing significant influence. The Group recognized gain on disposal of investment $1,146,899 thousand, which was calculated by the difference between fair value and book value of shares owned by the Group $1,088,447 thousand and previously recognized capital surplus and other comprehensive income related to the investee of $58,452 thousand.

2018

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

Name of Associate	December 31, 2018
Forms Syntron Information (Shenzhen) Limited	$ 805,701

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
Assets	$ 5,798,521
Liabilities	(530,003)
Equity	$ 5,268,518
Proportion of the Group's ownership	7.69%

(Continued)

	December 31, 2018
Equity attributable to the Group	$ 405,281
Goodwill	95,299
Other payables	(2,186)
Carrying amount	$ 498,394
	(Concluded)

	For the Year Ended December 31, 2018
Operating revenue	$ 2,222,755
Net profit for the year	$ 313,687
Other comprehensive income (loss)	11,571
Total comprehensive income for the year	$ 325,258
Dividends received from Forms Syntron Information (Shenzhen) Limited	$ 10,555

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Net profit for the year	$ 45,680	$ 16,185
Other comprehensive income (loss)	16,704	(8,595)
Total comprehensive income for the year	$ 62,384	$ 7,590

In 2019, the impairment loss was $344,184 thousand by associates that are not individually material.

Except for E-Customer Capital Limited, Systex Infopro Co., Ltd., Sunlight-tech Inc., GenSys Technology (International) Ltd., Sanfran Technologies Inc., Mohist Wet Technology Co., Ltd., Retail System Co., Ltd., Shengsen Corp., Frog-jump Information Co., Ltd., Dawning Technology Inc. and AIWin Technology Co., Ltd. for the year ended December 31, 2019, E-Customer Capital Limited, Systex Infopro Co., Sunlight-tech Inc., GenSys Technology, International, Ltd., Retail System Co., Sanfan Technologies Inc., Shengesen Corp., Frog-jump Information Co. and AIWin Technology Co., Ltd. for the year ended December 31, 2018, investments accounted for using the equity method and the share of profit or loss and other comprehensive income 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
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 23)	-	-	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
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 23)	-	-	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
Cost								
Balance at January 1, 2019	$ 812,812	$ 1,444,468	$ 232,754	$ 14,116	$ 54,500	$ 55,692	$ 78,505	$ 2,692,847
Additions	-	-	58,082	-	34,590	24,828	18,691	136,191
Disposals	-	-	(69,830)	(1,297)	(38,203)	(12,846)	(20,358)	(142,534)
Reclassification	-	-	(641)	-	(419)	-	146	(914)
Effect of foreign currency exchange differences	-	(10,814)	(1,158)	(65)	(81)	(218)	(1,304)	(13,640)
Balance at December 31, 2019	$ 812,812	$ 1,433,654	$ 219,207	$ 12,754	$ 50,387	$ 67,456	$ 75,680	$ 2,671,950
Accumulated depreciation and impairment								
Balance at January 1, 2019	$ 7,694	$ 510,162	$ 130,633	$ 5,648	$ 44,338	$ 29,124	$ 51,918	$ 779,517
Depreciation expenses	-	22,262	48,942	2,159	14,334	11,790	10,477	109,964
Disposals	-	-	(69,607)	(1,297)	(38,203)	(12,414)	(20,357)	(141,878)
Reclassification	-	-	(167)	-	(459)	-	-	(626)
Effect of foreign currency exchange differences	-	(2,590)	(713)	(19)	(83)	(143)	(1,128)	(4,676)
Balance at December 31, 2019	$ 7,694	$ 529,834	$ 109,088	$ 6,491	$ 19,927	$ 28,357	$ 40,910	$ 742,301
Carrying amounts at December 31, 2019	$ 805,118	$ 903,820	$ 110,119	$ 6,263	$ 30,460	$ 39,099	$ 34,770	$ 1,929,649

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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 208,410
Machinery	111,613
	$ 320,023

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 129,706
Depreciation charge for right-of-use assets	
Buildings	$ 101,874
Machinery	44,402
	$ 146,276

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 124,295
Non-current	$ 197,816

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.25%-5.00%
Machinery	1.25%

c. Material lease on activities and terms

The Group leases buildings for the use of offices and equipments for the use of operation with lease terms of 1 to 7 years. The Group does not have bargain purchase options to acquire the leasehold buildings and equipments at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	$ 69,949
Total cash outflow for leases	$ 219,157

The Group leases certain office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied was $19,437 thousand as of December 31, 2019.

