Stock Code：3570

Otsuka Information Technology Corp.

2018
ANNUAL REPORT

(In case of any discrepancy between the Chinese and English versions,
the Chinese version shall prevail.)

May 31, 2019

Annual Report is available at：http：//mops.twse.com.tw
http://www.oitc.com.tw

I. Names, Titles, and Contact Information of the Spokesman and Acting Spokesman

Items	**Spokesperson**	**Acting Spokesperson**
Name	Hsu, Hui-Ju	Lin, Chih-Ming
Title	Vice General Manager	Financial Manger
Contact Number	(02)8964-6668	(02)8964-6668
EMAIL	vicky@oitc.com.tw	angus@oitc.com.tw

II. Contact Information of the Head Office, Branch Office, and the Factory

1. Head Office：6F., No. 68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)

   Tel：(02)8964-6668

   Hsinchu Branch：13F.-2, No.251, Fuxing 1st St., Zhubei City, Hsinchu County 30271, Taiwan (R.O.C.)

   Tel：(03)550-5568

   Taichung Branch：14F.-3, No. 213, Chaofu Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)

   Tel：(04)2258-2355

   Tainan Branch：Rm. C1, 8F., No. 189, Sec. 1, Yongfu Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)

   Tel：(06)215-3356

   Kaohsiung Branch：6F.-1, No. 315, Minghua Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)

   Tel：(07)550-1398

2.Branch Offices：None

3.Factory：None

III. Contact Information of the Stock Transer Agency

Name：SinoPac Securities　　Website：http://www.sinotrade.com.tw

Address：3F., No.17, Bo’ ai Rd., Taipei City 100　　Tel：(02)2381-6288

IV. Contact Information of the Certified Public Accountants for the Latest Annual Reports

CPA Name：Wu, Mei-Ping and Zhuang, Jun-Wei

CPA Firm：KPMG TW　　Website：http://www.kpmg.com.tw

Address：68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City

Tel：(02)8101-6666

V. Company’s listed overseas securities and trade places：None

VI. Company Website：http://www.oitc.com.tw

Table of Contents

I. Letter to Shareholders

I. The 2018 Annual Operating Report

(I) Business Results

The Company has been continuously assisting our clients in integrating 3D imagine software into application and providing solutions and technical advisors for mid-level to hard-level CAX/CAM application issues to clients. In order to catch up with the changes of the market, the Company has been continuously trying to develop new business opportunities for advanced application and expanding product lines. Through improving the Company's organizational effectiveness, expanding dealer distribution market, strengthening technical support service and raising the added value at the same time, the Company was able to achieve a higher operating revenue and profit compared to 2017.

1. Management Results and Sales Condition of Primary Products are as follows:

(1) Business Result Comparison:

The Company's operating revue for 2018 is NT$923,668thousand, which is NT$247,351 thousand more than 2017, an increase of 36.57%.; As for the operating margin of 2018 , it is at NT$319,599 thousand, which is NT$82,42 thousand more than 2017, an increase of 34.75%; The net profit after tax for 2018 is NT$74,245 thousand, which is NT$48,492 thousand more than 2017, an increase of 188.30%.

Combined Financial Statements of Otsuka Information Technology Corp.

UNIT：NT$1000

YEAR	2017		2018		Increases and Decreases	
	Amount	%	Amount	%	Amount	%
Operating Revenue	676,317	100.00	923,668	100.00	247,351	36.57
Operating Margin	237,172	35.07	319,599	34.60	82,427	34.75
Operating Expenses	207,125	30.63	228,468	24.73	21,343	10.30
Operating Net Profit	30,047	4.44	91,131	9.87	61,084	203.30
Income from Continuing Operations Before Income Tax	32,983	4.88	93,085	10.08	60,102	182.22
Net Income	25,753	3.81	74,245	8.04	48,492	188.30

(2) Financial Revenue and Expenditure and Profitability Analysis

Items			2017	2018	Differences
Financial Structure	Debt to Asset Ratio		16.16	24.06	7.90
	Long Term Funds to Fixed Assets		2,576.72	2,542.78	(33.94)
Solvency	Current Ratio		572.13	388.97	(183.16)
	Quick Ratio		498.66	360.40	(138.26)
Profitability	Return on Assets (%)		3.96	10.64	6.68
	Return on Equity (%)		4.75	13.38	8.63
	Profitability to Capital Stock Ratio (%)	Operating Income to Capital Stock	17.57	53.30	35.73
		Profit Before Tax to Capital Stock	19.29	54.45	35.16
	Net Margin (%)		3.81	8.04	4.23
	Earnings per share (NT$)		1.51	4.34	2.83

(3) Research and Development Status

The amount of money the Company's put into investment on research and development and the operating revenue to equity ratio for the last three years:

Uni：NT$ 1000; %

Items and Year	2016	2017	2018
Research and Development Costs (A)	13,730	5,679	7,023
Net Operating Revenue (B)	869,193	676,317	923,668
(A)/(B)	1.58%	0.84%	0.76%

In 2018, The Company's research and development department not only assisted in some big projects, but also assisted with the development of many custom developed software for clients. Added new features and increased the effectiveness of 3D Designing to satisfy the client's needs. The department also aimed to raise the performance level as a whole by cooperating to adapt to a more systematic operating procedure.

II. The 2019 Business Plan

(I) Operating Principle

1.Maintain a close relationship with long-term clients and develop new business opportunities

As the Company enters the 23rd year of running in the Drawing Software market in Taiwan, great services have always been the core principle of ours to maintaining the relationship between our clients. This year, the company will improve the development of a client system. Through big data analysis and a systematic management method, we aim to understand the latest needs of our clients and improve the repurchase rate of our existing clients. Furthermore, the Company shall reinforce services with more customer value, offer differentiated services and solutions to differentiate our competing brands. The Company believes that through a long and stable systematic management, we will be able to raise the company's Competitive Advantage for our clients.

2. Offers A Complete Technologies Integration Service of the Product Line

(1) The Company owns the right of agency to all Autodesk product lines, including manufacturing, construction, and Autodesk Media & Entertainment (M&E) solutions. The company will continue to offer complete solutions, at the same time build a team of skills development training team and customer service team. The Company has had several successful project experiences of all kinds and had accumulated a mature technology advisory support and experience in system planning. With the support from all product lines, the company is able to provide our clients more effective solution plans and improve the clients' satisfactory rate.

(2) The Company built a whole new sales department, targeting the sales of high-class 3D drawing software CREO made by a United States-based company, the Parametric Technology Corporation. After years of marketing work after obtaining the platinum right of agency, the product has gained a stable place in the market. With a powerful feature such as advanced surface design, structure static analysis and direct modeling, a parametric 3D CAD/CAM designing platform and a strong integration and problem-solving system, the product presented an even stronger functionality, flexibility, and efficiency and is now the most used system in Taiwan's computer information firms. As the Company is experienced in industry assistance, we also provide another product that the company obtained the right of agency of, the Product Lifecycle Management system made by Windchill. Through the system, we can improve the efficiency of cooperation between different departments. With the blooming development of the smart industry, the internet of things technology enables enterprises to understand the

relevant information towards improving the effectiveness of products, and drastically improve the quality of existing and future products. We believe that with the Company's PDM technology advantage, it will definitely increase the profit of said product line and stabilize its place in the market.

(3) Provide Advisory Total Solution Service and develop multi brand maintenance service ability, in order to raise the profit and achieve the long-term goal of the Company. We will continue to provide multi-application of drawing software integration, information security, product lifecycle management system integration in the country, and aim to become a versatile professional company by creating business opportunities through expanding our services.

3. Integrate Internal Operating Procedure

As digitalization has become the trend, instantaneity and the ability to analyze data have become a must in a company's operating procedures. In 2018, the Company has integrated an online electronic signature system; effective sales and purchasing process with CRM and ERP systems. For this year, we shall continue and integrate a customer advisory service dispatching and closing system with a data analysis of our customers' needs. In addition to that, we shall build a company portal and assist the sales and technology department, and the director of responsibility center to instantly understand the client's case and service progress, or sales performance and manage accordingly. The portal system will make the company's operating process smoother, and further improve the quality and accuracy of our customer service.

(II) The Expected Sales Number and Its Basis

Based on the changes in both the market environment in the country and around the world, along with the Company's product plans, the Company expects to sell 16,312 sets of CAD in 2019. As for other series' products, the expected sales number could not be calculated and shown due to different measurement units from other products.

(III) Important Production and Marketing Plans

1. Improve operating efficiency, structural effectiveness, core technologies and internal resource and sales management system, in order to improve online service effectiveness and the collaboration between the Mainland China and Taiwan.
2. Many renowned companies have adapted the method of incorporating smart robot system technology to raise the profitability and product quality and shorten the time needed for products to go online. Through this method, they were able to achieve a faster and smoother process of adapting to switching product lines with more flexibility, thus resulting with a production method that is less focused on production quantity, but more on a bigger variety of products. Through learning from these renowned companies, the Company will focus on client proposals with potential to integrate automation technology and provide complete systematic solution towards their needs. In addition to that, the company will continue to understand the needs of our existing clients and the market for original manufactured products. Through improving our servicing products, we aim to achieve a higher sales number and continue to expand our advanced technology advantage, in order to attract our clients into building software equipment that are smarter and with more flexibility and raise customer satisfactory rates and sales market share. Furthermore, we will introduce product lines that will bring more synergy to the table, and build more variety in our product lines, meanwhile finetuning each existing product line. The company aims to use to our advantage all of our product lines and our trading channel between the two shores.
3. Innovation is the power that drives cooperation. With VR/MR(Mixed Reality), IoT and interactive 3D sensing products on the rise, it also helped drive the demand of hardware, services and contents. As a result, the company plans to focus on building a whole new

professional marketing and new technology service support team to provide a differentiated sales method and more professional customer service, through improving the advisory sales method ability, training more assistant managers, and carrying on the Company's technology legacy to raise the competitiveness and cohesion of the Company.

(IV) The Future Development Strategy of The Company

1. Provide Professional System Integration Services.

Drawing and video call technology are generally used on personal computers, smart mobile devices, digital television, navigation equipment and gaming consoles, and 3D image fluency, operative accuracy, and personification are essential towards deciding the competitiveness of a drawing software. The company provides a platform that offers a complete solution plan of various kinds. The Company also plans on actively training professionally certified engineers and making the Total Solution customer service team as part of the critical business strategies. We shall establish a tight and mutually beneficial relationship with the manufacturers, creating a win-win solution for everyone including our company, the manufacturers, and the customers.

2. As the manufacturing industry has been facing rapid changes in the international market, and the pressure from the Red Supply chain, improving the production efficiency and operation method is inevitable in order to maintain its competitiveness and raise the products' added value. To achieve that, the Company will start from improving the time needed to developing customers products, providing a full solution support service, and assisting clients' on developing new products and lessening the time needed for the product to go online. The company will focus completely on trying to expand into different businesses and developing more product lines, and work towards the goal of becoming the leading figure in smart technology manufacturing.

3. Future Research and Development plans:

(1) As Autodesk switched its sales plans to a subscription plan, Otsuka must gradually build a solution plan to raise our competitiveness and strengthen the codependent relationship with our clients. As of now, we have been targeting to create related tools and improvement systems for products such as Autodesk Inventor, Moldflow, PTC creo, in hopes of strengthening the efficiency of the original product.

(2) Otsuka has been accumulating CAD related technology resources for many years. Besides the sales of software, technology service will be key in future development. The research and development unit will also develop related software that will provide technology support and service for our users.

(V) Influences of the external competitive environment, regulatory environment and the overall business environment

1. Influences of the External Competitive Environment

As the Global market faced challenges like rapid changes and shorter production cycle, our company provides many solution plans for the manufacturing industry, construction industry and multi-media industry in the form of professional computer drawing software. We can integrate digital security management and research and development data management systems and professional technology drawing software retailers that aims to develop future automation technology. We are a drawing software retailer that provides future smart automation technology, and mainly distributes core technology products with more competitiveness. Along with a solid team of sales service advisors, we continue to improve product demands of customers, and degree of dependence on technology. At last, we will be able to differentiate ourselves with our competitors, establish our market position and advantages, at the same time generate a higher profit.

2. Influences of the Regulatory Environment

The changes in the regulations in domestic and foreign policies, including changes in the IFRSs during the last few years has little impact on the Company's financials. However, as the government's regulations for corporate governance becomes stricter and stricter, the Company shall continue to pay attention making changes to the internal operation method and discuss with professional accountants and lawyers on ways to make the impact on the Company to the minimum if needed.

