Stock Code：4953

Wistron Information Technology and Services Corp.

2019 Annual Report

Taiwan Stock Exchange Market Observation Post System: http://emops.twse.com.tw

Wistron ITS annual report is available at http://www.wistronits.com

Publication Date May 14, 2020

1. **Name, Title and Contact Information for Company's Spokesperson**
   Spokesperson：Phoebe Chang
   Title：Vice President
   Tel：(02)7745-8888
   E-mail：spokesperson@wistronits.com

   Acting Spokesperson：Maggie Lee
   Title：Manager
   Tel：(02)7745-8888
   E-mail：spokesperson@wistronits.com

2. **Address and Telephone Number of Company's Registered Office and Headquarters**
   Address：32F., No. 93, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 22175,
   Taiwan, R.O.C.
   Tel：(02)7745-8888

3. **The Address and Contact information of Stock Transfer Agent**
   Name：KGI Securities
   Address：5F, No.2, Sec.1, Chongqing S. Road, Taipei
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   Tel：(02)2389-2999

4. **The Address and Contact information of Independent Auditors in 2019**
   Name：Chen, Ya-Ling and Huang, Ming-Hung at KPMG
   Address：68F, TAIPEI 101 TOWER, No.7, Sec.5, Xinyi Road, Taipei, 110,
   Taiwan, R.O.C.
   Website：www.kpmg.com.tw
   Tel：(02)8101-6666

5. **For more information about Wistron GDRs:** None

6. **For more information about Wistron:** http://www.wistronits.com

INDEX

1. Letter to Shareholders

Dear Shareholders,

First of all, we would like to thank you for your long-term support and encouragement for Wistron ITS.

A. A review of 2019

The year 2019 has been a good year for Wistron ITS. We were able to quickly respond to all the challenges we faced in 2019 during the turbulent economy, and were able to achieve a new overall revenue record, reaching more than NT$5 billion overall. Compared to 2018, we showed a 60% growth. Compared to the compound annual growth rate of 4% of the global IT service market, Wistron ITS showed an impressive 35% annual revenue growth.

The main reason for this increase in revenue lies in the emerging demand of new digital services, the need for digital transformation of current companies, as well as continuously increasing demand for product localization. The overall growth in China, Taiwan, Japan and US, if broken down by industries, shows that Wistron ITS still excels in the fields of IT high-tech, finance, telecommunication and manufacturing.

B. 2019 Financial Performance

Consolidated revenue reached NT$5,323 million in 2019, an increase of 35 percent over NT$3,953 million in 2018. Net income was NT$413 million, increased 63 percent from the 2018 level of NT$253 million. Basic earnings per share were NT$6.23 in 2019.

Gross porfit was 24.5% compared with 23.5% in 2018, while operating profit was 8.2% compared with 5.2% a year earlier. Net profit was 7.8%, an increase of 1.4% points from 6.4% in 2018.

C. R&D Status

Aside from traditional mainstream technology demands from our clients, currently we are also involved in innovative technologies such as AI, big data, fintech, IoT and 5G applications, etc.

Following through the big data strategy, Wistron ITS continues to work in the field of big data storage, assisting our clients in digital behavioral analysis, optimizing digital procedures, developing digital channels, and offering personalized finance services, thus realizing the idea where digital drives the decision. With fintech becoming the latest trend, Wistron ITS assists clients in developing systems that focus on the use of big data, Open API, as well as corporate middle-platform set up. The Company seeks to break through current myths, and thinks outside the current structure finance institutions are in. This allows us to rapidly conduct innovative application development, and adjust in accordance to data received through market feedback, this ensures that the offerings, including the functions and services, fully satisfies the clients' needs, thus enhance their power of digital services.

In the field of AI technology, Wistron ITS has been in the field of smart healthcare for many years. We have practical applications of AI medical imaging, where we assist clients in setting up deep-learning models and algorithms, with detects and dissects organ images, vastly improving the positive reading rate of liver diseases. Aside form algorithm learning, AI software application development, Wistron ITS has also started to apply AI in researches such as smart tagging, segregated algorithms, as well as detection of lesions, specifically for the field of medical imaging data screening and tagging, that currently requires high manpower efforts. This allows us to lead the clients towards the new era of technology assisted healthcare.

D. Outlook of 2020

Looking towards 2020, the global economy is under waves of setbacks. Wistron ITS will continue to face these challenges with a positive but diligent and cautious attitude, with full risk assessments and control in place to ensure the continued development of our company.

In terms of mid-to-long-term plans, the Company still thinks there is more to be gained from the IT service markets. New technological breakthroughs are brought forth in the fields of AI, big data, fintech, IoT, and 5G technologies in both development and application. Digital transformation is also still a main issue for businesses, where they apply digital capabilities to improve their operation abilities, optimize user experience, and develop innovative business models. Such varied and strong demands are perfect for

Wistron ITS who has been working in the fields for years, where we can, with our rich talent pool, successfully meet the growing demands of the market.

In 2020, the action plan of Wistron ITS is to 'enhance our own robustness, and obtain steady gains in profit'. We will continue our work in the four main markets of Taiwan, China, Japan and the US, where we will collaborate with quality clients on quality projects, and enrich our collaboration with exisiting major clients. With the challenge ahead being the global economy status being uncertain, we will continue to improve the robustness of Wistron ITS. Both 'talent' and 'competitiveness' are the foundation of the continuous growth of Wistron ITS. We consider the IT service business as a holistic 'human resource' business. We plan to further offer education and training to our employees, offering them a stage to grow and develop, and a sense of belonging. We hope to see that all our employees continue to improve in all aspects relating to clients, professionalism, IT technology, as well as service models, and thus increase the competitiveness of Wistron ITS in general. Only fully prepared, will we be able to grasp the opportunity, and create even better performance.

We would like to once again express our gratitude to your constant support and encouragement. It is with you, that the Company has been able to continue to grow. We will continue to create maximum profit available for our shareholders.

Sincerely Yours,

and with warm regards,

Chairman Ching Hsiao

2. Wistron Information Technology and Services Corp. Introduction

A. Date of Establishment: June 1st, 1992.

B. History

1992	• Founded as Shi-Tong Information Ltd. Co., with a capital of NT$2,000,000; offering information technology to the Asian market, including international clients and high quality software services. • Increased cash capital by NT$8,743,000; total capital amount to NT$10,743,000. • Starting long-term collaboration with well-known international brands.
1993	• Increased cash capital by NT$19,257,000; total capital amount to NT$30,000,000.
1996	• Increased cash capital by NT$15,000,000; total capital amount to NT$45,000,000.
1997	• Increased cash capital by NT$5,000,000; total capital amount to NT$50,000,000.
1998	• Profit of NT$5,762,370 reinvested as capital; total capital amount to NT$55,762,370.
1999	• Increased cash capital by NT$15,925,000; total capital amount to NT$71,687,370.
2000	• Profit and employee bonus of NT$11,302,480 reinvested as capital; total capital amount to NT$82,989,850.
2002	• Wistron Group invests in Shi-Tong to strengthen collaboration. • Increased cash capital by NT$90,000,000; total capital amount to NT$172,989,850.
2003	• Year of expansion for the Asia-Pacific Operation Network. Establishing subsidiaries in Beijing, Dalian, Wuhan, and Zhuhai in China, as well as that of Tokyo, Japan.
2004	• Renamed Wistron ITS, restructured to become a software flagship under the Wistron Group. This allowed us to further expand internationally under the group's guidance and resources. • Merged with eNow Information Technology to improve software development technology as well as enhance quality of service. • Established Hong Kong subsidiary. • Increased cash capital by NT$26,666,660; total capital amount to NT$199,656,510.
2005	• Wistron ITS (Beijing) and Wuhan subsidiaries passed CMMI Level 3 assessment.
2006	• Established Shanghai subsidiary.
2007	• IBM designated core supplier in the Asia-Pacific region. • Issued a total of 2,994,000 employee stock options.

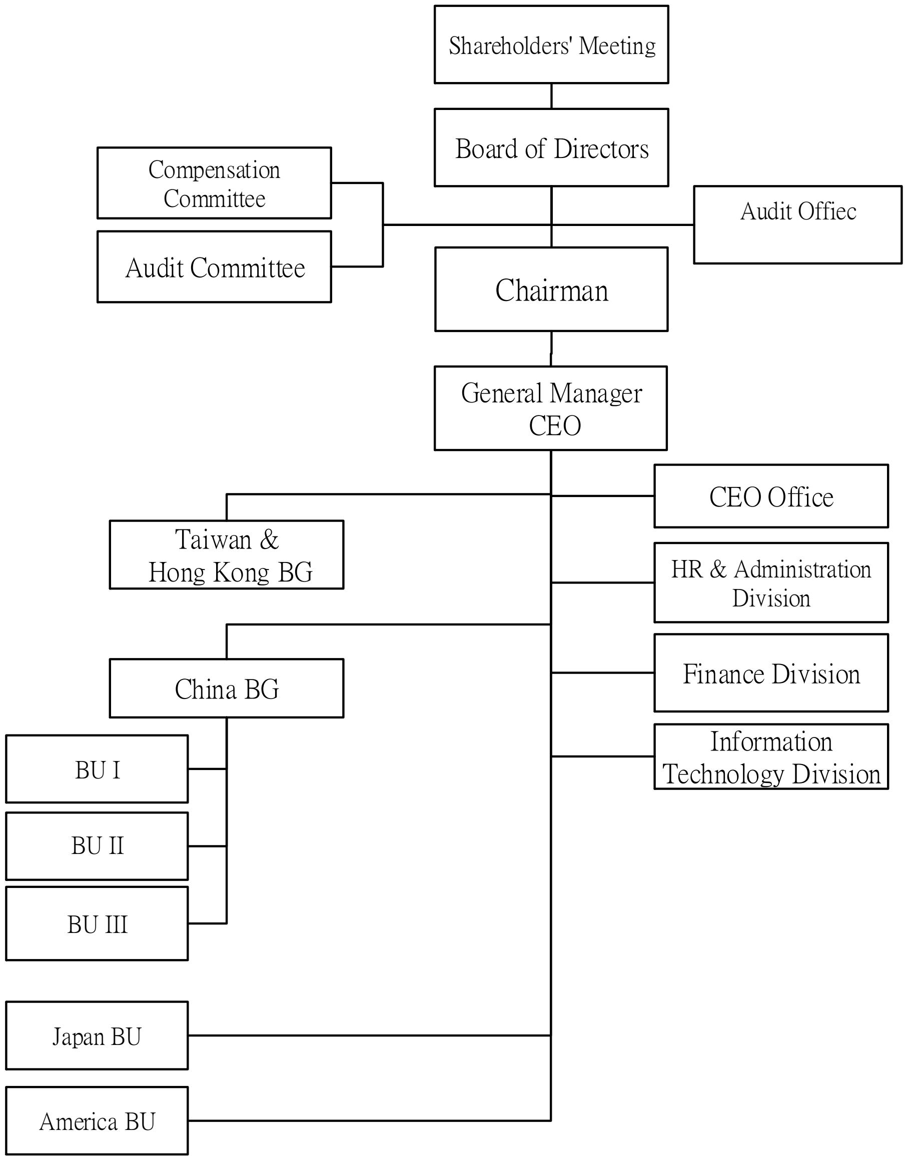
2008	• Accredited with SEI CMMI Level 3 for maturity. • Increased cash capital by NT$53,343,490; total capital amount to NT$253,000,000. • Profit and employee bonus of NT$20,305,030 reinvested as capital; total capital amount to NT$273,305,030.
2009	• Profit and employee bonus of NT$15,466,670 reinvested as capital; total capital amount to NT$288,771,700.
2010	• The Wuhan subsidiary is accredited with ISO 27001. • The Taipei and Dalian subsidiaries are accredited with ISO 27001. • Profit and employee bonus of NT$17,321,080 reinvested as capital; total capital amount to NT$306,092,780. • Became a Taipei Exchange (OTC) Emerging Stock Board listed company in Taiwan on June 25, 2010. • Allowed transfer of employee stock options to common shares, amounting to NT$9,697,520; total capital amount to NT$315,790,300.
2011	• Allowed transfer of employee stock options to common shares, amounting to NT$7,250,000; total capital amount to NT$323,040,300. • Allowed transfer of employee stock options to common shares, amounting to NT$500,000; total capital amount to NT$323,540,300. • Profit and employee bonus of NT$14,905,610 reinvested as capital; total capital amount to NT$338,445,910.
2012	• Allowed transfer of employee stock options to common shares, amounting to NT$450,000; total capital amount to NT$338,895,910. • Profit and employee bonus of NT$13,555,840 reinvested as capital; total capital amount to NT$352,451,750. • Allowed transfer of employee stock options to common shares, amounting to NT$1,000,000; total capital amount to NT$353,451,750.
2013	• Allowed transfer of employee stock options to common shares, amounting to NT$3,510,000; total capital amount to NT$356,961,750. • Profit of NT$14,278,470 reinvested as capital; total capital amount to NT$371,240,220.
2014	• In January, increased cash capital by issuing 4,641,000 shares, issuing price was NT$32 per share. This resulted in the cash capital of NT$148,511,000; total capital amount to NT$417,650,220. • Became a Taipei Exchange (OTC) Mainboard listed company in Taiwan on January 8, 2014. • Profit of NT$8,353,000 reinvested as capital in September; total capital amount to NT$426,003,220. • On November 1, 2014, became ISO/IEC 27001:2013 accredited.
2015	• Profit of NT$12,780,000 reinvested as capital in September; total capital amount to NT$438,783,220. • On December 18, 2015, became ITSS accredited.
2016	• On April 14, 2016 became TIPS accredited.
2017	• Beijing and Wuhan subsidiaries accredited with ISO9001. • Beijing subsidiary accredited with ISO22301.

2018	• Profit of NT$43,354,320 reinvested as capital in August; total capital amount to NT$482,137,540. • Increased cash capital in December by NT$120,000,000; total capital amount to NT$602,137,540. • Beijing subsidiary accredited with CMMI - Level 3 on software development capabilities. • Shanghai subsidiary accredited with ISO9001, ISO27001.
2019	• Employees' profit sharing bonus of NT$1,659,750 reinvested as capital; total capital amount to NT$603,797,290. • Profit of NT$60,213,750 reinvested as capital in September; total capital amount to NT$664,011,040.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Department functions

Department	Main Responsibilities
General Manager CEO	1. Decide and review major decisions for the Company 2. Decide on operational strategies, business plans, business outlook and business management strategies of the Company.
Audit Office	1. Investigate and assess whether the Company's internal control system and various controls are robust, reasonable and effective. 2. Ensure that the internal control system continues to work effectively, as well as assist the management to fulfill their obligation. 3. Conduct audits and fraud investigations, resulting risk assessment and planning of violations cases, and carry out risk control measures.
CEO Office	1. Business data analysis, review and improvement. 2. Follow up on various business departments' annual projection progress. 3. Planning and management of various projects. 4. Set up and maintain the Company's strategic information system. 5. Trademarks and patent management, contract handling and review, as well as legal documentation handling.
Taiwan & Hong Kong BG	1. Expansion of software R&D service, software testing service, system operation and maintenance service, product globalization service; set up marketing channels in Taiwan, Asia and Euro-America, to achieve operational objectives. 2. Promote, plan and execute marketing events to reach the sales goal. 3. Maintain major clients and develop potential clients. 4. Sales service and offer client complaint solutions. 5. Gather market information, client feedback and regional marketing information. 6. Sales projection, analytics of competitive and collaboration strategies, and market trend analysis. 7. Business order delivery management. 8. Client income management, collection and control of outstanding payables.
China BG	1. Expansion of software R&D service, software testing service, system operation and maintenance service, business procedure outsourcing service, and product globalization service; set up marketing channels in the Greater China region, to achieve operational objectives. 2. Promote, plan and execute marketing events to reach the sales goal. 3. Maintain major clients and develop potential clients. 4. Sales service and offer client complaint solutions. 5. Gather market information, client feedback and regional marketing information. 6. Sales projection, analytics of competitive and collaboration strategies, and market trend analysis.

Department	Main Responsibilities
	7. Business order delivery management. 8. Client income management, collection and control of outstanding payables.
Japan BU	1. Expansion of software R&D service, software testing service, system operation and maintenance service, and business procedure outsourcing service; set up marketing channels in the Japanese market, to achieve operational objectives. 2. Promote, plan and execute marketing events to reach the sales goal. 3. Maintain major clients and develop potential clients. 4. Sales service and offer client complaint solutions. 5. Gather market information, client feedback and regional marketing information. 6. Sales projection, analytics of competitive and collaboration strategies, and market trend analysis. 7. Business order delivery management. 8. Client income management, collection and control of outstanding payables.
America BU	1. Expansion of software R&D service, software testing service, system operation and maintenance service, product globalization service; set up marketing channels in the US, to achieve operational objectives. 2. Promote, plan and execute marketing events to reach the sales goal. 3. Maintain major clients and develop potential clients. 4. Sales service and offer client complaint solutions. 5. Gather market information, client feedback and regional marketing information. 6. Sales projection, analytics of competitive and collaboration strategies, and market trend analysis. 7. Business order delivery management. 8. Client income management, collection and control of outstanding payables.
HR & Administration Division	1. Improve the competitiveness of our work talent, to increase overall revenue. 2. Recruit and retain talent, to strengthen the core competitiveness of the Company. 3. Plan and design human resource policies and systems, to create operational workforce. 4. HR administration - HR data maintenance, employee termination and retirement, leave and attendance...etc. 5. Plan and manage manpower development - work analysis, performance review, promotion/transfer, education & training, career development, wages/reward systems... etc. 6. Corporate benefits planning and update, establish comprehensive

Department	Main Responsibilities
	employee care, work towards harmonious employee/employer relationship. 7. Management of workforce/workplace health and safety. 8. Management of suppliers. 9. Procurement management (purchase, outsourcing, equipment, other office essentials...). 10. Establishment of various office management measures.
Finance Division	1. Fiscal planning. 2. Management of Investment/ financing matters. 3. Capital management and planning. 4. Credit management. 5. Budget management. 6. Financial analysis. 7. Cost control. 8. Accounting/tax management. 9. Asset management. 10. Set and execute finance related management measures.
Information Technology Division	1. Information/communication system safety maintenance. 2. Digitization introduction and management. 3. Internal IT system integration, planning and promotion. 4. IT equipment (both software and hardware) maintenance and management. 5. Network setup and maintenance (including connection management) 6. Computer technical support, management and maintenance. 7. Develop Internet applications and e-commerce research. 8. Set and execute IT related management measures.

3.2. Directors, Supervisors and Management Team

3.2.1 Directors (April 24, 2020)

Title	Nationality or registered	Name	Gender	Date of Election	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Selected Current Positions	Remark
							Shares	%	Shares	%	Shares	%			
Chairman & CEO	TW	Ching Hsiao	Male	2019.06.24	3	2005.06.14	2,951,625	4.90	3,217,280	4.85	139,506	0.21	Doctorate	Chairman of Wistron Information Technology and Services Limited Chairman of WITS America, Corp. Chairman of Wistron Information Technology and Services Inc. Chairman of Shanghai Booster Technologies Company Limited. Chairman of Wistron Information Technology and Services (Beijing) Inc. Chairman of Wistron ITS (Wuhan) Co. Representative Director of Wistron Information Technology and Services (Japan) Inc. Director of Wistron ITS (Hong Kong) Limited	Note
Director	TW	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	-	2019.06.24	3	2016.06.24	14,293,424	23.74	15,718,837	23.67	0	0	-	-	-
	TW	Representative: Frank Lin	Male	2019.06.24	3	2016.06.24	291,948	0.48	321,062	0.48	0	0	Bachelor	Chief Staff Officer of Wistron Corp. Director of Wistron NeWeb Corp. Director of Wiwynn Corporation Director of Changing Information Technology Inc. Director of IP Fund Six Director of Join-Link International Technology Co., Ltd. Director of Maya International Co., Ltd. Director of Wistron Medical Tech Holding Company Director of Wistron Digital Technology Holding Company Director of Wistron Medical Tech Corporation Director of Pell Bio-Med Technology Co., Ltd. Director of Hartec Asia Pte. Ltd. Director of Hukui Biotechnology Corp. Chairman of WiseCap Ltd. Chairman of WLB Ltd. Chairman of WiseCap(Hong Kong)Ltd. Chairman of B-Temia Asia Pte Ltd. Supervisor of aEnrich Technology Corp.	-

Title	Nationality or registered	Name	Gender	Date of Election	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Selected Current Positions	Remark
							Shares	%	Shares	%	Shares	%			
Director	TW	Marty Chiou	Male	2019.06.24	3	2013.06.25	0	0	241,000	0.36	0	0	Master	-	-
Director	TW	Philip Peng	Male	2019.06.24	3	2000.04.26	0	0	0	0	0	0	Master	Independent Director of AU Optronics Corp. Independent Director of Apacer Technology Inc. Representative of Acer Incorporated Representative of AOPEN Inc. Director of Wistron Corp. Director of Wistron NeWeb Corp. Director & President of iD SoftCapital Chairman of Smart Capital Corp.	-
Director	TW	David Lee	Male	2019.06.24	3	2016.06.24	0	0	0	0	0	0	Bachelor	Director of EasyCard Corporation Director of EasyCard Investment Holdings Co., Ltd. Director of Symbio, Inc.	-
Independent Director	TW	Allen Fan	Male	2019.06.24	3	2013.06.25	0	0	0	0	0	0	Master	Independent Director of Qisda Corporation Representative of Legal Entity Director, K-Kingdom Inc. Representative of Legal Entity Director, K K Intelligent Technology Inc. Chairman of Yu Xuan Co. Ltd.	-
Independent Director	TW	Frank Juang	Male	2019.06.24	3	2013.06.25	0	0	0	0	0	0	Master	Independent Director of Continental Holdings Corp. Director of Taiwan Opportunities Fund Ltd. Director of Weilan Investment Co. Ltd.	-
Independent Director	TW	C.K. Chiang	Male	2019.06.24	3	2019.06.24	0	0	0	0	0	0	Doctorate	President of Yuanta Life Insurance Co., Ltd Honory Professor, College of Law, National Taipei University	-

Note:
1. **Shareholding by Nominee Arrangement**：None.
2. **Spouse or relative holding a position as Key Manager, Director or Supervisor**：None.

Note: Considering enforcement of decision making and operating efficiency, the Chairman and CEO (President) of the Company are the same person, which is necessary and reasonable. To enhance the independence of Board of Directors, the Company has set up independent directors more than regulations (currently 3 independent directors), and over half of the Directors does not serve as employees or managers. The Company will make an adjustment to comply with operational needs and regulations for improving Board function and strengthen the supervisory ability of the Board.

Major shareholders of the institutional shareholders

April 20, 2020

Name of Institutional Shareholders	Major Shareholders	%
WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	Wistron Corporation	100

Major shareholders of the Company's major institutional shareholders

April 20, 2020

Name of Institutional Shareholders	Major Shareholders	%
Wistron Corporation	Yuanta Taiwan Dividend Plus ETF	1.99
	Norges Bank	1.97
	Acer Incorporated	1.93
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.78
	Lin, Hsien-Ming	1.53
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.45
	Management Board of Public Service Pension Fund	1.41
	Labor Pension Fund	1.34
	Dimensional Emerging Markets Value Fund	1.09
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Authority	1.03

Professional qualifications and independence analysis of directors

Title	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ching Hsiao			✓				✓	✓	✓		✓	✓	✓	✓	✓	0
WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative:Frank Lin			✓			✓	✓		✓	✓		✓	✓	✓		0
Marty Chiou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Philip Peng			✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	2
David Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Allen Fan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Frank Juang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
C.K.Chiang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note：Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Directors and supervisors who are not directors or supervisors of the company or its affiliates (unless the company and its parent company, subsidiaries or subsidiaries of the same parent company serve as independent directors of each other under this Law or local laws and regulations).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a manager of (1) or spouse, secondary relative or direct blood relative within 5 degrees of (2) or (3).
5. A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the Company's total outstanding shares, who holds the top five shares or who has appointed a representative as a director or supervisor in accordance with Article 27, paragraph 1 or 2 of the Company Act (except in cases where the Company and its parent company, subsidiaries or subsidiaries that are

subsidiaries of the same parent company serve as independent directors of the Company in conjunction with each other in accordance with this Act or local national laws).

6. A director, supervisor or employee of a company other than a company with which more than half of the company's directorship or voting rights are controlled by the same person (except in the case of a company or its parent, subsidiary or subsidiary of the same parent established under this Law or local laws and regulations as independent directors).
7. A director (or equivalent), supervisor (or equivalent) or employee of another company or organization who is not the same person or spouse as the chairman, general manager or equivalent of the company (except where the company and its parent, subsidiary or subsidiary of the same parent are acting together as independent directors under this Law or local laws and regulations).
8. Not a director (or equivalent), supervisor (or equivalent), manager or shareholder holding more than 5% of the shares of a particular company or organization with which the Company has financial or business dealings (except for a particular company or organization holding more than 20%, but not more than 50%, of the total number of issued shares of the Company and the Company and its parent company, subsidiaries or subsidiaries of the same parent company which are independent directors of each other under this Law or local laws and regulations)
9. Professionals, sole proprietors, partners, directors (or equivalent), supervisors (or equivalent), managers, and their spouses who do not provide business, legal, financial, accounting, or other related services or advice to companies or affiliates that are not audited or have received compensation in an aggregate amount not exceeding NT$500,000 in the last two years. However, this does not apply to members of the Compensation Committee, the Public Mergers and Acquisitions Committee or the Special Committee on Mergers and Acquisitions, who perform their duties under the Securities and Exchange Act or the relevant laws and regulations of the Corporate Mergers and Acquisitions Act.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2Management Team (April 24, 2020)

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Education	Concurrent positions at other Companies	Remark
					Shares	%	Shares	%			
Chairman & CEO	TW	Ching Hsiao	Male	1999.04.27	3,217,280	4.85	139,506	0.21	Reference to the information of Board of Directors		
Vice President	TW	Jamie Liu	Male	2003.04.02	566,953	0.85	0	0	Master	Director of Shanghai Booster Technologies Company Limited. Director & President of Wistron Information Technology and Services (Beijing) Inc. Manager of Beijing Enovation Technology co., Ltd.	-
Vice President	TW	Ginnie Hsu	Female	2018.03.30	267,323	0.40	26,839	0.04	Master	-	-
Financial & Accouting Officer	TW	Phoebe Chang	Female	2019.01.02	109,972	0.17	0	0	Master	Note	-

Note:
1. Shareholding by Nominee Arrangement：None.
2. Spouse or relative holding a position as Key Manager, Director or Supervisor：None.

Note:

a. Treasurer of WITS America,Corp.

b. Director of Wistron Information Technology and Services Limited、Director of Wistron Information Technology and Services Inc.、Director of WITS America,Corp.、Director of Wistron ITS (Hong Kong) Limited。

c. Supervisor of Wistron Information Technology and Services (Japan) Inc.、Supervisor of Shanghai Booster Technologies Company Limited.、Supervisor of Wistron Information Technology and Services (Beijing) Inc.、Supervisor of Beijing Enovation Technology co., Ltd.、Supervisor of Wistron ITS (Wuhan) Co.

3.2.3 Compensation of Directors, Supervisors, President and Vice Presidents

A. Compensation of Directors and Independent Directors (December 31, 2019)

Unit: NT$ thousands

Title	Name	Compensation								Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Relevant Compensation Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or Parent Company
		Base Compensation (A)		Severance Pay (B)		Directors' Remuneration (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employees' Profit Sharing Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		All companies in the consolidated financial statements		The company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative:Simon Lin (Note 1)	0	0	0	0	9,800	9,800	410	410	2.47	2.47	7,821	21,654	210	210	3,068	0	3,068	0	5.16	8.51	No
Chairman	Ching Hsiao (Note 2)																					
Director	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative:Frank Lin																					
Director	Marty Chiou																					
Director	Philip Peng																					
Director	David Lee																					
Director	Rick Chang (Note 3)																					
Independent Director	Alfred Hsieh (Note 1)	2,735	2,735	0	0	0	0	210	210	0.71	0.71	0	0	0	0	0	0	0	0	0.71	0.71	
Independent Director	Frank Juang																					
Independent Director	Allen Fan																					
Independent Director	C.K. Chiang (Note 4)																					

1.Please describe the policy, system, standards and structure of independent directors' compensation and the correlation with the amount of compensation paid based on the responsibilities, risks and time commitment.
In accrordance with the "Articles of Incorporation" and "Payment Principle for Compensation of Directors and Functional Committees" of the Company, exept for basic amounts, the extra payment will be paid to the independent directors based on his/her participation in functional Committee, and the compensation will be paid whether the Company has profit or suffered loss.

2.Except as disclosed in the above table, the remuneration received by the directors of the Company for services rendered to all companies included in the financial statements for the most recent year (such as acting as consultants to non-employees): None.

Note 1: Resigned after re-election of Directors on June 24, 2019.
Note 2: Change of directorship from natural person Director to Chairman after re-election of Directors on June 24, 2019.
Note 3: Elected after re-election of Directors on June 24, 2019, and resigned on April 1, 2020.
Note 4: Elected after re-election of Directors on June 24, 2019.

Directors' compensation brackets table

Ranges of compensation paid to the Company's directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements H	The Company	All companies included in the financial statements I
Under NT$1,000,000	5 (Note 1)		4 (Note 4)	
NT$1,000,000～NT$2,000,000	3 (Note 2)		3 (Note 2)	
NT$2,000,000～NT$3,500,000	3 (Note 3)		2 (Note 5)	
NT$3,500,000～NT$5,000,000	—	—	1 (Note 6)	—
NT$5,000,000～NT$10,000,000	—	—	—	1 (Note 6)
NT$10,000,000～NT$15,000,000	—	—	1 (Note 7)	—
NT$15,000,000～NT$30,000,000	—	—	—	1 (Note 7)
NT$30,000,000～NT$50,000,000	—	—	—	—
NT$50,000,000～NT$100,000,000	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	11	11	11	11

Note 1：Rick Chang, Alfred Hsieh, Frank Juang, Allen Fan, C.K. Chiang
Note 2：Marty Chiou, Philip Peng, David Lee
Note 3：Ching Hsiao, WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative: Simon Lin, Frank Lin
Note 4：Alfred Hsieh, Frank Juang, Allen Fan, C.K. Chiang
Note 5：WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative: Simon Lin, Frank Lin
Note 6：Rick Chang
Note 7：Ching Hsiao

B. Compensation of Supervisors: Not applicable

a. Supervisors' compensation brackets table: Not applicable

C. Remuneration of the President and Vice Presidents (December 31, 2019)

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay and Penions(B)		Bonuses and Allowances (C)		Employees' Profit Sharing Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Ching Hsiao	3,820	11,558	441	441	10,104	23,144	3,969	651	3,969	651	4.60	9.62	No
Vice President	Rick Chang (Note)													
Vice President	Jamie Liu													
Vice President	Ginnie Hsu													

Note: Resigned on April 1, 2020.

The President and Vice Presidents remuneration brackets table

Range of Compensation	Names of President and Vice Presidents	
	The Company	All companies included in the financial statements
Under NT$1,000,000	—	—
NT$1,000,000～NT$2,000,000	—	—
NT$2,000,000～NT$3,500,000	2 (Note 1)	—
NT$3,500,000～NT$5,000,000	—	—
NT$5,000,000～ NT$10,000,000	2 (Note 2)	3 (Note 3)
NT$10,000,000～ NT$15,000,000	—	—
NT$15,000,000～ NT$30,000,000	—	1 (Note 4)
NT$30,000,000～ NT$50,000,000	—	—
NT$50,000,000～ NT$100,000,000	—	—
Over NT$100,000,000	—	—
Total	4	4

Note 1：Rick Chang, Jamie Liu
Note 2：Ching Hsiao, Ginnie Hsu
Note 3：Rick Chang, Jamie Liu, Ginnie Hsu
Note 4：Ching Hsiao

D. Names of managers entitled to Employees' Profit Sharing Bonus (December 31, 2019)

Unit: NT$ thousands

	Title	Name	Employees' Profit Sharing Bonus - in Stock (Fair Market Value)	Employees' Profit Sharing Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Chairman & CEO	Ching Hsiao	1,465	3,969	5,434	1.31
	Vice President	Rick Chang (Note)				
	Vice President	Jamie Liu				
	Vice President	Ginnie Hsu				
	Financial and Accounting Officer	Phoebe Chang				

Note: Resigned on April 1, 2020

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

A. Directors', President's and Vice Presidents' compensation paid in the last two years as a percentage to net income

Year / Title	Ratio of total compensation paid to directors, supervisors, president and vice presidents to net income (%)			
	2019		2018	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Compensation to Directors	5.87	9.22	6.68	9.36
Remuneration to the President and Vice Presidents	4.60	9.62	11.26	20.17

B. The determination of remuneration for directors, president and vice presidents

The compensation of the Company's Directors, President, and Vice President consists of fixed items such as salary and benefits, and variable items such as bonuses, profit sharing bonus (cash/stock) and stock options, and main on variable items. The fixed items are in principle determined to maintain the Company's competitiveness within the industry; the variable items consider both company's performance and individual's appraisal – the better the performance, the higher the proportion of variable items to fixed items. The performance evaluation will be comprehensively determined by the completion rate of business targets, profit margin, growth rate, operating efficiency and future development potential, etc. The targets and weightage of these performance metrics are stipulated with reference to the internal and external operating environment and future risk exposures at the beginning of the year. The Company will review the compensation principle based on operational needs and regulations, and pay the Directors' compensation in accrordance with "Payment Principle for Compensation of Directors and Functional Committees" of the Company, and the payment shall be resolved by Compensation Committee and Borad of Directors.

3.3 Status of Corporate Governance

3.3.1 Board meeting attendance

The Board of Directors meetings held 7 times in 2019.

Title	Name	Attendance in Person	Attendance by proxy	Rate of attendance in person (%)	Remarks
Chairman	Ching Hsiao	7	0	100%	Change of directorship from natural person director to Chairman after election of director at the Annual Shareholders Meeting on June 24, 2019.
Director	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative:Frank Lin	6	1	85.71%	Re-elected at the Annual Shareholders Meeting on June 24, 2019.
Director	Marty Chiou	7	0	100%	
Director	Philip Peng	7	0	100%	
Director	David Lee	7	0	100%	
Independent Director	Frank Juang	7	0	100%	
Independent Director	Allen Fan	7	0	100%	
Director	Rick Chang (Note)	5	0	100%	Elected at the Annual Shareholders Meeting on June 24, 2019.
Independent Director	C.K.Chiang	5	0	100%	
Chairman	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY Representative:Simon Lin	2	0	100%	Resigned after the Annual Shareholders Meeting on June 24, 2019.
Independent Director	Alfred Hsieh	2	0	100%	

Note: Resigned on April 1, 2020.

Other noteworthy items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Please refer to the Major Resolutions of Board of Directors Meetings (p.37-39)
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Meeting	Interested Directors	Subject Matter	Participation in Deliberation
2019/03/22	1st Board Meeting of 2019	Ching Hsiao	Approval of the distribution of employees' profit sharing bonus and directors' remuneration of 2018.	The interested director left the room during discussion and voting.

			Approval of the performance bonus budget to managers in 2019.	
2019/05/09	2nd Board Meeting of 2019	Ching Hsiao	Approval of 2018 employees' profit sharing payout ratio and amount to managers.	The interested director left the room during discussion and voting.
2019/12/20	7th Board Meeting of 2019	Ching Hsiao Rick Chang	Approval of year-end bonus to managers in 2019.	The interested director left the room during discussion and voting.

3. The Board's self- (or peer) evaluation cycle and period, the scope, method and content of the evaluation, etc. of the evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Content of evaluation
Once a year	Jan 1st - Dec. 31st, 2019	Board of Directors	Internal self-evaluation by the Board and individual Board members	Internal self-evaluation by the Board: 1. The degree of participation in the Company's operations. 2. Improvement in the quality of decision making by the Board of Directors. 3. The composition and structure of the Board of Directors. 4. The election of the Directors and their continuing professional education. 5. Internal controls. Self-evaluation of individual Board members 1. Grasp of the Company's goals and missions. 2. Recognition of director's duties. 3. Degree of participation in the Company's operations. 4. Management of internal relationships and communication. 5. Professionalism and continuing professional education. 6. Internal controls.
Once a year	Jan 1st - Dec. 31st, 2019	Functional Committee (Audit Committee & Compensation Committee)	Internal self-evaluation by Functional Committee (Audit Committee & Compensation Committee)	Internal self-evaluation by the Audit Committee and Compensation Committee: 1. The degree of participation in the Company's operations. 2. Recognition of duties of the Functional Committee. 3. Improvement in the quality of decision making by the Functional Committee 4. Composition of the Functional Committee, and election and appointment of Committee members. 5. Internal controls.

4. The objectives of strengthening the functionality of the Board of Directors for the present year and the most recent year and assessment on the implementation:

In order to realize corporate governance as well as improve on the operational performance

of the Board of Directors and the Functional Committees, the Board of Directors have resolved to formulate "Rules and Procedures for Board of Directors Performance Assessments" on Dec. 26th, 2016, as well as an amendment to add performance evaluation on Functional Committees, and thus renamed as "Rules and Procedures for Board of Directors and Functional Committees Performance Assessments" on Dec. 20th, 2019. The Company has completed the performance evaluation on the Board of Directors, individual members of the Board, the Compensation Committee, and the Audit Committee. The results of the evaluation have been reported at the 1st Board of Directors' meeting in 2020. Based on the results of the evaluation in 2019, the annual perfomance is outstanding, where both the Board of Directors and the Functional Committees have operated in a manner exceeding standard.