2018

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

	Amount
Not later than 1 year	$ 141,194
Later than 1 year	251,006
	$ 392,200

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 233,325

17. SHORT-TERM LOANS

Bank Loans

	December 31	
	2019	2018
Unsecured loans	$ 435,054	$ 321,650
Secured loans	92,247	494,275
	$ 527,301	$ 815,925
Annual interest rate		
Unsecured loans	4.57%-4.60%	1.16%-2.35%
Secured loans	4.57%	1.50%-5.66%

Refer to Note 28 for the carrying amounts of property, plant and equipment - buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

18. 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, Rainbow Information 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	
	2019	2018
Present value of defined benefit obligation	$ 648,286	$ 615,763
Fair value of plan assets	(365,430)	(342,111)
Net defined benefit liability	$ 282,856	$ 273,652

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, 2018	$ 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 23)	82,586	(58,945)	23,641
Balance at December 31, 2018	615,763	(342,111)	273,652
Service cost			
Current service cost	2,413	-	2,413
Net interest expense (income)	6,798	(3,924)	2,874
Recognized in profit or loss	9,211	(3,924)	5,287
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,083)	(10,083)
Actuarial loss - changes in demographic assumptions	668	-	668
Actuarial loss - changes in financial assumptions	25,322	-	25,322
Actuarial loss - experience adjustments	25,959	-	25,959
Recognized in other comprehensive income	51,949	(10,083)	41,866
Contributions from the employer	-	(39,825)	(39,825)
Benefits paid	(30,513)	30,513	-
Others	1,876	-	1,876
Balance at December 31, 2019	$ 648,286	$ (365,430)	$ 282,856

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	
	2019	2018
Discount rates	0.75%-1.75%	1.05%-1.75%
Expected rates of salary increase	1.10%-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	
	2019	2018
Discount rates		
0.25%-0.5% increase	$ (30,957)	$ (30,637)
0.25%-0.5% decrease	$ 33,263	$ 32,985
Expected rates of salary increase		
0.25%-0.5% increase	$ 32,859	$ 32,712
0.25%-0.5% decrease	$ (30,872)	$ (30,660)

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	
	2019	2018
The expected contributions to the plan for the next year	$ 42,667	$ 42,701
The average duration of the defined benefit obligation	12 years	12 years

19. EQUITY

a. Share capital

	December 31	
	2019	2018
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	
	2019	2018
May be used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)		
Issue of common shares	$ 4,641,487	$ 4,964,759
Donations	544	544
Treasury share transactions	1,730,914	1,557,591
May only be used to offset a deficit		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	8,576
Share of changes in associates accounted for by using equity method	21,207	193,072
Gain on sale of property and equipment	4,493	4,493
	$ 6,407,221	$ 6,729,035

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 Note 20 c. for employees' compensation and remuneration of directors in.

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 capital budget.

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 deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equals 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 2018 and 2017 had been approved in the shareholders' meetings held on June 13, 2019 and June 15, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 105,142	$ 117,775	$ -	$ -
Special reserve	(69,485)	388,833	-	-
Cash dividends	1,023,695	673,483	3.8	2.5
	$ 1,059,352	$ 1,180,091	$ 3.8	$ 2.5

The shareholders resolved the distribution in cash of the capital surplus arising from issuance of common shares in the shareholders' meeting held on June 13, 2019 and June 15, 2018, respectively. The distribution amounted to $323,272 thousand (at NT$1.2 per share) and $673,483 thousand (at NT$2.5 per share), respectively.

The appropriations of earnings for 2019 had been proposed by the Corporation's board of directors on March 19, 2020. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 180,804	$ -
Appropriation of special reserve	195,623	-
Cash dividends	1,346,967	5.0

The appropriations of 2019 earnings and distribution of capital surplus will be resolved by the shareholders in their meeting scheduled for June 2020.