3. Influences of Overall Business Environment

According to Taiwan Institute of Economic Research's report, the global economy of 2019 shall remain at the same level with 2018, as the IMF and OECD also predicted the same. However, there are some institutes that thinks that the global economy will be worse than 2018. In order to prepare to face the economic changes in and outside the country, the company will improve our technology integration, quality, and technology researches and development in hopes to raise customers' satisfaction and profit rate. As for improvement of internal efficiency, the company shall integrate the internal operating procedures, and perform systematic analysis on sales data and process management control, in hopes of making it easier for the sales department to understand important information like the customer's needs, staff performance, and technology support department to understand the current progress of each customers' project. Through the plans, the company aims to improve the customers' satisfactory rate and hope to encourage our colleagues to generate better performances.

(VI) Future Prospect

As the Taiwan Institute of Economic Research predicted in December 2018, the global economy of 2019 shall remain the same with a possibility of a slight cool-down. The Institute expected a 2.18% economic Growth Rate in 2018. As a representative of the CAD/CAM manufacturers, we shall continue to improve our product value; solidify our advanced technology advantage in the market, expand our market share and work towards benefiting both the Company and our clients. As digital services and market competition continue to emerge, the Company will focus on developing new product markets, and integrating internal data to better fit the needs of our existing clients. Through this, we aim to gain the clients' trust in our company and maintain the income generated from providing technology services.

Since the foundation of the company, we have also believed in a solid and steady operating style and financial structure. Only with a strong niche advantage, can we be unafraid of the tough challenges of the environment. As for the prospect of the future, the operational team shall continue to pursue innovation and operational efficiency. We shall focus on providing more professional services and software technologies and integrate the trends of the industry in a more proactive and flexible way. With the hard work and support of our shareholders and directors, we aim to generate an even higher value for all our shareholders. Regarding the distribution of net income of 2018, we aim to provide all our clients and shareholders a better future, at the same time maintain the long term constant payout policy.

Chairman：Tsurumi Hironobu

General Manager：Kuo,Yi-Lung

Accounting Manager：Fu, Kai-Li

II. Company Profile

I. Date of incorporation:

August 4, 1997

II. Company History:

Year	Month	Company History
1997	August	Japan Otsuka Corp. and Taiwan Aurora Group join together and co-founded the joint venture Aurora Otsuka Corp., with a capital of NT$ 100,000,000 majoring in selling CAD/CAM software and IT system integration.
	October	Signed the right to distribute the products of the AutoCAD series with US-based company Autodesk.
1998	March	Established the ITSI system integration place.
	September	Established the Taichung office, and received acknowledgement from the Ministry of Economic Affairs and the Institute for Information Industry to go to Japan to inspect the result of incorporating the CALS plan in the government, industry, and universities.
	October	Cash capital increases by 60 million.
1999	April	Established the Kaohsiung Office.
	October	Established the Tainan Office.
2000	January	Obtained the distribution rights of the software in the China region and became the only distributor with rights across both shores.
	May	Capital reduced by 77 million and then increased by 33.2 million, resulting in a total capital of 116.2 million.
	December	Established the IPO international Purchasing Department to assist the headquarters in Japan in purchasing information products.
2002	January	Acknowledged by Autodesk as the sole agent of MCAD (a series of products for the manufacturing industry) products in the Taiwan region.
	October	Otsuka Corporation obtained all the shares previously owned by the Aurora Group and became the sole shareholder of the company. Later renamed the company as Otsuka Information Technology Corp.
2003	January	Introduced a brand new corporate identification system called the Otsuka IT.
2004	May	Established the Hsinchu Office.
2005	February	Listed as the sole agent of Autodesk in the Taiwan region to distribute the educational series products in the manufacturing industry, spreading our business into the education market. Established the storage system department and provided information back-up security managed services for our clients.
2006	March	Obtained sole distribution rights for all Autodesk's products, and started a direct selling business in the education market; Obtained the right to sell Autodesk Alias series products.
2007	January	Obtained sole distribution rights of all Autodesk Alias series products and expanded our business into the most important market in the product development process, the industrial design market.
	July	Approved by the Securities and Futures Bureau, FSC, to initiate public offerings.

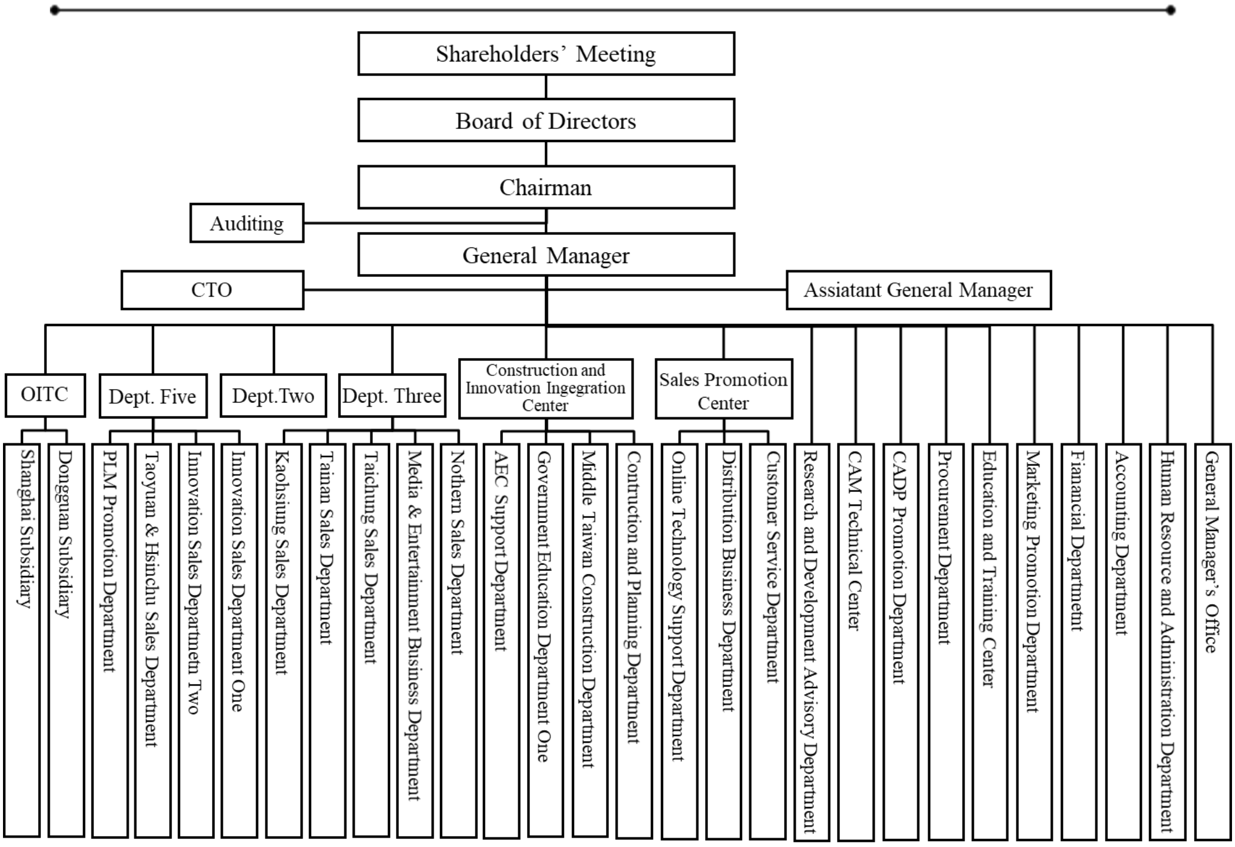
Year	Month	Company History
	September	Approved by the TPEx to be listed as an emerging stock.
		Approved by the Investment Commission to invest in the Mainland region.
	November	Otsuka Software Trading Corp. in Dongguan obtained its business registration certificate
2008	January	Introduced the self-developed software HyperPDM (Product Data Management).
	October	Company's stock officially listed in the OTC market
	November	Obtained a VAR-value added reseller contract from Autodesk in the China region.
2009	April	Approved by the Investment Commission to increase investment in the Mainland region.
	June	Otsuka Software Corp. in Suzhou obtained its business registration certificate.
	October	Obtained the distribution rights for Autodesk digital construction series product; Invested in real estate in Zhubei and established it as the Hsinchu office location.
2010	October	Approved by the Investment Commission to increase our investment in the Mainland region.
	December	Passed the corporate governance policy evaluation.
2011	January	Obtained the right of agency to sell Siemens' NX products.
	November	Obtained the right of agency to sell Pro/E, the parametric technology drawing software.
2012	February	Approved by the Investment Commission to increase investment in the Mainland region.
2013	June	Obtained the distribution rights for SAPVE products.
	July	Promoted by Autodesk with rights to sell DVAR contracts directly in all regions of China
2014	January	Otsuka Software Corp. in Suzhou obtained its business registration certificate.
2015	July	Approved by the Investment Commission to merge our subsidiary companies in the Mainland region, Otsuka Software Corp. in Suzhou and Oitc Information Technology Corp. in Shanghai
	September	Registered the DO Information Technology Corp.
2016	October	Obtained platinum distribution rights for PTC.
	November	Obtained distribution rights for all of Autodesk's product lines.
2017	January	Named as the only Platinum Agent of all Autodesk's product lines.
		Named as the only Platinum Agent of all of PTC's products.
	October	Obtained golden distribution rights for Siemens's NX products in both Taiwan and China.

III. Corporate Governance Report

I. Organizational System：

(I) Corporate Organizational Structure

Otsuka Information Technology Corp. Organzational Chart



(II) Department Functions:

Department	Main Functions
General Manager	(1) In charge of making and overlooking the Company’s operation and management policies. (2) In charge of setting the Company’s short term or overall general business strategies along with adjusting the operating performance ratio. (3) In charge of planning and executing resolutions made by the Directors.
Auditing Office	(1) Investigates and evaluates the viability, rationality, effectiveness and the status of implementation of the regulations in each department (2) Plans and executes audit proceedings (3) Writes audit reports and checks on the improvement of each department including a self-evaluation on management regulations within its own department
Human Resource and Administrative Department	(1) Human Resources management and Recruitment (2) Performance Evaluation (3) Employee Training and development (4) In charge of general affairs, and the handling of official documents and mails. (5) Inventory Control
Finance Department	(1) In charge of financing and fund raising along with investment management (2) Re-Auditing overseas subsidiary accounting affairs.
Accounting Department	(1) In charge of accounting, tax related issues, and financial analysis and planning

Department	Main Functions
Marketing Department	(1) In charge of the Company's website design, planning and maintenance. (2) In charge of the planning and execution of marketing events of each products, including real-life and online events. (3) In charge of planning and execution under the year's marketing budget and planning for the Company's co-selling products. (4) Cooperates with upstream original manufacturer's marketing plans and proposals.
Education and Training Center	(1) In charge of the planning of internal personnel training, the management of educational materials and publications. (2) Planning and execution of the training courses for clients' software. (3) In charge of training new employees, ensuring professionally certified abilities. (4) In charge of creating new content on the online learning platform and platform maintenance.
Procurement Department	(1) Regular reports with upstream original manufacturers and working towards reaching the target of the year. (2) In charge of contacting and requesting quotation of products and comparing offers. (3) In charge of purchasing and product shipment.
CAD Promotion Department	(1) In charge of integrating 3D drawing software technology resources according to industry requirements and proves the most efficient solution plans for clients. (2) Offers advanced application and training for advanced CAE products. (3) Assists in improving the general engineers and sales persons' overall understanding of the company products, in hopes of improving their sales ability.
Customer Service Department	(1) Offering proactive customer service and cooperating with related departments to develop new business opportunities. (2) In charge of the sales of yearly maintenance contracts and OITC value–added products.
Distribution Business Department	(1) Assists and manages all distributors.
Online Technology Support Department	(1) Provides online technology support services.
CAM Technical Center	(1) Assists in the management of Siemens business opportunities and order processing across both shores. (2) Planning and executing marketing events and sales training. (3) In charge of testing and developing new Siemens product lines. (4) Managing and executing the pre-sale and after-sale services of Siemens NX CAD CAM product lines. (5) In charge of developing and maintenance of customized Siemens NX applications, and providing training courses and customer service for clients.
Research and Development Advisory Department	(1) In charge of the development, maintenance, and management of products (2) Developing customized projects and time management. (3) Providing technology support to the Company about the Company's internal IT systems. (4) PLM project plan proposals and consulting services. (5) In charge of PLM implementation, training, assisting, and providing related technology support services.