3.3.2 Audit Committee

The Audit Committee is composed of all of the three Independent Directors. The Audit Committee holds meetings before the Board meetings regularly at least once each quarter to examine the Company's internal control systems, internal audit executions, as well as material financial activities; also to communicate with CPAs for an effective supervision on the Company's operations and risk controls.

Total of 7 Audit Committee meetings were held in 2019. The Independent Directors' participation status is as follows:

	Title	Name	Attendance in Person	Attendance by proxy	Rate of attendance in person (%)	Remarks
3rd	Convener	Frank Juang	5	0	100%	Re-elected
	Member	Allen Fan	5	0	100%	Re-elected
	Member	C.K.Chiang	5	0	100%	New elected
2nd	Convener	Alfred Hsieh	2	0	100%	Resigned
	Member	Frank Juang	2	0	100%	Re-elected
	Member	Allen Fan	2	0	100%	Re-elected

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act :Please refer to the Major Resolutions of Board Meetings (p.35-37)
   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)
   (1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports

in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.

(2) The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

4. The major content of Audit Committee meeting in 2019:

(1) Change of laws and regulations and the applicable matters.

(2) Auditing of Financial report (quarterly, annual) and detail explanation.

(3) Financial report.

(4) Major auditing matter and audit report.

(5) Material investment or acquisition/disposal of assets.

(6) Others.

Relevant officer will be invited to report to Audit Committee meeting if necessary, and the chief internal auditor will summary conclusion and suggestion after meeting, report to Board of Direstors, and excute according to Board of Directors' instruction.

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

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
1.Does Company follow "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to eatablish and disclose its corporate governance practices?	V		The Company has formulated the "Corporate Governance Principles" by reference to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", which was approved by the Board of Directors on March 21, 2017 and last amended by the Board of Directors on May 12, 2020 and disclosed on the Company's website and MOPS.	No discrepancy
2. Shareholding Structure & Shareholders' Rights				No discrepancy
(1)Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) In order to ensure shareholders' interests, the Company has set up an investor relations liaison mechanism on its official website, under which a spokesperson and an acting spokesperson are responsible for handling issues such as shareholders' proposals, doubts or disputes.	
(2)Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The Company has access to a list of the Company's major shareholders and the final controllers of the major shareholders.	
(3)Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) The Company establishes appropriate risk control mechanisms and firewalls in accordance with internal regulations such as "Regulations on the Management of Transactions with Specific Companies, Group Enterprises and Affiliates," "Regulations on the Supervision and Management of Subsidiaries," "Procedures for Governing Endorsements and Guarantees," " Procedures for Governing Loaning of Funds," and "Procedures for Acquisition and Disposal of Assets."	
(4)Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company is required by law to establish "Management Procedures to Prevent Insider Trading" in the Company's internal control system to prohibit insiders from using unpublished information in the market to trade in marketable securities.	
3.Composition and Responsibilities of the Board of Directors				No discrepancy

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
(1)Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1). A. The Company has set out its policy on diversity of Board membership in the "Corporate Governance Principles ", which is disclosed on the Company's website. There are currently eight directors on the current Board, three of whom are independent directors, representing 37.5% of all directors. All of our directors have management and leadership skills and extensive industry experience. Mr. Ching Hsiao Chairman of the Board of Directors, has extensive experience in the industry; Mr. Marty Chiou, Mr. David Lee and Mr. Allen Fan are regional general managers of multinational information enterprises with extensive industry knowledge; Mr. Frank Lin, Mr. Philip Peng and Mr. Frank Juang have professional background in accounting and financial analysis; Mr. C.K. Chiang has legal expertise and can provide professional advice to the Company from different perspectives. B. The Company will continue to strengthen its Board structure, taking into account diversity and ensuring that its members have a variety of professional knowledge and skills, with a view to increasing one female independent director in the coming year, in order to promote gender equality and diversity of Board members. C. The Board's proposed policy on diversity of membership is disclosed on the Company's website and MOPS.	
(2)Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other functional committees?	V		(2) In addition to the Audit Committee and the Compensation Committee established by law, the Company will establish various other functional committees depending on actual operational needs.	
(3)Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the board, and use it as a reference for individual directors'	V		(3) The Company's Board of Directors have resolved to formulate "Rules and Procedures for Board of Directors Performance Assessments" on Dec. 26th, 2016, and add performance evaluation on Functional Committees, thus renamed as "Rules and Procedures for Board of Directors and Functional Committees Performance Assessments" on Dec. 20th, 2019, regulate that performance evaluation of Board of	

Items of Evaluation	Implementation Status: Yes	No	Summaries	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
remuneration and renomination?			Directors, Board memebers, and functional committee shall be excuted annualy and reported to Board of Directors. Internal self-evaluation by the Board including: A. The degree of participation in the Company's operations. B. Improvement in the quality of decision making by the Board of Directors. C. The composition and structure of the Board of Directors. D. The election of the Directors and their continuing professional education. E. Internal controls. Self-evaluation of individual Board members including: A. Grasp of the Company's goals and missions. B. Recognition of director's duties. C. Degree of participation in the Company's operations. D. Management of internal relationships and communication. E. Professionalism and continuing professional education. F. Internal controls. Internal self-evaluation by the Audit Committee and Compensation Committee including: A. The degree of participation in the Company's operations. B. Recognition of duties of the Functional Committee. C. Improvement in the quality of decision making by the Functional Committee D. Composition of the Functional Committee, and election and appointment of Committee members. E. Internal controls. The evaluation was excuted by questionair, and results of the evaluation have been reported at the 1st Board of Directors' meeting in 2020. Based on the results of the evaluation in 2019, the annual perfomance is outstanding, where both the Board of Directors and the Functional Committees have operated in a manner exceeding standard.	
(4)Does the Company regularly evaluate its external auditors' independence?	V		(4) The Company assesses the qualifications and independence of its accountants on a regular basis (once a year) through the "Audit Committee". The Company relies on the	

<table>
<tr><th rowspan="2">Items of Evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”</th></tr>
<tr><th>Yes</th><th>No</th><th>Summaries</th></tr>
<tr><td></td><td></td><td></td><td>"Statement of Independence" provided annually by the Certified Public Accountants (CPA), with reference to the CPA Act and Statement of Professional Ethics No. 10, "Integrity, Impartiality, Objectivity and Independence," to develop the following CPA evaluation items. The 2019 annual assessment was completed on March 27, 2020 and no breach of independence has been identified and the rotation of the CPAs has been conducted in compliance with the relevant regulations.
<table>
<tr><th>Evaluation items</th><th>Result</th></tr>
<tr><td>Do the accountants violate Article 6 or Article 4 of Certified Public Accountant Act?</td><td>No</td></tr>
<tr><td>Do the accountants have direct or indirect financial interest with the Company?</td><td>No</td></tr>
<tr><td>Do the accountants and the Company have inappropriate interests?</td><td>No</td></tr>
<tr><td>Do the accountants serve the Company within two years before the practice?</td><td>No</td></tr>
<tr><td>Do the accountants permit others to practice under theirs name?</td><td>No</td></tr>
<tr><td>Do the accountants and the members of audit team have shares of the Company?</td><td>No</td></tr>
<tr><td>Do the accountants have fund lending with the Company?</td><td>No</td></tr>
<tr><td>Do the accountants have relationship of collective investment or profit sharing with the Company?</td><td>No</td></tr>
<tr><td>Do the accountants currently employed by the Company to perform routine work for which receives a fixed salary, or currently serves as a director?</td><td>No</td></tr>
<tr><td>Do the accountants have management functions related to decision-making of the Company?</td><td>No</td></tr>
<tr><td>Do the accountants receive any commission about business?</td><td>No</td></tr>
<tr><td>Do the accountants are spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the Company?</td><td>No</td></tr>
<tr><td>Do the accountants have being the</td><td>No</td></tr>
</table></td><td></td></tr>
</table>

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
			audit accountants of the Company over 7 years?	
4.Has a TWSE/TPEx listed company appointed an appropriate number of suitable corporate governance personnel, and designated a corporate governance officer to be in charge of corporate governance affairs (including, but not limited to, providing directors and supervisors with the information necessary to execute business, assisting directors and supervisors in complying with laws, handing matters relaed to board meetings and shareholders meetings in accordance with the laws, processing corporate registration and amendment refistration, and preparing minutes of board meetings and shareholders meetings)?	V		The Company's corporate governance unit is the Finance Division, which is responsible for corporate governance-related matters. On May 12, 2020, the Board of Directors approved the Financial & Accouting Officer, Ms. Phoebe Chang, as Company Secretary. Ms Chang holds CPA certification, and suits the criteria of serving as the Company Secretary. The plan is to complete the Corporate Governance Executive Education Course within one year of taking office and disclose it on the Company's website. The main responsibilities are as follows: (1) To handle matters relating to the meetings of the Board of Directors and Shareholders'Meeting in accordance with the Law. (2) Company registration and change of registration. (3) Produce minutes of Board of Directors and Shareholders' Meetings, etc. (4) To assist in the implementation and strengthening of corporate governance. (5) To provide information necessary for the directors to carry out their business. (6) Assist directors in their appointment, compliance with statutes and continuing education. The performance of the Company's corporate governance unit for 2019 was as follows: (1) Assist in arranging meetings for the independent directors with the Head of Internal Audit or a CPA to understand the financial and operatoinal needs of the Company. (2) Notify the directors seven days in advance of the proposed Board meeting, call the meeting and provide the meeting materials, and complete and mail the minutes of the Board meeting within one week of the meeting. (3) Responsible for the publication of material information on Board meeting's important resolutions, ensuring the appropriateness and correctness of the content of the messages to protect the reciprocity of investors' trading information. (4) Pre-registration of the date of Shareholders' Meeting in accordance with the law, preparation	No discrepancy

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
			of notice of meeting, handbook and minutes of proceedings within the statutory time limit, and registration of changes after amendment of the Articles of Association and re-election of directors. (5) Assist in arranging training courses for directors on the latest legal and regulatory changes in the field of corporate management and corporate governance.	
5. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has a spokesperson and acting spokesperson, and has set up a section on the Company's website for stakeholders and contact information of the relevant counterparts in order to properly respond to important issues of concern to stakeholders, and to respond in the CSR report.	No discrepancy
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed the Stock Agency Department of KGI Securities as the Company's stock agency and to handle the affairs relating to the Shareholders' Meeting.	No discrepancy
7. Information Disclosure (1)Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2)Does the Company use other information disclosure channels (e.g. maintaining an Englich-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.)? (3) Does the Company announce and report the annual financial report within two months of the fiscal year end, and announce and report the financial reports for the first,	 V V V		(1) The Company has disclosed the relevant business, financial and corporate governance practices on the Company's website. (http://www.wistronits.com/tw/) (2) The Company has set up a website to provide relevant information for shareholders' and stakeholders' reference, and has a spokesperson to maintain communication channels with the media in accordance with the regulations, so that material information that may affect shareholders and stakeholders can be disclosed immediately and properly. The information provided by the Company's participation in the Investors' Conference is available on the Company's website. (3) The Company does not announce and report its annual financial report within two months after the end of the fiscal year. However, the Company still announces and reports its annual financial report (within three months), first, second and third quarterly financial report (within 45 days)	No discrepancy

Items of Evaluation	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Summaries	
second and third quarter and each month’s operating performance ahead of the required deadline?			and monthly operations (before the 10th day of each month) within the period stipulated in Article 36 of the Securities and Exchange Act.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee right, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations polocies, and purchasing insurance for directors)?	V		(1) Staff Rights and Employee Care: For the rights and benefits of the Company's employees and employee care, please refer to the "Labor Relations" in Chapter 5, Operating Overview of this annual report. (2) Investor Relations: The Company aims to protect the interests of its shareholders and treats all shareholders fairly. In accordance with the relevant regulations, the Company immediately announces important corporate information on financial, business and internal shareholding changes on MOPS; the Company also provides shareholders with adequate opportunities to ask questions or make proposals to achieve checks and balances and to establish “Rules of Procedure for Shareholders’ Meetings” in accordance with the law, and properly keeps minutes of Shareholders' Meetings. In addition, in order to ensure that shareholders have the right to be fully informed of, participate in and decide on material matters of the Company, the Company has a spokesperson and an acting spokesperson to handle shareholders' suggestions, queries and disputes. (3) Supplier relations: The Company conducts audits and management of its suppliers on the basis of integrity to confirm that they are able to continue to provide products that meet the Company's standards and have a competitive price advantage in compliance with various environmental treaties and social responsibilities. The Company will continue to uphold the spirit of mutual trust and mutual benefit to its suppliers, so that they can grow together with the Company and create a win-win situation. (4) Stakeholder rights: Depending on the situation, the Company maintains a stakeholder section on the Company's website and provides relevant contact information to protect the rights of stakeholders. (5) Annual education and training for Board of	No discrepancy

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
			Directors: The Company actively encourages its directors to participate in the relevant courses organized by the competent authorities. Please refer to the following table for further study and training of directors and managers in relation to corporate governance (6) Implementation of risk management policies and risk measurement standards: The Company has established a risk control mechanism under the "Regulations on the Management of Transactions with Specific Companies, Group Enterprises and Affiliates". The Company's internal control system incorporates supplier management and customer management practices into the audit items, and internal auditors regularly review the implementation of the Company's various risk management regulations, make improvements for deficiencies and effectively monitor the operation of the risk management mechanism. For corresponding details please refer to 3.3.5. (7) Implementation of Client Policy: The Company has always kept clients' confidentiality. In the case where the clients compete with each other, different teams are formed internally to serve them. The Company also uses firewalls for data of clients, and strictly prohibid the discussion of client confidential information during work in order to achieve the goal of protecting clients. (8) Liability Insurance for Directors and Supervisors: The Company has purchased liability insurance for directors and key personnel and reported the relevant information, including the amount insured, coverage, and insurance rates, to the Board of Directors on December 20, 2019.	
9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Corporate Governance Center of the TWSE in the last year and provide priority measures and measurees for those who have not yet improved.	V		1. The Company ranked among the top 6-20% of the listed companies in the 2019 Annual Corporate Governance Review. 2. According to the results of this evaluation, the main improvement areas are (1)The Company has strengthened its Board of Directors' diversity policy and implemented the diversity policy. (2) The Company strengthens its policy of operating with integrity, promotes the	No discrepancy

Items of Evaluation	Implementation Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Summaries	
			formulation and supervises the implementation of policies and precautionary measures, and reports to the Board of Directors once a year. (3) Develop supplier management strategies, cooperate with suppliers, follow relevant norms in environmental protection, safety or health issues, and work together to enhance corporate social responsibility. For other areas that have not yet been improved, the expected priorities for improvement are (1) Enhance the disclosure of financial information and corporate governance information in English and enhance the transparency of corporate information; (2) To establish the position of head of corporate governance, responsible for corporate governance-related matters to improve corporate governance of enterprises.	

Continuing education of Directors and Managers :					
Title	Name	Date for Attending Continuing Education	Hosted By	Course Title	Hours
Chairman	Ching Hsiao	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
Director	Frank Lin	2019.05.07	Taiwan stock exchange corporation and over-the-counter trading	Corporate Governance and securities legislation	3
		2019.08.07	Securities & Futures Institute	Conference of Equity Trading Regulation Compliance to Internal Personnel of the company	3
		2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
		2019.10.15	Securities & Futures Institute	Operational Practice of Compensation Committee and Growth Strategy Committee	3
Director	Marty Chiou	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
Director	Philip Peng	2019.03.12	Taiwan Corporate Governance Association	Global risk trends in 2019	3

		2019.03.20	Taiwan Corporate Governance Association	Corporate Governance and Legal Compliance-Talking from Anti-Corruption and Economic Crime	1.5
		2019.05.08	Taiwan Corporate Governance Association	Information Security Insurance and Corporate Governance	3
		2019.08.07	Taiwan Corporate Governance Association	Recent Updates in Securities Regulatory Act and Tax Act	1.5
		2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
		2019.11.06	Taiwan Corporate Governance Association	Commercial Real Estate Status and Future Development	1.5
Director	David Lee	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
Director	Rick Chang (Note)	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
Independent Director	Frank Juang	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
		2019.11.22	Securities & Futures Institute	Parent subsidiary's operating structure and related division of directors and supervisors	3
				Responses of businesses and individuals to the implementation of substantive economic laws and global anti-tax avoidance measures	3
Independent Director	Allen Fan	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
Independent Director	C.K. Chiang	2019.05.24	Taiwan Securities Association	Financial Industry Sustainability Strategy and Way for Yuanta Financial Holdings to Enroll in Dow Joans Sustainability Index(DJSI)	3
		2019.07.11		Money Laundering Control Requirements and Latest Development	3
		2019.08.05		Case Study on AML and Prevention of Insider Trading	3
		2019.10.03		Introduction and Response to Financial Consumer Protection Act (Fair Dealing)	3
		2019.11.26	Taiwan Insurance Institute	Effect of IFRS 17 to Insurance Business Strategies	3
Financial & Accounting Officer	Phoebe Chang	2019.09.27	Taiwan Corporate Governance Association	Corporate social responsibility and sustainable competitiveness	3
				How the directors and supervisors supervised the company to do the enterprise risk management	3
		2019.10.01 -10.09	Accounting Research and Development Foundation	First training of Accounting Officers of Issuers, Securities Firms, and Securities Exchange	30
General Auditor	Jack Chuang	2019.11.27	The Institute of Internal Auditors-Chinese Taiwan	Recent Cases and Developments in Trade Secrets and Competition Prohibition	6
		2019.12.02		Enterprise labor relations - analysis and inspection of labor contracts, work rules and labor conferences	6

Note: Resigned on April 1, 2020.

3.3.4 Composition, Responsibilities and Operations of the Compensation Committee

A. The Composition

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Allen Fan			V	V	V	V	V	V	V	V	V	V	V	1	
Independent director	Frank Juang	V		V	V	V	V	V	V	V	V	V	V	V	1	
Independent director	C.K. Chiang	V		V	V	V	V	V	V	V	V	V	V	V	0	

Note:"✓"is placed in the box below if the member met the following criteria at any time during active duty and two years prior to the date of appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (This item does not apply, however, in cases where the person is an independent director of the Company, its parent company, subsidiaries, or the affiliates and subsidiaries owned/controlled by the same parent company, as appointed in accordance with Taiwan Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, the officers set forth in paragraph 1 or any of the persons listed in the preceding two subparagraphs.

(5) Not/director, supervisor, or employee be as of a shareholder that directly holds 5% or more of the total number of issued shares of the Company, a top 5 shareholder, or the juristic person or the authorized representative of the juristic person who is the director, supervisor, or employee of the Company elected in accordance with Article 27 of Taiwan Company Act. (This item does not apply, however, in cases where the person is an independent director of the Company, its parent company, subsidiaries, or the affiliates and subsidiaries owned/controlled by the same parent company, as appointed in accordance with Taiwan Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(6) Not/director, supervisor, or employee of other company who controlling over the half of directors or 50% voting right of the Company. (This item does not apply, however, in cases where the person is an independent director of the Company, its parent company, subsidiaries, or the affiliates and subsidiaries owned/controlled by the same parent company, as appointed in accordance with Taiwan Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(7) Not a director (managing member), supervisor (observer), or employee of other company, together the person's spouse, be as of the chairman, general manager, or equivalent officer of the Company. (This item does not apply, however, in cases where the person is an independent director of the Company, its parent company, subsidiaries, or the affiliates

and subsidiaries owned/controlled by the same parent company, as appointed in accordance with Taiwan Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(8) Not a director (managing member), supervisor (observer), officer, or shareholder holding 5%t or more of the Company shares, of a specified company or institution that has a financial or business relationship with the Company. (This item does not apply, however, in cases where specified company or institution holds 20% or more of the total number of issued shares but not over 50%, in the same time, the person is an independent director of the Company, its parent company, subsidiaries, or the affiliates and subsidiaries owned/ controlled by the same parent company, as appointed in accordance with Taiwan Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(9) Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit services, or the aggregated compensation exceeds NT$ 500,000 in the past 2-year for commercial, legal, financial, accounting services to the Company or to any of its affiliate, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to Taiwan Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been a person of any conditions defined in Article 30 of the Company Law.

B. Responsibilities of the Compensation Committee

Pursuant to Article 6 of the Company's "Compensation Committee Charter" the Compensation Committee has the following responsibilities:

(1) Design and periodically review the performance and compensation policy, system, standards, and structure for directors and managerial officers.

(2) Periodically evaluate and determine the compensation of directors and managerial officers.

The Committee shall perform the duties under the preceding paragraph based on the following principles:

(1) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, and reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.

(2) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.

For directors and managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

C. Attendance of Members at Compensation Committee Meetings

(1) The Compensation Committee consist three sitting members.

(2) The term of service of 3rd Compensation Committee was 2016.06.24~2019.06.23 and the term of service of 4th Compensation Committee was 2019.06.24~2022.06.23. A total of 3 Compensation Committee meetings were held in 2019. The members' participation status is as follows:

	Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
4th	Convener	Allen Fan	1	0	100%	Re-elected
	Member	Frank Juang	1	0	100%	Re-elected
	Member	C.K.Chiang	1	0	100%	New-elected
3rd	Convener	Alfred Hsieh	2	0	100%	Resigned
	Member	Frank Juang	2	0	100%	Re-elected
	Member	Allen Fan	2	0	100%	Re-elected

Other noteworthy items:

1. If the Board of Directors declines to adopt or modify a recommendation of the Compensation Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Compensation Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Compensation Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Compensation Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(3)Major Resolutions of Compensation Committee:

Compensation Committee	Important Resolution	Resolutions	The Company's response to the Compensation Committee's opinion
3rd Committee 13rd Meeting 2019/03/22	1. Approval of the distribution of employees' profit sharing bonus and directors' remuneration of 2018.	Resolved.	Resolved by Board of Directors.
	2. Approval of the performance bonus budget to managers in 2019.	Resolved.	Resolved by Board of Directors.
3rd Committee 14th Meeting 2019/05/09	1. Approval of 2018 directors' remuneration payout amount to directors.	Resolved.	Resolved by Board of Directors.
	2. Approval of 2018 employees' profit sharing payout ratio and amount to managers.	Resolved.	Resolved by Board of Directors.
	3. Approval of adoption to "Rules for Distribution Employees' Profit Sharing Bonus to the Employees of Subsidiaries"	Resolved.	Resolved by Board of Directors.
4th Committee 1st Meeting 2019/12/20	1. Approval of year-end bonus to managers in 2019.	Resolved.	Resolved by Board of Directors.
	2. Approval of promoting Accounting Officer Phoebe Chang as Vice President.	Resolved.	Resolved by Board of Directors.

Compensation Committee	Important Resolution	Resolutions	The Company's response to the Compensation Committee's opinion
4th Committee 2nd Meeting 2020/03/23	1. Approval of the distribution of employees' profit sharing bonus and directors' remuneration of 2019.	Resolved.	Resolved by Board of Directors.
	2. Approval of the performance bonus budget to managers (not including CEO) in 2020.	Resolved.	Resolved by Board of Directors.
	3. Approval of the performance bonus budget to CEO in 2020.	Resolved.	Resolved by Board of Directors.
4th Committee 3rd Meeting 2020/05/12	1. Approval of 2019 directors' remuneration payout amount to directors.	Resolved.	Resolved by Board of Directors.
	2. Approval of 2019 employees' profit sharing payout ratio and amount to managers (not including CEO).	Resolved.	Resolved by Board of Directors.
	3. Approval of 2019 employees' profit sharing payout ratio and amount to CEO.	Resolved.	Resolved by Board of Directors.
	4. Approval of amendments to the "Payment Principle for Compensation of Directors and Functional Committees"	Resolved.	Resolved by Board of Directors.
	5. Approval of amendments to the "Compensation Committee Charter"	Resolved.	Resolved by Board of Directors.

3.3.5 Social Responsibility Performance and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the Company, based on the principles of importance, conduct risk assessments for its environment, social and corporate governance issues in relation to its operation, and set up relevant risk management policies or strategies?	V		Wistron ITS conducts risks assessments based on the principles of importance, on important issues of enterprise social responsibilities, and based on the results of the risk assessments, set up the following relevant risk management policies or strategies: (1) Environment (Risk management on climate change): The Company, as a member of the IT service industry, considers the most important objective on climate change to be about energy use. Each year we continue to monitor and follow up on the energy consumption in both Taiwan and China offices, and set up reduction goals in terms of energy consumption. In terms of our response to climate change, we continue to monitor and and track various impacts physical risks (such as natural disasters) have on our finances, and continue to review and improve the conditions. (2) Social: The Company values service quality: In order to ensure service quality to our clients, and thus increase their satisfaction, we have set up client service hot-lines as well as a website dedicated as portal for clients. Each year, we pro-actively conduct surveys on our clients regarding their satisfactory level to our service, and aim to establish a mutually beneficial relationship with our clients. We believe that such relationships serve as the foundation of sustainable development for corporations. (3) Socio-economy and Compliance: Set up governance organizational structure as well as implement internal control mechanisms, in order to ensure all personnel and procedures will be compliant with	No discrepancy

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			relevant laws and regulations. For more details, please refer to the Company's Sustainable Enterprise and Social Responsibility Report.	
2. Does the Company set up a division that is (either solely or in addition to other tasks) on social responsibility; in addition, has the Board of Directors authorized executive management level to deal with, and report on the result of such issues?	V		The Company has established that the business social responsibility function lies with the CEO office, and it reports annually to the Board of Directors on the performance and effectiveness.	No discrepancy
3. Environmental Issues (1) Has the Company set up suitable environmental management systems based on its industry features?	V		(1) Please refer to the chapter of "Coexisting with Environment" in our Sustainable Enterprise and Social Responsibility Report, available on our website.	No discrepancy
(2) Does the Company dedicate itself to maximize the effectiveness of various resource uses, as well as utilize recycled materials that have a lower impact on our environment?	V		(2) The Company serves in the IT service industry, and does not participate in manufacturing, which utilizes various resources and impacts the environment. However, we still aim to increase the efficiency of various resource utilization as well as reduce our impact on the environment: a. Procuring electrical equipments that have a higher energy efficiency rating b. Recycle the use of paper c. Recycling waste d. Gradually moving towards a paperless work environment.	
(3) Has the Company completed the evaluation on how climate change will potentially create risks as well as opportunities for the Company, both in the present and the future, and implemented climate change related counter-measures?	V		(3)Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Wistron ITS has taken stock of key climate change risks in terms of governance, strategy, risk management indicators and targets, and discloses the progress and results of Wistron ITS Climate Change Management in accordance with the TCFD recommended framework. In the information services sector, energy use is the most important target for climate change mitigation. Wistron ITS continuously tracks energy use in Taiwan and China and sets energy use reduction targets each year.	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(4) Has the Company gathered data on the carbon emission volume, water usage as well as total volume of waste in the last two years, as well as set up policies on reducing its carbon footprints, energy conservation, reducing carbon emissions, reducing water use or other wastes?	V		In terms of our response to climate change, Wistron ITS continue to monitor and and track various impacts physical risks (such as natural disasters) have on our finances, and continue to review and improve the conditions. Please refer to the chapter of "Climate Change Risk Management'" and 'Coexisting with Environment' in our Social Responsibility Report, available on our website. (4) Please refer to the chapter of 'Coexisting with Environment' in our Sustainable Enterprise and Social Responsibility Report, available on our website.	
4. Social Issues (1) Has the Company established management policies and procedures in accordance with relevant laws and regulations and international human rights treaties?	V		(1)In addition to abiding by the laws and regulations on human rights in labor, we provide a safe and healthy working environment, maintain zero injury records, strictly prohibit the use of child labor, have had no incidents of forced labor, and prohibit all kinds of discrimination, encourage the employment of indigenous people and people with disabilities, provide paternity leave and childcare leave, etc., and emphasize equal opportunities for job security; we also regularly conduct a variety of staff activities (afternoon tea, birthday parties, staff trips, sports competitions, etc.) to take care of our staff.	No discrepancy
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, vacation and other benefits, etc.) and appropriately reflect operating performance or results in employees' compensation?	V		(2)In addition to complying with the laws and regulations, the Company will determine and implement employee welfare measures (including compensation, leave and other benefits) that are superior to or in accordance with the laws and regulations, taking into account the overall operating performance of the Company and the industry situation, and will appropriately reflect the	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
 (3) Does the Company provide a safe and healthy working environment for its employees and conduct regular safety and health education for its employees? (4) Has the company established an effective career development training program for its employees? (5) Does the Company comply with relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling of its products and services, and formulate relevant policies and complaint procedures to protect consumer rights?	 V V V		operating results in employee compensation, so as to live and prosper together with our employees. (3)The company has always attached great importance to environmental safety and health. In terms of working environment, the company regularly disinfects and tidies up the working environment, sets up a breastfeeding room, as well as safety and health management staff and nurses; in addition, the Company has established an emergency response team and established emergency management procedures to respond to emergencies. We also arrange regular health check-ups and occasional health talks for our supervisors and colleagues every year. (4)The Company believes that "Manpower is the Foundation of Company Development". Based on the job category and levels of our colleagues, the Company has developed and implemented a training system, which includes professional job category, level based training, new recruit training and general training, in order to improve the capabilities and competitiveness of our manpower. (5)The Company's clients are mainly corporate clients with no direct contact with consumers; it provides information services with a focus on protecting customer privacy, intellectual property, and trade secrets. The Company has policies and strict internal control mechanisms for the information provided by our clients. In addition to controlling all software and hardware that contain technical information and information that may involve clients' intellectual property rights and trade secrets, we will also sign confidentiality agreements with clients and suppliers to protect the security of clients' confidential information. The Company has also acquired Taiwan Intellectual Property Standard	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(6) Does the company have a supplier management policy requiring suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or human rights in the workplace, and how is it implemented?	V		(TIPS) accreditation, and continues to implement effective IP management, in order to protect the privacy and rights of our clients. (6)The Company states in the contract that the supplier shall comply with the requirements of the "Code of Conduct" and the "Code of Integrity" stipulated by the Company, and implement environmental protection, labor safety and health laws and regulations, and cooperate with the government to promote environmental protection, energy conservation and carbon reduction, and enhance corporate social responsibility policies, and work together to protect labor rights and interests and increase profits for clients, in order to create a mutually beneficial relationship between the Company, clients and the suppliers.	
5. Does the Company make reference to international standards or guidelines for the preparation of reports, such as corporate social responsibility reports and other reports that disclose non-financial information about the Company? Did the Company obtain a third-party verification confirmation or assurance on the aforementioned report?	V		The Company's Corporate Sustainability and Social Responsibility Report is written in accordance with the GRI Standards developed by the Global Reporting Initiative (GRI) and meets the requirements of Core Disclosure. In the future, the Company shall seek verification from a third party in accordance to needs.	The Company's Corporate Sustainability and Social Responsibility Report meets the requirements of Core Disclosure, and will seek verification from a third party in the future if needed.
6. If the Company has its own corporate social responsibility code in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please explain the difference between its operation and the code: The Company has established a "Corporate Social Responsibility Practice Principles" and its daily operations are carried out in accordance with the principles of implementing corporate governance, developing a sustainable environment, safeguarding social welfare and enhancing disclosure of corporate social responsibility information. There's no sign of diviation from the code.				
7. Other important information to facilitate understanding of CSR operations: Please refer to relevant information on "Corporate Social Responsibility Report" on our company website (http://www.wistronits.com/tw/).				

3.3.6.Ethics Management Performance and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies" and Reasons

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1.Establishment of Corporate Conduct and Ethics Policy and Implementation Measures
(1)Has the Company formulated a policy of ethical management approved by the Board of Directors, and clearly state, in the bylaw and external documents, the policies and practices of ethical management and the commitment of the board and senior management to actively implement the operating policy?
(2)Has the Company established a mechanism for evaluating the risk of unethical behavior, regularly analyzed and evaluated business activities with a higher rick of unethical behavior in the business scope, and formulated a plan, which covers at least the precautionary measures in the Article 7 pargraph 2 of "Ethical Corporte Management Best Pracetice Principles for TWSE/TPEx Listed Companies", to prevent unethical behavior?
(3)Has the Company clearly defined the operating procedures, behavior guidelines, punishment and appeal systems for violations</td><td>V
V
V</td><td></td><td>(1) The Company has established a "Code of Integrity ", "Code of Conduct" and "Corporate Governance Principles", which are disclosed on the Company's website and MOPS. Integrity is our core value, as well as the basis of our business operation; this principle also applies to our directors, managers, employees and other relevant personnel.
(2) The Company analyzes the business activities in the business area with a higher risk of breach of integrity conduct and strengthens the relevant preventive measures when formulating preventive plans. Precautionary measures have been developed to cover the following behaviors:
A.Bribery (Both offering and taking)
B.Offering unlawful political monetary contributions
C.Improper charity donations or sponsorships
D.Offering or accepting improper gifts, treats or other imporper interests.
E.In breach of business secrets, trademark, patents, copyrights and other intellectual property rights.
F.Participates in unfair competitions or similar behavior
G.Products and services are developed, purchased, manufactured, provided or sold in a manner that directly or indirectly harms the rights, health and safety of consumers or other interested parties.
(3) The Company's Code of Conduct specifies avenues of redress and prohibited conduct, which includes principles and standards for conflict of</td><td>No discrepancy</td></tr>
</table>

Item	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies" and Reasons
	Yes	No	Summary	
in the unethical conduct prevention plan, and does it implement and regularly review and revise the aforementioned plan?			interest avoidance, gifts and business entertainment, political contributions and charitable giving. The HR & Administration Division is responsible for the supervision and implementation of such.	
2.Ethic Management Practice (1)Does the Company assess the ethics of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (2)Has the Company established a unit affiliated with the Board to promote corporate ethical management, and regularly (at least once a year) report to the Board its ethical management policies and plans to prevent unethical conduct and monitor implementation?	V V		(1) Before the Company establishes a business relationship with customers or other business dealers, it assesses the legality and integrity of its business policy, explains the Company's integrity policy and related regulations to the other party in the course of engaging in business activities, and includes compliance with the integrity policy in the contract terms, including clear and reasonable payment content, handling of cases involving dishonest acts, handling of violations of contract terms prohibiting commissions, rebates or other benefits, and expressly refuses to provide, promise, demand or accept any form or shape of improper benefits, directly or indirectly, and immediately ceases to deal with and is listed as an object of refusal once the dishonest acts are discovered. (2) In order to manage the Company's business with integrity, the HR & Administration Division is responsible for formulating and supervising the implementation of integrity management policies and corresponding prevention plans, and for reporting its operations to the Board of Directors on a regular basis (at least once a year), the operation of 2019 was reported to the Board of Directors on December 20, 2019. The Company conducted a 2-hour educational campaign on Nov. 14, 2019, and announced the relevant regulatory information to employees and placed such in the internal employee system for reference of those who were not present on that day. Including new recruit trainings, a total	No discrepancy

Item	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies" and Reasons
	Yes	No	Summary	
			of 472 employees have attended trainings during this year.	
(3)Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The Company has clearly stated the conflict of interest policy and conflict situations/standards in the "Code of Integrity" and the "Code of Conduct", requiring the relevant personnel to avoid such and to take the initiative to fully report to their immediate supervisors, the highest level of human resources management or the Board of Directors when they are aware of or face similar situations.	
(4)Has the Company established an effective accounting system and internal control system for the implementation of ethical management, where the internal audit unit prepared relevant audit plans based on the result of risk assessment of unethical conducts, and checked the compliance with the plan to prevent unethical conducts, or delegated an accountant to perform the verification?	V		(4) The Company has always focused on ensuring the accuracy and integrity of its financial reporting process and its controls, and has designed relevant internal control systems to address operating procedures that carry a high potential risk of dishonest conduct. Internal audit also conducts audits in accordance with the annual audit plan drawn up based on the risk assessment results, and reports the audit results to the Board of Directors and management and formulates subsequent improvement plans to implement the audit results.	
(5)Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) New employees and all new supervisors are required to undergo ethics/integrity training on the day of their induction, and all colleagues are required to undergo regular educational training.	
3.Implementation of Complaint Procedures (1)Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Anyone who finds a violation of the standards of ethical conduct may report it directly to the highest supervisor of the HR & Administration Division, the highest supervisor of the Audit Office, the Chairman of the Board or through the employee grievance channel. For the violating manager or employee, the punishment, including dismissal or termination of appointment, will be taken in accordance with the relevant provisions of the "Employee Reward and Punishment Procedures",	No discrepancy

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>
(2)Has the Company established standard operating procedures for investigating the complaints received, take corresponding measures after investigation, and ensuring such complaints are handled in a confidential manner?
(3)Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</td><td>
V

V</td><td></td><td>depending on the severity of the case. The Company will deal strictly with any business dealings that violate the principles of integrity and honesty, and will reduce or cancel its cooperation with the Company or refer the matter to the appropriate judicial authorities depending on the severity of the circumstances.
(2) The Company has established a complaint procedure, from the filing, inspection and investigation of the complaint, there are clear operating procedures, and the Company keeps the filing and investigation procedures confidential and has clearly defined the internal regulations.
(3) The Company will protect against unfair reprisals or treatment of persons who are involved in the investigation process in which they are reported or cited.</td><td></td></tr>
<tr><td>4.Information Disclosure
Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?</td><td>V</td><td></td><td>The Company has disclosed the contents and implementation of the “Code of Integrity” on the Company's website and MOPS.</td><td>No discrepancy</td></tr>
<tr><td colspan="5">5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation.
The Company has established a "Code of Integrity", which is not materially different from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Limited Companies” and is available on the Company's website.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy).
The Company reviews the "Code of Integrity" in accordance with laws and regulations and revises it in the light of the actual operation, and upholds the principle of honesty and integrity to its customers and strengthens its advocacy.</td></tr>
</table>

3.3.7 Inquiry on corporate governance principles and related regulations of this Company:

Please refer to the Company’s website or Market Observation Post System.