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	
	2019	2018
Balance at January 1	$ (407,326)	$ (470,691)
Exchange differences arising on translating the net asset of foreign operations	(94,102)	80,960
Share of exchange difference of associates accounted for using the equity method	65,520	(17,595)
Balance at December 31	$ (435,908)	$ (407,326)

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IFRS 9	$ 23,484	$ 22,619
Recognized for the year		
Unrealized (loss) gain on equity investments	(177,121)	860
Share from associates accounted for using the equity method	24	5
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings	10,055	-
Balance at December 31	$ (143,558)	$ 23,484

f. Treasury shares (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
2019				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	23,410	-	2,000	21,410
2018				
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	
	2019	2018
Hanmore		
Share (in thousand)	21,317	21,317
Investments cost	$ 755,480	$ 781,060
Market value	$ 1,609,409	$ 1,310,976
Ching Pu		
Share (in thousand)	10,982	12,982
Investments cost	$ 264,093	$ 306,490
Market value	$ 829,101	$ 798,361

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (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, 2019 and 2018, 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	
	2019	2018
Balance at January 1	$ 69,190	$ 53,015
Attributable to non-controlling interests:		
Share of gain (loss) for the year	3,261	(1,246)
Remeasurement on defined benefit plans	(302)	(143)
Exchange difference on translating the net assets of foreign operations	(9)	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) (Notes 23 and 24)	(592)	1,499
Non-controlling interests arising from capital reduction of subsidiary (TEDP)	(4,745)	-
Cash dividends received from subsidiaries	(31,754)	(38,384)
Balance at December 31	$ 89,490	$ 69,190

20. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 109,964	$ 106,052
Right-of-use assets	146,276	-
Intangible assets	32,651	30,727
	$ 288,891	$ 136,779
An analysis of depreciation by function		
Operating costs	$ 95,962	$ 27,387
Operating expenses	160,278	78,665
	$ 256,240	$ 106,052
An analysis of amortization by function		
Operating costs	$ 2,929	$ 3,341
Operating expenses	29,722	27,386
	$ 32,651	$ 30,727

b. Employee benefits expenses

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 162,833	$ 154,162
Defined benefits plans (Note 18)	5,287	5,753
	168,120	159,915
Payroll	3,214,903	2,827,867
Labor and health insurance	262,000	231,349
Other employee benefits	134,095	120,101
	$ 3,779,118	$ 3,339,232
An analysis of employee benefits expenses by function		
Operating costs	$ 63,734	$ 9,837
Operating expenses	3,715,384	3,329,395
	$ 3,779,118	$ 3,339,232

As of December 31, 2019 and 2018, the Group has 3,457 and 3,264 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, 2019 and 2018 which have been approved by the Corporation's board of directors on March 19, 2020 and March 21, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 58,883	$ 34,056
Remuneration of directors	39,255	22,704

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, 2018.

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

d. Gain on sale of investments, net

	For the Year Ended December 31	
	2019	2018
Disposal of financial assets at FVTPL	$ 145,421	$ 199,624
Disposal of investments accounted for using the equity method	1,574,851	401,599
	$ 1,720,272	$ 601,223

e. Impairment losses on assets

	For the Year Ended December 31, 2019
Investments accounted for using the equity method	$ 344,184
Goodwill	26,703
	$ 370,887

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 146,014	$ 155,687
Additional income tax on unappropriated earnings	51,391	505
Land value increment tax	-	209
Additional income tax under the Alternative Minimum Tax Act	11,499	7,510
Investment tax credit deduction	(24,285)	(8,819)
Enterprise income tax on securities	55,209	55,982
Adjustments for prior years' tax	(2,762)	(3,087)
	237,066	207,987
Deferred tax		
In respected of the current year	154,265	(12,857)
Adjustments for prior years' tax	873	-
Effect of tax rate changes	-	(4,075)
	155,138	(16,932)
Income tax expense recognized in profit or loss	$ 392,204	$ 191,055

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 2,203,507	$ 1,241,227
Income tax expense calculated at the statutory rate	$ 440,701	$ 248,245
Permanent difference	89,907	(44,025)
Additional income tax on unappropriated earnings	51,391	505
Unrecognized investment credits	(22)	(35)
Unrecognized loss carryforwards (loss carryforwards used)	24,570	(25)
Effect of different tax rate of group entities operating in other jurisdictions	(279,162)	(70,149)
Adjustments for prior years' tax	(1,889)	(3,087)
Land value increment tax	-	209
Enterprise Income Tax on securities	55,209	55,982
Additional income tax under the Alternative Minimum Tax Act	11,499	7,510
Effect of tax rate changes	-	(4,075)
Income tax expense recognized in profit or loss	$ 392,204	$ 191,055

Systex Solution (HK) Limited sold investments accounted for using equity method and financial assets at FVTOCI in 2019 and 2018 and incurred Enterprise Income Tax of $55,209 thousand and $55,982 thousand, respectively, according to the related tax laws in its jurisdiction.