<table>
<tr><th colspan="2">Department</th><th>Main Functions</th></tr>
<tr><td colspan="2">Media & Entertainment Business Department</td><td>(1)In charge of Autodesk Media & Entertainment (M&E) solution plans that mainly focus on the sales and promotion of products like Maya, and 3ds Max.</td></tr>
<tr><td colspan="2">AEC Support Department</td><td rowspan="3">(1) In charge of the planning of AEC softwares' sales strategy and promotion plans.
(2) Regularly reports with upstream original manufacturers and works towards reaching the target of the year.
(3) Provides technology support services and resources for AEC software.</td></tr>
<tr><td colspan="2">Construction and Planning Department</td></tr>
<tr><td colspan="2">Middle Taiwan Construction Department</td></tr>
<tr><td colspan="2">Northern Sales Department</td><td rowspan="5">(1) In charge of the sales and promotion of products within their designated region.
(2) In charge of communication with the products' contact and quote inquiries within their designated region
(3) Providing technology support services and related resources.</td></tr>
<tr><td colspan="2">Taoyuan & Hsinchu Sales Department</td></tr>
<tr><td colspan="2">Taichung Sales Department</td></tr>
<tr><td colspan="2">Tainan Sales Department</td></tr>
<tr><td colspan="2">Kaohsiung Sales Department</td></tr>
<tr><td colspan="2">Government Education Department One</td><td>(1) Promotes the application of software and related hardware products in schools.</td></tr>
<tr><td colspan="2">Innovation Sales Department One</td><td rowspan="2">(1) Mainly in charge of promoting the integration of PTC'S 3D CAD/CAM drawing software.</td></tr>
<tr><td colspan="2">Innovation Sales Department Two</td></tr>
<tr><td rowspan="2">OITC</td><td>Dongguan subsidiary</td><td rowspan="2">(1) In charge of sales and promotion of products in the China region.
(2) In charge of communication and quote inquiry of products sold in the China region.
(3) Provides technology support services and resources for products sold in the China region.</td></tr>
<tr><td>Shanghai Subsidiary</td></tr>
</table>

II. Information on the company's directors, supervisors, general manager, assistant general managers, associates and the supervisors, of all the company's divisions and brand units.

(I) Names, experiences, shareholdings and nature of relationship with the directors and supervisors.

1. Board directors and supervisors

May 1, 2019

Unit：shares; ％

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Japan	Otsuka Corp. Representative: Tsurumi Hironobu	Male	June 29, 2016	3	November 20, 2001	6,465,900	37.82%	6,465,900	37.82%	0	0%	0	0%	Kokugakuin University, Department of Economics	1. Director of Otsuka Corp. 2. Managing Director	-	-	-
Director	Japan	Otsuka Corp. Representative: Wakamatsu Yasuhiro	Male	June 29, 2016	3	October 29, 2007	6,465,900	37.82%	6,465,900	37.82%	0	0%	0	0%	Univeristy of Hyogo, Department of Economics	1. Director of Otsuka Corp.	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Kuo,Yi-Lung	Male	June 29, 2016	3	June 29, 2016	10,000	0.06%	20,000	0.12%	0	0%	0	0%	National Kaohsiung University of Science and Technology, Industrial Engineering and Management Department	1.General Manager of the Company 2. Director of Otsuka Information Technology Ltd. 3. Director and General Manager of Otsuka Software Trading Corp. in Dongguan 4. Director and General Manager of Oitc Information Technology Corp. in Shanghai	-	-	-
Director	R.O.C.	Hsu, Hui-Ju	Female	June 29, 2016	3	October 29, 2007	123,000	0.94%	112,000	0.66%	0	0%	0	0%	Shiga University, Master of Education	1. Assistant General Manager and spokesman of the Company 2. Supervisor at Otsuka Software Trading Corp. in Dongguan 3. Supervisor at Oitc Information Technology Corp. in Shanghai	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Liu, Zheng-He	Male	June 29, 2016	3	June 29, 2016	0	0%	0	0%	0	0%	0	0%	Tamkang University, Department of Computer Science	1. Director and Assitant General Manager at Koei Tecmo Taiwan CO., LTD	-	-	-
Independent Director	R.O.C.	Yan, Jun-De	Male	June 29, 2016	3	October 29, 2016	0	0%	0	0%	0	0%	0	0%	Tunghai University, Department of Accounting	1. CFO at Winking Entertainment Co., Ltd. 2. Independent Director at Patec Precision Industry Co., Ltd.	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Lin, Hui-Fen	Female	June 29, 2016	3	October 29, 2007	0	0%	0	0%	0	0%	0	0%	National Cheng Kung University, Doctoral Degree of Accounting	1. Accountant at Weyong International CPAs & CO. 2.Supervisor at Sunrex Technology Corp. 3. Independent Director and Remuneration Committee Member of Powertip Image corp. 4. Independent Director and Remuneration Committee Member of Lin Horn Technology Co.,Ltd. 5. Independent Director and Remuneration Committee Member of Joytech Corp.	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	R.O.C.	Huang, Xiang-Min	Male	June 29, 2016	3	June 29, 2016	0	0%	0	0%	0	0%	0	0%	Columbia University, Master of Architecture and Urban Design	1. CEO and supervisor at Fortune Construction Co., Ltd. 2. Chairman and General Manager of Rongshi Construction Co., Ltd. 3. Supervisor Representative at Excelsior Biopharma Inc	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	R.O.C.	Chen, Tai-Ming	Male	June 29, 2016	3	June 29, 2016	0	0%	0	0%	0	0%	0	0%	Boston University, M.A. Law New York State Attorney	1. Senior Advisor at Jones Day International Law Firm 2. Independent Director, Remuneration Committee Member, Audit Committee Member of PCL Technologies. 3. Independent Director, Remuneration Committee Member, Audit Committee Member of Simplo Technology Group 4. Independent Director of Orient PHARMA Co., Ltd. 5. Director of China Motor Corporation	-	-	-

Title[1]	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Dated First Elected[2]	Shares held upon election		Current Shares Held		Current Shares Held by the Spouse & Minor Children		Current Shares held in the Name of Others		Experience (Education)	Current Position in the Company and Other Companies	Executives, Directors, or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	Japan	Tamehiro Akio	Male	June 29, 2016	3	October 29, 2007	610,050	3.57%	610,050	3.57%	0	0%	0	0%	Dokkyo University, Department of Law	1. Chairman and General Manager of Noah International Taiwan Corp.	-	-	-

2. Major shareholders of institutional directors or supervisors (Name and Shareholding Percentage with more than 10% shareholding):

Name of Institutional Shareholder	Major Shareholders	Shares held %
OTSUKA CORP.	Otsuka Sobi Co., Ltd.	30.9%
	The Master Trust Bank of Japan, Ltd.(Trust Account)	4.5%
	Japan Trustee Services Bank, Ltd.(Trust Account)	4.2%
	Yuji Otsuka	2.9%
	Minoru Otsuka	2.9%
	OTSUKA CORPORATION Employee Stock-Sharing Plan	2.7%
	Atsushi Otsuka	2.6%
	Terue Otsuka	2.0%
	STATE STREET BANK WEST CLIENT - TREATY 505234	1.9%
	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.0%

3. Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholder[1]	Major Shareholders[2]	Shares held %
Otsuka Sobi Co., Ltd.	Yuji Otsuka Hiroko Otsuka	98.96% 1.04%
OTSUKA CORPORATION Employee Stock-Sharing Plan	Not a Corporate organization, more like an Employee Stock Ownership Trust Organization with joint shareholding	—

(1) If the major shareholder is an institutional shareholder, it should write the name of the Institutional Shareholder

(2) Should write the name and the shareholding ratio of the major shareholders that holds the top 10 shareholdings

(3) Other juridical persons' major shareholder information could be obtained as they are Japanese Banking Organizations.

4. Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute[1]										Number of Concurrent Independent Director Position Held in Other Public Companies
	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	
Otsuka Corp. Representative: Tsurumi Hironobu			✓			✓	✓			✓	✓	✓		—
Otsuka Corp. Representative: Wakamatsu Yasuhiro			✓			✓	✓			✓	✓	✓		—
Kuo,Yi-Lung			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Hsu, Hui-Ju			✓		✓		✓	✓	✓	✓	✓	✓	✓	—
Yan, Jun-De			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin, Hui-Fen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Liu, Zheng-He			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Huang, Xiang-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chen, Tai-Ming		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tamehiro Akio			✓				✓	✓		✓	✓	✓	✓	—

Note 1：The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during their term of office, please check the appropriate corresponding boxes.

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

(2) Not a Director or Supervisor of the Company or its affiliates. (Does not apply to cases in which the person is an Independent Director of the Company or its parent company, subsidiary, as appointed in accordance 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 one percent or more of the total number of issued shares of the Company or ranking in the top ten in holdings.
(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offers review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
(9) Not a person of any conditions defined in Article 30 of the Company Law.
(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Information on the general manager, deputy general manager, associates, managers of each departments and branch units

May 1, 2019

Title	National-ity	Name	Gender	Inauguration Date	Shares held		Shares Held by the Spouse & Minor Children		Current Shares Held in the name of Others		Experience (Education)	Current Position in Other Companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	R.O.C.	Kuo,Yi-Lung	Male	105.01.16	20,000	0.12%	—	—	—	—	National Kaohsiung University of Applied Sciences, Industrial Engineering and Management	1. Director of Otsuka Information Technology Ltd. 2. Director and General Manager at Otsuka Software Trading Corp. in Dongguan 3. Director and General Manager at Oitc Information Technology Corp. in Shanghai	—	—	—
Assistant General Manager and Director of Office Five	R.O.C.	Song, Jin-Cheng	Male	108.01.10	—	—	—	—	—	—	Lunghwa University of Science and Technology, Department of Business Administration	—	—	—	—
Assistant General Manager and Head of Administration and Human Resource Department	R.O.C.	Hsu, Hui-Ju	Female	108.01.10	112,000	0.66%	—	—	—	—	Shiga University, M.Ed.	1. Supervisor at Otsuka Software Trading Corp. in Dongguan 2. Supervisor at Oitc Information Technology Corp. in Shanghai	—	—	—
CTO	R.O.C.	Xie, Qi-Lu	Male	100.12.01	4,072	0.02%	—	—	—	—	Technical Director of Dylan Information Technology Corp.	—	—	—	—

Title	National-ity	Name	Gender	Inauguration Date	Shares held		Shares Held by the Spouse & Minor Children		Current Shares Held in the name of Others		Experience (Education)	Current Position in Other Companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Finance Manager	R.O.C.	Lin, Chih-Ming	Male	105.3.15	—	—	—	—	—	—	M.A. in Economics at Fu-Jen Catholic University Auditing Manager at Timerwell Technology (Taiwan) Co., Ltd.) Underwriting Manager at Fuhwa Securities Finance	—	—	—	—
Accounting Manager	R.O.C.	Fu, Kai-Li	Female	107.8.6	—	—	—	—	—	—	National Dong Hwa University, Department of Accounting	—	—	—	—

III. Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general manager (2018):

(I) Remunerations of Directors (including independent directors)

Unit：NT$1000

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remunerations of Directors</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="8">Relevant remuneration received by directorswho are also employees</th><th colspan="2" rowspan="2">Ratio of total compensation (A + B+C+D+E+F+G) to the net income</th><th rowspan="4">Compensation paid to directors from an invested company other than the company's subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Directors Compensation (C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Employee Compensation (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th><th colspan="2">The Company</th><th colspan="2">Companies in the consolidated financial report</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial report</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Tsurumi Hironobu</td><td rowspan="4">1,860</td><td rowspan="4">1,860</td><td rowspan="4">—</td><td rowspan="4">—</td><td rowspan="4">929</td><td rowspan="4">929</td><td rowspan="4">41</td><td rowspan="4">41</td><td rowspan="4">3.8%</td><td rowspan="4">3.8%</td><td rowspan="4">7,595</td><td rowspan="4">7,595</td><td rowspan="4">—</td><td rowspan="4">—</td><td rowspan="4">200</td><td rowspan="4">—</td><td rowspan="4">200</td><td rowspan="4">—</td><td rowspan="4">14.3%</td><td rowspan="4">14.3%</td><td rowspan="4">—</td></tr>
<tr><td>Director Representative</td><td>Wakamatsu Yasuhiro</td></tr>
<tr><td>Director</td><td>Kuo, Yi-Lung</td></tr>
<tr><td>Director</td><td>Hsu, Hui-Ju</td></tr>
</table>

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration received by directorswho are also employees								Ratio of total compensation (A + B+C+D+E+F+G) to the net income		Compensati on paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company		Companies in the consolidated financial report		The Company	Companies in the consolidated financial report	
																Cash	Stock	Cash	Stock			
Director	Yan, Jun-De																					
Director	Lin, Hui-Fen																					
Director	Liu, Zheng-He																					

*Except the sheet disclosed above, the remuneration for all the directors who served for all the companies within the consolidated financial statement (such as a consultant not an employee) in the most recent fiscal year：None

Note 1：The Company did not pay Directors and Supervisors any Severance in 2018.