3.3.8 Other information material to the understanding of corporate governance within the Company: None

3.3.9. Internal Control System Execution Status

A.Statement on Internal Control

Wistron Information Technology and Services Corp.

Statement on Internal Control

Date: March 27, 2020

Based on the findings of a self-assessment, Wistron Information Technology and Services Corp. (Wistron ITS) states the following with regard to its internal control system during the year 2019：

1. Wistron ITS's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Wistron ITS takes immediate remedial actions in response to any identified deficiencies.
3. Wistron ITS evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations).The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Wistron ITS has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Wistron ITS believes that, as of December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Wistron ITS's annual report for the year 2019 and Prospectus, and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors in their meeting held on March 27, 2020, with none of the eight attending directors expressing dissenting opinions. All attending directors have affirmed the content of this Statement.

Wistron ITS Corp.

Chairman: Ching Hsiao

President: Ching Hsiao

B. If CPA was retained to conduct a special audit of the internal control system, disclose the audit report: None.

3.3.10 Legal penalties by competent authority to the Company or its employees, and the Company's punishment on its employees for violation of internal control system, major deficiencies and improvement measures in the most recent year and as of the publication of this annual report: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting

Date	Important resolution	Implementation Status
2019/06/24	1. Ratification of the Business Report and Financial Statements of 2018.	Resolved by vote.
	2. Ratification of the proposal for distribution of 2018 profits.	Resolved by vote. Since the Company's total numbers of shares outstanding were changed due to employees' profit sharing bonus distributed by shares, the payout ratio of cash and stock dividends were adjusted to NT$1.69532694 and NT$0.9972510 by Board of Directors. The ex-dividend record date was August 12, 2019, and the cash and stock dividends were allocated on August 30, 2019
	3. Approval of the capitalization of part of 2018 profits through issuance of new shares.	Resolved by vote. The Board of Directors resolved the ex-rights record date on August 12, 2019 and stock dividends were allocated on August 30, 2019.
	4. Approval of amendments to the "Articles of Incorporation."	Resolved by vote. The amended "Articles of Incorporation" were implemented on June 24, 2019, and registered on July 2, 2019.
	5. Approval of amendments to the "Procedures for Acquisition and Disposal of Assets."	Resolved by vote. The amended "Procedures for Acquisition and Disposal of Assets" were implemented on June 24, 2019.
	6. Approval of amendments to the "Procedures for Governing Loaning of Funds."	Resolved by vote. The amended "Procedures for Governing Loaning of Funds" were implemented on June 24, 2019.
	7. Approval of amendments to the "Procedures for Governing Endorsements and Guarantees."	Resolved by vote. The amended "Procedures for Governing Endorsements and Guarantees" were implemented on June 24, 2019.
	8.Election of 13th Directors (including independent directors)	Resolved by vote. 9 directors are elected, term of the13th Board of Directors is 2019.06.24~2022.06.23, and the registration was completed on July 2, 2019.
	9. Approval of the release of the prohibition on newly-elected directors and their corporate representatives from participation in competitive business.	Resolved by vote.

B. Major Resolutions of Board of Directors' Meetings

	Date	Important resolution	Circumstances described in Article 14-3 & 14-5 of the Securities and Exchange Act	The Company's response to independent direcors' opinions	Resolutions by Board of Directors/ Audit Committee
1st Board Meeting of 2019	2019/03/22	1. Approval of the distribution of employees' profit sharing bonus and directors' remuneration of 2018.	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of the performance bonus budget to managers in 2019.		No	Resolved
		3. Approval of the business plan of 2019.		No	Resolved
		4. Approval of the business report of 2018.	✓	No	Resolved by Audit Committee and Board of Directors.
		5. Approval of the parent-company only and consolidated financial statements of 2018.	✓	No	Resolved by Audit Committee and Board of Directors.
		6. Approval of the proposal for 2018 earnings distribution.	✓	No	Resolved by Audit Committee and Board of Directors.
		7. Approval of the capitalization of part of 2018 profits through issuance of new shares.	✓	No	Resolved by Audit Committee and Board of Directors.
		8. Approval of amendments to the "Articles of Incorporation".		No	Resolved
		9. Approval of amendments to the "Procedures for Acquisition and Disposal of Assets".	✓	No	Resolved by Audit Committee and Board of Directors.
		10. Approval of amendments to the "Procedures for Governing Loaning of Funds".	✓	No	Resolved by Audit Committee and Board of Directors.
		11. Approval of amendments to the "Procedures for Governing Endorsements and Guarantees".	✓	No	Resolved by Audit Committee and Board of Directors.
		12. Approval of the election of the 13th Directors, including Independent Directors.		No	Resolved
		13. Approval of the candidate nomination of the 13th Directors, including Independent Directors		No	Resolved
		14. Approval of the release of the prohibition on newly-elected directors and their corporate representatives from participation in competitive business by shareholder meeting.		No	Resolved
		15. Approval of the time, venue and agenda of 2020 general shareholders' meeting.		No	Resolved
		16. Approval of appointing KPMG as audit CPAs in 2019.	✓	No	Resolved by Audit Committee and Board of Directors.
		17. Approval of Statement on Internal Control of 2018.	✓	No	Resolved by Audit Committee and Board of Directors.
		18. Approval of increase or decrease amount of endorsements and guarantees.	✓	No	Resolved by Audit Committee and Board of Directors.

	Date	Important resolution	Circumstances described in Article 14-3 & 14-5 of the Securities and Exchange Act	The Company's response to independent direcors' opinions	Resolutions by Board of Directors/ Audit Committee
2nd Board Meeting of 2019	2019/05/09	1. Approval of 2018 directors' remuneration payout amount to directors.		No	Resolved
		2. Approval of 2018 employees' profit sharing payout ratio and amount to managers.		No	Resolved
		3. Approval of adoption to "Rules for Distribution Employees' Profit Sharing Bonus to the Employees of Subsidiaries"		No	Resolved
		4. Approval of consolidated financial statements of 2019Q1.	✓	No	Resolved by Audit Committee and Board of Directors.
		5. Approval of amendments to the "Rules and Procedures of Board of Directors Meeting".		No	Resolved
		6. Approval of amendments to the "Articles of Incorporation".		No	Resolved
3rd Board Meeting of 2019	2019/06/24	1. Approval of Mr. Ching Hsiao as the Chairman by the Board of Directors.		No	Resolved
		2. Approval of appointment of the members of 4th Compensation Committee.		No	Resolved
4th Board Meeting of 2019	2019/07/18	1. Approval of change of the Company's registered office address.		No	Resolved
		2. Approval of ex-rights and exdividend record date of year 2019.		No	Resolved by Audit Committee and Board of Directors.
5th Board Meeting of 2019	2019/08/08	1. Approval of consolidated financial statements of 2019Q2.	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of the application for bank facility.		No	Resolved
		3. Approval of increase or decrease amount of endorsements and guarantees.	✓	No	Resolved by Audit Committee and Board of Directors.
6th Board Meeting of 2019	2019/11/08	1. Approval of consolidated financial statements of 2019Q3.	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of 2020 Annual Audit Plans.	✓	No	Resolved by Audit Committee and Board of Directors.
		3. Approval of the application for bank facility.		No	Resolved
		4. Approval of increase or decrease amount of endorsements and guarantees.	✓	No	Resolved by Audit Committee and Board of Directors.
7th Board Meeting of 2019	2019/12/20	1. Approal of revision of 2020 Annual Audit Plans	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of year-end bonus to managers in 2019.		No	Resolved
		3. Apporval of promoting Accounting Officer Phoebe Chang as Vice President.		No	Resolved

	Date	Important resolution	Circumstances described in Article 14-3 & 14-5 of the Securities and Exchange Act	The Company's response to independent direcors' opinions	Resolutions by Board of Directors/ Audit Committee
		4. Approval of amendments to the "Rules and Procedures for Board of Directors and Functional Committees Performance Assessments"		No	Resolved
		5. Approval of amendments to the "Rules for Revenue Recognition and Accounts Payable (Including Contract Assets) Management"		No	Resolved
		6. Approval of amendments to the "Rules for Management of the Use of Sign and Seals."		No	Resolved
		7. Approval of increase or decrease amount of endorsements and guarantees.	✓	No	Resolved by Audit Committee and Board of Directors.
1st Board Meeting of 2020	2020/03/27	1. Approval of the distribution of employees' profit sharing bonus and directors' remuneration of 2019.	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of the performance bonus budget to managers (not including CEO) in 2020.		No	Resolved
		3. Approval of the performance bonus budget to CEO in 2020.		No	Resolved
		4. Approval of the business plan of 2020.		No	Resolved
		5. Approval of the business report of 2019.	✓	No	Resolved by Audit Committee and Board of Directors.
		6. Approval of the parent-company only and consolidated financial statements of 2019.	✓	No	Resolved by Audit Committee and Board of Directors.
		7. Approval of the proposal for 2019 earnings distribution.	✓	No	Resolved by Audit Committee and Board of Directors.
		8. Approval of shares repurchased to transfer to employees.		No	Resolved
		9. Approval of amendments to the "Articles of Incorporation".		No	Resolved
		10. Approval of amendments to the"Rules of Procedure for Shareholders' Meetings."		No	Resolved
		11. Approval of amendments to the "Procedures for Acquisition and Disposal of Assets."	✓	No	Resolved by Audit Committee and Board of Directors.
		12. Approval of amendments to the "Accounting Principal."	✓	No	Resolved by Audit Committee and Board of Directors.
		13.Approval of amendments to the "Rules for Preparation of Financial Statements"		No	Resolved
		14. Approval of the time, venue and agenda of 2020 general shareholders' meeting.		No	Resolved
		15. Approval of appointing KPMG as audit CPAs in 2020.	✓	No	Resolved by Audit Committee and Board of Directors.

	Date	Important resolution	Circumstances described in Article 14-3 & 14-5 of the Securities and Exchange Act	The Company's response to independent direcors' opinions	Resolutions by Board of Directors/ Audit Committee
		16. Approval of Statement on Internal Control of 2019.	✓	No	Resolved by Audit Committee and Board of Directors.
		17. Approval of increase or decrease amount of endorsements and guarantees.	✓	No	Resolved by Audit Committee and Board of Directors.
2nd Board Meeting of 2020	2020/05/12	1. Approval of consolidated financial statements of 2020Q1.	✓	No	Resolved by Audit Committee and Board of Directors.
		2. Approval of 2019 directors' remuneration payout amount to directors.		No	Resolved
		3. Approval of 2019 employees' profit sharing payout ratio and amount to managers (not including CEO).		No	Resolved
		4. Approval of 2019 employees' profit sharing payout ratio and amount to CEO.		No	Resolved
		5. Approval of amendments to the "Rules and Procedures of Board of Directors Meeting"		No	Resolved
		6. Approval of amendments to the "Corporate Governance Principles."		No	Resolved
		7. Approval of appointment of company secretary"		No	Resolved
		8. Approval of amendments to the "Payment Principle for Compensation of Directors and Functional Committees"		No	Resolved
		9. Approval of amendments to the "Compensation Committee Charter"		No	Resolved
		10. Approval of amendments to the "Audit Committee Charter"	✓	No	Resolved by Audit Committee and Board of Directors.
		11. Approval of the application for bank facility.		No	Resolved
		12. Approval of authorization to Chairman to make any change in Shareholders' meeting due to COVID-19 epidemic prevention.		No	Resolved

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance, and R&D :

May 14, 2020

Title	Name	On-Board Date	Date of Resignation	Reasons for Resignation
Vice President	Rick Chang	2016.10.31	2020.04.01	Personal reason

3.4 Information Regarding the Company's Independent Auditors

A. Non-audit fee should be distinguished by service item. If the "Others" item amounts to more than 25% of total non-audit fees, a detailed breakdown must be provided in the Remarks column: Yes.

B. If a change of accounting firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee in chronological order. Please also state the reason for such changes in the Remarks column: None.

C. If audit fee is reduced by 10% or more from the previous year, the amount, percentage and reason for reduction must be disclosed: None.

Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Chen, Ya-Ling	Huang, Ming-Hung	2019.01.01~2019.12.31	

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		V	889
2	NT$2,000,001 ~ NT$4,000,000	V		3,440
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$10,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Remarks Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Chen, Ya-Ling Huang, Ming-Hung	3,440	0	138	0	751	889	2019/01 -2019/12	Note

Note: "Others" including: TP report NT$230,000, Tax return NT$210,000, Cash capital increase NT$141,000, Profit and employee bonus reinvested as capital NT$140,000, and Employee salaries check table NT$30,000.

3.5 Replacement of Independent Auditors: None.

3.6 Where the Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated companies of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of Apr. 24, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & 10% shareholder	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	1,425,413	-	-	-
	Representative:Simon Lin (Note 1)	-	-	-	-
Chairman & CEO	Ching Hsiao	225,655	-	-	-
Director & 10% shareholder	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	1,425,413	-	-	-
	Representative:Frank Lin	29,114	-	-	-
Director	David Lee	-	-	-	-
Director	Philip Peng	-	-	-	-
Director	Marty Chiou	101,467	-	91,000	-
Director & Vice President	Rick Chang(Note 2&3)	65,047	-	-	-
Independent Director	Frank Juang	-	-	-	-
Independent Director	Allen Fan	-	-	-	-
Independent Director	C.K.Chiang(Note 2)	-	-	-	-
Independent Director	Alfred Hsieh (Note 1)	-	-	-	-
Vice President	Jamie Liu	51,412	-	-	-
Vice President	Ginnie Hsu	25,510	-	(14,000)	-
Financial & Accounting Officer	Phoebe Chang	9,972	-	-	-

Note 1: Resigned after re-election of Directors on June 24, 2019.
Note 2: Elected after re-election of Directors on June 24, 2019.
Note3: Resigned on April 1, 2020

3.7.1 Shares Trading with Related Parties: None.

3.7.2 Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders (April 24, 2020)

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	15,718,837	23.67	0	0	0	0	1.Simon Lin 2.Wise Cap Ltd.	1.Chairman of the company 2.Same Parent Company	
Representative: Simon Lin	770,567	1.16	0	0	0	0	None	None	
Ching Hsiao	3,217,280	4.85	139,506	0.21	0	0	None	None	
TS HOLDINGS Inc.	1,432,538	2.16	0	0	0	0	None	None	
Representative: Takaaki Okamoto	-	-	-	-	-	-	None	None	
Fubon Insurance Co., Ltd.	1,315,000	1.98	0	0	0	0	None	None	
Representative: Po-Yao Chen	-	-	-	-	-	-	None	None	
Wise Cap Ltd.	1,177,493	1.77	0	0	0	0	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	Same Parent Company	
Representative: Frank Lin	321,062	0.48	0	0	0	0	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	Director of the company	
Simon Lin	770,567	1.16	0	0	0	0	WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	Director of the company	
TIS Inc.	734,388	1.11	0	0	0	0	None	None	
Representative: Toru Kuwano	-	-	-	-	-	-	None	None	
Jamie Liu	566,953	0.85	0	0	0	0	None	None	
Yvonne Zheng	524,472	0.79	0	0	0	0	None	None	
Wei Lan Ding Mao Investment Co. Ltd.	500,000	0.75	0	0	0	0	None	None	
Representative: Liu, Ting Xuan	-	-	-	-	-	-	None	None	

3.9 Ownership of Shares in Affiliated Companies

Dec. 31, 2019

Affiliated Conpanies (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/ Supervisors/ Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Wistron Information Technology and Services Inc.	180,000,000	100%	0	0%	180,000,000	100%
Wistron Information Technology and Services (Japan) Inc.	1,960	100%	0	0%	1,960	100%
Wistron Information Technology and Services Limited	10,000	100%	0	0%	10,000	100%
WITS AMERICA, CORP.	250,000	100%	0	0%	250,000	100%
Shanghai Booster Technologies Company Limited.	0	0%	(Note 2)	100%	(Note 2)	100%
Wistron Information Technology and Services (Beijing) Inc.	0	0%	(Note 2)	100%	(Note 2)	100%
Beijing Enovation Technology co., Ltd.	0	0%	(Note 2)	100%	(Note 2)	100%
Wistron ITS (Wuhan) Co.	0	0%	(Note 2)	100%	(Note 2)	100%

Note 1: Investments accounted for using the equity method of the Company
Note 2: It is the limited company

4. Company Shares and Fund Raising

4.1 Capital and Shares

4.1.1 Changes in share capital

A. Type of Stock

Unit: Shares

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	66,401,104	53,598,896	120,000,000	TPEX listed stock

B. Issued Shares

As of 04/24/2020

Month/ Year	Issued Price (Par Value) (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1992.06	10	200	2,000	200	2,000	Issuance of Shares	None	
1992.09	10	1,074	10,743	1,074	10,743	New issuance of Shares by cash	None	
1993.12	10	3,000	30,000	3,000	30,000	New issuance of Shares by cash	None	
1996.11	10	4,500	45,000	4,500	45,000	New issuance of Shares by cash	None	
1997.11	10	5,000	50,000	5,000	50,000	New issuance of Shares by cash	None	
1998.12	10	5,576	55,762	5,576	55,762	New issuance of Shares from profit	None	
1999.05	10	7,168	71,687	7,168	71,687	New issuance of Shares by cash	None	
2000.07	10	8,298	82,989	8,298	82,989	New issuance of Shares from profit	None	
2002.10	10	17,298	172,989	17,298	172,989	New issuance of Shares by cash	None	
2004.04	10	19,965	199,656	19,965	199,656	Shares increase from merger	None	
2008.06	10	50,000	500,000	25,300	253,000	New issuance of Shares by cash	None	
2008.08	10	50,000	500,000	27,330	273,305	New issuance of Shares from profit	None	
2009.09	10	50,000	500,000	28,877	288,771	New issuance of Shares from profit	None	
2010.05	10/ 10.16	50,000	500,000	31,546	315,460	New issuance of Shares from profit and employee bonus & Issuance of employee stock option	None	
2011.01	10	50,000	500,000	31,579	315,790	Issuance of employee stock option	None	
2011.05	10/ 17.72	50,000	500,000	32,304	323,040	Issuance of employee stock option	None	
2011.09	10	50,000	500,000	32,354	323,540	Issuance of employee stock option	None	

Month/ Year	Issued Price (Par Value) (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2011.10	10	50,000	500,000	33,845	338,446	New issuance of Shares from profit and employee bonus	None	
2012.04	10/ 16.9	50,000	500,000	33,890	338,896	Issuance of employee stock option	None	
2012.10	10	50,000	500,000	35,245	352,452	New issuance of Shares from profit	None	
2013.01	10	50,000	500,000	35,345	353,452	Issuance of employee stock option	None	
2013.05	10/ 16.3	50,000	500,000	35,696	356,962	Issuance of employee stock option	None	
2013.10	10	50,000	500,000	37,124	371,240	New issuance of Shares from profit	None	
2014.01	32	50,000	500,000	41,765	417,650	New issuance of Shares by cash	None	
2014.09	10	50,000	500,000	42,600	426,003	New issuance of Shares from profit	None	
2015.09	10	50,000	500,000	43,878	438,783	New issuance of Shares from profit	None	
2018.08	10	50,000	500,000	48,213	482,137	New issuance of Shares from profit	None	
2019.01	46	80,000	800,000	60,213	602,137	New issuance of Shares by cash.	None	
2019.07	10	120,000	1,200,000	60,379	603,797	New issuance of Shares from employee bonus	None	
2019.08	10	120,000	1,200,000	66,401	664,011	New issuance of Shares from profit	None	

C.If approval has been granted to offer and issue securities by shelf registration, additionally disclose the approved amount and information regarding securities to be issued or already issued: None.

4.1.2 Shareholding Structure

Date: April 24, 2020

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI	Treasury Stocks	Total
No. of Shareholders	0	4	183	14,975	30	0	15,192
No. of Shareholding	0	1,785,000	18,824,317	42,740,618	3,051,169	0	66,401,104
Percentage (%)	0	2.69%	28.35%	64.37%	4.59%	0	100%

4.1.3 The Distribution of Shareholdings

Date: April 24, 2020 (Par Value: NT$10)

Category by shareholdings	No. of Shareholders	No. of Shares	Percentage (%)
1 ~ 999	6,859	393,381	0.59%
1,000 ~ 5,000	7,041	13,345,954	20.10%
5,001 ~ 10,000	728	5,577,469	8.40%
10,001 ~ 15,000	186	2,370,936	3.57%
15,001 ~ 20,000	122	2,217,051	3.34%
20,001 ~ 30,000	81	2,079,265	3.13%
30,001 ~ 40,000	44	1,553,407	2.34%
40,001 ~ 50,000	32	1,490,047	2.24%
50,001 ~ 100,000	51	3,570,067	5.38%
100,001 ~ 200,000	21	2,858,094	4.30%
200,001 ~ 400,000	14	3,674,819	5.53%
400,001 ~ 600,000	6	2,904,511	4.37%
600,001 ~ 800,000	2	1,504,955	2.27%
800,001 ~ 1,000,000	0	0	0%
1,000,001and above	5	22,861,148	34.44%
Total	15,192	66,401,104	100.00%

4.1.4 The List of Major Shareholders

Date: April 24, 2020

Shares / Name	Number of shares held	Percentage (%)
WISTRON DIGITAL TECHNOLOGY HOLDING COMPANY	15,718,837	23.67%
Ching Hsiao	3,217,280	4.85%
TS HOLDINGS Inc.	1,432,538	2.16%
Fubon Insurance Co., Ltd.	1,315,000	1.98%
Wise Cap Ltd.	1,177,493	1.77%
Simon Lin	770,567	1.16%
TIS Inc.	734,388	1.11%
Jamie Liu	566,953	0.85%
Yvonne Zheng	524,472	0.79%
Wei Lan Ding Mao Investment Co. Ltd.	500,000	0.75%

4.1.5 Market Price Per Share, Net Value, Earnings & Dividends For Latest Two Years

Unit: NT$

Item		Period	2018	2019	2020(As of March 31)
Market Price Per Share	Highest		86.70	146.00	115.00
	Lowest		27.00	62.00	54.90
	Average		50.90	111.58	88.72
Net Value Per Share	Before Distribution		30.35	31.76	-
	After Distribution		26.04	(Note 1)	-
Earnings Per Share	Weighted Average Share Numbers		48,520,687	66,360,597	66,414,608
	Earnings Per Share	Current	5.22	6.23	-
		Adjusted (Note 2)	4.75	(Note 1)	-
Dividend Per Share	Cash Dividend		1.69532694	3.2(Note 3)	-
	Stock Dividend	Retained Earning	0.99725100	0(Note 3)	-
		Capital Surplus	0	0	-
	Accumulated unpaid dividends		0	0	-
Return on Investment Analysis	P/E Ratio		9.75	17.91	-
	P/D Ratio		30.02	34.87	-
	Cash Dividend Yield		3.33%	2.87%	-

Note 1: Distribution of 2019 profits has not been rafitied by Shareholders' Meeting.
Note 2: Adjusted due to stock dividend distribution.
Note 3: Adopted after resolution of Shareholders' Meeting.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

If the Company has positive current profit after tax, shall first pay taxes and dues and cover accumulated losses, and then set aside ten percent of such profits as a legal reserve (not applied if the legal reserve amounts to the paid-in capital). Afterwards, set aside or reverse special reserve in accordance with laws and regulations enacted by authorities. The remaining balance will combine with unappropriated retained earnings at beginning and serve as distributable earnings. No less than 5% of the distributable earnings shall be appropriated as shareholders' dividends and bonuses. Proposal for distribution of earnings shall be proposed by Board of Directors and submit to shareholders' meeting for ratification.

In consideration that the development of the Company is in its stable growing phase, the Company adopts residual dividend policy to meet its long-term investment plan for sustainable business and continuous growth. Dividend distributed by cash shall be no less than 10% of the sum of cash dividends and stock dividends.

B. Proposed Distribution of Dividend

The Board of Directors adopted a proposal for 2019 profit distribution at its quarterly meeting on March 27, 2020. The proposed profit distribution will take effect upon the approval of shareholders at the Annual Shareholders' Meeting on June 22, 2020.

Profit Appropriation Statement for 2019

Unit：NT$

Item	Amount
Unappropriated retained earnings at the beginning of the year	254,271,110
Plus(Less):	
Net amount transition to IFRS	0
Adjusted unappropriated retained earnings at the beginning of the year	254,271,110
Plus(Less):	
Remeasurements of the defined benefit obligation	228,000
Net Income After Tax	413,122,520
Legal Reserve	(41,335,052)
Special Reserve	(49,191,682)
Retained Earnings Available for Distribution	577,094,896
Distribution Items:	
Cash Dividends to Common Shareholders	(212,483,532)
Unappropriated retained earnings at the end of the year	364,611,364

C. If a material change in dividend policy is expected, provide an explanation: None.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable.

4.1.8 Compensation to Employees and to Directors

A. According to the Company's Article of Incorporation, if the Company has profit (referred to the profit before tax, excluding the employees' profit sharing bonus and directors' remuneration) as a result of the yearly accounting closing, the profit shall be distributed in accordance with the following provisions provided. However, the Company's accumulated losses shall have been covered.

(A) No less than 10% of the profit from current year as employees' profit sharing bonus. The Company may distribute profit sharing bonus in the form of shares or in cash to employees, including the employees of subsidiaries of the Company meeting certain specific requirements which determined by the Board of Directors;

(B) No more than 2% of the profit from current year as directors' remuneration in cash.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

If there would be any differences between the estimate and actual distribution amounts, the differences would be treated as changes in accounting estimates and recognized as profit or loss in following year.

C. The Board of Directors resolved the employees' and directors' compensation of 2019 as follows:

(A) Employees' and directors' compensation of 2019:

a. The employees' profit sharing bonus was NT$49,582,147, of which NT$29,582,147 distributed in cash and NT$20,000,000 distributed by shares.

b. The directors' remuneration was NT$9,800,000 distributed in cash.

c. There is no discrepancy with estimation.

(B) The employees' profit sharing bonus of NT$20,000,000 in 2019 will be distributed by shares, counted on 4.84% of parent-company net income of 2019. The new shares issued will be 307,219 shares, which were calculated based on the closing price NT$65.1 prior to the date of 1st Board Meeting of 2020. Par value per share is NT$10, and employees' profit sharing bonus of NT$43, which is less than one share, shall be distributed in cash.

D. The Profit Sharing Bonus to Employees and Remuneration to Directors in 2018

	2018	
	Board Resolution Amount (NT$)	Actual Distribution Amount (NT$)
Employees' Profit Sharing Bonus in Cash	27,694,427	27,694,440
Employees' Profit Sharing Bonus n in Stock	20,000,000	19,999,987
Directors' Remuneration	6,000,000	6,000,000

There is no discrepancy between actual distribution and accouting recognition.

4.1.9 Treasury Stocks:

A.Repurchases already completed: None.

B.Repurchases still in progress:

Date: May 14, 2020

Treasury stocks batch order	2020-1st
Purpose of the repurchase	To transfer to employees
Types of shares expected to be repurchased	Common shares
Ceiling on total monetary amount of the share repurchase	NT$1,207,077,568
Period for the repurchase	2020/3/30~2020/5/29
Number of shares expected to be repurchased	1,500,000 shares
Price range	NT$45 to NT$80 per share The Company will still execute the repurchase should the price falls below the lower limit.
Types and number of shares repurchased	Common stock, 750,000 shares
Total amount of shares repurchased	NT$57,867,806
Ratio of the number of shares repurchased to the planned number of shares repurchased	50%

4.2 Issuance of Corporate Bonds: None.

4.3 Issuance of Preferred Stock: None.

4.4 Issuance of Global Depositary Receipts: None.

4.5 Employee Stock Options: None.

4.6 Restricted Stock Awards to key employees: None.

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters: None.

4.8 Implementation of the Company's Fund Raising and Utilization:

The Company has completed implementation of 2018 fund raising in 2019Q1.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main Areas of Business Operations

(1)	I301010	Software Design Services
(2)	I301030	Digital Information Supply Services
(3)	I301020	Data Processing Services
(4)	E605010	Computing Equipments Installation Construction
(5)	F118010	Wholesale of Computer Software
(6)	F218010	Retail Sale of Computer Software
(7)	I199990	Other Consultancy
(8)	ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

B. Revenue Distribution

Unit：NT$ thousands

Year / Major Product	2019		2018	
	Amount	%	Amount	%
IT Services Revenue	5,323,464	100	3,953,321	100
Total	5,323,464	100	3,953,321	100

C. Current Main Products and Services

(1) Software Development Services

For more than twenty years the Company has offered software developing services to various clients in different industries. Our insights for the respective industries, allowed for comprehensive understanding of IT technology, covering different server types, operation systems, middle-ware, and programming languages. Under a scientific research and development management procedure, we have been able to offer various software R&D services based on individual client needs. This includes the full process service of product research, development by demand, design, development, testing, delivery and deployment of software, and repeated computation of products. Involved in banking, insurance, stock trading, telecommunication, manufacturing, medical and IT internet related industries.

(2) Software Testing Services

During the process of offering professional services to our clients in various industries, we have developed a specialized software testing service to suit our clients' demand for enhanced product quality. This allows us to offer a one-stop-shop testing service solution to our customers that includes testing consultation, testing SOP setup, testing equipment procurement and training, outsource testing projects, performance testing, automation testing, and knowledge base set up, to name a few.

(3) System Operation & Maintenance Services

The Company assists clients of various industries in dealing with the ever complicating IT infrastructure challenges, as well as that of operating and maintaining of application systems. We utilize the latest technologies, such as cloud computing, big data, and artificial intelligence, combined with our industry experience, to set up standardized system operation and maintenance platforms. At the same time, we offer professional operation/maintenance services, that includes infrastructure (servers, storage, and internet facilities and server room equipments), operation systems and middle-wares (webservers, databases, etc.), and application systems. This significantly eliminated the challenges of operating and maintaining the clients' systems, thus effectively improved the usability and security of the same.

(4) Business Procedure Outsourcing Services

We offer multilingual, varied business procedure outsourcing services to the Japanese, European, American and Chinese markets. This covers a range of industries and specialized areas such as IT, banking, telecommunication, interent, manufacturing, consumer goods, and finance, to name a few. Through automated technology, optimized procedure, smart tools, and in-depth understanding of the industries provided by our professional staff, the Company has been able to speed up the delivery schedule; and, using standardized project management procedure, methodology, tools, structures and indexes, and verified industrial standards, we are able to position the work to the delivery centers with the best capabilities, that are also most cost efficient. This guarantees the delivered quality, and allows us to assist clients in improving operational performance as well as core competitive strength.

(5) Product Globalization Service

The Company has been in the product globalization field for more than 20 years. Our clients include some of the top 500 international companies, and we offer services of the major languages in Asia, Europe and Americas. We offer globalization in various industries including IT, automation, marketing, healthcare and medical, entertainment and internet, to name a few. Our services include engineering, translation, layout, testing, and multi-media, and we are ranked within the top 30 for localization services in Asia.

D. New products

Aside from traditional mainstream technology demands from our clients, currently we are also involved in innovative technologies such as AI, big data, fintech, IoT and 5G applications, etc.

Following through the big data strategy, Wistron ITS continues to work in the field of big data storage, assisting our clients in digital behavioral analysis, optimizing digital procedures, developing digital channels, and offering personalized finance services, thus realizing the idea where digital drives the decision. With fintech becoming the latest trend, Wistron ITS assists clients in developing systems that focus on the use of big data, Open API, as well as corporate middle-platform set up. The Company seeks to break through current myths, and thinks outside the current structure finance institutions are in. This allows us to rapidly conduct innovative application development, and adjust in accordance to data received through market feedback, this ensures that the offerings, including the functions and services, fully satisfies the clients' needs, thus enhance their power of digital services.

In the field of AI technology, Wistron ITS has been in the field of smart healthcare for many years. We have practical applications of AI medical imaging, where we assist clients in setting up deep-learning models and algorithms, with detects and dissects organ images, vastly improving the positive reading rate of liver diseases. Aside form algorithm learning, AI software application development, Wistron ITS has also started to apply AI in researches such as smart tagging, segregated algorithms, as well as detection of lesions, specifically for the field of medical imaging data screening and tagging, that currently requires high manpower efforts. This allows us to lead the clients towards the new era of technology assisted healthcare.

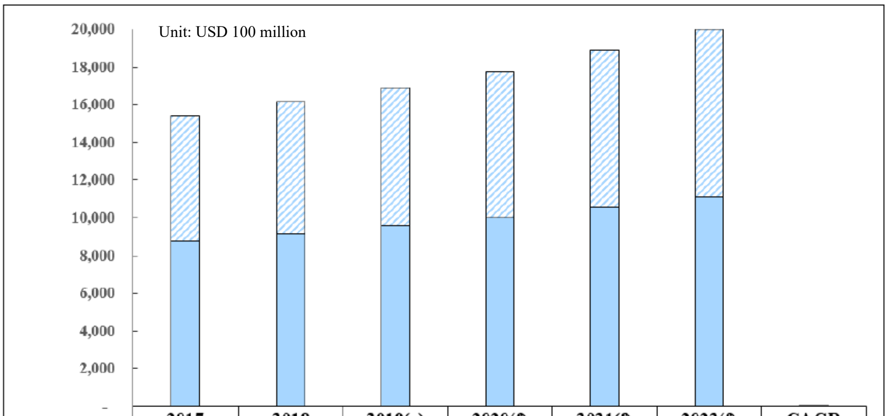
5.1.2 Industry Overview

A. Progress and Development of the Industry

(1) Current Status:

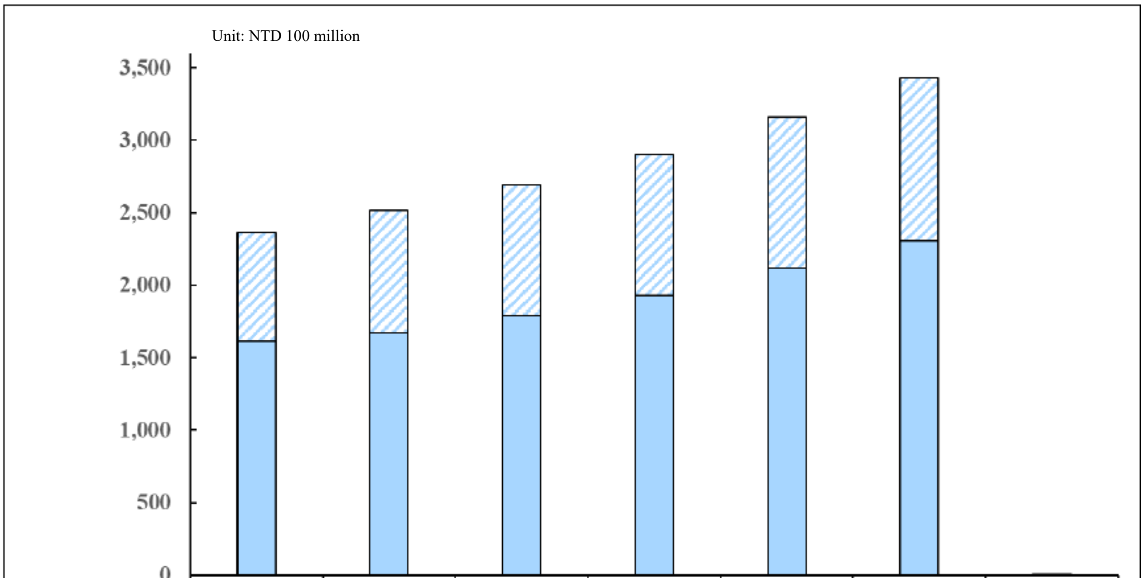
Digital economy is the use of innovative digital technology, combined with comprehensive cross-field platforms and innovative service models, to redefine consumer behavior and business models. This includes innovative digital technologies such as artificial intelligence (AI), big data, fintech, internet of things (IoT), and 5G, these are seen as key factors in the next stage of digital transformation. The new commercialized applications of information technology not only brings forth smart industry developments, it also stimulates the growth of relevant innovative information service models and that of software products. This in turn injects a new wave of energy towards the global information services and software industries.

According to studies, the ITIS Team of the Institute for Information Industry, MIC, Ministry of Economy predicts that the global information service market will grow from 877.5 billion US dollars of 2017 to 1.11 trillion US dollars in 2022. Showing a compound year-on-year growth rate of 4.6%. Taiwan's information service market is estimated to grow from 161.3 billion US dollars in 2017 to 231 billion US dollars in 2022, with a growth rate of 7.8%.



	2017	2018	2019(e)	2020(f)	2021(f)	2022(f)	CAGR
IT Software	6,611	6,981	7,331	7,709	8,320	8,891	5.9%
IT Services	8,775	9,161	9,561	10,023	10,564	11,139	4.6%
Total	15,386	16,142	16,892	17,732	18,884	20,030	5.2%
Growth (%)		4.9%	4.6%	5.0%	6.5%	6.1%	

Image1 Global Information Service & Software Market
Source: Consolidated by the IT/IS Research Team of the III MIC, Ministry of Economy, September 2019.



	2017	2018	2019(e)	2020(f)	2021(f)	2022(f)	CAGR
IT Software	752	840	902	971	1041	1122	6.9%
IT Services	1,613	1,673	1,793	1,928	2,116	2,310	7.8%
Total	2,365	2,513	2,695	2,899	3,157	3,432	7.5%
Growth (%)		6.3%	7.2%	7.6%	8.9%	8.7%	

Image2 Taiwan's Information Service & Software Market
Source: Consolidated by the IT/IS Research Team of the III MIC, Ministry of Economy, September 2019.