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

The applicable tax rate used by subsidiaries in China is 25%. SCGI and KIMO are exempt from income tax under their local government regulations. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Remeasurement on defined benefit plan	$ (20)	$ 2

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets (included in other receivables)		
Tax refund receivable	$ 5,083	$ 4,665
Current tax liabilities		
Income tax payable	$ 101,162	$ 118,128
In respect of prior years	2,576	8,561
	$ 103,738	$ 126,689

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for loss on inventories	$ 17,757	$ 20,773	$ -	$ -	$ 38,530
Payable for annual leave	2,394	(305)	-	-	2,089
Others	31,090	(15,780)	(20)	-	15,290
	51,241	4,688	(20)	-	55,909
Loss carryforwards	3,143	(1,979)	-	-	1,164
Investment credits	21,216	(21,025)	-	-	191
	$ 75,600	$ (18,316)	$ (20)	$ -	$ 57,264

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Exchange differences on foreign operations	$ 5,846	$ -	$ -	$ -	$ 5,846
Gain on the disposal of investments	-	136,551	-	(3,322)	133,229
Others	92	271	-	-	363
	$ 5,938	$ 136,822	$ -	$ (3,322)	$ 139,438

(Concluded)

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					
Allowance for loss on inventories	$ 5,879	$ 708	$ 11,170	$ -	$ 17,757
Payable for annual leave	1,449	86	859	-	2,394
Others	15,539	2,122	13,427	2	31,090
	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

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

	December 31 2019	December 31 2018
Loss carryforwards		
Expiry in 2019	$ -	$ 121,102
Expiry in 2020	18,923	19,687
Expiry in 2021	4,316	4,316
Expiry in 2022	40,064	78,990
Expiry in 2023	324	49,995
Expiry in 2024	14,071	29,353

(Continued)

	December 31 2019	December 31 2018
Expiry in 2025	$ 92,084	$ 109,271
Expiry in 2026	103,322	124,452
Expiry in 2027	6,476	30,435
Expiry in 2028	8,175	25,407
Expiry in 2029	165,249	-
	$ 453,004	$ 593,008
Investment credits		
Equity investment	$ -	$ 1,945
Research and development	-	4,504
	$ -	$ 6,449

(Concluded)

f. Information about unused investment credits and unused loss carryforwards

As of December 31, 2019, investment tax credits comprised:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Act for Promotion of Private Participation in Infrastructure Project	Equity investment	$ 191	2020

Loss carryforwards as of December 31, 2019 comprised:

Expiry Year	Total Credit
2020	$ 18,923
2021	4,316
2022	40,064
2023	324
2024	14,071
2025	92,084
2026	103,322
2027	10,570
2028	9,608
2029	165,544
	$ 458,826

g. Income tax assessments

Income tax returns through 2017 and undistributed earnings through 2016 of the Corporation, Nexsys, Taifon, Medincom, CSMC, Ching Pu, Hanmore, TEDP, Syspower, Soft Mobile, Systex Solution II, Syscore and Top Information; income tax returns through 2018 and undistributed earnings through 2017 of the SSSC, GBC, Etu, Naturint, Syswiser, Syslink and Smartsys have been assessed by the tax authorities.

22. 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	
	2019	2018
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,808,042	$ 1,051,418
Number of shares (thousand)		
Weighted average number of common shares in the computation of basic earnings per share	247,296	245,983
Effect of potentially dilutive common shares:		
Employees' compensation	892	558
Weighted average number of common shares in the computation of diluted earnings per share	248,188	246,541
Earnings per share (NT$)		
Basic earnings per share	$7.31	$4.27
Diluted earnings per share	$7.28	$4.26

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	
	2019	2018
Net income for the year		
Net income for the year attributable to owners of the Corporation	$ 1,889,399	$ 1,109,943
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	892	558
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	270,285	269,951
Earnings per share (NT$)		
Basic earnings per share	$7.01	$4.12
Diluted earnings per share	$6.99	$4.11

23. 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 operations.

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

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.

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2019, the Group purchased shares of Top Information from the shareholders of non-controlling interests, increasing its interests from 98.59% to 98.98%.