Note 2：The Severance Pay set for directors who are also employees at the Company is set at NT$ 200,000.

Note 3：The remuneration of Directors and Employee Bonus Stock are approved and decided by the board.

Range of Remunerations

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report(H)	The Company	Companies in the consolidated financial report (I)
Under NT$ 2,000,000	Tsurumi Hironobu Wakamatsu Yasuhiro Kuo,Yi-Lung Hsu, Hui-Ju Yan, Jun-De Lin, Hui-Fen Liu, Zheng-He	Tsurumi Hironobu Wakamatsu Yasuhiro Kuo,Yi-Lung Hsu, Hui-Ju Yan, Jun-De Lin, Hui-Fen Liu, Zheng-He	Tsurumi Hironobu Wakamatsu Yasuhiro Yan, Jun-De Lin, Hui-Fen Liu, Zheng-He	Tsurumi Hironobu Wakamatsu Yasuhiro Yan, Jun-De Lin, Hui-Fen Liu, Zheng-He
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	—	—	Hsu, Hui-Ju	Hsu, Hui-Ju
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	—	—	Kuo,Yi-Lung	Kuo,Yi-Lung
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	—	—	—	—
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	—	—	—	—
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	—	—	—	—
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	7	7	7	7

2. Remunerations of Supervisors

Unit：NT$1000

Title	Name	Remuneration of Supervisors						Ration of Total Remuneration (A+B+C) to Net Income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Compensation(B)		Allowances(C)				
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	
Supervisor	Huang, Xiang-Min	900	900	557	557	15	15	1.98%	1.98%	N/A
Supervisor	Chen, Tai-Ming									
Supervisor	Tamehiro Akio									

Note：1. The remuneration of Supervisors are approved and decided by the board.

Range of Remunerations

Range of Remuneration paid to the Company's supervisors	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the consolidated financial report (D)
Under NT$2,000,000	Tamehiro Akio Chen, Tai-Ming Huang, Xiang-Min	Tamehiro Akio Chen, Tai-Ming Huang, Xiang-Min
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	—	—
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	—	—
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	—	—
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	—	—
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	—	—
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	—	—
Over NT$100,000,000	—	—
Total	3	3

3. Remunerations of General Manager and Assistant General Manager

Unit：NT$1000

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (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
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company		Companies in the consolidated financial report		The Company	Companies in the consolidated financial report	
								Cash	Stock	Cash	Stock			
General Manager	Kuo, Yi-Lung	1,304	1,304	—	—	4,171	4,171	100	—	100	—	7.51%	7.51%	N/A

Note 1：Employee Remunerations were decided and approved by the board.

Range of Remunerations

Range of remuneration paid to general managers and assistant general managers	Names of General Managers and Assistant General Mangers	
	The Company	All companies in the consolidated financial statement（E）
Under NT$2,000,000	—	—
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	—	—
NT$5,000,000(included) ~ NT$10,000,000 (excluded)	Kuo,Yi-Lung	Kuo,Yi-Lungo
NT$10,000,000(included) ~ NT$15,000,000 (excluded)	—	—
NT$15,000,000(included) ~ NT$30,000,000 (excluded)	—	—
NT$30,000,000(included) ~ NT$50,000,000 (excluded)	—	—
NT$50,000,000(included) ~ NT$100,000,000 (excluded)	—	—
Over NT$100,000,000	—	—
Total	1	1

4. Employees Profit Sharing Granted to The Management Team

December 31, 2018
Unit：NT$1000

	Title	Name	Stock	Cash	Total	Rate of total amount to pure profits after tax (%)
Manager	General Manager	Kuo,Yi-Lung	—	330	330	0.44%
	CTO	Xie, Qi-Lu				
	Assistant General Manager and Director of Office Five	Song, Jin-Cheng				
	Assistant General Manager and Head of the Administration and Human Resources Department	Hsu, Hui-Ju				
	Finance Manager	Lin, Chih-Ming				
	Accounting Manager	Fu, Kai-Li				

Note：This sheet was approved and decided by the board.

(IV) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure to determine remuneration, and its linkage to operating performance and future risk exposure：

1. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years:

Unit：NT$1000

Title	Year 2017				Year 2018			
	Total Remuneration		Ratio of total remuneration paid to net income (%)		Total Remuneration		Ratio of total remuneration paid to net income (%)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Director	8,625	8,625	33.5%	33.5%	10,625	10,625	14.3%	14.3%
Supervisor	1,110	1,110	4.31%	4.31%	1,472	1,472	1.98%	1.98%
General Manager	4,367	4,367	16.96%	16.96%	5,575	5,575	7.51%	7.51%

2. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure：

(1) The Company’s salary structure is basically made up of three parts, salary, year-end bonus, and performance bonus (variable pay).

(2) The remuneration of Directors and Supervisors should include compensation, allowances payment; The compensation and allowances should follow the Company’s policy set according to the contribution made to the Company by the board, at the same time follow a general reasonable amount in the industry. The amount of payment made to directors and supervisors were made under the consideration of both the operation outcome and performance evaluation of the board. According to Act 26 of the Company’s policy, if the Company makes a profit for the said year, the Company shall give 3% to the directors and supervisors as payment. Performance evaluation and the reasonability of salary were all reviewed by the remuneration committee and the board, and adjust the remuneration policy accordingly to the actual operational situation in order to maintain the balance between sustainable operation and risk control.

(3) The remuneration of the Company’s higher-level managers including salary, bonus, employee payment, employee stock ownership trust, and salary structure including the basic salary, bonuses, allowances are all evaluated and decided by remuneration committee, and sent to review by the board. The remuneration committee will take into consideration the nature of the employee’s job, responsibilities, along with the employees’ educational and work experiences, seniority and performance result. After being reviewed and passed by the board, and decided by the shareholders, the Company decided to set the employee payment accordingly to each employee’s performance, seniority, position, and special contribution made to the company.

IV Corporate Governance Status

(I) The state of operations of the board of directors

Seven meetings were held by the Board of Directors in the fiscal years or from the current fiscal year until the date of annual report publication (May 10, 2019); The Attendance of directors is shown below：

Title	Name	In-Person Attendance (B)	By Proxy	In-Person Attendance Rate (%)(B/A)	Remarks
Chairman	Otsuka Corp. Representative: Tsurumi Hironobu	7	0	100.00%	
Juridical Person Director	Otsuka Corp. Representative: Wakamatsu Yasuhiro	1	6	14.29%	
Director	Kuo,Yi-Lung	7	0	100.00%	
Director	Hsu, Hui-Ju	7	0	100.00%	
Director	Liu, Zheng-He	7	0	100.00%	
Independent Director	Yan, Jun-De	7	0	100.00%	
Independent Director	Lin, Hui-Fen	7	0	100.00%	

Other matters to be recorded：

1. During the operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director should be specified.

(1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act

Meeting Date	Content	Qualified Opinion from any Independent Director
Meeting 10 of the 8th Board Meeting March 19, 2018	1. The changing of Certified Public Accountants to CPA Wu, Mei-Ping and Zhuang, Jun-Wei since Q1 of 2018.	Approved by all Independent Directors
Meeting 11 of the 8th Board Meeting May 11, 2018	1. Plans of changing the Auditor 2. With regard to the flexibility of fund management, subsidiary Otsuka Software Trading Corp. in Dongguan extended a loan of CN¥4,500,000 to subsidiary Oitc Information Technology Corp. in Shanghai.	
Meeting 12 of the 8th Board Meeting August 6, 2018	1. Decide the Ex-Dividend date and Payable date for 2017. 2. Discussion on changing the Company's accounting manager	
Meeting 13 of the 8th Board Meeting November 5, 2018	1. Passed the Q3 combined financial report of 2018, and have the accountants review the draft of the report.	
Meeting 14 of the 8th Board Meeting December 17, 2018	1. The proposal and discussion on the modification of the Company's internal control system 2. The proposal of the Company's auditing plans for 2019	
Meeting 15 of the 8th Board Meeting March, 15, 2019	1. The distribution of 2018's net income. 2. Modification of the Company's Article of Incorporation. 3. Modification of the Company's Procedures for Acquisition or Disposal of Assets. 4. The re-electing of director and supervisor. 5. With regard to the flexibility of fund management, subsidiary Otsuka Software Trading Corp. (Will be referred as Otsuka Dongguan) in Dongguan extended a loan of CN¥5,000,000 to subsidiary OITC Information Technology Corp.(Will be referred as OITC) in Shanghai. 6. Convene the shareholders for matters related to the 2019 shareholders' meeting.	
Meeting 16 of the 8th Board Meeting May 10, 2019	1. Adopted the consolidated financial report and accountant's review report draft of the company's first quarter of 108 years. 2. Modification of the Company's Articles of Incorporation. 3. Nominate the candidates for directors (including	

		independent director) and supervisors. 4. Lifting the new company's non-competition prohibition case. 5. The company transferred to invest in the establishment of a subsidiary case. 6. Provide endorsement guarantees for subsidiaries. 7. Amend the company's "finance loan and other people's operating procedures" case. 8. Amend the company's "endorsement guarantee operating procedures" case. 9. Convene the shareholders for matters related to the 2019 shareholders' meeting.	

(2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing：None

2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded：

(1) Meeting 12 of the 8^{th} Board Meeting on August 6, 2018:
During the review of the 2018 summer evaluation of managers, the 2017 employee compensation plan, the 2018 Mid-Year performance bonus plan, Director and General Manager Kuo,Yi-Lung, and Director and Associate Hsu, Hui-Ju did not participate in discussion and voting to avoid conflict of interest.

(2) Meeting 14 of the 8^{th} Board Meeting on December 17, 2018:
During the review of the compensation items for managers of 2018, the end of the year evaluation of managers in 2017, and the year-end bonuses of managers in 2018, Director and General Manager Kuo,Yi-Lung, and Director and Associate Hsu, Hui-Ju did not participate in discussion and voting to avoid conflict of interest.

3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment

(1) Strengthening the Functions of The Board:
Since the formation of the Remuneration Committee in 2011, the committee has been assisting the Board of Directors with regular evaluations and deciding the compensation of directors and managers; and regularly reviewing the directors and managers' performance evaluation and the compensation policy, regulations and structure. Please refer to the "Operation Status of the Remuneration Committee" on pg. 29 for performance assessment.

(2) Promoting Information Transparency:
Information about the Company's finance, important decision matters, and directors' training courses can all be found on the market observatory post system according to the related regulations. All financial information about the Company were all disclosed on the Company's website, and open to the public at any time.

(II) The State of Operations with Supervisors Attending the Board Meeting:

7 meetings (A) were held by the Board of Directors in the fiscal years or from the current fiscal year until the date of annual report publication; The attendance of supervisors is shown below：

Title	Name	In-Person Attendance (B)	In-person Attendance Rate (%)(B/A)	Remarks
Supervisor	Tamehiro Akio	6	85.71%	
Supervisor	Chen, Tai-Ming	5	71.43%	
Supervisor	Huang, Xiang-Min	7	100.00%	

Other matters to be recorded:

1. The structure formation of supervisors and their responsibility：

   (1) The communication status between Supervisors and employees and shareholder：

   The Company's supervisors understand the company status by attending the shareholders' meeting and communicating directly with the employees and shareholders when it's necessary. The supervisors email addresses are disclosed on the Company's website for employees and shareholders to ensure they are able to communicate directly with the supervisors.

   (2) The communication status between Supervisors and Auditing manager and accountants：

   The Auditing Unit will present the auditing report every month for the supervisors to review and conduct the auditing report during the directors and supervisors' meeting. The accountant will report to the supervisors about the year's financial situation. The Supervisor will always check on the Company's sales performance and financial status and ask the board of directors and managers for status reports.

2. If the Supervisors had spoken any opinion during the attendance of the Board meetings, the date of the meeting, the meeting number, content and board decisions and the boards' final resolution regarding the supervisors' opinions should be listed as followed：None

(III) The state of the Company's implementation of corporate governance, any deviation of such implementation from the Governance Best-Practice principles for TWSE/TPEx Listed Companies, and the reason for such deviation.