With the continued spread of internet as well the world-wide trend of division of labor, information outsourcing has become a new drive in economy. This involves the supply of sufficient talent, change of jobs and the flow of capital, all of which factors businesses cannot neglect to consider. In recent years, businesses have continued to employ outsourcing services, to improve their operation efficiency and increase their competitiveness. Information outsourcing and business procedure outsourcing are becoming the latest trends. If we look at the ratio of information outsourcing based on industries, the top three industries are that of finance, manufacturing and telecom, media services. For business procedure outsourcing, the top three are public sector, finance and service industries.

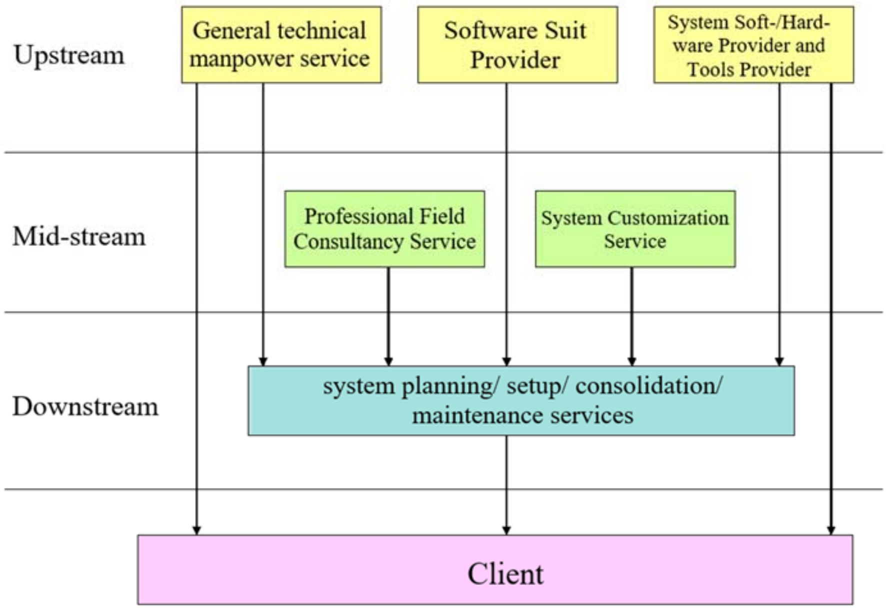
(2) Future Development:

Studies made by the Institute of Information Industry pointed out, that despite all the turmoil in the global political and economical landscape, governments and businesses in the global market still require continuous development of business. This, coupled with the trend of digital transformation, has promoted IT infrastructure and information service requirements, which in turn will allow the global information service market to continue to grow steadily.

In addition, the application development of new technologies is beneficial for the continuous growth of the global information service market, of which Cloud Computing and Big Data will still be playing a key role. IoT and 5G applications will become the next grow spur in the information service market.

Driven by digital technology, the industry model is transitioning, and with it, a transformation of business model is emerging. Software is the core of such innovative technology. It is predicted that the digital economy will use innovative digital technology, combined with comprehensive cross-field platforms and innovative service models, to redefine consumer behavior and business models. Including cloud services, big data, artificial intelligence, virtual/augmented reality, API economy and information safety, are all key factors in the next wave of digital transformation. Technical talent in the new fields of technology are hard to come by for companies. New services and applications may be unfamiliar for the businesses, but Wistron ITS excels in these fields. Our information outsourcing service offers businesses a variety of IT professional talent, that are suitable for the new applications and services. This allows enterprises to focus on their core businesses. In the foreseeable future, we believe that the information outsourcing demand will continue to grow along with these new fields, new applications and new services, which is where business opportunities lies for Wistron ITS.

B. Correlation of the Industry Supply Chain



Source: Wistron ITS consolidating current industry conditions.

For the Information Service Industry,

(1) Upstream services in the industry include:

a. General technical manpower service

Offering general technical manpower outsourcing service to satisfy short-term development demand, such as programmers or testing projects. This service is offered to mid-stream system setup or consolidating suppliers, or even to direct clients. This kind of service does not require manpower management or project progress management.

b. Software Suit Provider

Software suit providers focus on specific fields and application demands, the software suit developed can be customized by the original supplier or other suppliers, and deployed at the clients' site, fulfilling the client's ultimate demand.

c. System Soft-/Hard-ware Provider and Tools Provider

These type of providers offer relevant soft- and hard-ware basic products or tools, that form the basic environment of a software suit system.

(2) Mid-stream services in the industry include:

a. Professional Field Consultancy Service

This type of providers offer system setup planning or business development consultancy services, and are usually not involved in the development of the actual system.

b. System Customization Service

These type of providers will lock-in on specific software suits, or the distributor or collaborating partner of said software suit, and will be in charge of the customization of the software suit when introducing the suit to the client.

(3) Downstream services in the industry include:

Providers of system planning, setup, consolidation and maintenance services, they combine the product or service of the upstream and mid-stream providers, and offer clients a systematic consolidated service, which includes the follow-up system maintenance service. This allows the client to avoid dealing with various suppliers, as well as having to worry about interfacing different systems.

C. Product Trends and Competition

(1) Various Developing Trends of Products

Software R&D service developing trend: with the lowering of cost, as well as the lack of senior technical resources, and the internationalization of the business, software R&D had to adjust along as well. Therefore how to effectively divide and manage the work, utilize the cost difference of talent from different regions, and increase cost efficiency; how to develop and train technical special talent, enhance the depth of the technical team; how to take the order in one place but deliver globally; are all future developing trends of software R&D service.

The developing trend of business procedure outsourcing service: facing the same factors as software R&D service in cost and internationalization, in addition, in the execution of business procedure outsourcing service, how to expand the service to include software R&D, thus offer clients a one-stop-shop service, is another developing trend that is forming.

(2) Current Competition

Currently, countries that offer off-shore information outsourcing services in the world include: India, Ireland, Vietnam, Russia, Israel, China and the Philippines. In Europe, most of the outsourcing is borne by Ireland, in recent years, the development of information service industries in Ukraine, Poland, Romania and Belarus, allowed middle- and eastern- European vendors to join the business of information outsourcing services.

The main target market of India is that of the USA and some European countries. In the global outsourcing market, India obtained close to 44% of the global business; whereas China, due to the large domestic demand, as well as the encouragement of the government, obtained about 60% of the Janapanese information outsourcing market. Overall speaking, in the outsourcing market Inda and China are the two biggest players. The Company's future competition will be from India and China, with China being the main competitor. Further break down of competition on India and China:

A. India

India is the heart of global off-shore information outsourcing. In India the information development industry is focused on developing information software. In the global outsourcing market, India can be said to be a critical leading position. In addition, India is an English speaking country, this allowed India's software service products to be widely accepted globally. The high quality and low cost of service cost also offers further advantages for India's software industry competitiveness. Unlike Taiwan or Sourth Korea, where the high-tech industry service is limited to big, international technology companies, India's growing software industry service is extended to other industries. In recent years, with the increasing competition in traditional industries, there has been more demand in not just computer hardware, but also software services.

In recent years, aside from software R&D services and business procedure outsourcing services, India has also started to take on annual report analysis, client management, and other business management procedures for global businesses. In addition, with the need to increase operational efficiency and cost-down, Knowledge Procedure Outsourcing (KPO) is a new trend, and worthy of further exploring.

B. China

The government of China has listed information software industry as a national strategic industry, and encouraged its rapid growth in the recent years. According to the 'China Service Outsourcing Industry 10-Year Development Report' issued by the China Council for International Investment Promotion (CCIIP) in 2017, the ten years between 2006 to 2016 have been the starting period of China's service outsourcing industry. During this time frame, China's outsourcing service businesses increased from more than 500 businesses to 39,277 business. In addition, the off-shore service outsourcing revenue went from 1.384 billion US dollars to 70.41 billion US dollars. On-shore service outsourcing started to develop as well, with the revenue of 2016 reaching 36.05 billion US dollars. The number of people employed in the service outsourcing industry also expanded from under 60,000 people to 8.557 million people.

Currently the service outsourcing industry has become the industry where most higher education talent in China gathers. The CCIIP predicts that the next ten years will become the golden age of China's service outsourcing industry, where they expect to become the leader in both the domestic and international market, and transform into the global service outsourcing hub.

5.1.3 Research and Development

1. Technical Level of Current Business and R&D

(1) Optimization of Software Engineering Management System

In terms of information outsourcing, the key of management in each phase during the software system's life cycle is different, therefore the quality of the management procedure greatly affects the quality and efficiency of the work. Therefore, a comprehensive, effective software engineering management system is the key to winning in the field of information outsourcing, as well as a main advantage in competitiveness.

(2) Robust Knowledge Collection System and Frequently Updated Knowledge Base Content

The various services offered by the Company encompass a vast amount of knowledge and experience accumulated over time. The effective collection, storage, and application of such knowledge and experience is a key factor in the industry. The Company has created a web portal, to manage and store all the knowledge content. This portal allows for the effective application of all the accumulated knowledge and experience. In the future, the Company seeks to further improve the content by allowing for multi-media application. This will offer a more convenient and efficient way for not only the access of the information, but also the storage of new information.

(3) Product Engineering Service Order Life-cycle Management System

To carry out a 'Product Engineering Service' requires different stages, such as preparation and estimation, assignment of tasks, progress management, quality control, and account closing as well as internal staff performance review. All this requires complex administrative operation. In addition, many of these services are charged by the word, making the operation even more complex. International clients often require service providers to offer regular or irregular written reports, that detail the progress and status of the project. Therefore, a standardized procedure and system is required to fulfill these various requirements during the operation. To meet such demand, the Company has developed some tools and systems to assist in the management of the project, allowing project manager to face less complecity and thus improve their management precision. This system is continuously being optimized and added to, to allow for even more comprehensive performance. Our goal is to eventually cover the whole life-cycle of a client's order.

(4) Increase value of service, improve service capability, and enhance service efficiency. The Company's action in terms of increasing value of service and improving service capability include:

a. Data Storage/Big Data Setup and Consultation Service

b. Enter the Field of Medical Imaging AI

c. Mobile Pay Solution Optimization & Promotion

d. Smart Customer Service Solution Optimization & Promotion

e. Internet + Finance Product Development & Promotion

2. Annual R&D Investment in Recent Years:

Unit：NT$ thousands

Year / Item	2019	2018
R&D Expenses	8,273	1,698

3. Successfully Developed Technology/Product in Recent Years:

Year	Technology/Product
2006	1. Setup Development Center, Accredited with CMMI Level 3 2. Setup Cross-Regional Software Development Collaboration, Enter Mass Production 3. Setup Insurance Speciality Team, Offering System Maintenance Service
2007	1. Setup Credit Card Business System Maintenance Team, Offering Client System Maintenance Services 2. Develop E-Commerce Transaction Platforms, Utilized by Shopping Channels and Ticketing Systems
2008	1. Taipei Headquarters Accredited with CMMI Level 3 & ISO27001 2. Develop Agile Development Model, Offer Client Product R&D Service 3. Participate in 'Flagship Project' by the Ministry of Economy, Expand Overseas
2009	1. Offer Cross-Strait Collaboration Development Service, Assist Businesses in Expanding to China 2. Develop Android & IOS Applications 3. Develop Medical Application and E-book Application Cloud Service
2010	1. Set up Cloud Computing Research Center SWPC 2. Setup ETC, ODC
2011	1. Risk Management System for Smaller Financial Institutions such as Village/Township Banks/ Ensurers/ Small Loan Companies. 2. New BPO Tools Based on OCR Technology 3. Learn As You Go - E-School-pack Solution
2012	1. Risk Management System Product & Promotion 2. E-School-pack Product & Promotion 3. Development of Enterprise IT Department and Test Cloud Solution R&D 4. R&D of New Internet-Based Client Relation Management System Solution for Automobile Industry
2013	1. Small/Medium Business Loan Solution 2. Smart Teacher/Smart Campus Solution 3. Scaled Private Cloud for Business Solution
2014	1. Factory Credit Loan Solution 2. Next Generation Customer Service System Solution
2015	1. Internet+Finance Solution 2. Internet+Education Solution

Year	Technology/Product
	3. Smart Customer Service Solution 4. Mobile Pay Solution
2016	Credit Loan Risk Management Solution
2017	1. Data Storage/Big Data Setup and Consultation Service 2. Beijing and Wuhan subsidiaries accredited with ISO9001. 3. Beijing subsidiary accredited with ISO22301.
2018	1. Beijing subsidiary accredited with CMMI - Level 3 on software development capabilities. 2. Shanghai subsidiary accredited with ISO9001, ISO27001.
2019	1. Operation Mangement System Solutions. 2. Recruitment of System Solutions.

5.1.4 Long-Term and Short-Term Business Development Plans

A. Short-Term Development Plan

(1) Work with Existing Clients to Expand Collaboration

The majority of clients for the Company and its subsidiaries are from the fields of IT High-Tech, Finance, Insurance, Telecommunication, and Manufacturing. The Company and its subsidiaries have entered the advanced technology application fields of AI, big data, fintech, IoT, and 5G. We hope to offer our clients even better service and continue our partnership, where the majority of the resources will be utilized to work with existing clients, and continue to expand the fields of collaboration.

(2) Improve Current Manpower to Support Rapid Growth of Business

Outstanding talent is the main assets of software outsourcing businesses. With the rapid growth of our business, we will need to plan to recruit sufficient, high-quality talent. These will be supported with e-learning and our knowledge database, which will allow them to rapidly enhance their professional capabilities. Through a systematic platform, we will also standardize our procedure to ensure the quality of our services.

(3) Create Co-Efficiency with Partners

In order to add value to our services for our clients, we shall utilize the established client partnership, and jointly enter the greater China market. Thus offering a deeper level of collaboration with our international clients as well as our greater China partners.

(4) Develop Solutions

Aside from the current information technology services, the Company and its subsidiaries continues to develop different solutions, including smart customer services, mobile payment, Internet+Finance, etc, to improve the value of our services.

B. Long-Term Development Plan

(1) Set up Innovation Center

To lead and offer innovative technology, the Company plans to set up an Innovation Center, to serve as a base for innovative technology such as AI, and big data. In the field of AI development, the Company will continue to offer IT services to our clients. We believe that artificial intelligence (AI) will be the main technological trend in the next ten years. The Innovation Center will be focusing on AI, and aims to create a business ecosystem, where industry companies will collaborate. We will also set up an incubator that will attract more AI talent, allowing technological innovation to continue to expand our offering strength.

(2) Strategic Collaboration To Accelerate Export

Through standardized, platform based consolidation, we will collaborate with partners that can supplement our business. This will allow us to build up a competitive partnership that can easily grasp the business opportunities available, as well as participate in government led promotion activities, thus rapidly expand in our overseas market.

5.2 Market, Production and Sales

5.2.1 Market Analysis

A. Sales (Service) Region

Unit：NT$ thousands

Year / Regions	2019		2018	
	Amount	%	Amount	%
China	2,871,255	53.94%	2,017,858	51.04%
Japan	832,846	15.64%	806,485	20.40%
Taiwan & Hong Kong	1,435,696	26.97%	958,735	24.25%
Others	183,667	3.45%	170,243	4.31%
Total	5,323,464	100.00%	3,953,321	100.00%

B. Market Share

In terms of information service industry, currently in Taiwan there is no single provider with a large market share. The Company has a lot of room to grow in the information outsourcing industry.

C. Projected Supply & Demand of the Market and Potential Growth

Information Systems' have become more and more important to businesses in the market, which face more and more competition along with globalism. Therefore, more and more businesses will invest in information systems. This is verified by various market survey reports. In addition, the changes in cost management, the supply of professional talent, as well as that of service models, will also impact the way businesses offer information system setup and maintenance services. Therefore, the market demand for 'Information System Services' will increase, but not necessarily follow the old project-based service model. The Company believes that the relationship and interaction between clients and information service providers will change. Clients will be in charge of the start of software development;

therefore finding businesses that excel in project management and sufficient manpower resource, to complete a system development and maintenance model will become more commonplace, to fulfill the clients cost management and global development demand.

However, with the grow of manpower cost, the increased awareness of intellectual property, and increase of mid-level technical management demand, businesses will become more and more careful in their selection of an information outsourcing provider. This will be the objective the Company will work towards, thus enhancing our competitive edge.

D. Competitive Advantages

(1) Global Delivery Model:

Wistron ITS is a leading company in offering information service globally, one of the few that started early in setting up overseas subsidiaries for the international market in Taiwan. Our global delivery capability is mature, with practical cases. Clients can communicate with us remotely on the internet, and still receive real-time update of their projects. For example, a project in Japan will be delivered in Taiwan and China. A project in the US can be delivered in the US, Taiwan and China simultaneously.

(2) Product Globalization Experience:

Wistron ITS's globalization service is very comprehensive, and includes software design, development, translation, testing and layout. We have long term collaboration with many international businesses, who view the Company not just as a strategic partner, but also accepts out input in setting professional lingo in the new industries and high-tech fields.

(3) Price:

It is not a cut-throat market, businesses are still considering quality as a main factor. Wistron ITS has successfully consolidated manpower in Taipei as well as that of China, and is capable of meeting the clients' demand on both cost effectiveness and high quality. In terms of short-term development, businesses in China and India still have more advantages when it comes to pricing and talent sourcing. Wistron ITS will have to combine its effort with its China subsidiaries in recruiting more talent, as well as finding and developing advantages of being in Taiwan, and ensure the overall quality of its services.

(4) Industry Experience:

Most companies will stress their ability on technology, however we understand that clients value problem solving capabilities and experience. Wistron ITS clients include businesses listed in the Fortune 500 as well as renowned international brands, and our rich industry experience will serve as the best backing to our clients.

(5) Established Offices in the Asia-Pacific Region:

The fact that Wistron ITS has offices in Japan and China, is another advantage in our collaboration with our clients. In particular, if our clients wish to expand to these markets, Wistron ITS can offer not only the required information outsourcing services, but also offer more comprehensive local assistance and services.

(6) Tolerant Culture:

Comprehensive communication with our clients to establish basis of collaboration. The competitors in China are mostly from an engineering background and therefore lack in communication capabilities. Wistron ITS has an experienced project and sales team, along with our Taiwan team's spoken communication skills in both English and Japanese, developed over the years, allows us a better competitive advantage than our Chinese competitors.

(7) Brand Image & Reputation

Wistron ITS was accredited with TIPS (Taiwan Intellectual Property Standard) in 2016, and have since introduced the TIPS systematized management system for the companies IP assets. This allowed to optimize the application of IP, revitalize the current IP, which helps with increasing our competitiveness. Receiving national accreditation also gives clients more reason to trust the Company even more.

(8) Financial Stability:

For clients, a financially unstable company is a company that is untrustworthy. Compared to our Chinese competitors, Wistron ITS has a big advantage. Therefore even though we are smaller in scale, International Company A has still selected Wistron ITS as its core business partner and supplier in the Asia-Pacific region.

E. Advantages & Disadvantages for Long-Term Development, and Corresponding Solutions:

(1) Advantages:

a. Outsourcing Market Continues to Grow

According to statistics by research institutes, outsourcing industry will continue to grow in the foreseeable future. The Company has been selected as one of the 7 outsourcing collaborators by International Company A, which is proof that Wistron ITS has the professioanlism and competitiveness of an international standing. Most of our currently clients are international businesses.

b. Finesse in Customized Services

Software project management, solution consolidation and off-shore development capabilities are internalized as a core advantage in business competitiveness, therefore we are able to offer almost real-time, fine-tuned customization services.

c. Comprehensive Business Network in the Asia-Pacific

With many offices around the Asia-Pacific region, Wistron ITS can easily fulfill operational demand of businesses in the region. We are able to offer multi-point services to our client, thus reduce the clients' cost in communication and management. In addition to that, the frequency of interaction between the businesses in China and Japan and that of the Taiwan market have increased vastly in recent years, and a number of Taiwanese businesses have started to expand to China or Japan. Wistron ITS can utilize its current operation network in the Asia-Pacific region, offer these trans-regional clients various information services on-location.

d. US Office Close to Clients

Wistron ITS established a US office in 2014, that allows us to service our international clients as well as continue to expand our business.

(2) Disadvantages:

a. Smaller in Scale of Business

Compared to known international competitors (that of China, India), Wistron ITS is of a smaller scale, therefore sometimes we fall short of qualifying for supplier in trying to get international clients.

Corresponding Solution:

Continue to expand its client base, or merge with other companies to increase the scale of our operation.

b. Not as Well-known as International Name Brand Companies

Even though Wistron ITS has many clients that are internationally renowned companies, Wistron ITS's brand awareness in the Japan and US market is still relatively low.

c. Rising Cost of Manpower

With the rise of wages, compared to the past we have developed a manpower shortage, and that creates pressure in operational costs.

Corresponding Solution:

Through merging with other companies, increasing number of overseas offices, and expanding our collaboration with international companies, Wistron ITS has successfully increased our brand awareness as well as expanded our scale of operation. Due to the success in the past two years, we will continue to work in this direction.

As for rising cost of manpower, aside from improving added-value of services, we will also introduce down-stream collaborators to expand our profit margin. In addition, Wistron ITS will also review the structure of its internal staff. For basic technical manpower, we will expand our recruitment and traning to fulfill increasing demand in the market. For mid-level technical manpower, we will seek to expand their industry knowledge, to create added-value to our services. In addition, we will expand the recuirtment of management backup staff, to prepare for a bigger team.

5.2.2 Core Applications of Major Products and Manufacturing Processes

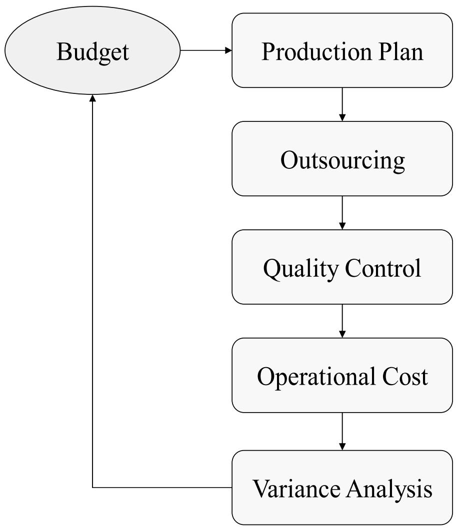
1. Important Purpose of Main Product:

The main product and services of the Company include software development service, system operation and maintenance service, business procedure outsourcing service and product globalization service. Their respective purpose is listed as follows:

PRODUCT	PURPOSE
Software Development Services	Under a scientific research and development management procedure, offer various software R&D services based on individual client needs. This includes the full process service of product research, development by demand, design, development, testing, delivery and deployment of software, and repeated computation of products.
Software Testing Services	Offer a one-stop-shop testing service solution to customers that includes testing consultation, testing SOP setup, testing equipment procurement and training, outsource testing projects, performance testing, automation testing, and knowledge base set up, to name a few.
System Operation & Maintenance Services	Set up standardized system operation and maintenance platforms. as well as offer professional operation/maintenance services, that includes infrastructure (servers, storage, and internet facilities and server room equipments), operation systems and middle-wares (webservers, databases, etc.), and application systems.
Business Procedure Outsourcing Services	Through automated technology, optimized procedure, smart tools, and in-depth understanding of the industries provided by our professional staff, the Company offers various business procedure outsourcing services.
Product Globalization Service	Offering clients various services on engineering, translation, layout, testing and multimedia in most languages in Asia, Europe, and the Americas.

2. Production Process of Product:

The various service offerings of the Company are in the end a form of IT service. Our process of providing any IT service is as follows:



5.2.3 Future Market Supply and Demand and Future Growth

The Company is in the outsourcing service industry, and has no physical product to trade, therefore this category is not applicable.

5.2.4 Major Suppliers and Clients List

1. List of suppliers that have accounted for at least 10% of procurement in any of the last two years:

Unit：NT$ thousands; %

Item	2018				2019				As of Mar. 31, 2020 (Note)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company A	124,108	17.78	-	Company A	164,643	19.89	-	Company A	20,936	13.52	-
	Others	574,001	82.22	-	Others	663,267	80.11	-	Others	133,907	86.48	-
	Total	698,109	100.00	-	Total	827,910	100.00	-	Total	154,843	100.00	-

Note: As of the publication date of the annual report, the listed company should disclouse lastest quarterly.financial information reviewed or audited by the independert auditors.

2. List of customers that have accounted for more than 10% of the total sales in any of the last two years:

Unit：NT$ thousands; %

Item	2018				2019				As of Mar. 31, 2020 (Note)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A Company	311,033	7.87	-	A Company	734,303	13.79	-	A Company	119,815	10.52	-
	Others	3,642,288	92.13	-	Others	4,589,161	86.21	-	Others	1,019,447	89.48	-
	Total	3,953,321	100.00	-	Total	5,323,464	100.00	-	Total	1,139,262	100.00	-

Note: As of the publication date of the annual report, the listed company should disclouse lastest quarterly.financial information reviewed or audited by the independert auditors.

3. Production value of the last two years: The Company is an information outsourcing service provider, and is not involved in actual production, thus this category is not applicable.

4. Sales amount of the last two years

Unit：NT$ thousands

Year / Major Product	2019				2018			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
IT Services Revenue	(Note)	699,709	(Note)	4,623,755	(Note)	637,961	(Note)	3,315,360
Total		699,709		4,623,755		637,961		3,315,360

Note: The Company and its subsidiaries have a number of products (services), each involving different contents and are of different natures, thus are not listed separately.

5.3 Taiwan Employee Data during the Past Two Years

Unit: Head/ %

Year		2018	2019	As of Mar. 31, 2020
Employee Number	Sales	47	60	55
	Technical Staff	556	681	719
	Administration	50	50	49
	Total	653	791	823
Average Age		36.0	36.6	36.1
Average Seniority		3.3	3.1	3.2
Distribution of Education	Master / Doctor	29.10%	26.77%	24.38%
	Bachelor / Diploma	70.42%	72.01%	73.41%
	High School Below	0.48%	1.22%	2.21%
	Total	100%	100%	100%

5.4 Environmental Protection Expenditure

Total of damages (including claims) and fines in recent years, as of the printing of this annual report, due to environmental pollution, its corresponding solution and predicted expenses:

The Company mainly offers information services that are related with computer products; the service itself will not cause pollutions, nor will it dalmage the environment, therefore this issue is not applicable, furthermore, the RoHS stipulation of the EU is also not applicable.

5.5 Labor Relations

5.5.1 Detailed Descriptions of Employee Benefits, Training and Development, Retirement Plan, and Respective Implementations, as well as the Labor Management Agreement and Employee Rights Policies

1. Employee Benefits and Implementation

(1) Annual leave days in accordance to laws and regulations, pension fund in accordance with labor rights.

(2) Paid leaves (personal leaves) that exceeds the basic labor law requirements, and flexible work hours.

(3) Offers labor insurance, national health insurance coverages, as well as group insurance for the employee and their immediate family members. In the case of a business trip, travel insurance is also provided.

(4) A welfare committee that regularly plans various events, such as festival parties, afternoon teas, day-trips, employee meal gathers, as well as year end parties.

(5) Regular employee health checks as well as discounted health checks for immidiate family members of employees.

(6) Employee club support.

(7) Bonues and/or gifts for major holidays

(8) Well-wishing money for weddings, funerals, festivities, emergencies, and hospitalization.

(9) Facilities such as employee break room, nursing room, massage chair area, and legal consultation room.

(10) Mobile phone bill subsidies.

2. Continuous Education and Training:

To enhance professional technological capabilities of our staff, and improve performance as well as the value on product quality, we hold educational trainings in accordance with the yearly education and training schedule. This includes both internal and external trainings, in order to enhance professional skills of different staff members. In addition, the Company, acknowledging the need of increasing talent demand, started to introduce the TTQS training quality management system in 2013, which was assessed and approved by the Ministry of Labor (formerly Committee of Labor, Executive Yuan). Through TTQS, the Company's training offerings will suit our operational needs even better, and will combine the training and cultivation of talent with our business development, creating a win-win situation. Examples of the Company's Trainings:

(1) New Employee Orientation:

Offers content on fields of business, work regulations, employee benefit, rewards and disciplinary rules, amongst others. Allowing new employees a comperehensive basic understanding of the Company.

(2) Pre-job Training:

In accordance with Article 16 of the Occupational Safety and Health Education and Training Rules by the Ministry of Labor, offering necessary safety and health education and trainings specified for their post.

(3) On-the-Job Training:

Assist in cultivating professional skill, knowledge and management capabilities.

(4) Management Training:

Improve the quality of our entry-, mid- and high-level management, encourage management thinking.

(5) Professional Skill Training:

Assigning employees to train at various work-relevant institutions for training, allowing for professional accreditations.

3. Retirement and Implementation:

(1) In accordance with the Labor Standards Act, the Company has set up employee retirement regulations, and in accordance to the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds, allocates monthly retirement reserve fund to be deposited at the Bank of Taiwan.

(2) From July 1, 2015, in conjunction with the implementation of the Labor Pension Act, the Company allocated 6% of the salary of employees on a monthly bases, which is deposited in the personal pension fund of our employees.

4. Between Employees and Employer and Status of the Upholding of Various Employee Rights

The Company has good communication channels, and based on relevant laws and regulations, offers regular management meetings between each department head and their subordinates, as well as face to face discussions, emails, feedbacks from training sessions, maintaining good interaction between employees and the Company. There are currently no outstanding conciliatory negotiations.

5.5.2 At the Time of this Publication, Loss Incurred by Labor Dispute and the Amount of Anticipated Losses and Countermeasures: None.

5.6 Important Contracts

The Company is not currently party to any material contract, other than contracts entered into in the ordinary course of its business. The Company’s “Significant commitments and contingencies” are disclosed in Appendix 1 “Consolidated Financial Statements of the Latest Year”, pages 166.

6. Financial Information

6.1 Most Recent 5-Year Concise Financial Information

6.1.1 Most Recent 5-Year Concise Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income

Concise Consolidated Balance Sheet

Unit：NT$ thousands

Item \ Period		Most recent 5-Year Financial Information(Note1)					2020 (As of March 31) (Note3)
		2015	2016	2017	2018	2019	
Current assets		1,737,954	1,663,605	1,740,186	2,518,321	2,339,315	2,221,969
Net property, plant and equipment		44,114	44,186	43,677	58,210	853,356	839,032
Intangible assets		23,646	32,772	28,703	26,388	32,036	32,132
Other assets		46,347	53,773	62,015	360,711	136,987	122,958
Total assets		1,852,061	1,794,336	1,874,581	2,963,630	3,361,694	3,216,091
Current Liabilities	Before Distribution	729,601	709,758	737,545	924,065	1,037,404	845,074
	After Distribution	773,479	756,871	759,222	1,026,428	(Note 2)	N/A
Non-current liabilities		115,742	117,765	127,357	212,363	215,293	211,283
Total Liabilities	Before Distribution	845,343	827,523	864,902	1,136,428	1,252,697	1,056,357
	After Distribution	889,221	874,636	886,579	1,238,791	(Note 2)	N/A
Equity attributable to owners of the Company		1,006,718	966,813	1,009,679	1,827,202	2,108,997	2,159,734
Common stock	Before Distribution	438,783	438,783	438,783	602,137	664,011	664,011
	After Distribution	438,783	438,783	482,137	662,351	(Note 2)	N/A
Capital surplus		252,874	252,874	255,502	717,711	736,051	736,051
Retained Earnings	Before Distribution	299,214	318,852	375,377	583,258	834,032	898,046
	After Distribution	255,336	271,739	310,346	420,681	(Note 2)	N/A
Other equity		15,847	-20,566	-48,241	-75,904	-125,097	-138,374
Treasury stock		-	-23,130	-11,742	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total Equity	Before Distribution	1,006,718	966,813	1,009,679	1,827,202	2,108,997	2,159,734
	After Distribution	962,840	919,700	988,002	1,724,839	(Note 2)	N/A

Note 1: The above financial information was audited by independent auditors.
Note 2: Profit distribution of 2019 will be adopted after resolution of Shareholders' Meeting.
Note 3: The financial information as of March 31, 2020 was reviewed by independent auditors.

Concise Consolidated Statement of Comprehensive Income

Unit：NT$ thousands

Item \ Period	Most recent 5-Year Financial Information(Note1)					2020 (As of March 31) (Note2)
	2015	2016	2017	2018	2019	
Operating revenue	2,501,935	2,711,027	2,784,634	3,953,321	5,323,464	1,139,262
Gross profit	425,896	497,823	530,328	929,395	1,302,559	245,657
Operating income	-29,808	40,208	91,690	207,218	438,599	66,622
Non-operating income and expenses	48,138	32,389	29,671	67,344	19,545	13,213
Profit before tax	18,330	72,597	121,361	274,562	458,144	79,835
Net income for continuing operations	15,610	66,226	109,239	253,190	413,123	64,014
Income from discontinued operations, net of income tax effect	-	-	-	-	-	-
Net income	15,610	66,226	109,239	253,190	413,123	64,014
Other comprehensive income for the year, net of tax	13,574	-39,123	-33,276	-7,941	-48,965	-13,277
Total comprehensive income for the year	29,184	27,103	75,963	245,249	364,158	50,737
Profit attributable to owners of the Company	15,610	66,226	109,239	253,190	413,123	64,014
Profit attributable to noncontrolling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of the Company	29,184	27,103	75,963	245,249	364,158	50,737
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
EPS	0.30	1.26	2.10	4.75	6.23	0.96

Note 1: The above financial information was audited by independent auditors.

Note 2: The financial information for the three-month period ended March 31, 2020 was reviewed by independent auditors.

6.1.2 Most Recent 5-Year Concise Parent Company Only Balance Sheet and Statement of Comprehensive Income

Concise Parent Company Only Balance Sheet

Unit：NT$ thousands

Item \ Period		Most recent 5-Year Financial Information(Note1)					2020 (As of March 31) (Note 3)
		2015	2016	2017	2018	2019	
Current assets		512,933	436,624	430,937	1,000,467	558,512	-
Net property, plant and equipment		19,737	18,895	16,721	16,407	519,985	-
Intangible assets		4,193	12,587	9,102	5,555	7,210	-
Other assets		717,761	792,933	856,960	1,104,864	1,365,790	-
Total assets		1,254,624	1,261,039	1,313,720	2,127,293	2,451,497	-
Current Liabilities	Before Distribution	184,321	228,596	232,083	226,001	266,266	-
	After Distribution	228,199	275,709	253,760	328,364	(Note 2)	-
Non-current liabilities		63,585	65,630	71,958	74,090	76,234	-
Total Liabilities	Before Distribution	247,906	294,226	304,041	300,091	342,500	-
	After Distribution	291,784	341,339	325,718	402,454	(Note 2)	-
Common stock	Before Distribution	438,783	438,783	438,783	602,137	664,011	-
	After Distribution	438,783	438,783	482,137	662,351	(Note 2)	-
Capital surplus		252,874	252,874	255,502	717,711	736,051	-
Retained Earnings	Before Distribution	299,214	318,852	375,377	583,258	834,032	-
	After Distribution	255,336	271,739	310,346	420,681	(Note 2)	-
Other equity		15,847	-20,566	-48,241	-75,904	-125,097	-
Treasury stock		-	-23,130	-11,742	-	-	-
Total Equity	Before Distribution	1,006,718	966,813	1,009,679	1,827,202	2,108,997	-
	After Distribution	962,840	919,700	988,002	1,724,839	(Note 2)	-

Note 1: The above financial information was audited by independent auditors.
Note 2: Profit distribution of 2019 will be adopted after resolution of Shareholders' Meeting.
Note 3: The Company did not need to disclose the financial information as of March 31, 2020.

Concise Parent Company Only Statement of Comprehensive Income

Unit：NT$ thousands

Item \ Period	Most recent 5-Year Financial Information(Note1)					2020 (As of March 31) (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	636,240	643,953	654,938	800,085	912,368	-
Gross profit	139,015	170,244	151,876	275,567	344,263	-
Operating income	3,903	-45,091	-10,470	18,709	61,116	-
Non-operating income and expenses	20,574	102,728	119,068	245,559	375,163	-
Profit before tax	24,477	57,637	108,598	264,268	436,279	-
Net income for continuing operations	15,610	66,226	109,239	253,190	413,123	-
Income from discontinued operations, net of income tax effect	-	-	-	-	-	-
Net income	15,610	66,226	109,239	253,190	413,123	-
Other comprehensive income for the year, net of tax	13,574	-39,123	-33,276	-7,941	-48,965	-
Total comprehensive income for the year	29,184	27,103	75,963	245,249	364,158	-
EPS	0.30	1.26	2.10	4.75	6.23	-

Note 1: The above financial information was audited by independent auditors.

Note 2: The Company did not need to disclose the financial information for the three-month period ended March 31, 2020.