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

	Top Information
Cash consideration paid	$ (592)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	592
Differences recognized from equity transaction	$ -

25. 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.

26. 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, 2019				
Financial assets at FVTPL				
Listed shares	$ 103,310	$ -	$ -	$ 103,310
Unlisted common shares	-	-	1,381,630	1,381,630
Unlisted preferred shares	-	-	95,590	95,590
Corporate bonds	-	11,427	-	11,427
Mutual funds	3,227,288	-	-	3,227,288
Others	-	-	21,741	21,741
	$ 3,330,598	$ 11,427	$ 1,498,961	$ 4,840,986
Financial assets at FVTOCI				
Listed shares	$ 1,373,557	$ -	$ -	$ 1,373,557
Unlisted shares	-	-	113,272	113,272
	$ 1,373,557	$ -	$ 113,272	$ 1,486,829

(Continued)

	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

(Concluded)

There were no transfers between Levels 1 and 2 in 2019 and 2018.

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

For the year ended December 31, 2019

	Financial Assets at FVTPL	Financial Assets at FVTOCI	
Financial Assets	**Equity Instruments**	**Equity Instruments**	**Total**
Balance at January 1	$ 1,679,823	$ 111,870	$ 1,791,693
Recognized in profit or loss	(263,285)	-	(263,285)
Recognized in other comprehensive income	-	(108,442)	(108,442)
Purchases	93,533	115,701	209,234
Disposals	(11,122)	(2,656)	(13,778)
Net exchange differences	12	(2,471)	(2,459)
Capital reduction	-	(730)	(730)
Balance at December 31	$ 1,498,961	$ 113,272	$ 1,612,233
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	$ (252,053)		$ (252,053)

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
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
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	$ 84,321		$ 84,321

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

Financial Instruments	Valuation Techniques and Inputs
Taiwan Futures Exchange	The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability.
Unlisted stock and others	The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 4,840,986	$ 4,759,308
Financial assets at amortized cost (1)	8,001,958	7,889,489
Financial assets at FVTOCI	1,486,829	111,870
Financial liabilities		
Amortized cost (2)	5,741,239	5,110,929

1) 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).

2) 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	
	2019	**2018**
USD		
Increase/decrease	$ 8,835	$ 64,083
RMB		
Increase/decrease	23,187	6,055

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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 1,229,457	$ 1,750,765
Financial liabilities	527,301	815,925
Cash flow interest rate risk		
Financial assets	2,426,030	1,833,991

The Group acquires 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	
	2019	**2018**
Increase/decrease	$ 2,426	$ 1,834

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	
	2019	**2018**
Pre-tax net income		
Increase/decrease	$ 242,049	$ 237,965
Other comprehensive income		
Increase/decrease	74,341	5,594

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposures 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 puts 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 investments under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

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 traded in active markets 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.

27. 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
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Forms Syntron Information (Shenzhen) Limited	Associate (Note)
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate

Note: Forms Syntron Information (Shenzhen) Limited was no longer consolidated related party since December 2019.

b. Operating revenue

Line Items	Related Party Categories	For the Year Ended December 31 2019	2018
Sales	Associates	$ 10,184	$ 2,808
Service revenue	Associates	$ 4,201	$ 5,626
Other operating revenue	Associates	$ 12	$ 22

c. Purchases of goods

Related Party Categories	For the Year Ended December 31 2019	2018
Associates	$ 188,719	$ 82,826

d. Receivables from related parties

Line Items	Related Party Categories	December 31 2019	2018
Notes and accounts receivable	Associates	$ 10,787	$ 4,261

e. Payables to related parties

Line Items	Related Party Categories	December 31 2019	2018
Accounts payable	Associates	$ 84,741	$ 47,296

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those with 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 2019	2018
Service cost	Associates	$ 20,571	$ 19,440
Operating expenses	Associates	$ 1,553	$ 1,764
Rent revenue	Associates	$ 222	$ -

g. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 176,468	$ 149,948
Post-employment benefits	3,798	3,601
	$ 180,266	$ 153,549

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

28. PLEDGED ASSETS

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

	December 31	
	2019	2018
Property, plant and equipment - buildings, net	$ 204,243	$ 212,693
Pledged time deposits - current (included in other receivables)	328,517	215,450
Pledged time deposits - non-current (included in other non-current assets)	52,149	54,487
The shares of the Corporation (Note)	755,000	615,000
	$ 1,339,909	$ 1,097,630

Note: Hanmore pledged 10,000 thousand shares of the Corporation as of December 31, 2019 and 2018, and it was eliminated on consolidation.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

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

December 31	
2019	2018
$ 726	$ 747

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

December 31	
2019	2018
$ 8,675,495	$ 8,705,938

c. The Group provided endorsements for others in Table 2.