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
1. Does the company disclose the Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established Corporate Governance Practices and Principles and disclosed it on the Company's website.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
2. Shareholding structure & Shareholders' rights. (1) Does the company establish an internal operating procedure to deal with shareholder's' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insides trading with undisclosed information?	 V V V V		(1) The company has hired a stock transfer agency to assist in dealing with related matters and appointed a spokesperson and an acting spokesperson. The company also set up an email account for investors to deal with recommendation from shareholders and related matters. (2) The Company gains understanding of the structure of our major shareholders, and information about internal personnel applying for share transfers under regulation, and the shareholding status of the company at all times through the help of a stock transfer agency. (3) The Company has established policies for "Business Transactions between a Group Enterprise, Specific Companies and Affiliated Enterprises", "Operational Code for Managing Subsidiaries", and "Operational Code for Risk Management" and follows the codes when dealing with affiliated enterprises. (4) The company has established "Procedures for Handling Material Inside Information" and "Codes of Ethical Conduct" to avoid insider trading from happening.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
3. Composition and Responsibilities of the Board of Directors.				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The Company has established the "Corporate Governance Practices and Principles" to ensure diversity in the board directors and supervisors and take operational method and requirements for future development into consideration when deciding what kind of diversity the Company needs. Besides the basic requirements and values like gender, age, nationality, and cultures, the candidates' professional skills and background (E.g. Background in law, accounting, industry, finance, marketing, technology), and experiences in the industry should also be taken into consideration. On the Company's Eighth Board of Directors, there are two female members that are familiar with leadership, making operational decisions, business management, crisis management, and knowledgeable with the industry. As for candidate with a keen eye on the international market, we have Mr. Tsurumi Hironobu, Mr. Wakamatsu Yasuhiro, Mr. Kuo,Yi-Lung, Ms. Hui-Ru, and Mr. Liu, Zheng-He. Two of our independent directors, Mr. Yan, Zheng-De, and Ms. Lin, Hui-Fen are experienced in administrative management, finance, and accounting. The board has established a diversity guideline according to the formation of the Board of Directors. The guidelines are disclosed on the Company's website.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) The Company did not create any other committee for other purposes except for the Remuneration Committee. Other functional committees will be formed in the future if necessary.	

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		(3) The Company has established rules and procedures for the Board of Directors' performance assessment and conducts yearly performance assessment before the end of each year and produces an assessment report for the Board of Directors according to the regulations. The 2018 performance assessment has been reported to the Board of Directors on December 17, 2018, with no major incidents recorded on the report as a result.	
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) Each year, the Company's Board of Directors evaluate the independence and suitability of the CPA at least once. The evaluation focuses on the reputation and scale of the accounting firm; the years that they have been conducting auditing services; the nature and level of assurance of the non-audit services they offer; their audit fee; peer reviews; whether they have been taking courses to further improve themselves; and their interactions with people on the management team and the audit manager. The company will ask the accountant and their affiliated accounting firm to provide the information mentioned above, along with a statement of independence. Both evaluation results for the past two years have passed the Board of Directors' review separately on March 19, 2018 and March 15, 2019.	
4. As a TWSE/TPEx listed company, does the Company set corporate governance (concurrent) unit or personnel responsible for the concerned affairs (including but not limited to offering necessary materials for the directors and supervisors, executing matters	V		All matters related to the Company's corporate governance are all conducted by the unit that oversees meetings, and the unit that handles stock affairs. Their main duties include preparing the documents needed for the directors and supervisors when they conduct business, document needed for the shareholders' meeting and the board meeting, company registration and the changing of registration, etc.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
pursuant to the board of directors' resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on)?				
5. Does the Company establish communication channels and dedicate a section for stakeholders (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	V		The Company had disclosed the spokesperson and acting spokesperson's contact information and emails for the investors, supervisors, employees on the Company's website. In addition to that, the Company also established a communication channel for stakeholders to discuss related matters, in order maintain a healthy communication with our stakeholders.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company authorized SinoPac Securities as our shareholder services agent to conduct shareholder affairs.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
7. Disclosure of Information (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to	 V V		 (1) The Company has set up a website to disclose the business and financial information along with information on corporate governance. (2) The Company has designated a specific person for data collection and the disclosure of information on the market observatory post system. The Company has also appointed a spokesperson and an acting spokesperson.	 Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?				
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, right of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. The rights and interests, and the caring for our employees： The Company values the relationship between employee and employer. Our employees all have the benefits of Labor/Health Insurance, Group Insurance, and regular health check-ups. In addition, the Company also established Regulations for the Employee Welfare Committee to follow when handling the benefits of the employees. 2. Relationship with the Investors： The Company values our social responsibility in the society. Not only do we aim to maintain the operations of the company, at the same time maximize the profits of our shareholders, we would also pay attention the rights and interests of our investors, as well as our social responsibility as a company, the environment of our community, and the balance of the securities exchange market order. 3. Relationship with our suppliers： The Company maintains a good relationship with our suppliers. We have been conducting business with honesty and trustworthiness as our principles, in order to maintain the stability of our cost and supply. 4. Relationship with stakeholders： The Company has established a Grievance procedure, disclosed on the company's website. We have also established a spokesperson policy, set up emails addresses disclosed on our	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Items	Implementation Status			Deviation from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Its Reasons
	Yes	No	Description	
			website for our investors, supervisors, and stakeholders to provide a communication channel for our stakeholders, to protect the legal rights that our stakeholders possess. 5. Furthering education opportunities for directors and supervisors： The Directors and Supervisors of the Company all possessed professional industry backgrounds and experiences in operating and management and have being continuously furthering their studies in hopes to improve their professional skill and gain new knowledges each year. Please refer to page 52 of this report regarding to the status for their furthered education. 6. Implementation of risk management policy and risk measurement standards： The Company has established a "Risk Management Policy" as set according to the governance of the Company. Internal audit officers will plan and execute the year's auditing plans according to the results of the risk evaluation, in order to ensure the implementation of the supervising policy and risk management. 7. Implementation of customer policies： The Company has appointed a specific person to deal with customer complaints. 8. Liability insurance for the Company's directors and supervisors： Following the regulations, the Company has covered the liability insurance for our directors and supervisors and minimized the risk in the execution of business for our directors and supervisors in order to protect the interests of our investors.	

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Its Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td colspan="5">9. According to the latest results of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explain the amendments or propose the priority measures for the unimproved item (unnecessary for the exclude companies):
(1)Amendments：
On March 15, 2019, the Board of Directors reviewed and passed the “Procedures for Ethical Management and Guidelines for Conduct”, as disclosed on the Company’s website.
(2)Proposal for unimproved items：None</td></tr>
</table>

(IV) If the company has a remuneration committee in place, the composition, duties, and operation of the remuneration committee shall be disclosed：

1. Information on members of the Remuneration committee

Identity (Note 1)	Condition / Name	Meets One of the Following Professional Qualification Requirement, Together with at Least Five Years Work Experience: 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	Independence Attribute (Note 2): 1	2	3	4	5	6	7	8	Concurrent renumeration committee position in other	Remarks
Independent Director	Lin, Hui-Fen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Yan, Jun-De			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Yin, Ju-Guang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1：Fill in the Identity column with directors, independent directors, or others.

Note 2：All members comply with the following conditions from two years before being elected and appointed, and during this term of office, please tick the appropriated corresponding boxes.

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

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the 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 third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
(8) Not a person of any conditions defined in Article 30 of the Company Act.

2. Operation status of the Remuneration Committee

(1) There are 3 members in the Company's Remuneration Committee

(2)Current Term：From June 29, 2016 to June 28, 2019. The Remuneration Committee held 5 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown below.

Title	Name	In-Person Attendance(B)	By Proxy	In-Person Attendance Rate (%) (B/A)	Remarks
Committee Member	Lin, Hui-Fen	4	0	100.00%	
Committee Member	Yan, Jun-De	4	0	100.00%	
Committee Member	Yin,Ju-Guang	3	1	75.00%	

Other mentionable items:

1. If the board of directors declines to adopt or modify a proposal of the remuneration 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 remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified)：None
2. Resolutions of the remuneration committee objected to by members or expressed reservations on and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinions should be specified：None

(V) The state of the company's performance of corporate social responsibilities:

Items	Implementation Status			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
1. Corporate Governance Implementation (1) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	V		(1)The Company has established a corporate social responsibility policy and consider it a beacon for the way for the company operates and future development direction. Additionally, the company also regard the "Codes of Ethical Conduct" as the foundation of the Company's operational method and ethical standard, in order to maintain a healthy governance and partaking in the responsibility to protect the social benefits.	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2)The Company has established a policy for human resource management and a code of ethical conduct that regulates very clearly the benefits of our employees and the rules that they must follow. All new employees will have to go through internal employee training on related regulations and policies.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		V	(3) The Company had not yet established a department for this specific purpose. Instead of establishing a specific department, each department will try to practice their social responsibility to the best of their ability with their given job.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social	V		(4)The Company has established a remuneration committee with independent directors acting as committee members to assist in reviewing remunerations related policies; The Company has established different evaluation methods for different	

Items	Implementation Status			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
responsibility policy, as well as establish an effective reward and disciplinary system?			positions. Each department manager will perform evaluation on their responsible employees at least once in half a year and discover abilities and their suitability for their positions by setting performance targets and through face-to-face conversation. The evaluation result will act as a proof of reason for a promotion or a raise.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable material which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy	V V V		(1) The Company has a waste classification and recycle system, and uses energy saving lamps. The Company also uses a collection system for rain water and uses them for non-drinking water. Additionally, the Company uses all our resources efficiently (e.g. re-using the papers), to minimize our impact on the environment. (2) The Company works in the information software industry, and we do not produce chemical wastes that is harmful towards the environment or to the human body in operating our business. Besides enforcing the waste classification, the Company also encourages our employees to save power and water, and bring their own utensils. (3) The Company encourages our employees to take mass transportation systems when going out on business runs, as well as saving energy by setting a reasonable temperature for the air conditioning system and shutting off the lights and computers during lunch break	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Items	Implementation Status			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
conservations and carbon reduction?			and after work.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V V		(1) The Company established our human resources policies by providing an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force. In order to enforce corporate social responsibility, the basic human rights of all our employees and stakeholders, we follow the policies of "The Universal Declaration of Human Rights", "The UN Business & Human Rights Guiding Principles", "The UN Global Compact" and the guidelines of the International Labor Organization, and actively enforces works to protect human rights. The Company also forbids any form of sexual harassments, discriminations, threats of violence. The Company ensures there is no inequality in our hiring policy, no child laborer, and includes minorities and physically/mentally challenged employees. We establish a fair and reasonable remuneration policy. The Company also encourages our employees to form and join clubs. We offer a safe and healthy working environment that ensures the human rights of our employees, and follows the local labor regulations at where we operate our business. (2) The Company has established a grievance mechanism and policy disclosed on the Company's website, as well as an employee email that would act as a	Follows the "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Items	Implementation Status			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			communication channel between the employees and the management team.	
(3)Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3)The Company asks our employees to have regular health check-ups. The office is a strictly no-smoking zone, with fire extinguishers, smoke detectors and related equipment fully installed. The elevators in the facilities are set with access control, and we will cooperate with the building management committee to practice fire drills from time to time, in order to offer a safe and healthy environment for the employees. The Company enforces regular disinfection and sanitizing procedures in the offices, and on the water-dispensers. The Company also established a breastfeeding room with breast-milk preservation equipment to provide sufficient time for employees to breast-feed or to collect milk. The company has set up a grievance mechanism for reporting sexual complaints and any concerned party, to ensure the safety of the employees and the operational sustainability of the environment.	
(4)Does the company setup a communication channel for employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4)The Company informs the employees about the possible changes that would greatly impact the company through the monthly mangers' meetings and yearly educational training that is mandatory for all employees.	
(5)Does the company provide its employees with career development and training	V		(5)Through the orientation training courses, the new employees are able to understand the Company's positioning in the industry and the general future	

Items	Implementation Status			Deviation from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
sessions?			development of the company. The Company also offers professional internal training courses from time to time for our employees to learn some new professional skills, and improve their sales or development abilities. Furthermore, all training courses will be arranged accordingly to better fit the requirements of each departments. Not only did the Company set up a center that is dedicated specifically for employee training courses, we also have an online e-learning system. The online learning system provides the employees a more diverse and easy method for the employees to access the learning platform with the professional courses they need, in order to expand their professional knowledge.	
(6)Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6)The Company values greatly of the rights of our consumers. The Company has established a customer's service department, an online technology support department, a training-course center, an e-Learning platform, and conducts customer satisfaction surveys to better improve our customer service system, in order to ensure the rights of our consumers.	
(7)Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7)The company acts as agents for the sales of foreign software in the information technology industry, and we follow all related regulations and international protocol in the process of our business transaction.	
(8)Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		(8)The Company values greatly of the protection of the environment and the society, so we choose to work with companies that uphold the same beliefs. Before we work with a supplier, we will conduct an evaluation on the suppliers and understand their operating status.	