6.1.3 Independent Auditors and Their Opinions for Most Recent 5-Year

Year	Name of CPA	Auditor’s Opinion
2015	Ya-Ling, Chen, Pei-Chi, Chen	Unqualified opinion
2016	Ya-Ling, Chen, Pei-Chi, Chen	Unqualified opinion
2017	Ya-Ling, Chen, Ming-Hung, Huang,	Unqualified opinion
2018	Ya-Ling, Chen, Ming-Hung, Huang,	Unqualified opinion
2019	Ya-Ling, Chen, Ming-Hung, Huang,	Unqualified opinion

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6.2 Most Recent 5-Year Financial Analysis

6.2.1 Financial Analysis-For Consolidated Financial Report

Item \ Period		Most recent 5-Year Financial Information (Note1) 2015	2016	2017	2018	2019	2020 (As of March 31)
Financial ratio (%)	Total liabilities to total assets	45.64	46.12	46.14	38.35	37.26	32.85
	Long-term debts to Net property, plant and equipment	2,544.45	2,454.57	2,603.28	3,503.81	272.37	282.59
Ability to payoff debt (%)	Current ratio	238.21	234.39	235.94	272.53	225.50	262.93
	Quick Ratio	236.08	232.14	233.57	268.25	224.10	260.58
	Interest protection	8,356.76	14,590.42	28,127.94	23,647.34	6,006.20	4,185.72
Ability to operate	A/R turnover (times)	3.83	4.38	4.25	4.44	4.21	3.11
	A/R turnover days	95	83	86	82	87	117
	Inventory turnover (times)	-	-	-	-	-	-
	Account payable turnover (times)	11.26	13.17	15.81	20.68	24.42	21.35
	Days sales outstanding	-	-	-	-	-	-
	Property, plant and equipment turnover (times)	47.96	61.40	63.39	77.60	11.68	5.39
	Total assets turnover (times)	1.37	1.49	1.52	1.63	1.68	1.39
Earning ability	Return on assets (%)	0.87	3.66	5.97	10.50	13.26	7.98
	Return on equity (%)	1.52	6.71	11.05	17.85	20.99	12.00
	PBT to paid-in capital (%) (Note 7)	4.18	16.55	27.66	45.60	69.00	48.09
	Net income ratio (%)	0.62	2.44	3.92	6.40	7.76	5.62
	EPS（NTD）	0.30	1.26	2.10	4.75	6.23	0.96
Cash flow (%)	Cash flow ratio	14.95	17.64	5.95	1.11	31.98	(Note 2)
	Cash flow adequacy ratio	242.52	252.90	191.32	68.63	51.07	21.47
	Cash reinvestment ratio	3.66	6.80	(Note 2)	(Note 2)	9.48	(Note 2)
Leverage	Operating leverage	-2.02	3.15	1.86	1.47	1.28	1.43
	Financial leverage	0.99	1.01	1.00	1.01	1.02	1.03

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysis less than 20%):

1. The decrease in Long-term debts to Net property, plant and equipment was mainly due to procuring operational land and architecture, leading to increase in Property, plant and equipment in 2019.
2. The decrease in Interest protection was mainly due to increase in interest fees in 2019.
3. The decrease in Property, plant and equipment turnover was mainly due to the increase of real estate at the end of 2019.
4. The Increase in Return on assets was mainly due to good operating performance in 2019, leading to net profit increase.
5. The Increase in PBT to paid-in capital was mainly due to good operating performance in 2019, leading to profit before tax increase.
6. The Increase in Net income ratio was mainly due to good operating performance in 2019, leading to net profit increase.
7. The Increase in EPS was mainly due to good operating performance in 2019, leading to net profit increase.
8. The Increase in Cash flow ratio was mainly due to revenue growth in 2019, with Accounts recievable increase rate lower than revenue increase rate, leading to a net cash flow income increase from business activities.
9. The decrease in Cash flow adequacy ratio was mainly due to capital expenses increase in 2019.

6.2.2 Financial Analysis-For Parent Company Only Financial Report

Item	Period	Most recent 5-Year Financial Information (Note1)					2020 (As of March 31)
		2015	2016	2017	2018	2019	
Financial ratio (%)	Total liabilities to total assets	19.76	23.33	23.14	14.11	13.97	-
	Long-term debts to Net property, plant and equipment	5,422.83	5,464.11	6,468.73	11,588.30	420.25	-
Ability to payoff debt (%)	Current ratio	278.28	191.00	185.68	442.68	209.76	-
	Quick Ratio	275.66	190.74	185.63	442.66	209.23	-
	Interest protection	-	-	-	164,241.61	142,674.84	-
Ability to operate	A/R turnover (times)	2.74	2.73	3.25	4.14	3.66	-
	A/R turnover days	133	133	112	88	100	-
	Inventory turnover (times)	-	-	-	-	-	-
	Account payable turnover (times)	9.82	8.56	9.10	13.44	32.80	-
	Days sales outstanding	-	-	-	-	-	-
	Property, plant and equipment turnover (times)	28.67	33.34	36.78	48.30	3.40	-
	Total assets turnover (times)	0.50	0.51	0.51	0.47	0.40	-
Earning ability	Return on assets (%)	1.24	5.27	8.49	14.72	18.06	-
	Return on equity (%)	1.52	6.71	11.05	17.85	20.99	-
	PBT to paid-in capital (%) (Note 7)	5.58	13.14	24.75	43.89	65.70	-
	Net income ratio (%)	2.45	10.28	16.68	31.65	45.28	-
	EPS（NTD）	0.30	1.26	2.10	4.75	6.23	-
Cash flow (%)	Cash flow ratio	(Note 2)	24.36	22.88	11.77	48.43	-
	Cash flow adequacy ratio	14.64	51.98	34.02	29.37	29.09	-
	Cash reinvestment ratio	(Note 2)	1.12	0.54	0.25	1.20	-
Leverage	Operating leverage	6.05	0.47	-1.36	2.42	1.48	-
	Financial leverage	1.00	1.00	1.00	1.01	1.01	-

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysisless than 20%):
1. The decrease in Long-term debts to Net property, plant and equipment was mainly due to procuring operational land and architecture, leading to increase in Property, plant and equipment in 2019.
2. The decrease in Current ratio was mainly due to the increase in cash capital at the end of 2018, with a higher focus on cash.
3. The decrease in Quick ratio was mainly due to the increase in cash capital at the end of 2018, with a higher focus on cash.
4. The Increase in Accounts payable turnover was mainly due to reduction of accounts payable at the end of 2019, with a higher turnover rate for payables.
5. The decrease in Property, plant and equipment turnover was mainly due to the increase of property, plant and equipment net amount at the end of 2019.
6. The Increase in Return on assets was mainly due to good operating performance in 2019, leading to net profit increase.
7. The Increase in PBT to paid-in capital was mainly due to good operating performance in 2019, leading to profit before tax increase.
8. The Increase in Net income ratio was mainly due to good operating performance in 2019, leading to net profit increase.
9. The Increase in EPS was mainly due to good operating performance in 2019, leading to net profit increase.
10. The Increase in Cash flow ratio was mainly due to revenue growth in 2019, with Accounts receivable increase rate lower than revenue increase rate, leading to a net cash flow income increase from business activities.
11. The Increase in Cash Investment ratio was mainly due to net cash flow income increase from business activities in 2019.
12. The decrease in Operating leverage was mainly due to good performance in 2019, with an increase in operating profit, whereas fixed costs and fee ratio was reduced.

Note 1: The above financial information audited by Independent auditors.
Note 2: The analysis of negative cash flow from operating activities is meaningless.
Note 3: Formulate is as follows:

1. Financial Ratio
   (1) Total liabilities to Total assets＝Total liabilities／Total assets
   (2) Long-term fund to property, plant and equipment＝(Net equity＋Non-current liabilities)／Net property, plant and equipment
2. Ability to Pay off Debt
   (1) Current ratio＝Current Assets／Current liability
   (2) Quick ratio＝(Current assets－Inventory－Prepaid expenses)／Current liability
   (3) Interest protection＝Net income before income tax and interest expense／Interest expense
3. Ability to Operate
   (1) Account receivable (including account receivable and notes receivable from operation) turnover＝Net sales ／the Average of account receivable (including account receivable and notes receivable from operation) balance
   (2) A/R turnover day＝365／account receivable turnover
   (3) Inventory turnover＝Cost of Goods Sold／the average of inventory
   (4) Account payable (including account payable and notes payable from operation)turnover＝ Cost of goods sold ／the average of account payable (including account payable and notes payable from operation) balance
   (5) Inventory turnover day＝365／Inventory turnover
   (6) Fixed assets turnover＝Net sales／Net Fixed Assets
   (7) Total assets turnover＝Net sales／Total assets
4. Earning Ability
   (1) Return on assets＝〔PAT＋Interest expense × (1－effective tax rate)〕／the average of total assets
   (2) Return on equity＝PAT／the average of net equity
   (3) Net income ratio＝PAT／Net sates
   (4) EPS ＝(PAT－ Dividend from prefer stock)／weighted average outstanding shares（Note 4）
5. Cash Flow
   (1) Cash flow ratio＝Cash flow from operating activities／Current liability
   (2) Cash flow adequacy ratio＝Most recent 5-year Cash flow from operating activities／Most recent 5-year (Capital expenditure＋the increase of inventory＋cash dividend)
   (3) Cash investment ratio＝(Cash flow from operating activities－cash dividend) ／(Gross property, plant and equipment＋long-term investment＋other non-current assets＋working capital) (Note 5)
6. Leverage
   (1) Operating leverage＝(Nest revenue－variable cost of goods sold and operating expense)／ operating income (Note 6)。
   (2) Financial leverage＝Operating income／(Operating income－interest expenses)

Note 4: The above formula for calculating earnings per share should be measured with particular attention to the following:

1. Is based on the weighted average number of common shares, rather than the number of shares outstanding at year-end.
2. Any trader who has a cash contribution or treasury stock should calculate the weighted average number of shares, taking into account its liquidity period.
3. Whenever there is a transfer of profit to capital or a transfer of capital from capital surplus, the earnings per share for prior years and half-yearly periods shall be adjusted retroactively in proportion to the capital increase, without regard to the period of the issuance of such capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends, whether paid or not, shall be deducted from net income after tax, or increased from net loss after tax. If the preferred stock is noncumulative, the preferred stock dividends shall be deducted from net income after tax when net income is available; if it is a loss, no adjustment is required.

Note 5: The cash flow analysis should be measured with particular attention to the following:

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure represents the annual cash outflow from capital investment.
3. Inventory increases are only credited when the ending balance is greater than the opening balance, or zero if inventory decreases at the year-end.
4. Cash dividends include cash dividends on both common and preferred shares.
5. Gross property, facilities and equipment represents the total amount of property, facilities and equipment before accumulated depreciation.

Note 6: Issuers should classify the various operating costs and operating expenses as fixed and variable by nature and, where estimates or subjective judgments are involved, note their measure of reason and maintain consistency.
Note 7: If the Company's shares are denominated in non-denominated shares or denominated in amounts other than NT$10 per share, the calculation of the ratio of paid-in capital is based on the ratio of equity attributable to the owners of the Parent Company on the balance sheet instead.

6.3 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Wistron ITS's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron ITS Corp.. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron ITS Corp.

Convener of the Audit Committee：Frank Juang

Mar 23, 2020

6.4 Consolidated Financial Statements of the latest year: Please refer to Appendix 1

6.5 Parent Company Only Financial Statements of the latest year: Please refer to Appendix 2

6.6 Any financial distress experienced by the Company or its affiliated companies and impacts on the Company's financial postion, in the last year up till the publication date of this annual report : None.

7. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

7.1.1 2019 vs. 2018 financial analysis

Unit: NT$ thousands

Item \ Year	2019.12.31	2018.12.31	Difference	
			Amount	%
Current assets	2,339,315	2,518,321	-179,006	-7
Net property, plant and equipment	853,356	58,210	795,146	1,366
Intangible assets	32,036	26,388	5,648	21
Other assets	136,987	360,711	-223,724	-62
Total assets	3,361,694	2,963,630	398,064	13
Current liabilities	1,037,404	924,065	113,339	12
Non-current liabilities	215,293	212,363	2,930	1
Total liabilities	1,252,697	1,136,428	116,269	10
Common stock	664,011	602,137	61,874	10
Capital surplus	736,051	717,711	18,340	3
Retained earnings	834,032	583,258	250,774	43
Other equity	-125,097	-75,904	-49,193	65
Total equity	2,108,997	1,827,202	281,795	15

Analysis for asset, liability and stockholders' equity balance change more than 20%:

1. The increase in Net property, plant and equipment was mainly due to the expansion of operation; where the procurement of real estate in Taiwan and Wuhan, China occurred during this year.
2. The decrease in Other assets was mainly due to the down-payment of real estate last year, where it has been recategorized into real estate during this year.
3. The increase in Common stock and Capital surplus was mainly due to the distribution of stock dividends as well as allowing for employees to convert their profit sharing bonus into reinvestments.
4. The increase in Retained earnings was mainly due to overall good operation performance this year, where the net profit showed increase.
5. The decrease in Other equity was mainly due to exchange loss on translation of foreign financial statements.

7.2 Analysis of Financial Performance

7.2.1 2019 vs. 2018 operating result analysis

Unit: NT$ thousands

Year / Item	2019	2018	Increasing (decreasing) amount	Change percentage (%)
Net revenues	5,323,464	3,953,321	1,370,143	35
Cost of sales	4,020,905	3,023,926	996,979	33
Gross profit	1,302,559	929,395	373,164	40
Operating expenses	863,960	722,177	141,783	20
Operating income	438,599	207,218	231,381	112
Non-operating income and expenses	19,545	67,344	-47,799	-71
Profit before tax	458,144	274,562	183,582	67
Income tax expenses	45,021	21,372	23,649	111
Net income	413,123	253,190	159,933	63

Analysis for change item amount change more than 20%:

1. Increase in Net revenues, Cost of sales and Gross profit was mainly due to the increase in market demand during 2019, leading to large growth in performances. This led to increase on cost in personnel that offered IT related technical services, however the overall gross profit also showed an increase.
2. Increase in Operating expenses was mainly due to the increase of employees, which led to the increase of personnel expenses; the growth on sales also contributed to the increase of estimated bonuses, and a growth on compensation packages for both employees and directors.
3. Increase in Operating income was mainly due to increase of sales, leading to increase of income and gross profit.
4. Decrease in Non-operating income and expenses was mainly due to the reduction in government subsidies in 2019 as well as the recovering accounts receivable recognized as bad debts in prior years in 2018.
5. Increase in Profit before tax was mainly due to increase in net operating income.
6. Increase in Income tax expenses was mainly due to increase in profit before tax.
7. Increase in Net profit was mainly due to increase in net operating income.

7.2.2 The expected sales volume and its basis, the possible impact on the Company's future financial operations, and the plan of response

1. The expected sales volume for the coming year and its basis:
   The Company expects its business volume to grow steadily in the coming year, mainly based on changes in the general economic environment, industry trends and the Company's future development direction, and with reference to the Company's recent operating objectives.

2. The possible impact on the Company's future financial operations, and the plan of response: None.

7.3 Cash flow

7.3.1 Analysis of cash flow in 2019 and liquidity improvement plan

Unit: NT$ thousands

Cash beginning balance	Cash flow from operating activities	Cash flow (used in) investing & financing activities	Cash ending balance	Plan for cash ending balance shortage	
				Investment plan	Financing plan
1,295,230	331,745	-751,862	875,113	-	-

1. Analysis of cash flow in 2019

(1) Operating activities: The net cash inflow from operating activities was mainly attributable to the continued profitability of operations during the period.

(2) Investing activities: The net cash outflow from investing activities was mainly due to the purchase price paid in the current period for the acquisition of real estate and the increase in leasehold improvements required for the expansion of operations in the previous period.

(3) Financing activities: The net cash outflow from financing activities mainly resulted from the payment of cash dividends and repayment of loans during the period.

2. Liquidity improvement plan

The Company showed no signs of liquidity deficit.

7.3.2 Analysis of cash liquidity in the coming year

The Company had a good operating profit for the year and paid cash dividends during the year, which the Company used in accordance with the expected execution plan. In terms of business development, the Company remains focused on its business and prudently evaluates all business developments in order to maintain normal operations, with no cash shortfall expected in the coming year.

7.4 Major Capital Expenditures and Impact on Financial and Business

7.4.1 Major Capital Expenditure

Unit: NT$ thousands

Plan	Actual or planned source of capital	Total amount as of Dec 31, 2018	Status of Actual Use of Capital
Obtained real estate in Taipei, Taiwan	Increased in cash capital	465,560	465,560

7.4.2 Expected Future Benefits

The above capital expenditures are necessary to meet the Company's expansion of operations and to purchase real estate for use as office space; in the long run, the Company's cost to purchase real estate is less than rental costs.

7.5 Investment Policies

7.5.1 Investment policy for the most recent fiscal year and the profits/losses generated

1. The Company's investment policy is to invest in the research and development of software, the production and maintenance of computer information systems, and technical consulting services, while overseas investment is mainly in China and Japan. The Company's investments are based on the extension of the Company's core competitiveness, and each investment project is carefully evaluated.

2. The Company's recognized net income from long-term investments accounted for using equity method is NT$342,108 thousands for 2019.

The long-term investments accounted for using equity method for 2019 are as follows:

Unit: NT$ thousands

Invested Company	Shareholding	Investment costs	Account Balance	2019 Investment Gain/Loss
Wistron Information Technology and Services Inc.	100%	294,184	1,209,689	321,433
Wistron Information Technology and Services (Japan) Inc.	100%	29,564	102,443	18,701
Wistron Information Technology and Services Limited	100%	44	9,730	(3,611)
WITS AMERICA, CORP.	100%	7,586	14,207	5,585

7.5.2 Investment plans for the coming year:

The Company will keep focus on operation for main business.

7.6 Risk Management

7.6.1 How does interest rate, exchange rate, or inflation influence Company’s profit and loss, and how to manage such risks

Unit : NT$ thousands

	2019	2018
Operating Revenue	5,323,464	3,953,321
Interest Expense	7,757	1,166
Interest Expense/ Operating Revenue	0.15%	0.03%
Net Exchange Gain	3,384	4,579
Net Exchange Gain/ Operating Revenue	0.06%	0.12%

1. Effect of interest rate changes on the Company's profit or loss and future measures to address such issues:

   The Company's cash management policy is mainly based on the principle of safe, secure and stable, therefore idle funds are mainly placed in time deposits with banks. The cash positions required for operating activities were borrowed at market-beating interest rates and adjusted appropriately for the cash positions. In the future, the Company will continue to pay attention to interest rate trends and prudently decide on the way to raise funds in order to obtain more favourable interest rates and avoid possible interest rate risks arising from operations, subject to the improvement of financial structure and reduction of interest rate risk movements.
2. Effect of exchange rate changes on the Company's profit or loss and future measures to address such issues:

   The Company's exchange gain amounted to NT$3,384 thousands for 2019, representing a ratio of 0.06% to net operating revenue for the period. In order to avoid the impact of exchange rate fluctuations on the Company's profit or loss, the Company's financial division maintain close contact with financial institutions to keep abreast of international exchange rate movements and changes, make timely adjustments to foreign currency holdings, and prudently evaluate the engagement of forward foreign exchange contracts.
3. Inflation:

   The Company had no inflationary events that had a material impact on earnings.

7.6.2 What is the Company’s policy to make high risk or leveraged investment, make a loan, make a guarantee or buy derivatives? And what are the reasons of gain or loss and what are the future plans

The Company did not engage in high-risk, highly leveraged investments, loans to others or derivative transactions during the last year, and the Company's endorsement guarantees during the most recent year were limited to 100% owned subsidiaries of the Company, and no losses were incurred. The Company has established "Procedures for Governing Loaning of Funds", "Procedures for Governing Endorsements and Guarantees", " Rules and Procedures for Derivatives Transactions" and "Procedures for Acquisition and Disposal of Assets ". The Company will continue to strictly adhere to the procedural norms and all transactions will be conducted in accordance with the relevant regulations.

7.6.3 Future R&D Development Plan and Investment

The Company provides information outsourcing services, technical consulting services, business process outsourcing services, product globalization services, to name a few. The Company provides software development services according to customers' needs and develop professional software testing services in response to customers' needs to improve product quality, providing customers with one-stop solutions for testing services. The Company continues to develop and nurture technical expertise and enrich the depth of our technical team. No significant risk is expected as the amount of research and development expenses is not significant as a proportion of overall costs and expenses.

7.6.4 Effects of and Responsive actions to Changes in Policies and Regulations Relating to Finance and Operation

The Company keeps abreast of important policy and legal changes at home and abroad and assesses their impact on the Company, and there was no material adverse effect on the Company's financial operations as a result of the policy and legal changes both domestic and internationally in the recent years and as of the date of the annual report.

7.6.5 Effects of and Responsive actions to Changes in Technology and the Industry Relating to Finance and Operation

The Company is a professional consulting firm for the production, maintenance and technical consulting of information systems, and the recent technological changes have no direct and significant impact on the Company's finance and operations.

7.6.6 Effects of and Responsive Actions to Changes in Corporate Image Change on Our Risk Management

The Company has always adhered to the business philosophy of respecting clients, integrity and innovation, in order to create a win-win situation for clients, employees and shareholders, the Company attaches importance to corporate image and risk control. Currently there are no adverse reports on the Company's image.

7.6.7 Expected Benefits, Risks and Responsive Measures of Planned Mergers or Acquisitions

Currently there are no active mergers or acquisitions ongoing.

7.6.8 Expected Benefits, Risks and Responsive Measures Related to Plant Facility Expansions

The Company has no current expansions.

7.6.9 Supply and Distribution Concentration

The Company purchases hardware, software and professional consulting services to meet the needs of the project. For the procurement of professional manpower, the most suitable person is assigned according to the nature of the project, function and customer requirements. The Company has established good relationships with professional information service providers that are frequent purchasers and maintains long-term relationships with them. Overall, the Company's labor costs from external purchases accounted for only 21% of operating costs, and although one supplier's reliance exceeds 10% of overall requirement, the impact on the Company's operating costs is not material and there is no risk of concentration of supply.

The Company's main services are information technology services. Since the service content is customized to the projects, the sales to clients and the sales amount may vary significantly from year to year depending on the clients' demand for information system integration and the project content. The Company has only one client with sales revenues in excess of 10% in the last year and has no risk of sales concentration.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings over 10%

There have been no significant shareholding transfers by directors, supervisors or substantial shareholders holding more than 10% of the Company's shares during the last year and up to the date of the annual report.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

Not applicable as there was no change in the Company's franchise for the recent years and as of the date of the annual report.

7.6.12 Does the Company or its directors, supervisors, general manager, key managers, shareholders with more than 10% shareholding or subsidiaries have any pending lawsuits or disputes which might significantly affect the shareholders' equity or share prices? If yes, what are the facts, claims, filing date, major parties and status upon publication of this Report: None

7.6.13 Information Security

1. Information Security Policy
   In order to fulfill the requirements of the ISO information security management system, the Company focuses on process systems, compliance, personnel training, and the application of technology to strengthen the security and protection capabilities of data, information systems, equipment, and network communications, effectively reducing the risk of information asset theft, misuse, leakage, falsification, or destruction due to human error, intentional or natural disasters to ensure the commitment to shareholders and clients and to achieve the purpose of sustainable management.
2. Information security management for effective operations and continuous improvement
   ISO27001 certification for information security management, ensuring the effectiveness of management through continuous improvement of the operation model. The management mechanism consists of:

(1) Formulate complete standards and clear operating procedures for the systematic operation of information security management.
(2) Identify, protect, detect, respond and recover in a timely and effective manner through the use of various tools and technologies.
(3) Establish an operational process for responding to and recovering from information security anomalies in order to quickly isolate and eliminate threats and reduce the scope and extent of impact.
(4) Perform disaster recovery drills for critical application systems on a regular basis to ensure their effectiveness.
(5) Employee safety education and training to raise employees' awareness of information safety in a comprehensive manner.
(6) Perform regular internal and external audits every year to review the entire management system to ensure normal operation and continuous improvement.

3. Security and Cyber Risk Assessment
   The "Information Asset Inventory" is regularly reviewed annually, and risk assessments are conducted based on internal and external information security issues, information security events, and audit results. Appropriate resources are invested to improve or increase control measures to reduce or eliminate risks for high-risk items.
4. Impact of significant information security events that have occurred and measures taken in response
   No significant information security incidents in 2019.
   In order to respond to the external changes and the ever-changing attack techniques, we are constantly paying attention to new information and technologies to keep our defensive or management practices up to date, so as to effectively block new forms of information security threats and reduce operational risks.

7.6.14 Other Risks: None.

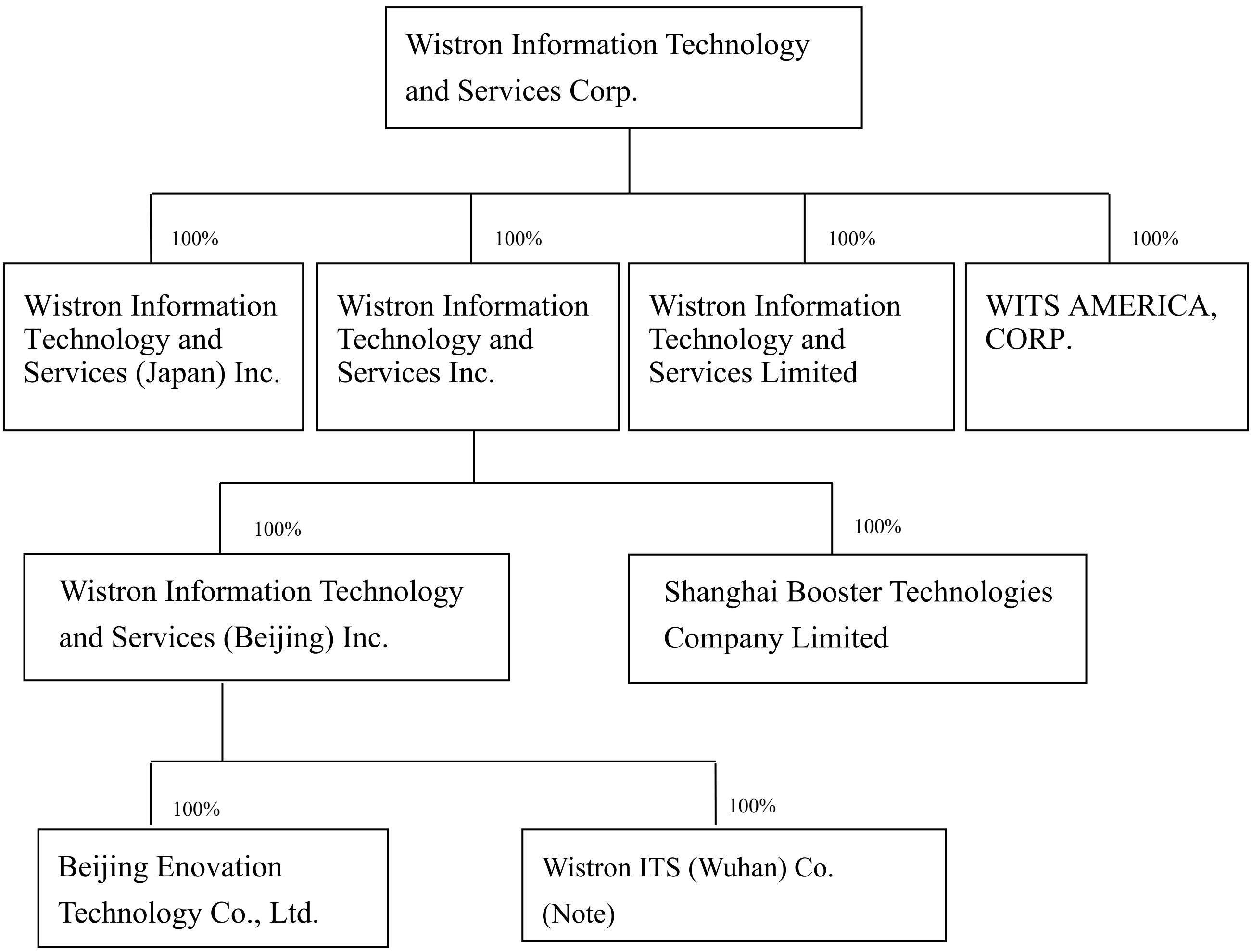
7.7 Other Important Matters: None

8. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated business report

A. Organizational chart (As of December 31, 2019)



Note: Wuhan Wistron Virgin Technology & Service Inc. was renamed Wistron ITS (Wuhan) Co. on January 4, 2019, and completed registration.

B. Information of affiliated companies

Brief Name	Name of Company	Date of incorporation	Location	Currency	Paid in Capital	Main Business or Products
WIBI	Wistron Information Technology and Services Inc.	2002.11.01	B.V.I.	USD	9,000,000	Professional investor
WIJP	Wistron Information Technology and Services (Japan) Inc.	2003.02.05	Japan	JPY	98,000,000	Research and development, design, trade, and consultancy service business of computer information technology software.
WIHK	Wistron Information Technology and Services Limited	2004.03.03	Hong Kong	HKD	10,000	Research and development, design, trade, and consultancy service business of computer information technology software.
WIUS	WITS AMERICA,CORP.	2014.01.09	U.S.A.	USD	250,000	Research and development, design, trade, and consultancy service business of computer information technology software.
WIBJ	Wistron Information Technology and Services (Beijing) Inc.	2003.01.27	China	USD	16,300,000	Research and development, design, trade, and consultancy service business of computer information technology software.
QT	Shanghai Booster Technologies Company Limited.	2003.03.06	China	USD	140,000	Research and development, design, trade, and consultancy service business of computer information technology software.
WIYC	Beijing Enovation Technology Co., Ltd.	2010.05.31	China	RMB	5,000,000	Research and development, design, trade, and consultancy service business of computer information technology software.
WIWZ	Wistron ITS (Wuhan) Co.	2010.12.29	China	RMB	78,000,000	Research and development, design, trade, and consultancy service business of computer information technology software.

C. Shareholders in common of the Company and its subsidiaries with deemed control and subordination: None.

D. Business scope of the Company and its affiliated companies:

1. The Company and its affiliates offer professional services such as software R&D, software testing, system operation, business process outsourcing, and product globalization services.
2. Overall, the businesses of the Company and its affiliates are relevant to each other, in which the Company and its affiliates often share the workload to offer cross-regional integration, global delivery and offshore R&D work, offering support for each other in order to maximize the competitive power of the Group, and creating the most effective performance.

E. Information of directors, supervisors and presidents of affiliated companies (as of Dec. 31, 2019)

Brief Name	Name of Company	Title / Represented Institution	Name	No. of Shares / Paid in Capital	Ratio (%)
WIBI	Wistron Information Technology and Services Inc.	Director	Ching Hsiao、Phoebe Chang	-	-
WIJP	Wistron Information Technology and Services (Japan) Inc.	Representative Director	Ching Hsiao、Masahiko Oaku	-	-
		Director	Andy Kuo	-	-
		Supervisor	Phoebe Chang	-	-
WIHK	Wistron Information Technology and Services Limited	Director	Ching Hsiao、Phoebe Chang	-	-
WIUS	WITS AMERICA,CORP.	Director	Ching Hsiao、Phoebe Chang	-	-
WIBJ	Wistron Information Technology and Services (Beijing) Inc.	Chairman	Ching Hsiao	-	-
		Director	Jamie Liu、Steve Lee	-	-
		Supervisor	Phoebe Chang	-	-
QT	Shanghai Booster Technologies Company Limited.	Chairman & President	Ching Hsiao	-	-
		Director	Jamie Liu、Rick Chang (Note)	-	-
		Supervisor	Phoebe Chang	-	-
WIYC	Beijing Enovation Technology Co., Ltd.	Chairman	Monica Sai	-	-
		Supervisor	Phoebe Chang	-	-
WIWZ	Wistron ITS (Wuhan) Co.	Chairman	Ching Hsiao	-	-
		Director	Rick Chang (Note)	-	-
		Director & President	YuXiangYang	-	-
		Supervisor	Phoebe Chang	-	-

Note: Resigned on April 1, 2020.

F. Operation highlights of the Company's affiliated companies

Unit: NT$ thousands

Brief Name	Name of Company	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenues	Operating income	Net income (after-tax)	Earnings Per Share (in dollar)
WIBI	Wistron Information Technology and Services Inc.	294,184	1,363,565	153,876	1,209,689	774,998	-31,216	321,433	1.79
WIJP	Wistron Information Technology and Services (Japan) Inc.	29,564	241,276	138,833	102,443	841,932	30,334	18,701	9,541.33
WIHK	Wistron Information Technology and Services Limited	44	67,591	57,861	9,730	230,118	3,468	-3,611	-361.10
WIUS	WITS AMERICA,CORP.	7,586	56,937	42,730	14,207	173,506	8,251	5,585	22.34
WIBJ	Wistron Information Technology and Services (Beijing) Inc.	502,865	1,480,833	209,099	1,271,734	1,435,663	36,973	328,950	Note 1
QT	Shanghai Booster Technologies Company Limited.	4,445	3,434	4,349	-915	10,085	626	1,102	Note 1
WIYC	Beijing Enovation Technology Co., Ltd.	24,449	21,248	3,797	17,451	19,947	-1,014	-128	Note 1
WIWZ	Wistron ITS (Wuhan) Co.	356,800	1,508,591	582,285	926,306	3,053,382	279,330	296,029	Note 1

Note 1: Limited Company

8.1.2 Consolidated Financial Statements Covering Affiliated Companies:

Please refer to this English version annual report (p.88-145)

8.1.3 Affiliation Reports: None.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Matters that Require Additional Description:

Commitment of listing on TPEX	Implementation status
Original Version To Commit to add the following paragraph in "Procedures for Acquisition and Disposal of Assets": The Company shall not give up capital increase in the future years on Wistron Information Technology and Service Inc.(referred to "WIBI"), Wistron Information Technology and Service(Japan) Inc.(referred to "WIJP"), and Wistron Information Technology and Service Limited. WIBI shall not give up capital increase in the future years on Wistron Information Technology and Services (Beijing) Inc. (referred to "WIBJ") and Shanghai Booster Technologies Company Limited. WIJP shall not give up capital increase in the future years on Wistron Information Technology and Service (Japan) Inc.(2). WIBJ shall not give up capital increase in the future years on Beijing Enovation Technology co., Ltd. and Wistron ITS (Wuhan) Co. If in the future, each company is required on the basis of strategic alliances or consent granted from Taipei Exchange, it shall be approved by special resolutions of Board of Directors of the Company. Furthermore, if the Procedures are subsequently amended, the Company shall announce material information in Market Observation Post System and report to Taipei Exchange in the form of letter for recordation.	Implement under Taipei Exchange's instructions, resolved by Board of Directors on March 26, 2014, and approved by Shareholders' meeting on June 18, 2014.
Amended Version To Commit to amend the following paragraph in "Procedures for Acquisition and Disposal of Assets": The Company shall not give up capital increase in the future years on Wistron Information Technology and Service Inc.(referred to "WIBI"), Wistron Information Technology and Service(Japan) Inc.(referred to "WIJP"), and Wistron Information Technology and Service Limited (referred to "WIHK"). The Company shall maintain directly or indirectly holding 100 percent of the issued shares to Wistron ITS (Hong Kong) Limited (referred to "WIHK(II)"). WIBI and WIHK(II) shall maintain substantial control over Wistron Information Technology and Services (Beijing) Inc. (referred to "WIBJ"), Shanghai Booster Technologies Company Limited. (referred to "QT"), Beijing Enovation Technology co., Ltd. (referred to "WIYC"), and Wistron ITS (Wuhan) Co. (referred to "WIWZ"), and shall maintain directly or indirectly holding 90 percent or more of the issued shares to them. If in the future, on the basis of strategic alliances or other reasonable grounds, the Company is required to directly or	The Company amend the commitment of listing and obtain Taipei Exchange's agreement by TPEX letter No. 1090200153 on Feburary 10, 2020. It is resolved by Board of Directors on March 27, 2020, and will be submitted to Shareholders' meeting for approval on June 22, 2020.

Commitment of listing on TPEX	Implementation status
indirectly hold issued shares to WIBI, WIJP, WIHK, and WIHK(II) lower than the percentage mentioned above; or WIBI and WIHK(II) are required to directly or indirectly hold issued shares to WIBJ, QT, WIYC, and WIWZ lower than the percentage mentioned above, it shall be granted consent from Taipei Exchange (referred as "TPEX"), and then approved by special resolutions of Board of Directors of the Company. Furthermore, if the Procedures are subsequently amended, the Company shall announce material information in Market Observation Post System and report to TPEX in the form of letter for recordation.	
To commit to establish full-time internal auditors in Wistron Information Technology and Services (Beijing) Inc., and maintain the establishment after listing.	Implement under Taipei Exchange's instructions, established full-time internal auditors in Wistron Information Technology and Services (Beijing) Inc. and resolved by Board of Directors on March 26, 2014.

9. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.

Appendix 1: Consolidated Financial Statements of the Latest Year

Representation Letter

The entities that are required to be included in the combined financial statements of Wistron Information Technology and Services Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wistron Information Technology and Services Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Wistron Information Technology and Services Corporation
Chairman: Ching Hsiao
Date: March 27, 2020

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Independent Auditors' Report

To the Board of Directors of Wistron Information Technology and Services Corporation:

Opinion

We have audited the consolidated financial statements of Wistron Information Technology and Services Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accounts, Ruling No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(l) "Revenue" for accounting policy and Note 6(o) to the consolidated financial statements for the disclosure of revenue recognition.

Description of key audit matter

The Group is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluating if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the difference between the actual number and the same period last year; assessing and testing the sale transaction voucher to confirm the accurately of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

2. **Valuation of accounts receivable**

Please refer to Note 4(g) "Financial Instruments" for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the consolidated financial statements.