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, 2019, the Group's assets in the trust account amounted to $15,764 thousand (included in other receivables and other non-current assets).

30. 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, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 127,428	4.30	$ 547,623
USD	15,534	29.98	465,721
Non-monetary items			
Investment accounted for using equity method			
USD	1,497	29.98	44,865
Financial liabilities			
Monetary item			
USD	9,641	29.98	289,029
RMB	19,521	4.30	83,891

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

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were $2,750 thousand and $(10,379) 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.

31. 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. Consolidated revenues and results

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
2019							
Sales to customers	$ 3,133,332	$ 3,284,680	$ 10,129,970	$ 5,503,041	$ -	$ -	$ 22,051,023
Sales to other segments	272,046	163,297	903,813	616,303	-	(1,955,459)	-
Total sales	$ 3,405,378	$ 3,447,977	$ 11,033,783	$ 6,119,344	$ -	$ (1,955,459)	$ 22,051,023
Segment income	$ 358,865	$ 342,307	$ 425,424	$ 74,133	$ 1,444,968	$ -	$ 2,645,697
Corporate general expenses							(442,190)
Income before income tax							$ 2,203,507
Segment depreciation and amortization expenses	$ 54,578	$ 32,999	$ 25,208	$ 40,247	$ -		$ 153,032
Non-segment depreciation and amortization expenses							135,859
Total depreciation and amortization expenses							$ 288,891

(Continued)

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
Segment assets	$ 2,981,578	$ 2,268,573	$ 4,342,988	$ 3,281,554	$ 7,639,107		$ 20,513,800
General assets							1,072,754
Total assets							$ 21,586,554
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

(Concluded)

Segment (loss) income refers to the profits and losses incurred by each segment, excluding headquarter management cost, remuneration of directors, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, foreign exchange gain, interest expense and income tax expense.

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	
	2019	2018
Domestic	$ 16,628,906	$ 14,908,217
Asia	5,422,117	4,607,772
	$ 22,051,023	$ 19,515,989

	Non-current Assets	
	December 31	
	2019	2018
Domestic	$ 5,170,037	$ 4,802,747
Asia	1,617,167	954,781
Others	216,382	159,769
	$ 7,003,586	$ 5,917,297