Items	Implementation Status			Deviation from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
(9)Do the contracts between the company and its suppliers and include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?		V	(9) The Company has not yet made specific requirements on the contracts with our suppliers.	
4. Enhanced Information Disclosure (1)Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and Market Observation Post System?	V		(1) The Company has disclosed relevant information on corporate social responsibility in the Company’s website, in the Market Observation Post System, and in the annual report.	Follows the “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation：There is no huge differences from the corporate social responsibility policy that the Company has established and “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.” Please refer to the company’s website and the Market Observation Post System for related information.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: Besides managing the Company’s business operations, the company also values greatly the welfare of the society. The Company occasionally participates in social charity events, emergency relief aids and other activities that are beneficial to the public society.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions：None				

(VI)Ethical Corporate Management

Items	Implementation Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) The Company has established the "Integrity Operations Code" and has been actively cooperating with officials on amending the code along with the official regulations, as well as asking all employees including the Board of Directors and management teams to fully practice the "integrity operation codes."	Follows the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) The company has established "Codes of Ethical Conduct" and a grievance mechanism, and follows the practice of related regulations. In order to avoid dishonest activities, all information is disclosed on the Company's website.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(3) The company states in our regulations that all employees are forbidden to accept or give any money, to profit from any dishonest methods, if any violations are discovered, all external and internal personnel can report it to the related department under the appropriate procedures.	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clause in business contracts?	V		(1) The employees of the Company strictly follow the related regulations and other codes of conducts during the operation of the business, and put being honest and trustworthy as the Company's priority.	Follows the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"

Items	Implementation Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of promoting corporate integrity?		V	(2) The Company has not yet established an exclusive (or concurrently) unit dedicated to promote corporate integrity.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? statement channels?	V		(3) The Directors of the Board would not be present during the discussion and voting process of a subject that could present a conflict of interest during the Board meetings	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4) To ensure the implementation of corporate integrity, the Company has established an effective internal control system, methods and accounting system. The internal auditing unit sets up an audit plan and implements them according to the plan, as well as produces an auditing report for the Board of the Directors.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The Company would promote operational integrity during internal meetings and educational trainings.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The Company has established a grievance mechanism that states clearly of the whistle-blowing system and disclosed it on the Company's website. If any stakeholders were to discover any actions that go against integrity or hurt the rights and interest of the Company, they can report them to the related unit through the grievance mechanism.	Follows the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) The Company's grievance mechanism has established standard operating procedures and a confidential system in the related matter.	

Items	Implementation Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
(3)Does the company provide proper whistleblower protection?	V		(3) The Company's grievance mechanism has established related procedures to protect the whistleblower.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(1) All related information is disclosed in the investors' section on the Company's website and in MOPS	Follows the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
5. If the company has established ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation： There is no major difference between the Company's "Integrity Operations Code" and the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies." Please refer to the MOPS and the Company's website for related information.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (such as review and revision of regulations): The Company strictly abides by its rules, the Securities Exchange Act, laws pertaining to publicly traded companies, and other relevant regulations that help implement and maintain business integrity.				

(VII) If the company has adopted corporate governance best-governance best-practice principles or related bylaws, disclose how these are to be searched：Please refer to the Company's website or MOPS.

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed：

1. Status of Directors and Supervisors in continuing their education in 2018：

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Director	Tsurumi Hironobu	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Director	Wakamatsu Yasuhiro	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Director	Kuo,Yi-Lung	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Director	Hsu, Hui-Ju	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Director	Liu, Zheng-He	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Independent Directors	Yan, Jun-De	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Independent Directors	Lin, Hui-Fen	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3
Supervisor	Chen, Tai-Ming	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
		September 14, 2018	Taiwan Corporate Governance Association	Seminar on The Practice of Corporate Mergers and Acquisitions and Case Sharing	3
		September 29, 108	Taiwan Mergers and Acquisitions and Private Equity Council	Seminar on the Responsibilities of the Directors, Supervisors, and Managers in the Practice of Corporate Mergers and Acquisitions.	3
		October 31, 2018	Accounting Research and Development Foundation	Corporate Ethical Responsibilities, Trends in Corporate Governance, and Recent Amendments on The Company Act	6
		November 2, 2018	Taiwan Corporate Governance Association	Acting as the speaker of Director and Supervisors courses for Wistron Information Technology & Services Corporation on “ The Director’s Role In The Process Of Corporate Mergers And Acquisitions” and “The Impacts Of The Recent Amendments On The Company Act On The Corporate, Directors And Supervisors And The Countermeasures”	6
		November 22, 2018	Securities & Futures Institute	Acting as the course speaker in the “Responsibilities of the Directors and Supervisors in the Practice of Corporate Mergers and Acquisitions” for the Directors and Supervisors courses in Continental Holdings Corp.	3
		December 21, 2018	Taiwan Academy of Banking and Finance	Acting as the speaker of the Swiss Bank Corporations’ Corporate Governance/Sustainable Corporate Operation Seminars, “Family Business Heritage.”	1.5
Supervisor	Huang, Xiang-Min	March 23, 2018	Taiwan Corporate Governance Association	The Anti-Tx avoidance policies around the world and across the two shores and its countermeasures.	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3

Title	Name	Date	Organizing Unit	Course Title	Hours Spent on the Course
Supervisor	Tamehiro Akio	June 15, 2018	Taiwan Corporate Governance Association	Understanding Important Information Hidden in the Financial Reports	3
		August 6, 2018	Taiwan Corporate Governance Association	Understanding Third-Party Payment Regulations and Its Developing Trends	3

2. Status of Managers in continuing their education in 2018:

Title	Name	Date	Organizing Unit	Couse Title	Hours Spent on the Course
Audit Manager	Jian, Huan-Wei	July 10, 2018 ~ July 12, 2018	The Institute of Internal Auditors-Chinese Taiwan	Orientation Training Courses for First-Time Corporate Internal Auditing Officers	18

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

Otsuka Information Technology Corp.
Statement of INTERNAL Control System

Date：March 15, 2019

Based on the findings of a self-assessment, Otsuka Information Technology Corp. states the following with regard to its internal control system during the year 2018:

(1) The Company acknowledges that the implementation and maintenance of an internal control system is the responsibility of the Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable laws and regulations are achieved.

(2) The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and condition, the effectiveness of an internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective actions once any defect is identified.

(3) According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by the Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of the internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements：1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".

(4) The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of the internal control system.

(5) Based on the above-mentioned result of the evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation and reliability of financial reporting, the compliance of applicable law and regulations have been effective and they can reasonably assure the aforesaid goals have been achieved.

(6) This statement will be the main content for the annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will be covered in the liability as mentioned in Article 20, 32, 171, and 174 of the Securities and Exchange Law.

(7) This Statement has been approved by the meeting of Board of Directors on March 15, 2019, and those 7 directors present all agree at the contents of this statement.

Otsuka Information Technology Corp.

Chairman：Tsurumi Hironobu

General Manager：Kuo,Yi-Lung

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed：Not applicable.

(X) Conviction of corporate or employees' wrongdoings, Company's punishment for employees for violating internal control, major faults and improvementsduring the recent fiscal period and until the date of publishing of the annual report：None.

(XI) Major Resolutions of Shareholders Meeting and Board of Directors Meeting:

1. Major resolutions of the Board of Directors Meeting

Date	Resolution
March 19, 2018	1. Review the salary compensation plans for the company employees (Brought up by the Remuneration committee). 2. Review the salary compensation plans for the company's directors and supervisors. (Brought up by the Remuneration committee) 3. Regular Evaluation of external auditor's independence. 4. Approved the 2017 business report, and annual financial statements. 5. Review the statement of surplus allocation for the year 2017. 6. Drafted the 2017 statement on the Internal Control System after completing the self-assessment with results that reached the presumed target goal. 7. Approved the appointment of CPA Wu, Mei-Ping and Zhuang, Jun-Wei since Quarter 1 of 2018. 8. Discuss matters of the 2018 general shareholders meetings.
May 11, 2018	1.Approved the consolidated financial statements for the first quarter of year 2018 and the draft version of the Auditing Report. 2. Amendments on the Company's "Delegation of Responsibilities". 3. Propose the appointment and the change of Auditing Officer. 4. Propose the loan of CNY 4.5 million to subsidiary OITC Information Technology Corp. in Shanghai through Otsuka Software Trading Corp. in Dongguan with regard to the flexible utilization of funds.
August 6, 2018	1. Review the summer evaluation of managers for the year 2018. (Brought up by the Remuneration committee) 2. Review salary compensation of the employees for the year 2017. (Brought up by the Remuneration committee) 3. Review the Mid-Year performance bonus distribution for the year 2018. (Brought up by the Remuneration committee) 4. Approved the 2018 Quarter 2 consolidated financial statement and the draft version of the Auditing Report. 5. Propose the record date of distribution of cash dividend. 6. Discuss the replacement of the Accounting Manager.
November 5, 2018	1. Approved the 2017 Quarter 3 consolidated financial statement and the draft of the auditing report.
December 17, 2018	1.Propose to review the policy, regulation, standard and the compensation structure of directors and supervisors. (Brought up by the Remuneration committee) 2. Review all the items of the 2018 salary compensation plans for the managers. (Brought up by the Remuneration committee) 3. Review the 2018 End of the Year evaluation on managers. (Brought up by the Remuneration committee) 4. Review the distribution of the year-end bonuses of managers in the year 2018. (Brought up by the Remuneration committee) 5. Discuss the Annual Operation Budget plan for 2019. 6. Amendments on the Internal Control System 7. Discuss the Company's auditing plan for 2019.
March 15, 2019	1. Review the employee salary compensation plan. (Brought up by the Remuneration committee)

Date	Resolution
	2. Review the salary compensation plan for directors and supervisors. (Brought up by the Remuneration committee) 3. Approved the business report, and the financial statements of year 2018. 4. Approved the distribution of retained earnings for year 2018. 5. Regular Evaluation of external auditor's independence 6. Drafted the 2018 statement on the Internal Control System after completing the self-assessment with results that reached the presumed target goal. 7. Amendments on the Articles of Incorporation. 8. Amendments on the Board of Directors Performance Evaluation Measures and Procedures. 9. Approved the standard procedures for executing the Board of Directors' requirements. 10. Amendments on the Company's "Delegation of Responsibilities". 11. Amendments on the Company's Procedures for Acquisition or Disposal of Assets. 12. Amendments on the Corporate Governance Practices and Principles 14. The re-appointment of Directors and Supervisors. ◦ 15. Lifted the non-competition obligation on the newly appointed directors. 16. Proposed the loan of CNY 5 million to subsidiary Oitc Information Technology Corp. in Shanghai (Hereinafter referred as Oitcit Corp.) through Otsuka Software Trading Corp. in Dongguan (Hereinafter referred as Otsuka Dongguan Corp.) with regard to the flexible utilization of funds. 17. Discussed matters of the 2019 general shareholders meetings.
May 10, 2019	1. Adopted the consolidated financial report and accountant's review report draft of the company's first quarter of 108 years. 2. Modification of the Company's Articles of Incorporation. 3. Nominate the candidates for directors (including independent director) and supervisors. 4. Lifting the new company's non-competition prohibition case. 5. The company transferred to invest in the establishment of a subsidiary case. 6. Provide endorsement guarantees for subsidiaries. 7. Amend the company's "finance loan and other people's operating procedures" case. 8. Amend the company's "endorsement guarantee operating procedures" case. 9. Convene the shareholders for matters related to the 2019 shareholders' meeting.

2. Major resolutions of Shareholders' Meetings and its implementation status

Date	Resolution	Implementation Status
June 26, 2017	1. Business Report and Financial Statements of the year 2017.	CPA Financial Statements are disclosed on the Company's website and MOPS.
	2. The statement of surplus allocation for the year 2017.	Cash dividend distributed on September 20, 2018.

(XII) Document or written statement that states different opinions by board members or supervisors against the approved major resolutions by the board meeting in the recent fiscal period and until the date of publishing of the annual report：None.