Description of key audit matter

The Group engaged in the information technology service industry. Resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Group' s accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Other Matter

Wistron information technology and services corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
March 27, 2020

Notes to Readers

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

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

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 875,113	26	1,295,230	44
1140	Current contract assets (note 6(o))	53,785	2	44,594	2
1170	Notes and accounts receivable, net (notes 6(c)(o))	1,375,045	41	1,113,996	37
1180	Accounts receivable－related parties, net (notes 6(c)(o) and 7)	19,476	1	19,567	1
1200	Other receivables	179	-	410	-
1220	Current tax assets	-	-	387	-
1410	Prepayments	14,495	-	39,538	1
1470	Other current assets (notes 6(g) and 8)	1,222	-	4,599	-
	Total current assets	2,339,315	70	2,518,321	85
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	13,212	-	13,072	-
1600	Property, plant and equipment (notes 6(d) and 8)	853,356	25	58,210	2
1755	Right-of-use assets (note 6(e))	64,579	2	-	-
1780	Intangible assets (note 6(f))	32,036	1	26,388	1
1840	Deferred tax assets (note 6(l))	22,448	1	21,469	1
1900	Other non-current assets (notes 6(g) and 8)	36,748	1	326,170	11
	Total non-current assets	1,022,379	30	445,309	15
	Total assets	$ 3,361,694	100	2,963,630	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term loans (note 6(h))	$ -	-	44,755	2
2130	Current contract liabilities (notes 6(o) and 7)	14,480	-	24,017	1
2170	Accounts payable	165,617	5	157,603	5
2180	Accounts payable－related parties (note 7)	6,060	-	-	-
2219	Other payables (note 6(p))	697,494	21	653,889	22
2220	Other payables－related parties (note 7)	126	-	-	-
2230	Current tax liabilities	42,609	1	12,462	-
2399	Other current liabilities	26,449	1	24,437	1
2280	Current lease liabilities (note 6(i))	38,696	1	-	-
2320	Long-term liabilities, current portion (notes 6(d)(g)(h) and 8)	45,873	2	6,902	-
	Total current liabilities	1,037,404	31	924,065	31
	Non-Current liabilities:				
2540	Long-term loans (notes 6(d)(g)(h) and 8)	71,320	2	81,498	3
2570	Deferred tax liabilities (note 6(l))	108,072	3	115,497	4
2580	Non-current lease liabilities (note 6(i))	20,526	1	-	-
2640	Net defined benefit liability, non-current (note 6(k))	15,375	-	15,368	-
	Total non-current liabilities	215,293	6	212,363	7
	Total liabilities	1,252,697	37	1,136,428	38
	Equity (notes 6(k)(l)(m)):				
3100	Capital stock	664,011	20	602,137	20
3200	Capital surplus	736,051	22	717,711	24
3300	Retained earnings	834,032	25	583,258	20
3400	Other equity	(125,097)	(4)	(75,904)	(2)
	Total equity	2,108,997	63	1,827,202	62
	Total liabilities and equity	$ 3,361,694	100	2,963,630	100

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(o) and 7)**	$ 5,323,464	100	3,953,321	100
5000	**Cost of sales (notes 6(d)(e)(f)(i)(j)(k), 7 and 12)**	(4,020,905)	(76)	(3,023,926)	(76)
	Gross profit	1,302,559	24	929,395	24
	Operating expenses (notes 6(c)(d)(e)(f)(i)(j)(k)(m)(p), 7 and 12)				
6100	Selling expenses	(123,700)	(2)	(191,690)	(5)
6200	Administrative expenses	(711,873)	(13)	(520,509)	(14)
6300	Research and development expenses	(8,273)	-	(1,698)	-
6450	Expected credit loss	(20,114)	(1)	(8,280)	-
	Total operating expenses	(863,960)	(16)	(722,177)	(19)
	Net operating income	438,599	8	207,218	5
	Non-operating income and expenses (notes 6(d)(i)(q)):				
7010	Other income	25,560	1	42,179	1
7020	Other gains and losses	1,742	-	26,331	1
7050	Finance costs	(7,757)	-	(1,166)	-
	Total non-operating income and expenses	19,545	1	67,344	2
	Profit before tax	458,144	9	274,562	7
7950	Income tax expenses (note 6(l))	(45,021)	(1)	(21,372)	(1)
	Net profit	413,123	8	253,190	6
8300	**Other comprehensive income (note 6(m)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	228	-	(2,278)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	140	-	3,458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	368	-	1,180	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(49,333)	(1)	(9,121)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(49,333)	(1)	(9,121)	-
8300	**Other comprehensive income (loss)**	(48,965)	(1)	(7,941)	-
	Total comprehensive income	**$ 364,158**	**7**	**245,249**	**6**
	Earnings per share (in dollars) (note 6(n))				
9750	**Basic earnings per share**	**$**	**6.23**		**4.75**
9850	**Diluted earnings per share**	**$**	**6.17**		**4.67**

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Capital stock		Retained earnings				Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity
Balance at January 1, 2018	$ 438,783	255,502	54,262	20,566	322,549	397,377	(44,455)	(25,786)	(70,241)	(11,742)	1,009,679
Net profit	-	-	-	-	253,190	253,190	-	-	-	-	253,190
Other comprehensive income	-	-	-	-	(2,278)	(2,278)	(9,121)	3,458	(5,663)	-	(7,941)
Total comprehensive income	-	-	-	-	250,912	250,912	(9,121)	3,458	(5,663)	-	245,249
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	10,924	-	(10,924)	-	-	-	-	-	-
Special reserve	-	-	-	27,675	(27,675)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(21,677)	(21,677)	-	-	-	-	(21,677)
Stock dividends	43,354	-	-	-	(43,354)	(43,354)	-	-	-	-	-
Cash subscription	120,000	432,000	-	-	-	-	-	-	-	-	552,000
Treasury shares transferred to employees	-	(1,070)	-	-	-	-	-	-	-	11,742	10,672
Treasury shares transferred to employees recognized the cost of compensation	-	21,646	-	-	-	-	-	-	-	-	21,646
Employee stock option compensation costs	-	9,633	-	-	-	-	-	-	-	-	9,633
Balance at December 31, 2018	602,137	717,711	65,186	48,241	469,831	583,258	(53,576)	(22,328)	(75,904)	-	1,827,202
Net profit	-	-	-	-	413,123	413,123	-	-	-	-	413,123
Other comprehensive income	-	-	-	-	228	228	(49,333)	140	(49,193)	-	(48,965)
Total comprehensive income	-	-	-	-	413,351	413,351	(49,333)	140	(49,193)	-	364,158
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	25,319	-	(25,319)	-	-	-	-	-	-
Special reserve	-	-	-	27,663	(27,663)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(102,363)	(102,363)	-	-	-	-	(102,363)
Stock dividends	60,214	-	-	-	(60,214)	(60,214)	-	-	-	-	-
New share issued through employees' profit sharing bonus	1,660	18,340	-	-	-	-	-	-	-	-	20,000
Balance at December 31, 2019	**$ 664,011**	**736,051**	**90,505**	**75,904**	**667,623**	**834,032**	**(102,909)**	**(22,188)**	**(125,097)**	**-**	**2,108,997**

See accompanying notes to financial statements.

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

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows generated from (used in) operating activities:		
Profit before tax	$ 458,144	274,562
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	81,225	20,357
Amortization expense	5,819	6,333
Expected credit loss	20,114	8,280
Interest expense	7,757	1,166
Interest income	(3,824)	(4,629)
Dividend income	(714)	(1,168)
Compensation cost arising from share—based payments	-	31,279
Loss on disposal of property, plant and equipment	11,572	4,497
Loss on disposal of intangible assets	8	-
Gain on lease modification	(2,384)	-
Total adjustments to reconcile profit	119,573	66,115
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in current contract assets	(10,676)	23,887
Increase in notes and accounts receivable, net	(320,353)	(496,897)
Increase in accounts receivable—related parties	(35)	(8,096)
Increase in other receivables	(106)	-
Decrease in inventories	-	137
Decrease (increase) in prepayments	24,218	(22,773)
Increase in other current assets	(370)	(2,554)
Total changes in operating assets	(307,322)	(506,296)
Changes in operating liabilities:		
Decrease in contract liabilities	(9,104)	(24,224)
Increase in accounts payable	12,255	22,584
Increase in accounts payable—related parties	6,223	-
Increase in other payables	77,712	177,041
Increase in other payables—related parties	126	-
Increase (decrease) in other current liabilities	2,388	(293)
Increase (decrease) in net defined benefit liability	235	(224)
Total changes in operating liabilities	89,835	174,884
Net changes in operating assets and liabilities	(217,487)	(331,412)
Total changes in operating assets and liabilities	(97,914)	(265,297)
Cash generated from operations	360,230	9,265
Interest received	4,161	5,884
Interest paid	(11,266)	(1,975)
Income taxes paid	(21,380)	(2,937)
Net cash flows generated from operating activities	331,745	10,237
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(522,348)	(39,997)
Proceeds from disposal of property, plant and equipment	3,622	34
Increase in refundable deposits	(1,293)	(12,491)
Acquisition of intangible assets	(8,624)	(3,169)
Decrease in other financial assets	269	90,267
Increase in other non-current assets	(1,188)	(294,449)
Dividends received	714	1,168
Net cash flows used in investing activities	(528,848)	(258,637)
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	684,308	664,494
Repayments of short-term loans	(729,055)	(662,520)
Increase in long-term loans	-	91,261
Repayments of long-term loans	(11,431)	(1,132)
Repayments of the principal portion of lease liabilities	(43,446)	-
Cash dividends paid	(102,363)	(21,677)
Proceeds from issuing shares	-	552,000
Treasury shares transferred to employees	-	10,672
Net cash flows generated from (used in) financing activities	(201,987)	633,098
Effect of exchange rate changes on cash and cash equivalents	(21,027)	(194)
Net increase (decrease) in cash and cash equivalents	(420,117)	384,504
Cash and cash equivalents at beginning of year	1,295,230	910,726
Cash and cash equivalents at end of year	$ **875,113**	**1,295,230**

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Mirrors International, Inc. was incorporated on June 1, 1992 as a company limited by shares under the laws of the Republic of China (R.O.C); and in July 2004, it changed its name to Wistron Information Technology and Services Corporation (the "Company"). Wistron Information Technology and Services Corporation and subsidiaries (the "Group") are primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual beginning on or after January 1, 2019.

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

Except for the IFRS 16 "Leases", the adoption of the above IFRSs would not have any material impact on its consolidated financial statements base on the Group's assessment. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

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

(Continued)

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(i).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheets.

The Group decided to apply recognition exemptions to short-term leases of office and other contracts.

Leases classified as operating leases under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized $89,638 and $89,638 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.8568%.

The explanation of differences between operating lease commitments immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018	$ 124,186
Recognition exemption for:	
short-term leases	(28,342)
leases of low-value assets	(282)
	$ 95,562
Discounted using the incremental borrowing rate at January 1, 2019 (Equal to the amount recognized at lease liabilities)	**$ 89,638**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The adoption of the abovementioned standards would not have any material impact on its consolidated financial statements based on the Group’s assessment.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies

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

(a) Statement of compliance

These consolidate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following material items in the balance sheets, the consolidated financial statements have been prepared on the historical cost basis:

1) Financial assets measured at fair value through other comprehensive income;

2) The net defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets, and the effect of the asset ceiling explained in notes 4(n).

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

1) Investment and holding company

Name of Investor	Name of subsidiary	Percentage of ownership 2019.12.31	2018.12.31
The Company	Wistron Information Technology and Services Inc. (WIBI, British Virgin Islands)	100.00 %	100.00 %

2) Research, develop, design of software, and IT consulting service

Name of investor	Name of subsidiary	Percentage of ownership 2019.12.31	2018.12.31
The Company	Wistron Information Technology and Services Limited (WIHK, Hong Kong)	100.00 %	100.00 %
The Company	Wistron Information Technology and Services (Japan) Inc. (WIJP, Japan)	100.00 %	100.00 %
The Company	WITS AMERICA, CORP. (WIUS, America)	100.00 %	100.00 %
WIBI	Wistron Information Technology and Services (Beijing) Inc. (WIBJ, China)	100.00 %	100.00 %
WIBI	Shanghai Booster Technologies Company Limited (QT, China)	100.00 %	100.00 %
WIBJ	Beijing Enovation Technology Co. Ltd. (WIYC, China)	100.00 %	100.00 %
WIBJ	Wistron ITS (Wuhan) Co. (WIWZ, China) (Note)	100.00 %	100.00 %

(Note) Wuhan Wistron Virgin Technology & Service Inc. was renamed Wistron ITS (Wuhan) Co. on January 4, 2019, and completed registration.

(Continued)

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability 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 issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through other comprehensive income-equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Impairment of financial assets

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

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

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

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(Continued)

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures： 5 to 50 years

2) Computers and other equipment： 1 to 6 years

3) Transportation equipment： 6 years

4) Office equipment： 5 to 6 years

5) Lease improvements： 1 to 10 years

6) Lease equipment： 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(Continued)

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset throughout the period of use only if either:

- The Group has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  — the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the Group designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the assessment on whether it will exercise an option to purchase the underlying asset; or

4) there is a change in the assessment on lease term as to whether it will exercise an extension or terminated option; or

5) there are any lease modifications to the assets, scope and other terms of the lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

Leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(Continued)

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Computer software 3~6 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than contract assets, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

(l) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(i) IT Consulting and Outsourcing services

The Group provides IT consulting and outsourcing services. Revenue is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

Some contracts include multiple deliverables, such as system development and maintenance service. In most cases, an integration service is not included, and the transaction price will be allocated based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(m) Government grants

In accordance with IAS No. 20 "Accounting for Government Grants and Disclosure of Government Assistance", the Group recognizes government grants when there is reasonable assurance that the Group will follow the conditions and the grant will be received. The Group recognizes government grants in profit or loss according to a reasonable and systematic method to match its related costs during the period.

(Continued)

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

Grant date of the share-based payment award is the date the Group inform their employees about the exercise price and shares.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock option and employees’ profit sharing bonus.

(r) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with Regulations and the IFRs endorsed by FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is valuation of accounts receivable.

The Group has estimated the loss allowance of accounts receivable based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments.

However, in the face of future economic trends, the Group may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses.

The allowance loss for accounts receivable please refer to Note 6(c).

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 331	674
Demand and checking deposits	670,423	1,205,763
Time deposits	204,359	88,793
Cash and cash equivalents in the consolidated statement of cash flows	**$ 875,113**	**1,295,230**

Please refer to Note 6(r) for the currency rate risk and sensitivity analysis of the financial assets of the Group.

(b) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Unlisted stocks	**$ 13,212**	**13,072**

(i) The Group designated the investments show above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

(ii) For market risk, please refer to Note 6(r).

(iii) The aforementioned financial assets were not pledged as collateral.

(c) Accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,389,651	1,122,327
Accounts receivable-related parties	19,476	19,567
Less: Loss allowance	(14,606)	(8,331)
	$ 1,394,521	**1,133,563**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as the incorporated forward-looking information.

(Continued)

The loss allowance provision was determined as follows:

	December 31, 2019		
	Gross carrying amount	**Weighted-average expected credit loss rate**	**Lifetime expected credit loss allowance**
Not overdue	$ 1,083,084	0~0.179%	581
Overdue within 30 days	115,416	0~0.326%	153
Overdue 31~120 days	180,602	0~4.480%	1,981
Overdue 121~180 days	12,212	0~8.466%	696
Overdue 181~365 days	17,037	0~98.864%	10,419
Overdue more than 365 days	776	100%	776
	$ 1,409,127		**14,606**

	December 31, 2018		
	Gross carrying amount	**Weighted-average expected credit loss rate**	**Lifetime expected credit loss allowance**
Not overdue	$ 887,360	-	-
Overdue within 30 days	127,947	0.549%	702
Overdue 31~120 days	89,261	1.277%	1,140
Overdue 121~180 days	20,403	2.902%	592
Overdue 181~365 days	16,822	27.268%	4,587
Overdue more than 365 days	101	100%	101
	$ 1,141,894		**7,122**

The movements in the allowance for accounts receivable were as follow:

	2019	**2018**
Balance at January 1	$ 8,331	1,628
Impairment losses recognized	20,011	8,480
Amount written off	(13,175)	(1,622)
Effect of changes in foreign exchange rate	(561)	(155)
Balance at December 31	**$ 14,606**	**8,331**

(Continued)

(d) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

		Land	Buildings and structures	Computers and other equipment	Transportation equipment	Office equipment	Lease improvements	Lease equipment	Construction in progress and testing equip	Total
Cost：										
Balance as of January 1, 2019	$	-	-	88,562	-	13,870	69,896	504	-	172,832
Additions (Note 1)		158,451	304,116	41,374	-	41,796	18,605	-	6,250	570,592
Reclassification (Note 2)		27,462	263,973	(143)	-	-	487	-	-	291,779
Disposals		-	-	(28,457)	-	(7,254)	(35,831)	-	-	(71,542)
Effect of changes in foreign exchange rates		-	(9,564)	(1,848)	-	(1,414)	(1,655)	-	(231)	(14,712)
Balance as of December 31, 2019	$	**185,913**	**558,525**	**99,488**	**-**	**46,998**	**51,502**	**504**	**6,019**	**948,949**
Balance as of January 1, 2018	$	-	-	88,195	825	13,141	58,333	504	-	160,998
Additions		-	-	21,407	-	4,375	14,215	-	-	39,997
Reclassification		-	-	-	-	-	88	-	-	88
Disposals		-	-	(20,240)	(834)	(3,486)	(1,846)	-	-	(26,406)
Effect of changes in foreign exchange rates		-	-	(800)	9	(160)	(894)	-	-	(1,845)
Balance as of December 31, 2018	$	**-**	**-**	**88,562**	**-**	**13,870**	**69,896**	**504**	**-**	**172,832**
Accumulated depreciation：										
Balance as of January 1, 2019	$	-	-	55,583	-	6,517	52,018	504	-	114,622
Depreciation		-	7,545	17,103	-	4,403	10,417	-	-	39,468
Disposals		-	-	(19,179)	-	(4,984)	(32,185)	-	-	(56,348)
Effect of changes in foreign exchange rates		-	(132)	(1,007)	-	(152)	(858)	-	-	(2,149)
Balance as of December 31, 2019	$	**-**	**7,413**	**52,500**	**-**	**5,784**	**29,392**	**504**	**-**	**95,593**
Balance as of January 1, 2018	$	-	-	61,108	436	7,867	47,406	504	-	117,321
Depreciation		-	-	11,374	127	1,789	7,067	-	-	20,357
Disposals		-	-	(16,373)	(568)	(3,088)	(1,846)	-	-	(21,875)
Effect of changes in foreign exchange rates		-	-	(526)	5	(51)	(609)	-	-	(1,181)
Balance as of December 31, 2018	$	**-**	**-**	**55,583**	**-**	**6,517**	**52,018**	**504**	**-**	**114,622**
Carrying value：										
Balance as of December 31, 2019	$	**185,913**	**551,112**	**46,988**	**-**	**41,214**	**22,110**	**-**	**6,019**	**853,356**
Balance as of December 31, 2018	$	**-**	**-**	**32,979**	**-**	**7,353**	**17,878**	**-**	**-**	**58,210**
Balance as of January 1, 2018	$	**-**	**-**	**27,087**	**389**	**5,274**	**10,927**	**-**	**-**	**43,677**

Note 1: Including interest capitalization.
Note 2: Reclassifications are mainly transferring from prepayment for land and building and structures.

(i) During the building on property, plant and equipment, the interest capitalization to pay were as follows:

	2019	2018
Amount of capitalization (in thousands CNY)	781	209
Average capitalization rate	5.225%~5.635%	5.635%

(ii) As of December 31, 2019 and 2018, the property, plant and equipment were pledged, please refer to Note 8.

(Continued)

(e) Right-of-use assets

The Group leases buildings and structures and transportation equipment. The movements in right-of-use assets were as follows:

		Buildings and structures	Transportation equipment	Total
Cost:				
Balance as of January 1, 2019	$	89,638	-	89,638
Additions		67,455	1,610	69,065
Disposals		(62,575)	-	(62,575)
Effect of changes in foreign exchange rates		(2,688)	(11)	(2,699)
Balance as of December 31, 2019	**$**	**91,830**	**1,599**	**93,429**
Accumulated depreciation:				
Balance as of January 1, 2019	$	-	-	-
Depreciation		41,531	226	41,757
Disposals		(12,047)	-	(12,047)
Effect of changes in foreign exchange rates		(857)	(3)	(860)
Balance as of December 31, 2019		**28,627**	**223**	**28,850**
Carrying amount:				
Balance as of December 31, 2019		**63,203**	**1,376**	**64,579**

The Group leases offices, company cars and parking lots under an operating lease for the year ended December 31, 2018, please refer to Note 6(j).

(f) Intangible assets

(i) The movements in intangible assets were as follows:

		Software	Goodwill	Total
Cost:				
Balance as of January 1, 2019	$	39,051	19,440	58,491
Additions		8,624	-	8,624
Reclassification		3,110	-	3,110
Disposals		(1,184)	-	(1,184)
Effect of changes in foreign exchange rates		(539)	(63)	(602)
Balance as of December 31, 2019	**$**	**49,062**	**19,377**	**68,439**

(Continued)

		Software	Goodwill	Total
Balance as of January 1, 2018	$	36,922	18,564	55,486
Additions		3,169	-	3,169
Disposals		(833)	-	(833)
Effect of changes in foreign exchange rates		(207)	876	669
Balance as of December 31, 2018	$	**39,051**	**19,440**	**58,491**
Accumulated amortization:				
Balance as of January 1, 2019	$	32,103	-	32,103
Amortization		5,819	-	5,819
Disposals		(1,176)	-	(1,176)
Effect of changes in foreign exchange rates		(343)	-	(343)
Balance as of December 31, 2019	$	**36,403**	**-**	**36,403**
Balance as of January 1, 2018	$	26,783	-	26,783
Amortization		6,333	-	6,333
Disposals		(833)	-	(833)
Effect of changes in foreign exchange rates		(180)	-	(180)
Balance as of December 31, 2018	$	**32,103**	**-**	**32,103**
Carrying value:				
Balance as of December 31, 2019	$	**12,659**	**19,377**	**32,036**
Balance as of December 31, 2018	$	**6,948**	**19,440**	**26,388**
Balance as of January 1, 2018	$	**10,139**	**18,564**	**28,703**

(ii) For the years ended December 31, 2019 and 2018, the amortization of intangible assets is included in the cost of sales and operating expenses in the statement of comprehensive income.

(iii) Impairment testing for goodwill

Goodwill arising from the acquisition of Adcreation Co., Ltd on October 1, 2011, and merged into Osaka sector. The amount of goodwill was JPY 70,081 thousand, mainly comes from the existing customers of Adcreation Co., Ltd will bring the benefits from the growth of revenue in Japan. According to IAS 36, goodwill acquired in a business combination is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units, that are expected to benefit from the synergies of the combination. Osaka sector itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of Osaka sector with its carrying amount to determine whether an impairment loss should be recognized.

(Continued)

The Equity Value Analysis Report issued by an expert engaged by the Group had been prepared based on Adcreation Co., Ltd' s financial forecast covering 2012 to 2016. The projection of operating revenue over the forecast period was made based on the sales plan forecast. Therefore, the consolidated financial statements mainly evaluate and illustrate whether the actual operating revenue achieves the forecast operating revenue for the years ended December 31, 2019 and 2018.

According to the impairment test results of the Group, the recoverable amount determined based on a value in use for the cash-generating unit is greater than the carrying amount. Therefore, no impairment loss should be recognized.

The recoverable amount had been determined based on a value in use for the cash-generating unit. The key assumptions used in the estimation were as follows:

1) The future cash flow was based on the financial budget for the next 5 years which was approved by the management. For the future cash flow farther than 5 years in the future, the estimated growth rate is 0%.

2) For the estimate of profit before tax, interest and amortization during the financial budget period, was based on expectation of future operations, considering past experience, to adjusted for the anticipated revenue growth. Revenue growth was projected considering the average growth levels experienced over the past years, and the estimated project volume and price growth for the next five years. The sales price for the next five years is assumed to be slightly higher than the expected inflation rate increase.

3) The Group estimated the discount rate before tax based on the weighted average cost of capital. The discount rate before tax for the recoverable amount was as follows:

	December 31, 2019	**December 31, 2018**
Discount rate	34.39 %	35.64 %

(g) Other current assets and other non-current assets

(i) Other current assets

	December 31, 2019	**December 31, 2018**
Other financial assets	$ -	269
Refundable deposits	-	3,457
Temporary payment	1,222	873
	$ 1,222	**4,599**

For the years ended December 31, 2019 and 2018, no impairment loss was recognized on the other current assets. For credit risk, please refer to Note 6(r).

(Continued)

(ii) Other non-current assets

	December 31, 2019	December 31, 2018
Refundable deposits	$ 35,604	31,634
Prepayment for equipment	1,144	3,111
Prepayment for land and buildings	-	291,425
	$ 36,748	**326,170**

(iii) For the years ended December 31, 2019 and 2018, the other current assets and other non-current assets were pledged, please refer to Note 8.

(h) Bank loans

(i) Short-term loans

	December 31, 2019	December 31, 2018
Unsecured bank loans	**$ -**	**44,755**
Unused bank credit lines	**$ 1,488,962**	**164,755**
Range of interest rates	**-%**	**5.0025%**

(ii) Long-term loans

	December 31, 2019		
	CNY (thousand)	**Expiration**	**Amount**
Secured bank loans	$ 27,197	2022.1~2028.10	117,193
Less: current portion	(10,646)		(45,873)
	$ 16,551		**71,320**
Unused bank credit lines	**$ -**		**-**
Range of interest rates			**5.225%-5.39%**

	December 31, 2018		
	CNY (thousand)	**Expiration**	**Amount**
Secured bank loans	$ 19,752	2028.10	88,400
Less: current portion	(1,542)		(6,902)
	$ 18,210		**81,498**
Unused bank credit lines	**$ 10,000**		**44,755**
Range of interest rates			**5.6350%**

(Continued)

As December 31, 2019, the details of the future repayment period of the long-term loans were as follows:

Period	Amount
Within one year	$ 45,873
Between one and five years	32,619
Over five years	38,701
	$ 117,193

(iii) For the collateral for bank loans, please refer to Note 8.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2019
Current	**$ 38,696**
Non-current	**$ 20,526**

For the maturity analysis, please refer to Note 6(r).

The amount recognized in profit or loss were as follows:

	2019
Interest expenses on lease liabilities	**$ 3,526**
Expenses relating to short-term leases	**$ 24,180**
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	**$ 10,657**

The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	**$ 81,809**

(i) Leases of buildings and structures

As of December 31, 2019, the Group leases buildings and structures for its office space. The leases of office space run for a period of 1 to 10 years.

(ii) Other leases

The Group lease some office equipment. These leases are short-term or leases of low-value items. The Group has selected not to recognize right-of use assets and lease liabilities for these leases.

For operating lease of December 31, 2018, please refer to Note 6(j).

(j) Operating leases

The Group leases offices, company vehicles and parking lots under operating lease agreements.

The future lease payments under operating leases are as follows:

	December 31, 2018
Within one year	$ 66,851
Between one and five years	57,335
Over five years	-
	$ 124,186

For the year ended December 31, 2018, an amount of $70,817 was recognized as an expense in profit or loss in respect of operating leases.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 42,954	41,173
Fair value of plan assets	(27,579)	(25,805)
Net defined benefit liabilities	**$ 15,375**	**15,368**

The Group makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary prior to six months of retirement.

(Continued)

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to 27,579 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements at present value of the defined benefit obligations

For the years ended December 31, 2019 and 2018, the movements at the present value of the defined benefit obligations for the Group were as follows:

		2019	2018
Defined benefit obligations at January 1	$	41,173	41,647
Current service costs and interest cost		1,032	631
Remeasurements of the net defined benefit liability:			
—Actuarial loss arising from changes in financial assumptions		1,248	-
—Actuarial loss (gain) arising from experience adjustments		(499)	3,050
Benefits paid from plan assets		-	(4,155)
Defined benefit obligations at December 31	$	**42,954**	**41,173**

3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2019 and 2018, the movements at fair value of the defined benefit plan assets for the Group were as follows:

		2019	2018
Fair value of plan assets at January 1	$	25,805	28,333
Expected return on plan assets		350	368
Remeasurements of the net defined benefit liability:			
—Return on plan assets		977	772
Amounts contributed to plan		447	487
Benefits paid from plan assets		-	(4,155)
Fair value of plan assets at December 31	$	**27,579**	**25,805**

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2019	2018
Current service costs	$ 474	83
Interest cost	558	548
Expected return on plan assets	(350)	(368)
	$ 682	**263**

	2019	2018
Cost of sales	$ 331	151
Selling expenses	27	15
Administration expenses	324	97
	$ 682	**263**

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

For the years ended December 31, 2019 and 2018, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	2019	2018
Accumulated amount at January 1	$ 7,246	4,968
Recognized during the period	(228)	2,278
Accumulated amount at December 31	**$ 7,018**	**7,246**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.125 %	1.375 %
Future salary increase rate	3.000 %	3.000 %

Expected contribution to the defined benefit pension plan of the Group for the one-year period after the reporting date is $436. The weighted average lifetime of the defined benefit plans is 15.97 years.

(Continued)

7) Sensitivity analysis

As of December 31, 2019, and 2018, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

		Influences of defined benefit obligations	
		Increase 0.25%	**Decrease 0.25%**
December 31, 2019			
Discount rate	$	(1,248)	1,298
Future salary increase rate		1,249	(1,211)
December 31, 2018			
Discount rate	$	(1,269)	1,320
Future salary increase rate		1,278	(1,233)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The foreign entities of the Group are in accordance with local regulations and are recognized as pension.

The Group set aside $210,648 and $158,885 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2019 and 2018, respectively.

(l) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense	$	53,425	11,777
Deferred tax expense (benefit)		(8,404)	9,595
Income tax expense	**$**	**45,021**	**21,372**

(Continued)

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2019 and 2018.

Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Profit before tax	$ 458,144	274,562
Estimated income tax calculated using the Company's domestic tax rate	$ 91,629	54,912
Effect of tax rates in foreign jurisdiction	(39)	(174)
Adjustment in tax rate	-	(3,103)
Prior-period tax adjustments	1,470	(3,318)
Change in unrecognized temporary differences	(6,842)	(5,868)
Others	(41,197)	(21,077)
	$ 45,021	**21,372**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 721,757**	**387,276**
Unrecognized deferred tax liabilities	**$ 144,351**	**77,455**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
The carryforward of unused tax losses	**$ 504**	**524**

(Continued)

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of prior years. As of December 31, 2019, the Group's recognized and unrecognized deferred tax assets resulted from loss carryforwards and the expiry years were as follows:

Years of loss	Recognized deferred tax assets	Unrecognized deferred tax assets	Total	Expiry year
2015	$ 1,694	2,017	3,711	2020
2019	-	4,172	4,172	2024
	$ 1,694	**6,189**	**7,883**	

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred Tax Assets:

	Tax loss carryforward	Accrued expense	Loss allowance	Others	Total
Balance as of January 1, 2019	$ 3,493	9,952	3,969	4,055	21,469
Recognized in profit or loss	(3,069)	1,726	(350)	2,672	979
Balance as of December 31, 2019	**$ 424**	**11,678**	**3,619**	**6,727**	**22,448**
Balance as of January 1, 2018	$ 15,426	1,898	9,365	2,921	29,610
Recognized in profit or loss	(11,933)	8,054	(5,396)	1,134	(8,141)
Balance as of December 31, 2018	**$ 3,493**	**9,952**	**3,969**	**4,055**	**21,469**

Deferred Tax Liabilities:

	Recognized share of gain of subsidiaries accounted for equity method	Unearned revenue	Others	Total
Balance as of January 1, 2019	58,672	48,387	8,438	115,497
Recognized in profit or loss	$ 1,492	(8,703)	(214)	(7,425)
Balance as of December 31, 2019	**$ 60,164**	**39,684**	**8,224**	**108,072**
Balance as of January 1, 2018	$ 58,673	48,611	6,759	114,043
Recognized in profit or loss	(1)	(224)	1,679	1,454
Balance as of December 31, 2018	**$ 58,672**	**48,387**	**8,438**	**115,497**

(Continued)

(iii) The Company's corporate income tax returns for the year through 2017 were assessed by the local tax authorities.

(m) Capital and other equity

As of December 31, 2019 and 2018, the Group's authorized common stock were 120,000 thousand shares and 80,000 thousand shares with a par value of $10 dollars per share, amounting to $1,200,000 and $800,000, of which 66,401 thousand shares and 60,214 thousand shares, respectively, were issued and outstanding. And the capital surplus were $664,011 and $602,137. All proceeds from shares issued have been collected.

Reconciliations of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	Common stock (in thousands)	
	2019	**2018**
Balance as of January 1	60,214	43,878
Turning undistributed earning into capital	6,021	4,336
Issue for Cash	-	12,000
New share issued through employees' profit sharing bonus	166	-
Balance as of December 31	**66,401**	**60,214**

(i) Common stock

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to $20,000, consisting of 166 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 19, 2019, by the Board of Directors. The relevant registration procedures had been completed.

On June 24, 2019, the Company' s shareholders approved a resolution to distribute the retained earnings amounting to $60,214 consisting of 6,021 thousand shares, wherein, 100 shares per thousand shares were distributed as stock dividend. However, the Company distributed the employees' profit sharing bonus to new shares. The stock distribution had been adjusted to 99.72510 shares per thousand shares. The date of capital increase was resolved to be August 12, 2019, by the Board of Directors. The relevant registration procedures had been completed.

On June 21, 2018, the Company's shareholders approved a resolution to distribute the retained earnings amounting to $43,354. This distribution of retained earnings was passed during Board of Directors, with August 8, 2018, as the date of capital increase. The relevant registration procedures had been completed.

(Continued)

On August 9, 2018, the Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash with par value of $10 dollars per share. The Company has received approval from the Financial Supervisory Commission for this capital increase on October 16, 2018. The issue price was par value of $46 dollars per share, approved by the Company's Board of Directors on November 8, 2018. The base date for capital increase was set on December 11, 2018, and all related registration procedures had been completed.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2019	December 31, 2018
A premium issuance of common shares for cash	$ 712,847	694,507
Transaction of treasury shares	23,204	23,204
	$ 736,051	**717,711**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute employees' profit sharing bonus consisting of 166 thousand shares. The amount of stock premium was $18,340.

The Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash. The amount of stock premium was $432,000, and part of this was reserved for employees' options. Salary expenses were recognized $9,633 at the fair value of the share options and the Company also recognized capital reserve-employee stock options. Then the amount of stock premium has been transferred to the capital reserve stock-premium after the resolution all done.

(iii) Retained earning

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 5% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

(Continued)

The Company considers that the current industrial development of the Company is in a stage of stable growth. In order to cooperate with the Company' s long-term capital planning for sustainable operation and stable growth, the Company adopts the residual dividend policy. The annual cash dividends paid shall not be less than 10% of the total cash dividends and stock dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders may decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2018 and 2017 had been approved by the shareholders' meetings held on June 24, 2019 and June 21, 2018, respectively. The appropriations and dividends were as follows:

	2018	2017
Cash dividends	$ 102,363	21,677
Stock dividends	60,214	43,354
	$ 162,577	**65,031**

4) Treasury shares

a) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

(Continued)

The repurchase period is from July 7 to September 6, 2016. The repurchased treasury shares were 1,048 thousand shares in total, with the amount of $23,130. The remuneration costs recognized in 2019 and 2018 were $0 and $21,646, respectively. As of December 31, 2019 and 2018, the shares of treasury shares repurchased and shares transferred to employees were both 1,048 thousand shares. Therefore, the shares of treasury shares held were 0 shares.

b) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, capital surplus in excess of par value, and realized capital surplus. Based on the financial report of June 30, 2016, the Company's maximum amount of shares could repurchased was 4,387 thousand shares, and the maximum amount was $532,908.

c) Treasury stock cannot be pledged for debts, and treasury shares do not carry any shareholder rights until it is transferred.

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2019	$ (53,576)	(22,328)	(75,904)
Foreign currency translation differences	(49,333)	-	(49,333)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	140	140
Balance as of December 31, 2019	**$ (102,909)**	**(22,188)**	**(125,097)**
Balance as of January 1, 2018	$ (44,455)	(25,786)	(70,241)
Foreign currency transaction differences	(9,121)	-	(9,121)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	3,458	3,458
Balance as of December 31, 2018	**$ (53,576)**	**(22,328)**	**(75,904)**

(Continued)

(n) Earnings per share ("EPS")

(i) Basic earnings per share

	2019	2018
Net profit belonging to common shareholders	$ **413,123**	**253,190**
Weighted average common stock outstanding (in thousands shares)	**66,361**	**53,359**
Basic earnings per share (in dollars)	$ **6.23**	**4.75**

(ii) Diluted earnings per share

	2019	2018
Net profit belonging to common shareholders	$ **413,123**	**253,190**
Weighted average common stock outstanding (in thousands shares)	66,361	53,359
Effect of potentially dilutive common stock (in thousands shares)		
Employees' profit sharing bonus	368	851
Employees' profit sharing bonus of subsidiary company	190	-
Weighted average number of common stock (diluted) (in thousands shares)	**66,919**	**54,210**
Diluted earnings per share (in dollars)	$ **6.17**	**4.67**

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets:		
China	$ 2,871,255	2,017,858
Japan	832,846	806,485
Taiwan and Hong Kong	1,435,696	958,735
Other	183,667	170,243
	$ **5,323,464**	**3,953,321**
Major products:		
IT service revenue	$ **5,323,464**	**3,953,321**

(Continued)

(ii) Balance of contracts

		December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$	1,409,127	1,141,894	648,903
Less: loss allowance		(14,606)	(8,331)	(1,628)
	$	**1,394,521**	**1,133,563**	**647,275**
Contract assets	$	55,449	46,197	70,226
Less: loss allowance		(1,664)	(1,603)	(1,811)
Total	$	**53,785**	**44,594**	**68,415**
Contract liabilities	$	**14,480**	**24,017**	**48,563**

For details of notes and accounts receivable and loss allowance, please refer to Note 6(c).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liabilities balance at the beginning of the year was $22,565 and $46,975, respectively.