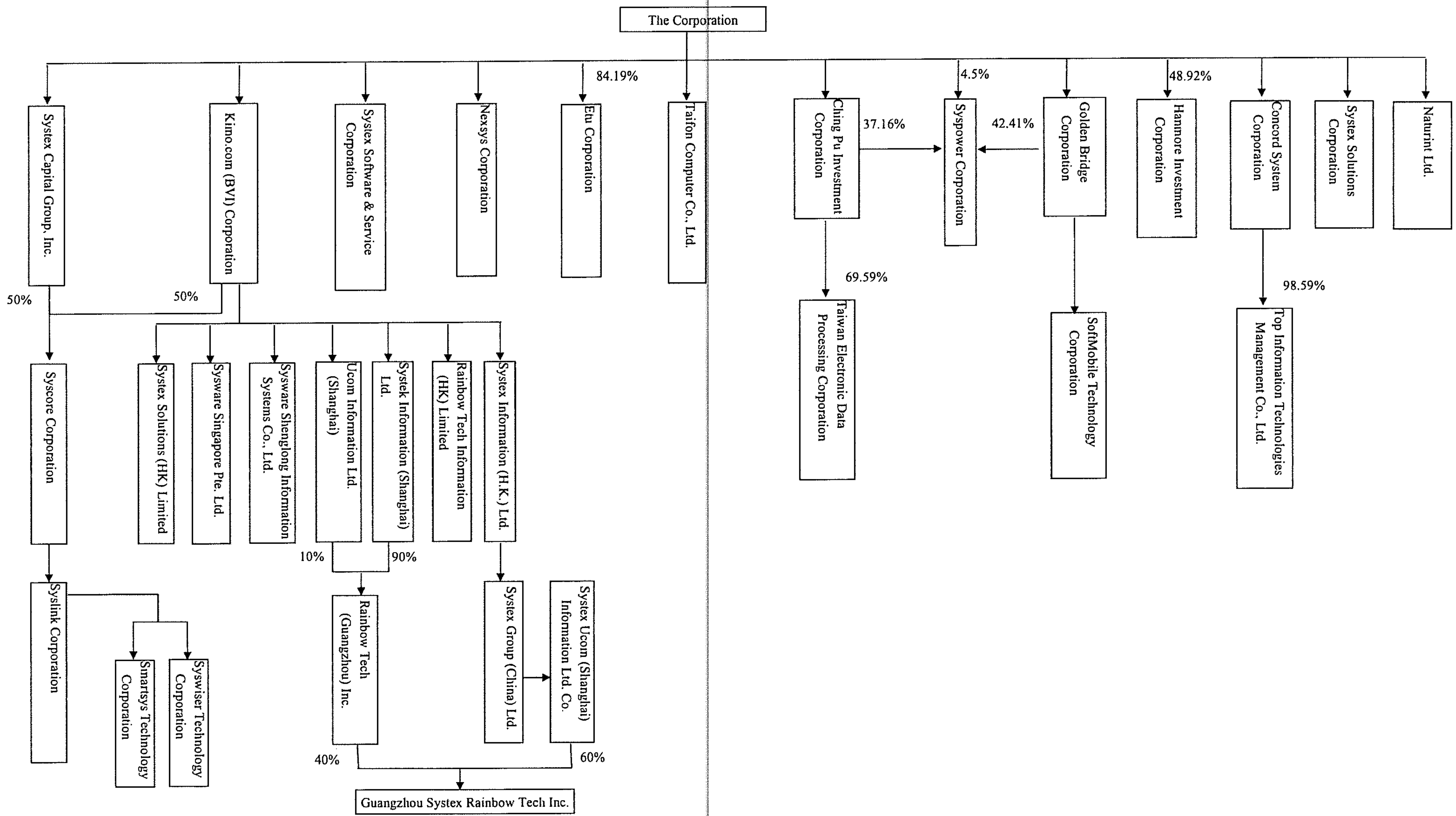
c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2019 and 2018.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2019



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

TABLE 2

SYSTEX CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Systex Corporation	Systex Information (H.K.) Limited	Direct/indirect subsidiary	$ 3,348,161	$ 189,600	$ 179,880	$ 50,387	$ -	1.34	$ 6,696,322	Y	N	N	(Notes a and b)
		Rainbow Tech. Information (H.K.) Limited	Direct/indirect subsidiary	3,348,161	141,255	134,910	4,407	-	1.01	6,696,322	Y	N	N	(Notes a and b)
		Systex Group (China) Limited	Direct/indirect subsidiary	3,348,161	1,953,729	1,715,925	636,838	-	12.81	6,696,322	Y	N	Y	(Notes a and b)
		Systek Information (Shanghai) Ltd.	Direct/indirect subsidiary	3,348,161	15,800	14,990	-	-	0.11	6,696,322	Y	N	Y	(Notes a and b)
		Rainbow Tech. (Guangzhou) Ltd.	Direct/indirect subsidiary	3,348,161	47,400	44,970	-	-	0.34	6,696,322	Y	N	Y	(Notes a and b)
		Systex Ucom (Shanghai) Information Ltd. Co.	Direct/indirect subsidiary	3,348,161	138,072	128,925	52,831	-	0.96	6,696,322	Y	N	Y	(Notes a and b)
		Systex Software & Service Corporation	Direct/indirect subsidiary	3,348,161	1,000,000	1,000,000	610,870	-	7.47	6,696,322	Y	N	N	(Notes a and b)
		Systex Solutions Corporation II	Direct/indirect subsidiary	3,348,161	300,000	-	-	-	-	6,696,322	Y	N	N	(Notes a and b)
1	Ucom Information Ltd. (Shanghai)	Systex Group (China) Limited	Affiliate	278,677	115,060	107,438	-	98,843	77.11	278,677	N	N	Y	(Notes c and d)
2	Systek Information (Shanghai) Ltd.	Systex Group (China) Limited	Affiliate	534,465	115,060	107,438	92,246	98,843	40.20	534,465	N	N	Y	(Notes c and d)

Note a: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note b: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note c: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note d: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.