(XIII) Resignation or Dismissal of Directors, General Managers, Accounting Managers, Financial Managers, or Internal Auditing Managers, or research managers in Preparation of Financial Reports：

May 31, 2019

Title	Name	Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting Manager	Lin, Chih-Ming	May 12, 2016	August 6, 2018	Position Adjustment

V. Information on Account Fees

(I) Disclosure of the Range of Auditing Fee

Auditing Firm	Name of the CPA		Audit Period	Remarks
KPMG TW	Wu, Mei-Ping	Zhuang, Jun-Wei	2018	

1 Unit：NT$1,000

Expense Scale \ Fee Category		Audit Fees	Non-Audit Related Fees	Total
1	Under NT$2,000	—	—	—
2	NT$2,000 (Included) ~ NT$4,000	✓	—	✓
3	NT$4,000 (Included) ~ NT$6,000	—	—	—
4	NT$6,000 (Included) ~ NT$8,000	—	—	—
5	NT$8,000 (Included) ~ NT$10,000	—	—	—
6	NT$10,000 (Included) and above	—	—	—

(II) If any of the matters listed below should exist, related information should be disclosed:

1. The amount of non-auditing relevant fees charged by the appointed independent auditor and the related parties reaches over 1/4 of the Company’s annual auditing expenses：Not Applicable
2. If there is any change in the appointed independent auditors and the Company’s annual auditing expenses decreased simultaneously：Not Applicable
3. Auditing expenses decreased by 15% in comparison to the previous year：Not Applicable

VI. Information on The Change of Accountants：

(I) About the Former CPA：

Replacement Date	January 2018		
Reasons and Explanations of Replacement	In response to cooperate with the organizing of KPMG TW’s internal structure, the Company has since Quarter 1 of 2018, replaced the original CPAs Wu, Mei-Ping and Huang, Yon-Hua with Wu, Mei-Ping and Zhuang, Jun-Wei.		
Describe whether the Company terminated or the CPA did not accept the appointment	**Status \ Client**	**CPA**	**Consignor**
	Appointment terminated automatically	✓	—
	Appointment rejected (discontinued)	—	—
Other issues (except for unqualified issues) in the audit reports within the last two years	None		

<table>
<tr><td rowspan="5">Differences with the company</td><td rowspan="4">Yes</td><td>—</td><td>Accounting principles or practices</td></tr>
<tr><td>—</td><td>Disclosure of financial statement</td></tr>
<tr><td>—</td><td>Audit scope or steps</td></tr>
<tr><td>—</td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">✓</td></tr>
<tr><td>Other Matters Revealed (Disclosures Specified in Article 10.6.1.4-7 of the Standards)</td><td colspan="3">None</td></tr>
</table>

(II) About Successor CPAs：Not Applicable

(III) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards：None

VII. Information on the Service of the Company's Chairman, General Manager, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates within a Year：Not Applicable

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managers, or shareholders with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report：

(I) Changes in Directors, Supervisors, Managers, or major shareholders' shareholdings.

Title	Name	2018		Current Year to May 1st	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledges Shares Increase/ Decrease
Juridical Person Director	Otsuka Corp.	0	0	0	0
Juridical Person Director Representative/ Chairman	Tsurumi Hironobu	0	0	0	0
Juridical Person Director Representative	Wakamatsu Yasuhiro	0	0	0	0
Director/General Manager	Kuo,Yi-Lung	0	0	0	0
Director/Assistant General Manager/ Head of the Administration and Human Resource Department	Hsu, Hui-Ju	(2,000)	0	1,000	0
Independent Director	Yan, Jun-De	0	0	0	0

Title	Name	2018		Current Year to May 1st	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledges Shares Increase/ Decrease
Independent Director	Lin, Hui-Fen	0	0	0	0
Director	Liu, Zheng-He	0	0	0	0
Supervisor	Huang, Xiang-Min	0	0	0	0
Supervisor	Chen, Tai-Ming	0	0	0	0
Supervisor	Tamehiro Akio	0	0	0	0
Assistant General Manager and Director of Office Five	Song, Jin-Cheng	0	0	0	0
CTO	Xie, Qi-Lu	0	0	0	0
Accounting Manager	Lin, Chih-Ming	0	0	0	0
Accounting Manager	Fu, Kai-Li	0	0	0	0
Director of four Units (Note 1)	Hong, Shui-He	0	0	0	0
Assistant Manager Of Government Educational Department Two (Note 1)	Shi, Fu-Chuan	0	0	0	0

Note 1：The changes of the shareholdings are before their termination.

(II) Information on Shares Trade between Directors, Supervisors, Manager, or shareholders that holds more than 10 % and a Related Party：None

(III) Information on Shares Pledge between Directors, Supervisors, Manager, or shareholders that holds more than 10 % and a Related Party：None

IX. Information, if any, on the company‘s 10 largest shareholders that is a related party, spouse, or a relative within the second degree of kinship of another：

May 1, 2019 Unit：Share %

NAME	SHARES HELD		CURRENT SHARES HELD BY THE SPOUSE & MINOR CHILDREN		CURRENT SHARES HELD IN THE NAME OF OTHERS		RELATIONSHIPS AMONG THE TOP TEN SHAREHOLDERS, ANYONE WHO IS A RELATED PARTY, SPOUSE, OR SECOND-DEGREE KINSHIP OF ANOTHER：NAME AND RELATION		REMARKS
	SHARES	%	SHARES	%	SHARES	%	NAME	RELATION	
Otsuka Corp.	6,465,900	37.82%	0	0	0	0	None	None	
Tu, Shui-Cheng	1,340,000	7.84%	0	0	0	0	None	None	
Liu,Bo-Wen	966,000	5.65%	0	0	0	0	None	None	
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	760,013	4.45%	0	0	0	0	None	None	
Tamehiro Akio	610,050	3.57%	0	0	0	0	None	None	
Zhang, Cun-Yi	137,000	0.80%	0	0	0	0	None	None	
Hsu, Hui-Ju	112,000	0.66%	0	0	0	0	None	None	
Zhang, De-Ming	110,000	0.64%	0	0	0	0	None	None	
Hong,Shui-He	103,763	0.61%	0	0	0	0	None	None	
Zhu, Li-Ling	76,000	0.44%	0	0	0	0	None	None	

X. The total shares Held on the Same Re-invested Bussiness by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company, Along with the total Shareholddung Ratio：

March 31, 2019 Unit：Shares %

Re-Invested Businesses	The Company Investments		Investments from Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total Investments	
	Shares	%	Shares	%	Shares	%
Otsuka Information Technology Ltd.	32,760,000	100%	—	—	32,760,000	100%

IV. Capital Raising Activities

I. Capital and Shares

(I)Source of Capital Stock

May 1, 2019 Unit：Share

Share Types	Authorized Capital Stock			Remarks
	Outstanding Capital Stock (Note)	Unissued Stock	Total	
Common Stock	17,097,000 Shares	2,903,000 Shares	20,000,000 Shares	None

Note：Over-the-counter shares

Unit：1000 Shares; Par Value is expressed in NT$1

Year/Month	Par Value	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other Than Cash	Others
1997/08	10.0	10,000	100,000	10,000	100,000	Established	None	Approved on 1997/08/04 (86) No. 114296
1998/10	10.0	20,000	200,000	16,000	160,000	Capital Increase by Cash	None	Approved on 1998/10/30 (87) No. 133606
2000/05	10.0	20,000	200,000	8,300	83,000	Capital Decrease	None	Approved on 2000/05/19 (89) No. 115284
2000/05	10.0	20,000	200,000	11,620	116,200	Capital Increase by Cash	None	Approved on 2000/05/19 (89) No.115284
2007/06	10.0	20,000	200,000	12,355	123,550	Capital Increase by Employee Bonuses	None	Approved on 2007/06/27 No.09632332060
2007/06	32.0	20,000	200,000	13,955	139,550	Capital Increase by Cash	None	
2008/11	25.0	20,000	200,000	16,240	162,400	Capital Increase by Cash	None	Approved on 2008/11/17 No.09733443280
2009/08	15.5	20,000	200,000	16,485	164,850	Issuance of Employee Stock Option Plan	None	Approved on 2009/08/28 No.098329654603
2010/04	14.0	20,000	200,000	16,535	165,350	Issuance of Employee Stock Option Plan	None	Approved on 2010/04/07 No.0993076728
2010/08	14.0	20,000	200,000	16,672	166,720	Issuance of Employee Stock Option Plan	None	Approved on 2010/08/31 No.0993151897
2011/03	12.6	20,000	200,000	16,719	167,190	Issuance of Employee Stock Option Plan	None	Approved on 2011/03/28 No.1005017245
2011/08	12.6	20,000	200,000	16,897	168,970	Issuance of Employee Stock Option Plan	None	Approved on 2011/08/29 No.1005052486
2012/04	10.6	20,000	200,000	17,097	170,970	Issuance of Employee Stock Option Plan	None	Approved on 2012/04/02 No.1015018909

(II)Shareholder Structure

May 1, 2019 Unit：Share; Person

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	—	2	6	2,178	4	2,190
Shareholding	—	70,000	7,696,490	98,184,510	65,019,000	17,097,000
Holding Percentage (%)	—	0.04%	4.50%	57.43%	38.03%	100.00%

(III)Diffusion of Ownership

1. Common Stock

May 1, 2019
Unit：Share; Person; NT$10 Per Share

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1 ~ 999	201	23,821	0.14
1,000 ~ 5,000	1,753	3,060,647	17.90
5,001 ~ 10,000	121	962,100	5.63
10,001 ~ 15,000	40	499,218	2.92
15,001 ~ 20,000	27	493,000	2.88
20,001 ~ 30,000	17	432,840	2.53
30,001 ~ 50,000	16	627,648	3.67
50,001 ~ 100,000	6	393,000	2.30
100,001 ~ 200,000	4	462,763	2.71
200,001 ~ 400,000	0	0	0.00
400,001 ~ 600,000	0	0	0.00
600,001 ~ 800,000	2	1,370,063	8.01
800,001 ~ 1,000,000	1	966,000	5.65
Over 1,000,001	2	7,805,900	45.66
Total	2,190	17,097,000	100.00

2. Preferred Share：None

(IV)Major Shareholders

May 1, 2019 Unit：Share

SHARES / NAME OF MAJOR SHAREHOLDERS	SHARES HELD	PERCENT AGE (%)
Otsuka Corp.	6,465,900	37.82%
Tu, Shui-Cheng	1,340,000	7.84%
Liu,Bo-Wen	966,000	5.65%
The Otuska Information Technology Corp. Employee Welfare Trust Account handled by Bank SinoPac	760,013	4.45%

NAME OF MAJOR SHAREHOLDERS \ SHARES	SHARES HELD	PERCENT AGE (%)
Tamehiro Akio	610,050	3.57%
Zhang, Cun-Yi	137,000	0.80%
Hsu, Hui-Ju	112,000	0.66%
Zhang, De-Ming	110,000	0.64%
Hong,Shui-He	103,763	0.61%
Zhu, Li-Ling	76,000	0.44%

(V) Share prices together with the Company's net worth per share, earnings per share, dividends per share.

Unit：NT$

<table>
<tr><th colspan="3">Item \ Year</th><th>2017</th><th>2018</th><th>2019 (As of March 31st)</th></tr>
<tr><td rowspan="3">Market Price Per Share</td><td colspan="2">Highest</td><td>66.30</td><td>52.50</td><td>70.00</td></tr>
<tr><td colspan="2">Lowest</td><td>42.60</td><td>41.50</td><td>46.70</td></tr>
<tr><td colspan="2">Average</td><td>54.27</td><td>47.62</td><td>56.66</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>31.01</td><td>33.90</td><td>36.06</td></tr>
<tr><td colspan="2">After Distribution (Note 1)</td><td>29.73</td><td>30.34</td><td>33.06</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td colspan="2">Weighted average shares</td><td>17,097</td><td>17,097</td><td>17,097</td></tr>
<tr><td colspan="2">Earnings per share (Note2)</td><td>1.51</td><td>4.34</td><td>2.02</td></tr>
<tr><td rowspan="4">Dividend Per Share</td><td colspan="2">Cash Dividend</td><td>1.28</td><td>3</td><td>—</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Stock Dividends Appropriated from Retained Earnings</td><td>0</td><td>0</td><td>—</td></tr>
<tr><td>Stock Dividends Appropriated from capital surplus</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends (Note 3)</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">P/E Ratio (Note 4)</td><td>35.94</td><td>10.97</td><td>—</td></tr>
<tr><td colspan="2">Price-Dividend Ratio (Note 5)</td><td>42.40</td><td>15.87</td><td>—</td></tr>
<tr><td colspan="2">Cash Dividend Yield (Note6)</td><td>2.36%</td><td>6.30%</td><td>—</td></tr>
</table>

Note 1：Issues Shares Calculated by the end of the year, and filled in accordingly with in the distribution plan for next year that is approved by the Shareholders Meeting

Note 2：The surplus allocation for the year 2018 has been approved by the Board of Directors, but not yet approved through the shareholders meeting, thus the distribution is done by legal fiction.

Note 3：If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 4：P/E Ratio = Current year average closing price per share/earnings per share

Note 5：Price-Dividend Ratio = Current year average closing price per share/ cash dividend per share

Note 6：Cash dividend yield = cash dividend per share/ current year average closing price per share

(VI) Company's Dividend Policy and Implementation Status

1.The Company's Dividend Policy

(1) Article 26 of the Articles of Incorporation

Article 26：If the Company turns a profit in a year, no less than 5% of the profit should be distributed to its employees as compensation. Employee bonuses may be distributed by way of stock or cash dividends and the Company may issue bonuses to employees of an affiliated company that meets the conditions set by the Board of Directors. The Board of Directors shall be authorized to determine the method of distribution. And as the Board of Directors agrees if the Company turns a profit in a year, no more than 3 % should be distributed to its Directors and Supervisors as compensation. However, if the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance then distribute the compensation of the employees, directors, and supervisors as the percentage mentioned before.