(p) Employees' and directors' profit sharing bonus

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' profit sharing bonus) it shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 10% of profit as employees' profit sharing bonus. The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company, depends on certain specific requirement determined by the Board of Directors.

(ii) No more than 2% of profit as the profit sharing bonus in cash to the Directors.

The Company's estimated of employees' and directors' profit sharing bonus were as follows:

		2019	2018
Employee's profit sharing bonus	$	49,582	47,694
Directors' profit sharing bonus		9,800	6,000
	$	**59,382**	**53,694**

(Continued)

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each year multiplied by the percentage of employees' and directors' profit sharing bonus as specified in the Company's Article of Incorporation. The amounts excluding the part of subsidiaries are accounted for under operating expense in 2019 and 2018. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year. If the Company's Board of Directors approved to distribute employee's profit sharing bonus by shares, the number of shares were calculated based on the closing price of the Company's common stock, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(q) Non-operating income and expenses

(i) Other income

	2019	2018
Interest income	$ 3,824	4,629
Government grants	21,022	36,382
Dividend income	714	1,168
	$ 25,560	**42,179**

(ii) Other gains and losses

	2019	2018
Foreign exchange gains, net	$ 3,384	4,579
Losses on disposals of property, plant and equipment, net	(11,572)	(4,497)
Losses on disposal of intangible assets	(8)	-
Reversal of bad debt loss	1,790	23,939
Gains on lease modification	2,384	-
Others	5,764	2,310
	$ 1,742	**26,331**

(iii) Finance costs

	2019	2018
Interest expenses	**$ (7,757)**	**(1,166)**

(Continued)

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

When financial commodity trading is relatively concentrated on a few trading partners, or not but the trading objects are mostly engaged in similar commercial activities and have similar economic characteristics, so when the ability to perform the contract is similarly affected by economic or other conditions, a significant concentration of credit risk occurs.

As of December 31, 2019 and 2018, 38.99% and 30.23%, respectively, of accounts receivable was concentrated on 6 specific customers. Thus, credit risk is significantly centralized.

The Group has regularly assessed the possibility of recovering accounts receivable and provides appropriate allowance for impairment losses, which is within the management's expectations. In order to reduce the credit risk, the Group also regularly and continuously assesses the financial status of customers, and these customers are well-known international manufacturers. In the past year, the collection status of customers was good. Therefore, the Group assesses that credit risk can be reduced.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to Note 6(c). For the detail and impairment of other notes and financial assets at amortized cost include time deposits recognized in other financial assets, please refer to Note 6(g).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(g).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	Over 2 years
As of December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 171,677	171,677	171,677	-	-
Other payables (including related parties)	47,639	47,639	47,639	-	-
Lease liabilities (current and non-current)	59,222	62,114	40,469	13,717	7,928
Long-term loans (including current portion)	117,193	137,770	49,999	11,206	76,565
	$ 395,731	**419,200**	**309,784**	**24,923**	**84,493**
As of December 31, 2018					
Non-derivative financial liabilities	$ 44,755	46,822	46,822	-	-
Accounts payable (including related parties)	157,603	157,603	157,603	-	-
Other payables	40,953	40,953	40,953	-	-
Long-term loans (including current portion)	88,400	115,686	11,767	11,766	92,153
	$ 331,711	**361,064**	**257,145**	**11,766**	**92,153**

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2019				**December 31, 2018**			
	Foreign currency	**Exchange rate**		**NTD**	**Foreign currency**	**Exchange rate**		**NTD**
Financial assets								
Monetary items								
USD	$ 1,231	USD/TWD	30.106	37,059	4,366	USD/TWD	30.733	134,182
CNY	1,647	CNY/TWD	4.3090	7,095	3,342	CNY/TWD	4.4755	14,956
JPY	11,942	JPY/USD	0.0092	3,302	194,330	JPY/USD	0.0090	53,912
USD	1,170	USD/CNY	6.9867	35,212	673	USD/CNY	6.8669	20,678
JPY	43,705	JPY/CNY	0.0642	12,083	11,020	JPY/CNY	0.0620	3,057
HKD	3,604	HKD/USD	0.1284	13,933	1,919	HKD/USD	0.1277	7,532
Financial Liabilities								
Monetary items								
CNY	9,916	CNY/USD	0.1431	42,728	10,816	CNY/USD	0.1456	48,407
HKD	4,057	HKD/USD	0.1284	15,686	4,640	HKD/USD	0.1277	18,208

(Continued)

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, accounts payable (including related parties) and other payables that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD, CNY and JPY for the years ended December 31, 2019 and 2018 would have increased (decreased) the net profit after tax by $2,643 and $8,761, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss), including realized and unrealized portions, amounted to $3,384 and $4,579, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1%, the Group' s net income would have increased / decreased by $1,172 and $1,332 for the years ended December 2019 and 2018, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2019	2018
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Other comprehensive income after tax**
Increasing 3%	$ 396	392
Decreasing 3%	$ (396)	(392)

(Continued)

(vi) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2019				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	$ 13,212	-	13,212	-	13,212
Financial assets measured at amortized cost					
Cash and cash equivalents	875,113	-	-	-	-
Notes and accounts receivable, net (including related parties)	1,394,521	-	-	-	-
Other receivables	179	-	-	-	-
Refundable deposits	35,604	-	-	-	-
Subtotal	2,305,417	-	-	-	-
Total	**$ 2,318,629**	**-**	**13,212**	**-**	**13,212**
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	171,677	-	-	-	-
Other payables (including related parties)	47,639	-	-	-	-
Lease liabilities(current and non-current)	59,222	-	-	-	-
Long-term loans (including current portion)	117,193	-	-	-	-
Total	**$ 395,731**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	$ 13,072	-	13,072	-	13,072
Financial assets measured at amortized cost					
Cash and cash equivalents	1,295,230	-	-	-	-
Notes and accounts receivable, net (including related parties)	1,133,563	-	-	-	-
Other receivables	410	-	-	-	-
Other financial assets	269	-	-	-	-
Refundable deposits	35,091	-	-	-	-
Subtotal	2,464,563	-	-	-	-
Total	**$ 2,477,635**	**-**	**13,072**	**-**	**13,072**
Financial liabilities measured at amortized cost					
Short-term loans	$ 44,755	-	-	-	-
Accounts payable (including related parties)	157,603	-	-	-	-
Other payables	40,953	-	-	-	-
Long-term loans (including current portion)	88,400	-	-	-	-
Total	**$ 331,711**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value

The financial assets held by the Group that are measured at fair value through other comprehensive profit or loss are based on the market method of estimating fair value. The judgment refers to the evaluation of the same type of company, market conditions and financial indicators, etc.

3) Transfers between Level 1 and Level 2

For the years ended December 31,2019 and 2018, there was no transfers between level 2 and level 1.

(s) Management of financial risk

(i) Overview

The Group is exposed to the extent of the risks arising from financial instruments as below:

1) Credit risk

2) Liquidity risk

3) Market risk

(Continued)

Detailed information about the Group's objectives, policies and processes for measuring and managing the above mentioned risks was listed below. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

Risk management policies are approved by the Board of Directors and is executed by the Group's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperating with other operating units. The Board of Directors develops and documents risk policies which cover specific risk exposures such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet it contractual obligations that arises principally from the Group's accounts receivable.

1) Accounts receivable

The Group's credit risk exposures are influenced mainly by each customer. According to the Group's credit policy, the credit rating of individual customers must be analyzed before the payment terms and credit limit are given. The Group continues to evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

The Group set up the allowance for doubtful accounts to reflect the expected credit loss of notes and accounts receivable.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing and investment grade above financial institutions and companies, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Group only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The Group did not provide guarantees as of December 31, 2019 and 2018.

(Continued)

(iv) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are denominated in NTD, CNY, USD, EUR and JPY.

The Group collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest risk

The Group adopts a policy of ensuring that will not suffer from high risk and stable interest rate when the rate change significantly. The Group neither has fixed-interest financial liabilities at fair value through profit nor uses derivative financial instruments to hedge debt. Therefore, changes in interest rates on the reporting date do not have a significant impact on profit or loss.

3) Other market price risk

The Group monitor the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitor the combination of investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(Continued)

(t) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital.

The Group's debt-to-equity ratio at the reporting date was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 1,252,697	1,136,428
Less: cash and cash equivalents	(875,113)	(1,295,230)
Net debt	**$ 377,584**	**(158,802)**
Total equity	$ 2,108,997	1,827,202
Adjustment	-	-
Total capital	**$ 2,108,997**	**1,827,202**
Debt-to-equity ratio	**17.90 %**	**- %**

As of December 31, 2019, there were no changes in the Group's approach to capital management.

(u) Investing and Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities in the years ended December 31,2019 and 2018, were as follows:

			Non-cash changes		
	January 1, 2019	Cash flows	Others	Effect of changes in foreign exchange rate	December 31, 2019
Short-term loans	$ 44,755	(44,747)	-	(8)	-
Long-term loans (including current portion)	88,400	(11,431)	44,747	(4,523)	117,193
Lease liabilities (current and non-current)	89,638	(43,446)	14,675	(1,645)	59,222
	$ 222,793	**(99,624)**	**59,422**	**(6,176)**	**176,415**

			Non-cash changes		
	January 1, 2018	Cash flows	Others	Effect of changes in foreign exchange rate	December 31, 2018
Short-term loans	$ 43,177	1,974	-	(396)	44,755
Long-term loans (including current portion)	-	90,129	-	(1,729)	88,400
	$ 43,177	**92,103**	-	**(2,125)**	**133,155**

(Continued)

(7) Related party transactions

(a) Names and relationship with related parties

The following are entities that have transactions with the Group during the periods covered in the financial statements.

Name of related party	Relationship with the Group
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wiwynn Corporation (Wiwynn)	Other related parties
All holding Corporation (AIIH)	Other related parties
Winynn Technology Service Kun Shan, Ltd. (WYKS)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties

(b) Significant transactions with related parties

(i) Provide service to related parties

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	Revenue		Accounts receivable -related parties	
	2019	2018	December 31, 2019	December 31, 2018
Entities with significant influence over the Group	$ 41,408	32,626	13,230	13,671
Other related parties	73,942	81,498	6,246	5,896
Total	**$ 115,350**	**114,124**	**19,476**	**19,567**

The selling price for related parties approximated the market price. The credit terms ranged from one to three months. Accounts receivable from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(Continued)

(ii) Service expense and payable to related parties

Other related parties provide IT services to the Group's business and the outstanding balances were as follows:

	Cost of sales		Accounts payable -related parties	
	2019	**2018**	**December 31, 2019**	**December 31, 2018**
Entity with significant influence over the Group	$ 3,959	-	-	-
Other related parties	13,093	-	6,060	-
	$ 17,052	**-**	**6,060**	**-**

The terms and pricing of the transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to three months, which were no different from the payment terms given by other vendors.

(iii) Property transactions

In 2019, the Group disposed computers, office equipment and other equipment to other related parties amounted to $1,728. All other accounts receivable from above transactions have been received.

(iv) As of December 31, 2019, the Group received $163 advance payment from the entity with significant influence over the Group which was recognized as current contract liabilities.

(v) Receivables and payables to related parties were as follows:

	December 31, 2019	**December 31, 2018**
Accounts receivable－related parties:		
Accounts receivable	**$ 19,476**	**19,567**
Accounts payable－related parties:		
Accounts payable	$ 6,060	-
Other payables	126	-
	$ 6,186	**-**

(Continued)

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 79,896	74,574
Post-employment benefits	1,045	664
	$ 80,941	**75,238**

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Other current assets－restricted bank deposit	Performance guarantee	$ -	90
Other non-current assets－restricted bank deposit	Performance & warranty guarantee	250	3,735
Property, plant and equipment－Real estate	Long-term loans (including current portions)	245,263	-
Other non-current assets－Deposit	Long-term loans (including current portions)	-	223,626
		$ 245,513	**227,451**

(9) Significant commitments and contingencies

The guarantee notes issued for the project warranty were as follows:

December 31, 2019	December 31, 2018
$ -	**5,080**

(10) Losses due to major disasters: None.

(11) Subsequent events

(a) The appropriation of earnings of 2019 that was approved at the board of directors meeting on March 27, 2020, but is to be presented for approval in the shareholders meeting was as follows:

	2019
Common stock dividends	
Cash	**$ 212,484**

(Continued)

(b) The outbreak of Coronavirus pandemic (COVID-19) since early 2020, has brought the uncertainty to Group's operating environment in China, and has impacted the Group's operations and financial performance accordingly. Up to now, the Group has sufficient funds available to meet the needs of operations. Due to uncertain evolving of COVID-19, the Group cannot reasonably measure the impact on its business and financial position now, but would continue to closely monitor the developments of the epidemic.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2019			2018		
By item	**Cost of sales**	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salaries	2,595,049	507,853	3,102,902	1,868,066	458,089	2,326,155
Labor and health insurance	159,628	23,178	182,806	110,394	18,315	128,709
Pension	187,063	24,267	211,330	139,647	19,501	159,148
Others	43,333	18,889	62,222	36,745	12,084	48,829
Depreciation	9,420	71,805	81,225	5,314	15,043	20,357
Amortization	683	5,136	5,819	762	5,571	6,333

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2019:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: Please refer to Table 1.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 3.

(Continued)

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

(viii) Accounts receivable from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: Table 6.

(b) Information on investments (excluding information on investees in mainland China): Please refer to Table 7.

(c) Information on investment in mainland China: Please refer to Table 8.

(14) Segment information

(a) General information and segment information

The Group have one reportable segment. This segment is mainly involved in the development and maintenance of the IT system, IT consulting and outsourcing services. The performance of the operating segment is consistent with the consolidated financial report. Revenue from external customers and segment profit or loss, please refer to consolidated statement of comprehensive income. The segment assets, please refer to the consolidated balance sheet.

(b) Corporate Information

(i) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

(Continued)

Geographical information		**2019**	**2018**
Revenue from external customers:			
China	$	2,871,255	2,017,858
Japan		832,846	806,485
Taiwan and Hong Kong		1,435,696	958,735
Other countries		183,667	170,243
Total	**$**	**5,323,464**	**3,953,321**

		2019	**2018**
Non-current assets:			
China	$	355,491	265,917
Japan		42,068	20,313
Taiwan and Hong Kong		552,048	92,674
Other countries		1,508	230
Total	**$**	**951,115**	**379,134**

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, excluding non-current financial instruments and deferred tax assets.

(c) Major customers

In 2018, there is no amount of sales to customers representing greater than 10% of net revenue, therefore, information of major customers was not disclosured.

		2019
Customer A	**$**	**734,303**

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 1 Guarantees and endorsements for other parties
(December 31, 2019)

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 2)											
0	The Company	WIBJ	2	1,054,498	213,666	206,604	-	-	9.80%	2,108,997	Y	N	Y	-
0	The Company	WIBI	2	1,054,498	79,030	75,265	-	-	3.57%	2,108,997	Y	N	N	-
0	The Company	WIUS	2	1,054,498	61,026	60,212	-	-	2.86%	2,108,997	Y	N	N	-
0	The Company	WIWZ	2	1,054,498	782,636	762,351	-	-	36.15%	2,108,997	Y	N	Y	-

(Note 1) The total amount for guarantees and endorsements provided by the Company shall not exceed the Company’s net worth, which was audited by Certified Public Accountant.
Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company’s net worth, which was audited by Certified Public Accountant.
The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company’s net worth, which was audited by Certified Public Accountant.
Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company’s net worth, was audited by Certified Public Accountant.

(Note 2) Relationship with the Company:
1. Ordinary business relationship.
2. Subsidiary which was owned more than 50% by the guarantor.
3. An investee which was owned more than 50% in total by both the guarantor and its subsidiary.
4. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)
(December 31, 2019)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2019				Highest percentage of shares during the period	Notes
				Number of shares	Book value	Percentage of Ownership	Fair Value		
The Company	Stock of AdvancedTEK International CO.	-	Non-current financial assets at fair value through other comprehensive income	649,000	13,212	19.19%	13,212	19.19%	-

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3 Acquisition of real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Name of Property	Transaction Date	Transaction amount	Status of payment	Counter-party	Relationship with the company	If the counter party is a related party, disclose the previous transfer information.				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the company	Date of transfer	Amount			
The Company	Land : Land NO.872, Hao Tian Section, Xizhi Dist, New Taipei City Land NO.6, Tong Xin Section, Xizhi Dist, New Taipei City Building : 32F, Building D, Sec.1 Xintai 5th Rd, Xizhi Dist, New Taipei City	2018.9	465,560	465,560	Farglory Global Investment CO., LTD. Farglory Land Development CO., LTD.	Non related parties	-	-	-	-	Valuation amount and market condition provided by professional valuation agency	Operating purpose	None

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Related Party	Nature of Relationship	Transaction details				Abnormal Transaction		Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / Note receivable (payable)	
WIWZ	WIBI	Parent - subsidiary company	Sales	(330,101)	(10.81%)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	41,089	5.53%	(Note)
WIWZ	WIBJ	Parent - subsidiary company	Sales	(1,092,453)	(35.78%)	〃	〃	〃	136,337	18.34%	〃
The Company	WIBI	Parent - subsidiary company	Sales	(171,735)	(18.82%)	〃	〃	〃	5,952	2.46%	〃
WIHK	WIBI	Associates	Sales	(193,873)	(84.25%)	〃	〃	〃	16,070	73.04%	〃
WIBI	WIWZ	Parent - subsidiary company	Purchases	330,101	42.61%	〃	〃	〃	(41,089)	(60.56%)	〃
WIBJ	WIWZ	Parent - subsidiary company	Purchases	1,092,453	96.06%	〃	〃	〃	(136,337)	(96.73%)	〃
WIBI	The Company	Parent - subsidiary company	Purchases	171,735	22.00%	〃	〃	〃	(5,952)	(8.77%)	〃
WIBI	WIHK	Associates	Purchases	193,873	24.84%	〃	〃	〃	(16,070)	(23.69%)	〃

(Note) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Accounts receivable from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock
(December 31, 2019)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Notes
					Amount	Action taken			
WIWZ	WIBJ	Parent - subsidiary company	136,337	609.26%	-	None	136,337	-	(Note)

(Note) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 6 Significant intercompany transactions and business relationships between parent company and its subsidiaries
(December 31, 2019)

No.	Company Name	Related Party	Name of relationship (Note 1)	Transaction details during 2019			
				Financial Statements Item	Amount	Trading Terms	Percentage of consolidated sales revenue and total assets (Note 2)
0	The company	WIJP	1	Service Revenue	13,761	Not materially different from the third-parties sales.(generally transaction)	0.26%
0	The company	WIUS	1	〃	20,791	〃	0.39%
0	The company	WIBI	1	〃	171,735	〃	3.23%
1	WIJP	WIBI	3	〃	51,620	〃	0.97%
2	WIHK	WIBI	3	〃	193,873	〃	3.64%
3	WIBI	WIUS	3	〃	1,086	〃	0.02%
3	WIBI	The company	2	〃	5,091	〃	0.10%
4	WIBJ	WIBI	3	〃	29,264	〃	0.55%
5	WIYC	WIBJ	3	〃	6,935	〃	0.13%
5	WIYC	WIWZ	3	〃	4,654	〃	0.09%
6	WIWZ	WIBJ	3	〃	1,092,453	〃	20.52%
6	WIWZ	WIYC	3	〃	6,931	〃	0.13%
6	WIWZ	WIBI	3	〃	330,101	〃	6.20%
6	WIWZ	WIJP	3	〃	58,307	〃	1.10%
6	WIWZ	The company	2	〃	7,539	〃	0.14%
6	WIWZ	WIUS	3	〃	87,624	〃	1.65%
6	WIWZ	WIHK	3	〃	36,685	〃	0.69%
7	QT	WIBJ	3	〃	8,273	〃	0.16%
7	QT	WIWZ	3	〃	1,811	〃	0.03%
0	The company	WIBI	1	Accounts receivables-related parties	5,952	Not materially different from the third-parties sales.(generally transaction)	0.18%
0	The company	WIJP	1	〃	5,742	〃	0.17%
0	The company	WIUS	1	〃	7,486	〃	0.22%
1	WIJP	WIBI	3	〃	3,098	〃	0.09%
2	WIHK	WIBI	3	〃	16,070	〃	0.48%
3	WIBI	The company	2	〃	935	〃	0.03%
4	WIBJ	WIBI	3	〃	1,638	〃	0.05%
5	WIYC	WIBJ	3	〃	2,832	〃	0.08%
6	WIWZ	WIBJ	3	〃	136,337	〃	4.06%
6	WIWZ	WIBI	3	〃	41,089	〃	1.22%

Table 6 Significant intercompany transactions and business relationships between parent company and its subsidiaries
(December 31, 2019)

No.	Company Name	Related Party	Name of relationship (Note 1)	Transaction details during 2019			
				Financial Statements Item	Amount	Trade Terms	Percentage of consolidated sales revenue and total assets (Note 2)
6	WIWZ	WIUS	3	Accounts receivables-related parties	23,278	Not materially different from the third-parties sales.(generally transaction)	0.69%
6	WIWZ	WIJP	3	〃	8,323	〃	0.25%
6	WIWZ	WIHK	3	〃	11,921	〃	0.35%
6	WIWZ	The company	2	〃	583	〃	0.02%

(Note 1): Company numbering as follows :
1.Parent company - 0
2.Subsidiaries starts from 1

(Note 2): Relationship :
1.transactions between parent company and subsidiary
2.transactions between subsidiary and parent company
3.transactions between subsidiary and subsidiary

(Note 3): The section only discloses the information of sales and accounts receivable of inter - company transactions, as well as the purchase and accounts payable of counter - party.

(Note 4): Calculated by using the transaction amount, divided by the consolidated net revenues and total assets

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 7 Information on investees (excluding investees in mainland china)

(December 31,2019)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Highest percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	WIBI	B.V.I	Professional investment enterprise	294,184	294,184	180,000,000	100.00%	1,209,689	100.00%	321,433	321,433	(Note)
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00%	102,443	100.00%	18,701	18,701	〃
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00%	9,730	100.00%	(3,611)	(3,611)	〃
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00%	14,207	100.00%	5,585	5,585	〃

(Note) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WISTRION INFORMATION TECHNOLOGY AND SERVICES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 8 Information on investment in Mainland China

1. Information on investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of the investee	Highest percentage of shares during the period	Direct / indirect shareholding (%) by the Company	Share of Profits/Losses (Note 2、8)	Carrying Amount as of December 31, 2019 (Note 2、8)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow							
QT	Research, develop, design of software, and information consulting service	4,445	(Note1)1.	2,304	-	-	2,304	1,102	100%	100%	1,102 (Note3)2.	(915)	-
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note1)1.	169,420	-	-	169,420	328,950	100%	100%	328,950 (Note3)1.	1,271,734	-
WIWZ	Research, develop, design of software, and information consulting service	356,800	(Note1)2.	-	-	-	-	296,029	100%	100%	296,029 (Note3)1.	926,306	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note1)2.	-	-	-	-	(128)	100%	100%	(128) (Note3)2.	17,451	-

2. Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note4)	Investment Amounts Authorized by Investment Commission, MOEA (Note4) 、(Note6)、(Note7)	Upper Limit on Investment (Note5)
214,697 (USD 7,131,356)	545,863 (USD 18,131,356)	1,265,398

(Note 1) Ways to invest in Mainland China :

1. Indirect investment in Mainland China company through the company established in a third region.
2. Indirect investment in Mainland China company through Mainland China company.

(Note 2) The amount of the net income (losses) and the investee company carrying value as of December 31, 2019 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note 3) Recognized share of associates and joint ventures accounted for using the equity method :

1. The financial statements of the investee company were reviewed by the company's auditor.
2. Others

(Note 4) Translated using the ending rate on December 31, 2019, which was USD : NTD = 1 : 30.106 .

(Note 5) The limit was the higher of 60% of the Company's net worth or NTD 80 million dollars.

(Note 6) Of which USD 1,000,000 was the investment in the dissolved subsidiary at Hangzhou. Due to operating losses, the investment has been completely lost and cannot be remitted; Of which USD 757,756 was the investment in the dissolved subsidiary at Zhejiang.

(Note 7) The Company increases investment in Mainland China(WIBJ) by USD 11,000,000 through the Company established in a third region(WIBI), and the investment has been authorized by Investment Commission, MOEA.

(Note 8) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

3. Significant transactions

For the year ended December 31, 2019, the significant transactions of the entities in China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

Appendix 2: Parent Company Only Financial Statements of the Latest Year

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Independent Auditors' Report

To the Board of Directors of Wistron Information Technology And Services Corporation :

Opinion

We have audited the financial statements of Wistron Information Technology And Services Corporation ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants Ruling No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor' s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(l) "Revenue" for accounting policy and Note 6(o) to the parent company only financial statements for the disclosure of revenue recognition.

Description of key audit matter

The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluating if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the difference between the actual number and the same period last year; assessing and testing the sale transaction voucher to confirm the accurately of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

2. **Valuation of accounts receivable**

Please refer to Note 4(f) "Financial Instruments" for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent company only financial statements.

Description of key audit matters

The Company engaged in the information technology service industry. Resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
March 27, 2020

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 291,445	12	715,812	34
1140	Current contract assets (note 6(o))	13,015	1	19,719	1
1170	Accounts receivable, net (notes 6(c)(o))	209,608	9	151,107	7
1180	Accounts receivable－related parties, net (notes 6(c)(o) and 7)	32,702	1	105,213	5
1200	Other receivables	75	-	143	-
1210	Other receivables－related parties (note 7)	9,049	-	7,231	-
1220	Current tax assets	-	-	386	-
1410	Prepayments	1,397	-	47	-
1470	Other current assets (note 6(h))	1,221	-	809	-
	Total current assets	558,512	23	1,000,467	47
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	13,212	1	13,072	1
1550	Investments accounted for using equity method (note 6(d))	1,336,069	55	1,003,294	47
1600	Property, plant and equipment (note 6(e))	519,985	21	16,407	1
1755	Right-of-use assets (note 6(f))	1,176	-	-	-
1780	Intangible assets (note 6(g))	7,210	-	5,555	-
1840	Deferred tax assets (note 6(l))	6,233	-	6,583	-
1900	Other non-current assets (notes 6(h) and 8)	9,100	-	81,915	4
	Total non-current assets	1,892,985	77	1,126,826	53
	Total assets	$ 2,451,497	100	2,127,293	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2130	Current contract liabilities (note 6 (o))	$ 2,924	-	2,470	-
2170	Accounts payable	8,068	-	23,570	1
2180	Accounts payable－related parties (note 7)	1,518	-	1,482	-
2200	Other payables (note 6(p))	227,620	9	192,388	9
2220	Other payables－related parties (note 7)	126	-	-	-
2230	Current tax liabilities	19,131	1	-	-
2280	Current lease liabilities (note 6(j))	425	-	-	-
2399	Other current liabilities	6,454	-	6,091	-
	Total current liabilities	266,266	10	226,001	10
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(l))	60,137	3	58,722	3
2640	Net defined benefit liability, non-current (note 6(k))	15,375	1	15,368	1
2580	Non-current lease liabilities (note 6(j))	722	-	-	-
	Total non-current liabilities	76,234	4	74,090	4
	Total liabilities	342,500	14	300,091	14
	Equity (notes 6(k)(l)(m)):				
3100	Capital stock	664,011	27	602,137	28
3200	Capital surplus	736,051	30	717,711	34
3300	Retained earnings	834,032	34	583,258	27
3400	Other equity	(125,097)	(5)	(75,904)	(3)
	Total equity	2,108,997	86	1,827,202	86
	Total liabilities and equity	$ 2,451,497	100	2,127,293	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, except for earnings per common share)

		2019		2018	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(o) and 7)**	$ 912,368	100	800,085	100
5000	**Cost of sales (notes 6(e)(g)(i)(j)(k), 7 and 12)**	(568,105)	(62)	(524,518)	(65)
	Gross profit	344,263	38	275,567	35
	Operating expenses (notes 6(c)(e)(f)(g)(i)(j)(k)(m)(p), 7 and 12):				
6100	Selling expenses	(19,810)	(2)	(15,173)	(2)
6200	Administrative expenses	(263,966)	(29)	(242,377)	(30)
6450	Expected credit (loss) reversal of provision	629	-	692	-
6300	**Total operating expenses**	(283,147)	(31)	(256,858)	(32)
	Net operating income	61,116	7	18,709	3
	Non-operating income and expenses (notes 6(j)(q) and 7):				
7010	Other income	1,882	-	2,206	-
7020	Other gains and losses	31,479	3	50,153	6
7070	Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	342,108	38	193,361	24
7050	Finance costs	(306)	-	(161)	-
	Total non-operating income and expenses	375,163	41	245,559	30
	Profit before tax	436,279	48	264,268	33
7951	Income tax expenses (note 6(l))	(23,156)	(3)	(11,078)	(1)
	Net profit	413,123	45	253,190	32
8300	**Other comprehensive income (notes 6(k)(l)(m)):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	228	-	(2,278)	-
8312	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	140	-	3,458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	368	-	1,180	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(1,253)	-	3,799	1
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(48,080)	(5)	(12,920)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(49,333)	(5)	(9,121)	(1)
8300	**Other comprehensive income (loss)**	(48,965)	(5)	(7,941)	(1)
	Total comprehensive income	**$ 364,158**	**40**	**245,249**	**31**
	Earnings per share (in dollars) (note 6(n))				
9750	**Basic earnings per share**	**$**	**6.23**		**4.75**
9850	**Diluted earnings per share**	**$**	**6.17**		**4.67**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock		Retained earnings				Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity
Balance at January 1, 2018	$ 438,783	255,502	54,262	20,566	322,549	397,377	(44,455)	(25,786)	(70,241)	(11,742)	1,009,679
Net profit	-	-	-	-	253,190	253,190	-	-	-	-	253,190
Other comprehensive income	-	-	-	-	(2,278)	(2,278)	(9,121)	3,458	(5,663)	-	(7,941)
Total comprehensive income	-	-	-	-	250,912	250,912	(9,121)	3,458	(5,663)	-	245,249
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	10,924	-	(10,924)	-	-	-	-	-	-
Special reserve	-	-	-	27,675	(27,675)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(21,677)	(21,677)	-	-	-	-	(21,677)
Stock dividends	43,354	-	-	-	(43,354)	(43,354)	-	-	-	-	-
Cash subscription	120,000	432,000	-	-	-	-	-	-	-	-	552,000
Treasury shares transferred to employees	-	(1,070)	-	-	-	-	-	-	-	11,742	10,672
Treasury shares transferred to employees recognized the cost of compensation	-	21,646	-	-	-	-	-	-	-	-	21,646
Employee stock option compensation costs	-	9,633	-	-	-	-	-	-	-	-	9,633
Balance at December 31, 2018	602,137	717,711	65,186	48,241	469,831	583,258	(53,576)	(22,328)	(75,904)	-	1,827,202
Net profit	-	-	-	-	413,123	413,123	-	-	-	-	413,123
Other comprehensive income	-	-	-	-	228	228	(49,333)	140	(49,193)	-	(48,965)
Total comprehensive income	-	-	-	-	413,351	413,351	(49,333)	140	(49,193)	-	364,158
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	25,319	-	(25,319)	-	-	-	-	-	-
Special reserve	-	-	-	27,663	(27,663)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(102,363)	(102,363)	-	-	-	-	(102,363)
Stock dividends	60,214	-	-	-	(60,214)	(60,214)	-	-	-	-	-
New share issued through employees' profit sharing bonus	1,660	18,340	-	-	-	-	-	-	-	-	20,000
Balance at December 31, 2019	**$ 664,011**	**736,051**	**90,505**	**75,904**	**667,623**	**834,032**	**(102,909)**	**(22,188)**	**(125,097)**	**-**	**2,108,997**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows generated from (used in) operating activities:		
Profit before tax	$ 436,279	264,268
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	14,195	8,681
Amortization expense	4,121	5,780
Expected credit loss (reversal of provision)	(629)	(692)
Interest expense	306	161
Interest income	(1,168)	(1,038)
Dividend income	(714)	(1,168)
Recognized share of subsidiaries, associates and joint ventures accounted for using equity method	(342,108)	(193,361)
Compensation cost arising from share-based payments	-	31,279
Loss on disposal of property, plant and equipment	1,087	7
Total adjustments to reconcile loss	(324,910)	(150,351)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in current contract assets	6,911	41,760
Increase in notes and accounts receivable, net	(58,079)	(38,972)
Decrease (increase) in accounts receivable－related parties	72,511	(86,920)
Increase in other receivables－related parties	(1,818)	(1,055)
Decrease (increase) in prepayments	(1,350)	67
Decrease (increase) in other current assets	(591)	425
Total changes in operating assets	17,584	(84,695)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	454	(19,950)
Decrease in accounts payable	(15,502)	(28,178)
Increase in accounts payable－related parties	36	252
Increase in other payables	15,232	40,635
Increase in other payables－related parties	126	-
Increase in other current liabilities	363	1,159
Increase (decrease) in net defined benefit liability	235	(224)
Total changes in operating liabilities	944	(6,306)
Net changes in operating assets and liabilities	18,528	(91,001)
Total changes in operating assets and liabilities	(306,382)	(241,352)
Cash generated from operations	129,897	22,916
Interest received	1,236	1,009
Interest paid	(306)	(161)
Income taxes refund (paid)	(1,874)	2,838
Net cash flows generated from operating activities	128,953	26,602
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(451,396)	(8,408)
Proceeds from disposal of property, plant and equipment	105	34
Decrease (increase) in refundable deposits	5,393	(3,784)
Acquisition of intangible assets	(5,776)	(2,233)
Decrease (increase) in other financial assets	179	(179)
Increase in other non-current assets	-	(67,422)
Dividends received	714	1,168
Net cash flows used in investing activities	(450,781)	(80,824)
Cash flows generated from (used in) financing activities:		
Increase in short-term loans	128,374	206,000
Repayments of short-term loans	(128,374)	(206,000)
Repayments of the principle portion of lease liabilities	(176)	-
Cash dividends paid	(102,363)	(21,677)
Proceeds from issuing shares	-	552,000
Treasury shares transferred to employees	-	10,672
Net cash flows generated from (used in) financing activities	(102,539)	540,995
Net increase (decrease) in cash and cash equivalents	(424,367)	486,773
Cash and cash equivalents at beginning of year	715,812	229,039
Cash and cash equivalents at end of year	$ **291,445**	**715,812**

See accompanying notes to parent company only financial statements.

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Mirrors International, Inc. was incorporated on June 1, 1992 as a company limited by shares under the laws of the Republic of China (R.O.C); and in July 2004, it changed its name to Wistron Information Technology and Services Corporation (the " Company"). The Company is primarily engaged in the development and maintenance of the IT system, IT consulting and outsourcing services.

(2) Approval date and procedures of the financial statements

The parent company only financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

The adoption of the above IFRSs would not have any material impact on the financial statements based on the Company's assessment.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The adoption of the abovementioned standards would not have any material impact on its financial statements based on the Company's assessment.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes the evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following material items in the balance sheets, the parent company only financial statements have been prepared on the historical cost basis:

1) Financial assets measured at fair value through other comprehensive income;

2) The net defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets, and the effect of the asset ceiling explained in notes 4(m).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

(Continued)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

(f) Financial instruments

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through other comprehensive income-equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL：

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

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

(Continued)

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures： 5 to 50 years

2) Computers and other equipment： 4 to 6 years

3) Office equipment： 6 years

4) Lease improvements： 5 years

5) Lease equipment： 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

Policy applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

   - The Company has the right to direct how and for what purpose the asset is used throughout the period of use; or.

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

(Continued)

— the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

— the Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the assessment on whether it will exercise an option to purchase the underlying asset; or

4) there is a change in the assessment on lease term as to whether it will exercise an extension or terminated option; or

(Continued)

5) there are any lease modifications to the assets, scope and other terms of the lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

Leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(j) Intangible assets

Other intangible assets, excluding goodwill, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The Company's intangible assets are mainly computer software and are recognized in profit or loss on a straight-line basis over the estimated useful lives of 3~6 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

(Continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

(i) IT Consulting and Outsourcing services

The Company provides IT consulting and outsourcing services. Revenue is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the costs incurred to date as a proportion of the total estimated costs of the transaction.

Some contracts include multiple deliverables, such as system development and maintenance service. In most cases, an integration service is not included, and the transaction price will be allocated based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

Grant date of the share-based payment award is the date the Company inform their employees about the exercise price and shares.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock option and employees' profit sharing bonus.

(q) Operating segment

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements requires the management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is valuation of accounts receivable.

The Company has estimated the loss allowance of accounts receivable based on the risk of a default occurring and the rate of expected credit loss . The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments.

However, in the face of future economic trends, the Company may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses.

The allowance loss for accounts receivable please refer to Note 6(c).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 120	110
Demand and checking deposits	106,534	642,275
Time deposits	184,791	73,427
Cash and cash equivalents in the parent company only statement of cash flows	**$ 291,445**	**715,812**

Please refer to Note 6(r) for the currency rate risk and sensitivity analysis of the financial assets of the Company.

(b) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Unlisted stocks	**$ 13,212**	**13,072**

(i) The Company designated the investments show above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

(ii) For market risk, please refer to Note 6(r).

(iii) The aforementioned financial assets were not pledged as collateral.

(c) Accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Accounts receivable	$ 209,638	151,559
Accounts receivable-related parties	32,702	105,213
Less: Loss allowance	(30)	(452)
	$ 242,310	**256,320**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as the incorporated forward-looking information.

(Continued)

The loss allowance provision was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	$ 222,231	-	-
Overdue within 30 days	14,360	-	-
Overdue 31~120 days	5,531	-	-
Overdue 121~180 days	75	-	-
Overdue 181~365 days	143	20.85%	30
Overdue more than 365 days	-	-	-
	$ 242,340		30

	December 31, 2018		
	Gross carrying amount	Weighted-average expected credit loss rate	Lifetime expected credit loss allowance
Not overdue	$ 237,430	-	-
Overdue within 30 days	10,542	-	-
Overdue 31~120 days	7,107	-	-
Overdue 121~180 days	600	-	-
Overdue 181~365 days	992	5.141%	51
Overdue more than 365 days	101	100%	101
	$ 256,772		152

The movements in the allowance for accounts receivable were as follow:

	2019	2018
Balance at January 1	$ 452	249
Impairment losses recognized	-	203
Impairment losses reversed	(422)	-
Balance at December 31	$ 30	452

(d) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 1,336,069	1,003,294

(Continued)

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

(ii) The investments accounted for using equity method were not pledged.

(e) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

	Land	Buildings and structures	Computers and other equipment	Office equipment	Lease improvements	Lease equipment	Total
Cost：							
Balance as of January 1, 2019	$ -	-	37,000	4,217	14,847	504	56,568
Additions	158,451	269,848	15,229	7,868	-	-	451,396
Reclassification	27,462	39,960	-	-	-	-	67,422
Disposals	-	-	(4,547)	(3,236)	(13,389)	-	(21,172)
Balance as of December 31, 2019	$ 185,913	309,808	47,682	8,849	1,458	504	554,214
Balance as of January 1, 2018	$ -	-	32,964	4,070	13,389	504	50,927
Additions	-	-	6,803	147	1,458	-	8,408
Disposals	-	-	(2,767)	-	-	-	(2,767)
Balance as of December 31, 2018	$ -	-	37,000	4,217	14,847	504	56,568
Accumulated depreciation：							
Balance as of January 1, 2019	$ -	-	24,631	2,968	12,058	504	40,161
Depreciation	-	3,958	6,882	947	2,261	-	14,048
Disposals	-	-	(4,525)	(2,594)	(12,861)	-	(19,980)
Balance as of December 31, 2019	$ -	3,958	26,988	1,321	1,458	504	34,229
Balance as of January 1, 2018	$ -	-	22,323	2,353	9,026	504	34,206
Depreciation	-	-	5,034	615	3,032	-	8,681
Disposals	-	-	(2,726)	-	-	-	(2,726)
Balance as of December 31, 2018	$ -	-	24,631	2,968	12,058	504	40,161
Carrying value：							
Balance as of December 31, 2019	$ 185,913	305,850	20,694	7,528	-	-	519,985
Balance as of December 31, 2018	$ -	-	12,369	1,249	2,789	-	16,407
Balance as of January 1, 2018	$ -	-	10,641	1,717	4,363	-	16,721

As of December 31, 2019 and 2018, the property, plant and equipment were not pledged.

(f) Right-of-use assets

The Company leases transportation equipment. The movements in right-of-use assets were as follows:

(Continued)

		Transportation equipment
Cost:		
Balance as of January 1, 2019	$	-
Additions		1,323
Balance as of December 31, 2019	**$**	**1,323**
Accumulated depreciation:		
Balance as of January 1, 2019	$	-
Depreciation		147
Balance as of December 31, 2019		**147**
Carrying amount:		
Balance as of December 31, 2019		**1,176**

The Company leases offices, company cars and parking lots under an operating lease for the year ended December 31, 2018, please refer to Note 6(i).

(g) Intangible assets

The movements in intangible assets were as follows:

		Software
Cost：		
Balance as of January 1, 2019	$	28,806
Additions		5,776
Disposals		(139)
Balance as of December 31, 2019	**$**	**34,443**
Balance as of January 1, 2018	$	26,573
Additions		2,233
Balance as of December 31, 2018	**$**	**28,806**
Accumulated amortization：		
Balance as of January 1, 2019	$	23,251
Amortization		4,121
Disposals		(139)
Balance as of December 31, 2019	**$**	**27,233**
Balance as of January 1, 2018	$	17,471
Amortization		5,780
Balance as of December 31, 2018	**$**	**23,251**
Carrying value：		
Balance as of December 31, 2019	**$**	**7,210**
Balance as of December 31, 2018	**$**	**5,555**
Balance as of January 1, 2018	**$**	**9,102**

For the years ended December 31, 2019 and 2018, the amortization of intangible assets is included in the cost of sales and operating expenses in the statement of comprehensive income.

(Continued)

(h) Other current assets and other non-current assets

		December 31, 2019	December 31, 2018
The details of the other current assets were as follows:			
Temporary payments	$	1,221	630
Other financial assets		-	179
	$	**1,221**	**809**

For the years ended December 31, 2019 and 2018, no impairment loss was recognized on the other current assets. For credit risk, please refer to Note 6(r).

		December 31, 2019	December 31, 2018
The details of the other non-current assets were as follows:			
Refundable deposits	$	9,100	14,493
Prepayment for land and buildings		-	67,422
	$	**9,100**	**81,915**

For the years ended December 31, 2019 and 2018, the other non-current assets were pledged, please refer to Note 8.

(i) Operating leases

The Company leases offices, company vehicles and parking lots under operating lease agreements.

The future lease payments under operating leases are as follows:

		December 31, 2018
Within one year	$	10,222
Between one and five years		125
Over five years		-
	$	**10,347**

For the year ended December 31, 2018, an amount of $12,180 was recognized as an expense in profit or loss in respect of operating leases.

(Continued)

(j) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2019
Current	$ 425
Non-current	$ 722

For the maturity analysis, please refer to Note 6(r).

The amounts recognized in profit or loss were as follows:

	2019
Interest expenses on lease liabilities	$ 23
Expenses relating to short-term leases	$ 10,104
Expenses relating to leases of low-value assets	$ 697

The amount recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	$ 11,000

Other leases

The Company leases some office equipment. These leases are short-term or leases of low-value items. The Company has selected not to recognize right-of-use assets and lease liabilities for these leases.

For operating lease as of December 31, 2018, please refer to Note 6(i).

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 42,954	41,173
Fair value of plan assets	(27,579)	(25,805)
Net defined benefit liabilities	$ 15,375	15,368

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary prior to six months of retirement.

(Continued)

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to 27,579 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements at present value of the defined benefit obligations

For the years ended December 31, 2019 and 2018, the movements at present value of the defined benefit obligations for the Company were as follows:

		2019	2018
Defined benefit obligations at January 1	$	41,173	41,647
Current service costs and interest cost		1,032	631
Remeasurements of the net defined benefit liability:			
－Actuarial loss arising from changes in financial assumptions		1,248	-
－Actuarial loss(gain) arising from experience adjustments		(499)	3,050
Benefits paid from plan assets		-	(4,155)
Defined benefit obligations at December 31	**$**	**42,954**	**41,173**

3) Movements at fair value of the defined benefit plan assets

For the years ended December 31, 2019 and 2018, the movements at fair value of the defined benefit plan assets for the Company were as follows:

		2019	2018
Fair value of plan assets at January 1	$	25,805	28,333
Expected return on plan assets		350	368
Remeasurements of the net defined benefit liability:			
－Return on plan assets		977	772
Amounts contributed to plan		447	487
Benefits paid from plan assets		-	(4,155)
Fair value of plan assets at December 31	**$**	**27,579**	**25,805**

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2019	2018
Current service costs	$ 474	83
Interest cost	558	548
Expected return on plan assets	(350)	(368)
	$ 682	**263**

	2019	2018
Cost of sales	$ 331	151
Selling expenses	27	15
Administration expenses	324	97
	$ 682	**263**

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

For the years ended December 31, 2019 and 2018, the remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	2019	2018
Accumulated amount at January 1	$ 7,246	4,968
Recognized during the period	(228)	2,278
Accumulated amount at December 31	**$ 7,018**	**7,246**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.125 %	1.375 %
Future salary increase rate	3.000 %	3.000 %

Expected contribution to the defined benefit pension plan of the Company for the one-year period after the reporting date is $436. The weighted average lifetime of the defined benefit plans is 15.97 years.

(Continued)

7) Sensitivity analysis

As of December 31, 2019, and 2018, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

		Influences of defined benefit obligations	
		Increase 0.25%	**Decrease 0.25%**
December 31, 2019			
Discount rate	$	(1,248)	1,298
Future salary increase rate		1,249	(1,211)
December 31, 2018			
Discount rate	$	(1,269)	1,320
Future salary increase rate		1,278	(1,233)

There is no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside $29,244 and $22,368 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2019 and 2018, respectively.

(l) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows:

		2019	**2018**
Current tax expense	$	21,391	-
Deferred tax expense		1,765	11,078
Income tax expense	**$**	**23,156**	**11,078**

There is no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2019 and 2018.

(Continued)

Reconciliation of income tax expenses and profit before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Profit before tax	$ 436,279	264,268
Estimated income tax calculated using the Company's domestic tax rate	$ 87,256	52,853
Adjustment in tax rate	-	(3,103)
Prior-period tax adjustments	1,461	-
Change in unrecognized temporary differences	(66,896)	(38,672)
Others	1,335	-
	$ 23,156	**11,078**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2019	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 721,757**	**387,276**
Unrecognized deferred tax liabilities	**$ 144,351**	**77,455**

2) Unrecognized deferred tax assets

There is no significant unrecognized deferred tax assets for the years ended December 31, 2019 and 2018.

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred Tax Assets:

	Tax loss carryforward	Loss allowance	Others	Total
Balance as of January 1, 2019	$ 1,826	1,114	3,643	6,583
Recognized in profit or loss	(1,826)	(1,114)	2,590	(350)
Balance as of December 31, 2019	**$ -**	**-**	**6,233**	**6,233**
Balance as of January 1, 2018	$ 5,111	7,864	4,608	17,583
Recognized in profit or loss	(3,285)	(6,750)	(965)	(11,000)
Balance as of December 31, 2018	**$ 1,826**	**1,114**	**3,643**	**6,583**

(Continued)

Deferred Tax Liabilities:

	Recognized share of gain of subsidiaries accounted for equity method	Others	Total
Balance as of January 1, 2019	$ 58,644	78	58,722
Recognized in profit or loss	1,493	(78)	1,415
Balance as of December 31, 2019	**$ 60,137**	**-**	**60,137**
Balance as of January 1, 2018	$ 58,644	-	58,644
Recognized in profit or loss	-	78	78
Balance as of December 31, 2018	**$ 58,644**	**78**	**58,722**

(iii) Assessment of tax

The Company's corporate income tax returns for the year through 2017 were assessed by the local tax authorities.

(m) Capital and other equity

As of December 31, 2019 and 2018, the Company's authorized common stock were 120,000 thousand shares and 80,000 thousand shares with a par value of $10 dollars per share, amounting to $1,200,000 and $800,000, of which 66,401 thousand shares and 60,214 thousand shares, respectively, were issued and outstanding. And the capital surplus were $664,011 and $602,137, respectively. All proceeds from shares issued have been collected.

Reconciliations of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	Common stock (in thousands)	
	2019	**2018**
Balance as of January 1	60,214	43,878
Turning undistributed earning into capital	6,021	4,336
Issue for Cash	-	12,000
New share issued through employees' profit sharing bonus	166	-
Balance as of December 31	**66,401**	**60,214**

(i) Common stock

On March 22, 2019, the Company's Board of Directors approved a resolution to distribute the employees' profit sharing bonus amounting to $20,000, consisting of 166 thousand shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 19, 2019, by the Board of Directors. The relevant registration procedures had been completed.

(Continued)

On June 24, 2019, the Company' s shareholders approved a resolution to distribute the retained earnings amounting to $60,214 consisting of 6,021 thousand shares, wherein, 100 shares per thousand shares were distributed as stock dividend. However, the Company distributed the employees' profit sharing bonus to new shares. The stock distribution had been adjusted to 99.72510 shares per thousand shares. The date of capital increase was resolved to be August 12, 2019, by the Board of Directors. The relevant registration procedures had been completed.

On June 21, 2018, the Company's shareholders approved a resolution to distribute the retained earnings amounting to $43,354. This distribution of retained earnings was passed during Board of Directors, with August 8, 2018, as the date of capital increase. The relevant registration procedures had been completed.

On August 9, 2018, the Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash with par value of $10 dollars per share. The Company has received approval from the Financial Supervisory Commission for this capital increase on October 16, 2018. The issue price was par value of $46 dollars per share, approved by the Company' s Board of Directors on November 8, 2018. The base date for capital increase was set on December 11, 2018, and all related registration procedure had been completed.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2019	December 31, 2018
A premium issuance of common shares for cash	$ 712,847	694,507
Transaction of treasury shares	23,204	23,204
	$ 736,051	**717,711**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On March 22, 2019, the Company' s Board of Directors approved a resolution to distribute employees' profit sharing bonus consisting of 166 thousand shares. The amount of stock premium was $18,340.

The Company's Board of Directors approved a resolution to issued 12,000 thousand shares for cash. The amount of stock premium was $432,000, and part of this was reserved for employees' options. Salary expenses were recognized $9,633 at the fair value of the share options and the Company also recognized capital reserve-employee stock options. Then the amount of stock premium has been transferred to the capital reserve stock-premium after the resolution all done.

(Continued)

(iii) Retained earning

The Company's Article of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 5% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

The Company considers that the current industrial development of the Company is in a stage of stable growth. In order to cooperate with the Company's long-term capital planning for sustainable operation and stable growth, the Company adopts the residual dividend policy. The annual cash dividends paid shall not be less than 10% of the total cash dividends and stock dividends.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders may decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2018 and 2017 had been approved by the shareholders' meetings held on June 24, 2019 and June 21, 2018, respectively. The appropriations and dividends were as follows:

	2018	2017
Cash dividends	$ 102,363	21,677
Stock dividends	60,214	43,354
	$ 162,577	**65,031**

(Continued)

4) Treasury shares

a) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act.

The repurchase period is from July 7 to September 6, 2016. The repurchased treasury shares were 1,048 thousand shares in total, with the amount of $23,130. The remuneration costs recognized in 2019 and 2018 were $0 and $21,646, respectively. As of December 31, 2019 and 2018, the shares of treasury shares repurchased and shares transferred to employees were both 1,048 thousand shares. Therefore, the shares of treasury shares held were 0 shares.

b) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, capital surplus in excess of par value, and realized capital surplus. Based on the financial report of June 30, 2016, the Company's maximum amount of shares could repurchased was 4,387 thousand shares, and the maximum amount was $532,908.

c) Treasury stock cannot be pledged for debts, and treasury shares do not carry any shareholder rights until it is transferred.

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		Total	
	The Company	Subsidiaries	The Company	Subsidiaries	The Company	Subsidiaries
Balance as of January 1, 2019	$ (36)	(53,540)	(22,328)	-	(22,364)	(53,540)
Foreign currency translation differences	(1,253)	(48,080)	-	-	(1,253)	(48,080)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	140	-	140	-
Balance as of December 31, 2019	**$ (1,289)**	**(101,620)**	**(22,188)**	**-**	**(23,477)**	**(101,620)**
Balance as of January 1, 2018	$ (3,835)	(40,620)	(25,786)	-	(29,621)	(40,620)
Foreign currency translation differences	3,799	(12,920)	-	-	3,799	(12,920)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	3,458	-	3,458	-
Balance as of December 31, 2018	**$ (36)**	**(53,540)**	**(22,328)**	**-**	**(22,364)**	**(53,540)**

(Continued)

(n) Earnings per share ("EPS")

(i) Basic earnings per share

	2019	2018
Net profit belonging to common shareholders	$ 413,123	253,190
Weighted average common stock outstanding (in thousands shares)	66,361	53,359
Basic earnings per share (in dollars)	$ 6.23	4.75

(ii) Diluted earnings per share

	2019	2018
Net profit belonging to common shareholders	$ 413,123	253,190
Weighted average common stock outstanding (in thousands shares)	66,361	53,359
Effect of potentially dilutive common stock (in thousands shares)		
Employees' profit sharing bonus	368	851
Employees' profit sharing bonus of subsidiary company	190	-
Weighted average number of common stock (diluted) (in thousands shares)	66,919	54,210
Diluted earnings per share (in dollars)	$ 6.17	4.67

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets:		
China	$ 14,579	18,718
Japan	15,054	17,761
Taiwan and Hong Kong	855,839	729,546
Other	26,896	34,060
	$ 912,368	800,085
Major products:		
IT service revenue	$ 912,368	800,085

(Continued)

(ii) Balance of contracts

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 242,340	256,772	130,880
Less: loss allowance	(30)	(452)	(249)
	$ 242,310	**256,320**	**130,631**
Contract assets	$ 13,417	20,328	62,088
Less: loss allowance	(402)	(609)	(1,504)
Total	**$ 13,015**	**19,719**	**60,584**
Contract liabilities	**$ 2,924**	**2,470**	**22,420**

For details of notes and accounts receivable and loss allowance, please refer to Note 6(c).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liabilities balance at the beginning of the year was $2,111 and $22,420, respectively.

(p) Employees' and directors' profit sharing bonus

According to the Company' s Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' profit sharing bonus) it shall be contributed by the following rules. However, if the amount Company have accumulated losses, it shall reserve the amount for offsetting losses.

(i) No less than 10% of profit as employees' profit sharing bonus. The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company, depends on certain specific requirement determined by the Board of Directors.

(ii) No more than 2% of profit as the profit sharing bonus in cash to the Directors.

The Company's estimated of employees' and directors' profit sharing bonus were as follows:

	2019	2018
Employees' profit sharing bonus	$ 49,582	47,694
Directors' profit sharing bonus	9,800	6,000
	$ 59,382	**53,694**

(Continued)

The amounts are calculated by the net profit before tax excluding employees' and directors' profit sharing bonus, of each year multiplied by the percentage of employees' and directors' profit sharing bonus as specified in the Company's Article of Incorporation. The amounts excluding the part of subsidiaries are accounted for under operating expense in 2019 and 2018. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year. If the Company's Board of Directors approved to distribute employee's profit sharing bonus by shares, the number of shares were calculated based on the closing price of the Company's common stock, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018.

(q) Non-operating income and expenses

(i) Other income

	2019	2018
Interest income	$ 1,168	1,038
Dividend income	714	1,168
	$ 1,882	**2,206**

(ii) Other gains and losses

	2019	2018
Foreign exchange gains (losses), net	$ (340)	2,231
Management services revenue	32,633	24,000
Losses on disposals of property, plant and equipment, net	(1,087)	(7)
Reversal of bad debt loss	-	23,939
Others	273	(10)
	$ 31,479	**50,153**

(iii) Finance costs

	2019	2018
Interest expense	**$ (306)**	**(161)**

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(Continued)

2) Concentration of credit risk

When financial commodity trading is relatively concentrated on a few trading partners, or not but the trading objects are mostly engaged in similar commercial activities and have similar economic characteristics, so when the ability to perform the contract is similarly affected by economic or other conditions, a significant concentration of credit risk occurs.

As of December 31, 2019 and 2018, 57% and 51%, respectively, of accounts receivable was concentrated on 6 specific customers. Thus, credit risk is significantly centralized.

The Company has regularly assessed the possibility of recovering accounts receivable and provides appropriate allowance for impairment losses, which is within the management's expectations. In order to reduce the credit risk, the company also regularly and continuously assesses the financial status of customers, and these customers are well-known international manufacturers. In the past year, the collection status of customers was good. Therefore, the company assesses that credit risk can be reduced.

3) Receivables securities

For credit risk exposure of accounts receivables, please refer to Note 6(c). For the detail and impairment of other financial assets at amortized cost include time deposits recognized in other financial assets, please refer to Note 6(h).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(f).

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	Over 2 years
As of December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 9,586	9,586	9,586	-	-
Other payables (including related parties)	16,755	16,755	16,755	-	-
Lease liabilities (current and non-current)	1,147	1,234	478	478	278
	$ 27,488	**27,575**	**26,819**	**478**	**278**
As of December 31, 2018					
Non-derivative financial liabilities					
Accounts payable (including related parties)	$ 25,052	25,052	25,052	-	-
Other payables	6,477	6,477	6,477	-	-
	$ 31,529	**31,529**	**31,529**	**-**	**-**

(Continued)

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 1,231	30.106	37,059	4,366	30.733	134,182
CNY	1,647	4.3090	7,095	3,342	4.4755	14,956
Non-monetary items						
USD	40,976	30.106	1,233,626	29,897	30.733	918,809
JPY	370,500	0.2765	102,443	304,560	0.2733	84,485

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the foreign currency for the years ended December 31, 2019 and 2018 would have increased (decreased) the net profit after tax by $2,445 and $7,616, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The Company' s exchange gain or loss, including realized and unrealized portions, of monetary items convert to amount of functional currency, information about exchange rate is as below:

	2019		2018	
	Exchange loss	Average exchange rate	Exchange gain	Average exchange rate
NTD	340	-	2,231	-

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities. The change in interest rate has no significant impact on the company's net profit in 2019 and 2018.

(Continued)

(v) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2019 Other comprehensive income after tax	2018 Other comprehensive income after tax
Increasing 3%	$ 396	392
Decreasing 3%	$ (396)	(392)

(vi) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	$ 13,212	-	13,212	-	13,212
Financial assets measured at amortized cost					
Cash and cash equivalents	291,445	-	-	-	-
Accounts receivable, net (including related parties)	242,310	-	-	-	-
Other receivables (including related parties)	9,124	-	-	-	-
Refundable deposits	9,100	-	-	-	-
Subtotal	551,979	-	-	-	-
Total	$ 565,191	-	13,212	-	13,212
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	9,586	-	-	-	-
Other payables (including related parties)	16,755	-	-	-	-
Lease liabilities (current and non-current)	1,147	-	-	-	-
Total	$ 27,488	-	-	-	-

(Continued)

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	$ 13,072	-	13,072	-	13,072
Financial assets measured at amortized cost					
Cash and cash equivalents	715,812	-	-	-	-
Accounts receivable, net (including related parties)	256,320	-	-	-	-
Other receivables (including related parties)	7,374	-	-	-	-
Other financial assets	179	-	-	-	-
Refundable deposits	14,493	-	-	-	-
Subtotal	994,178	-	-	-	-
Total	**$ 1,007,250**	**-**	**13,072**	**-**	**13,072**
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 25,052	-	-	-	-
Other payables	6,477	-	-	-	-
Total	**$ 31,529**	**-**	**-**	**-**	**-**

2) Valuation techniques for financial instruments measured at fair value

The financial assets held by the Company that are measured at fair value through other comprehensive profit or loss are based on the market method of estimating fair value. The judgment refers to the evaluation of the same type of company, market conditions and financial indicators, etc.

3) Transfers between Level 1 and Level 2

For the years ended December 31,2019 and 2018, there was no transfers between level 2 and level 1.

(s) Management of financial risk

(i) Overview

The Company is exposed to the extent of the risks arising from financial instruments as below：

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about the Company's objectives, policies and processes for measuring and managing the above mentioned risks was listed below. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

Risk management policies are approved by the Board of Directors and is executed by the Company's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperating with other operating units. The Board of Directors develop and document risk policies which cover specific risk exposure such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet it contractual obligations that arises principally from the Company's accounts receivable.

1) Accounts receivable

The Company's credit risk exposures are influenced mainly by each customer. According to the Company's credit policy, the credit rating of individual customers must be analyzed before the payment terms and credit limit are given. The Company continues to evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

The Company set up the allowance for doubtful accounts to reflect the expected credit loss of accounts receivable.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions and companies, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Company only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The company did not provide guarantees to non-consolidated subsidiaries as of December 31, 2019 and 2018.

(iv) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

In addition, As of December 31, 2019 and 2018, the Company has unused credit facilities for bank loans of $520,000 and $120,000, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies used in these transactions are denominated in CNY, USD and JPY.

The Company collects information of currency to monitor the trend of currency rate and keeps connection with the foreign currency department of banks to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest risk

The Company did not have loans as of December 31, 2019 and 2018. Consequently, the Company did not have interest risk.

3) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(Continued)

(t) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital.

The Company's debt-to-equity ratio at the reporting date was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 342,500	300,091
Less: cash and cash equivalents	(291,445)	(715,812)
Net debt	**$ 51,055**	**(415,721)**
Total equity	$ 2,108,997	1,827,202
Adjustment	-	-
Total capital	**$ 2,108,997**	**1,827,202**
Debt-to-equity ratio	**2.42 %**	**- %**

As of December 31, 2019, there were no changes in the Company's approach to capital management.

(u) Investing and Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities in the years ended December 31,2019 and 2018, were as follows:

		Cash flows		Non-cash changes	
	January 1, 2019	Proceeds from loans	Repayments of loans and lease liabilities	New lease	December 31, 2019
Short-term loans	$ -	128,374	(128,374)	-	-
Lease liabilities	-	-	(176)	1,323	1,147
	$ -	**128,374**	**(128,550)**	**1,323**	**1,147**

		Cash flows		
	January 1, 2018	Proceeds from loans	Repayments of loans	December 31, 2018
Short-term loans	**$ -**	**206,000**	**(206,000)**	**-**

(Continued)

(7) Related party transactions

(a) Names and relationship with related parties

The following are entities that have transactions with the Company during the periods covered in the financial statements and the Company's subsidiaries.

Name of related party	Relationship with the Company
Wistron Information Technology and Services Limited (WIHK)	The Subsidiary
Wistron Information Technology and Services Inc. (WIBI)	The Subsidiary
Wistron Information Technology and Services (Japan) Inc. (WIJP)	The Subsidiary
WITS AMERICA, CORP. (WIUS)	The Subsidiary
Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	The Subsidiary
Shanghai Booster Technologies Company Limited. (QT)	The Subsidiary
Beijing Enovation Technology co., Ltd. (WIYC)	The Subsidiary
Wistron ITS (Wuhan) CO. (WIWZ)(Note)	The Subsidiary
Wistron Corporation (Wistron)	The entity with significant influence over the Company
Wiwynn Corporation (Wiwynn)	Other related party

(Note) Wuhan Wistron Virgin Technology & Service Inc. was renamed Wistron ITS (Wuhan) Co. on January 4, 2019 and completed registration.

(b) Significant transactions with related parties

(i) Provide service to related parties

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	Revenue			Accounts receivable -related parties	
		2019	2018	December 31, 2019	December 31, 2018
Subsidiary-WIBI	$	171,735	113,093	5,952	77,842
Subsidiary-Others		34,552	31,868	13,228	13,700
Entities with significant influence over the Company		41,408	32,626	13,230	13,671
Other related party		1,335	-	292	-
	$	**249,030**	**177,587**	**32,702**	**105,213**

(Continued)

The selling price for related parties approximated the market price. The credit terms ranged from one to three months. Accounts receivable from related parties were uncollateralized, and no expected credit loss was required after the assessment by the management.

(ii) Service expense and payable to related parties

Subsidiaries provide IT services to the Company's business and the outstanding balances were as follows:

	Cost of sales		Accounts payable -related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary－WIWZ	$ 7,574	2,870	583	930
Subsidiary-Others	5,089	9,570	935	552
	$ 12,663	**12,440**	**1,518**	**1,482**

The transactions between the Company and its subsidiaries were determined by considering the related costs of related parties, which were different from other outsourcing transactions, so it cannot be compared with.

(iii) Management services

The Company provides business consulting for subsidiaries. The management services revenue and its outstanding balances were as follows:

	Other income		Other receivable-related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary－WIBI	$ 24,000	24,000	5,889	4,000
Subsidiary－WIUS	8,633	-	3,160	-
	$ 32,633	**24,000**	**9,049**	**4,000**

(iv) Contract liabilities

As of December 31, 2019, the Company received $163 advance payment from the entity with significant influence over the Company which was recognized as current contract liabilities.

(v) Receivables and payables to related parties were as follows:

	December 31, 2019	December 31, 2018
Accounts receivable－related parties:		
Accounts receivable	$ 32,702	105,213
Other receivables	9,049	4,000
Advances receivable	-	3,231
	$ 41,751	**112,444**

(Continued)

		December 31, 2019	December 31, 2018
Accounts payable－related parties:			
Accounts payable	$	1,518	1,482
Other payables		126	-
	$	**1,644**	**1,482**

(c) Key management personnel compensation

Key management personnel compensation comprised

		2019	2018
Short-term employee benefits	$	29,680	44,115
Post-employment benefits		549	664
	$	**30,229**	**44,779**

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object		December 31, 2019	December 31, 2018
Other noncurrent assets -restricted bank deposit	Performance & warranty guarantee	$	**250**	**3,735**

(9) Significant commitments and contingencies

The guarantee notes issued for the warranty were as follows:

	December 31, 2019	December 31, 2018
$	**-**	**5,080**

(10) Losses due to major disasters: None.

(11) Subsequent events

(a) The appropriation of earnings of 2019 that was approved at the board of directors meeting on March 27, 2020 but is to be presented for approval in the shareholders meeting was as follows:

		2019
Common stock dividends		
Cash	$	**212,484**

(Continued)

(b) The outbreak of Coronavirus pandemic (COVID-19) since early 2020, has brought the uncertainty to Company's operating environment in China, and has impacted the Company’ s operations and financial performance accordingly. Up to now, the company has sufficient funds available to meet the needs of operations. Due to uncertain evolving of COVID-19, the Company cannot reasonably measure the impact on its business and financial position now, but would continue to closely monitor the developments of the epidemic.

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / **By item**	**2019**			**2018**		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salaries	394,578	174,536	569,114	317,913	180,464	498,377
Labor and health insurance	44,372	10,592	54,964	32,965	8,102	41,067
Pension	24,348	5,578	29,926	18,323	4,308	22,631
Directors’ profit sharing bonus	-	13,155	13,155	-	7,105	7,105
Others	18,031	10,168	28,199	14,346	3,739	18,085
Depreciation	2,871	11,324	14,195	2,182	6,499	8,681
Amortization	94	4,027	4,121	303	5,477	5,780

As of December 31, 2019 and 2018, the additional information for employee numbers and employee benefits were as follows:

	2019	**2018**
Employee numbers	**791**	**653**
Directors' numbers without serving concurrently as employee	**7**	**8**
Average employee benefits	$ **870**	**899**
Average employee salaries	$ **726**	**773**
Average adjustment rate of employee salaries	**(6.08)%**	

(13) Other disclosures

(a) Information on significant transactions:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: Please refer to Table 1.

(Continued)

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 3.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

(viii) Accounts receivable from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5.

(ix) Trading in derivative instruments: None.

(b) Information on investments (excluding information on investees in mainland China)
The following are the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China): Please refer to Table 6.

(c) Information on investment in mainland China: Please refer to Table 7.

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2019.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 1 Guarantees and endorsements for other parties
(December 31, 2019)

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 2)											
0	The Company	WIBJ	2	1,054,498	213,666	206,604	-	-	9.80%	2,108,997	Y	N	Y	-
0	The Company	WIBI	2	1,054,498	79,030	75,265	-	-	3.57%	2,108,997	Y	N	N	-
0	The Company	WIUS	2	1,054,498	61,026	60,212	-	-	2.86%	2,108,997	Y	N	N	-
0	The Company	WIWZ	2	1,054,498	782,636	762,351	-	-	36.15%	2,108,997	Y	N	Y	-

(Note 1) The total amount for guarantees and endorsements provided by the Company shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

Except for the subsidiary which was owned more than 90% by the guarantor which the total amount for guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth, which was audited by Certified Public Accountant. The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, was audited by Certified Public Accountant.

(Note 2) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which was owned more than 50% by the guarantor.
3. An investee which was owned more than 50% in total by both the guarantor and its subsidiary.
4. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 2 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)
(December 31, 2019)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2019				Notes
				Number of shares	Book value	Percentage of Ownership	Fair Value	
The Company	Stock of AdvancedTEK International CO.	-	Non-current financial assets at fair value through other comprehensive income	649,000	13,212	19.19%	13,212	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 3 Acquisition of real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Name of Property	Transaction Date	Transaction amount	Status of payment	Counter-party	Relationship with the company	If the counter party is a related party, disclose the previous transfer information.				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the company	Date of transfer	Amount			
The Company	Land : Land NO.872, Hao Tian Section, Xizhi Dist, New Taipei City Land NO.6, Tong Xin Section, Xizhi Dist, New Taipei City Building : 32F, Building D, Sec.1 Xintai 5th Rd, Xizhi Dist, New Taipei City	2018.9	465,560	465,560	Farglory Global Investment CO., LTD. Farglory Land Development CO., LTD.	Non related parties	-	-	-	-	Valuation amount and market condition provided by professional valuation agency	Operating purpose	None

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 4 Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock
(December 31, 2019)

Name of Company	Related Party	Nature of Relationship	Transaction details				Abnormal Transaction		Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / (sales)	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / Note receivable (payable)	
WIWZ	WIBI	Parent - subsidiary company	Sales	(330,101)	(10.81%)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	Not materially different from the third-parties sales.(generally transaction)	41,089	5.53%	-
WIWZ	WIBJ	Parent - subsidiary company	Sales	(1,092,453)	(35.78%)	〃	〃	〃	136,337	18.34%	-
The Company	WIBI	Parent - subsidiary company	Sales	(171,735)	(18.82%)	〃	〃	〃	5,952	2.46%	-
WIHK	WIBI	Associates	Sales	(193,873)	(84.25%)	〃	〃	〃	16,070	73.04%	-
WIBI	WIWZ	Parent - subsidiary company	Purchases	330,101	42.61%	〃	〃	〃	(41,089)	(60.56%)	-
WIBJ	WIWZ	Parent - subsidiary company	Purchases	1,092,453	96.06%	〃	〃	〃	(136,337)	(96.73%)	-
WIBI	The Company	Parent - subsidiary company	Purchases	171,735	22.00%	〃	〃	〃	(5,952)	(8.77%)	-
WIBI	WIHK	Associates	Purchases	193,873	24.84%	〃	〃	〃	(16,070)	(23.69%)	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 5 Accounts receivable from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock
(December 31, 2019)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Notes
					Amount	Action taken			
WIWZ	WIBJ	Parent - subsidiary company	136,337	609.26%	-	None	136,337	-	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 6 Information on investees (excluding information on investees in mainland china)

(December 31,2019)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	WIBI	B.V.I	Professional investment enterprise	294,184	294,184	180,000,000	100.00%	1,209,689	321,433	321,433	-
The Company	WIJP	Japan	Research, develop, design of software, and information consulting service	29,564	29,564	1,960	100.00%	102,443	18,701	18,701	-
The Company	WIHK	Hong Kong	Research, develop, design of software, and information consulting service	44	44	10,000	100.00%	9,730	(3,611)	(3,611)	-
The Company	WIUS	U.S.A	Research, develop, design of software, and information consulting service	7,586	7,586	250,000	100.00%	14,207	5,585	5,585	-

WISTRON INFORMATION TECHNOLOGY AND SERVICES CORPORATION
Notes to the Parent Company Only Financial Statements

Table 7 Information on investment in Mainland China

1. Information on investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of the investee	Hightest percentage of shares during the period	Direct / indirect shareholding (%) by the Company	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2019	Notes
					Outflow	Inflow								
QT	Research, develop, design of software, and information consulting service	4,445	(Note1)1.	2,304	-	-	2,304	1,102	100%	100%	1,102 (Note3)2.	(915)	-	-
WIBJ	Research, develop, design of software, and information consulting service	502,865	(Note1)1.	169,420	-	-	169,420	328,950	100%	100%	328,950 (Note3)1.	1,271,734	-	-
WIWZ	Research, develop, design of software, and information consulting service	356,800	(Note1)2.	-	-	-	-	296,029	100%	100%	296,029 (Note3)1.	926,306	-	-
WIYC	Research, develop, design of software, and information consulting service	24,449	(Note1)2.	-	-	-	-	(128)	100%	100%	(128) (Note3)2.	17,451	-	-

2. Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (Note4)	Investment Amounts Authorized by Investment Commission, MOEA (Note4) 、(Note6)、(Note7)	Upper Limit on Investment (Note5)
214,697 (USD 7,131,356)	545,863 (USD 18,131,356)	1,265,398

(Note 1) Ways to invest in Mainland China :

1. Indirect investment in Mainland China company through the company established in a third region.

2. Indirect investment in Mainland China company through Mainland China company.

(Note 2) The amount of the net income (losses) and the investee company carrying value as of December 31, 2019 were recognized by the investment through subsidiaries established in a third region or Mainland China.

(Note 3) Recognized share of associates and joint ventures accounted for using the equity method :

1. The financial statements of the investee company were reviewed by the company's auditor.

2. Others

(Note 4) Translated using the ending rate on December 31, 2019, which was USD : NTD = 1 : 30.106 .

(Note 5) The limit was the higher of 60% of the Company's net worth or NTD 80 million dollars.

(Note 6) Of which USD 1,000,000 was the investment in the dissolved subsidiary at Hangzhou. Due to operating losses, the investment has been completely lost and cannot be remitted; Of which USD 757,756 was the investment in the dissolved subsidiary at Zhejiang.

(Note 7) The Company increases investment in Mainland China(WIBJ) by USD 11,000,000 through the Company established in a third region(WIBI), and the investment has been authorized by Investment Commission, MOEA.

3. Significant transactions

For the year ended December 31, 2019, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".