The actual amount of the compensation distribution to its employees and directors and supervisors should be determined by a board meeting where no less than two-thirds of the directors are present and more than half of the directors present votes to approve the suggested amounts.

The Company shall reserve 10% of the balance amount as statutory surplus reserve after offsetting gits loss and tax payment in the previous year, capital reserve and special reserve. However, if the statutory surplus reserve has reached the total capital, the Company can use it a special reserve according to Article 41 of the Securities and Exchange Act. If the company shall have retained earnings together with the undistributed surplus earnings from the previous year, the allocation plan would be made by the Board of Directors and viewed in the shareholders meeting.

Article 26.1：The Distribution of Dividend should take into consideration the operational scale of the Company's future development, along with the cash flow and the status of business earnings, in order to achieve more flexibility in the operation process and strengthen the Company's competitiveness. The surplus allocation plan made by the Board of the Directors shall reserve no less than 20% of the balance amount as shareholder's profit after offsetting its tax payment and the surplus reserve. In the distribution of profits, cash dividends shall not be lesser than 10% of the total dividends. However, the actual distribution of the shareholders' cash dividend percentage will be adjusted accordingly to the actual profit number and fund requirement status through the resolution of a Shareholders meeting.

2. The 2018 Distribution of Stock Dividends

2018 Surplus Earnings Distribution

Unit：NT$

Item	Amount	
	Subtotal	Total
Beginning Undistributed Surplus Earnings	195,448,679	
+：Change after re-evaluating the Benefit Plans	(867,542)	
Undistributed Surplus Earning in the End of the Period after the Adjustment.		194,581,137
+：2018 Net Profit After Tax	74,245,147	
Distributable Earnings		268,826,284
-：Legal Reserve	7,424,515	
-：Special Reserve	2,130,885	
Assign Items		
1.Shareholders' Dividend- Stock (NT$0 Per Share)	—	
2. Shareholders' Dividend- Cash (NT$3 Per Share)	51,291,000	
Undistributed Surplus Earning in the End of the Period		207,979,884
Note: Note 1：The Board of Directors authorized a special appointed person to be in charge of managing the cash dividend smaller than NT$1. Note 2：The ex-dividend date is approved and determined on a shareholders' meeting.		

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting：Not Applicable

(VIII) Compensation of Employees, Directors, and Supervisors:

1. Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation:
   If the Company turns a profit in a year, unless the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance, otherwise the Company should distribute:
   (1) No less than 5% of the profit its employees as compensation in the form of Cash or stock dividends that is to be decided by the Board of Directors.
   (2) No more than 3% as the Directors, and Supervisors' compensation.

2. The estimated amount of compensation for employees, directors, and supervisors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure：If there is any discrepancy between the actual distributed amount of employee stock dividend and the estimated figure, the discrepancy will be listed as the adjustment of the actual distributed annual fees.

3. Information on the amount of compensation for distribution:

(1) The Company has distributed NT$4,954,130 as the employees' compensation and NT$1,486,239 as the Directors and Supervisors compensation in the form of cash dividend. The amount approved by the Board of Directors is the same with the estimated annual fees.

(2) The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or separate financial report for the current period：Not Applicable

4. The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (including number of shares, monetary amount, stock price, shares distributed) and any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors. The discrepancy, cause, and response should be stated：There was no discrepancy.

The Resolution made on the June 15, 2018 Shareholders' Meeting for the 2017 Compensation of the employees, Directors, and Supervisors

Distributed Amount	Employee Cash Compensation	NT$1,782,364
	Employee Stock Compensation	NT$0
	Directors and Supervisors' Compensation	NT$534,709
	Total	NT$2,317,073

(IX) Share Repurchases：None

II. Corporate Bonds：None

III. Preferred Shares：None

IV. Overseas Depository Receipts：None

V. Employee Stock Options：None

VI. New Restricted Employee Shares or issuance of new shares for Acquisition or Exchange of other companies' Share：None

VII. Financing Plans and Implementation：There was no capital increase by cash or issuing of new shares in the last three years.

V. OPERNATIONAL HIGHLIGHT

I. Business Scope

(I) Business Scope

1. Main Business Activities

Main Activities of Business Operation

CC01080 Lectronic component manufacturing
CC01110 Computer and computer peripheral manufacturing
F109070 Wholesale of cultural education, instrument and educational entertainment commodities
F118010 Wholesale of IT software
F119010 Wholesale of electronic materials
F199990 Other wholesale trade
F113050 Wholesale of computer and business machinery equipment
F209060 Retail sale of cultural education, instrument and educational entertainment commodities
F213030 Retail sale of computer and business machinery equipment
F218010 Retail sale of IT software
F219010 Retail sale of electronic materials
I199990 Other consultancy
I301010 Software design services
I301020 Data processing services
I301030 Digital information supply services
J304010 Book publisher
JE01010 Rental and leasing business
E605010 Computing equipments installation construction
I501010 Product designing
F401010 International trade
ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main business proportion

Unit: Expressed in thousands of NTD

Product	2017		2018		As of March 31, 2019	
	Amount	%	Amount	%	Amount	%
CAD	321498	47.53	544234	58.92	195869	70.78
Maintenance Service	279,563	41.34	241,616	26.16	57334	20.72
Others	75,256	11.13	137,818	14.92	23526	8.50
Total	676,317	100.00	923,668	100.00	276729	100.00

3. Current products and services

Our company mainly is devoted to offering best overall solution of R&D designing, manufacture, marketing and 3D application service area to manufacturing and construction industries. We are not only selling agent of CAID/CAD/CAM/CAE/ PDM/PLM/M&E and many professional softwares, but also offer technical application consultation, software online education guidance, prosonnel training, industry aesthetics consultancy, 3D mobile application and VR/AR media entertainment software consultation, etc. Our core value is to satisfy customer and enhance product value by proactive service. The product attributes and business coverage is as follows:

(1) Business market

A. Manufacturing: automatic machinery and equipment industry, 3C/IT industry and vehicle and motorcycle transportation industry.

B. Construction industry: owner, builder, architects, engineering consultants, construction and planning agency, etc.

C. Multimedia industry: Animation, 3D simulation model and game industry, etc.

D. Other traditional manufacturing: furniture, kitchenware and sanitary ware, bicycle, handtool, etc.

(2)Education market

A. Teaching excellence project cooperate with professional education software market of industrial high school.

B. Industry-academia cooperation and cultivating talent

(3)Product agency, own-brand products and services

A. Agent for Autodesk MFG/AEC, Maya, 3ds MAX, Unity, CAE, PTC CREO, Siemens NX, advanced 3D CAX software, Bentley, etc.

B. Self-R&D of HyperPDM, Otsuka UG and customize service

C. VR and AR software application integration service

(4)Marketing

A. Five sales locations in Taiwan

B. Three sales locations in East and South China

4. Planned new product development (service)

(1) Along with the advance of graphics and video soft/hardware technology, VR (Virtual Reality) and AR (Augmented Reality) have becoming the important application market in the future gradually. According to Digi-Capital, it is expected to rise in VR/AR market globally, and the revenue will reach 150 billion USD in 2020. Our company has several years of developing technology in 3D graphics industry combined with marketing sources, by integrated with computer drawing, computer simulation, AI, sensor, display and network parallel processing techniques. Offering clients with high-tech simulation system generated by computer aided technologies, and having consumer experience the unfinished environment in the aspect of construction industry, or offering the display of final marketing in the aspect of manufacturing (to reduce the cost of machine delivery of international exhibition) and after sales service (to reduce the cost of time and traffic of round trip for engineer) to improve operational efficiency faster and innovate more attractive marketing mode.

(2) Media entertainment solution, marketing 3D modeling and professional animation tools; 3D modeling creates 3D objects or shapes' mathematics to present the process of form. The created objects are called 3D model, which can be used in various industry such as movie, game, animation, post-production, architecture, construction, product development, science and medical industry are processing visualization, simulation and rendering graphic design. Our company has access to Autodesk M&E series of products, such as 3Ds Max, Maya and Unity software, etc.; by making 3D animation, simulation, special effects post-production, rendering and manage development processing, to make imagination becomes reality, and enable art editor to have a fast and creative tools to present creative ideas.

(3) HyperPDM 2019

Up to now, HyperPDM has successfully assists hundreds of domestic clients to improve the project developing management of products effectively. During the revision process in the past few years, we have been putting in map printing, Web, manufacturing process, model and CTO picking managements; in order to meet the demands of different clients, we also put in Addin extension function, which allows to put in various Addin elements program afterwards, and to cope with the needs of different industries. The products in the future will cooperate with Windows and 2D/3D CAD upgraded version, and continuously supporting the operational stability and enhance the performance of related function integration, and view customers' feedback as the direction of improving and enhancing

(4) CAD secondary development product

A. OITC Inventor Power Pack

We will commit Otsuka's several-year experience of developing CAD customize program project into the development of Autodesk Inventor toolkit; by CAD system providing API (Application Programming Interface) to strengthen 3D design in various functions of part drawing, assembly drawing and technical drawing, and receiving customer feedback from technical service division to constantly improve the convenience and performance of the program.

B. OITC Creo Toolkit

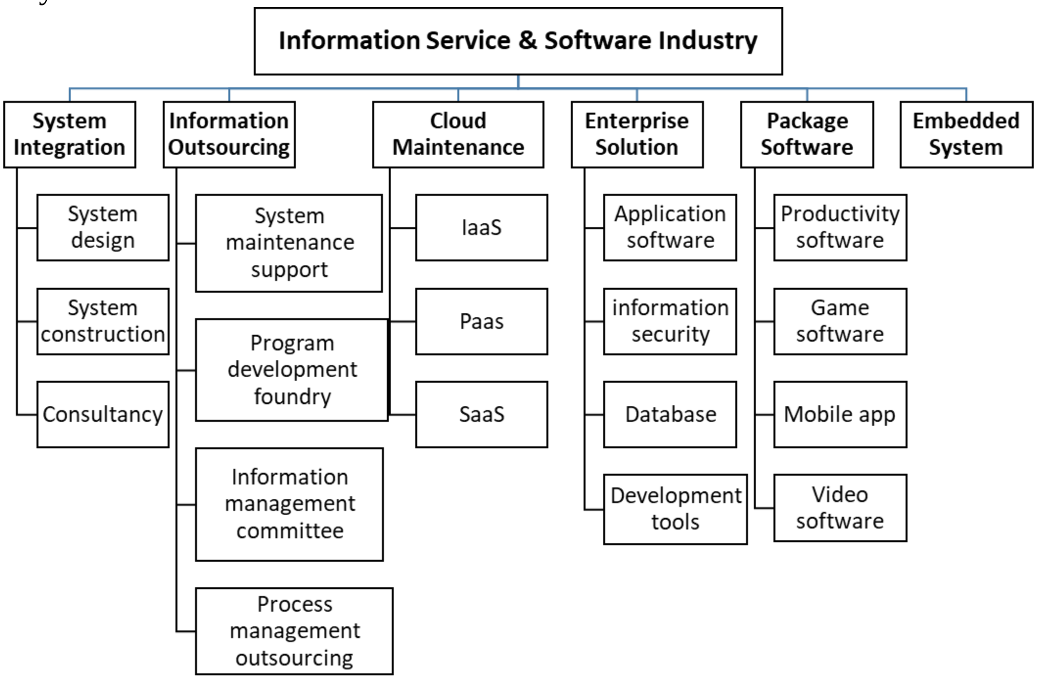
Creo, which is the main 3D modeling software of PTC (Parametric Technology Corporation), has occupies an important position in 3D design market. However, 2D technical drawing is still the priority of the on site manufacturing and assembly drawing. Therefore, the development of Otsuka's Creo Toolkit is focusing on enhancing the various functions of Creo technical drawing

C. OITC Moldflow technological parameter optimization system

Moldflow is an analyzing simulation software of injection molding, which can be used to modify component design, injection mold design and manufacturing process, the involved industries include model, product, molding and material. Otsuka combines with years of service experience, and develop three technological parameter optimization modules, MTS (Machine to Simulation), TS (To Simulation) and TM (To Machine), which can implement the actual molding parameter into Moldflow analysis, and implement into equipments through software optimization analysis, in order to improve the performance and quality of mould factory, molding factory and Moldflow customer when in practical application.

In order to increase profit and give consideration to the long-term developing goal of the company, we're still moving toward the omnibearing company of offering high added value, drawing software integration of multiple application, consultancy and 3D technology to extend business opportunities. Our strategies will follow the trend and customer's needs, and understand customer's needs are the ways to build the foundation of the development of corporate stability.

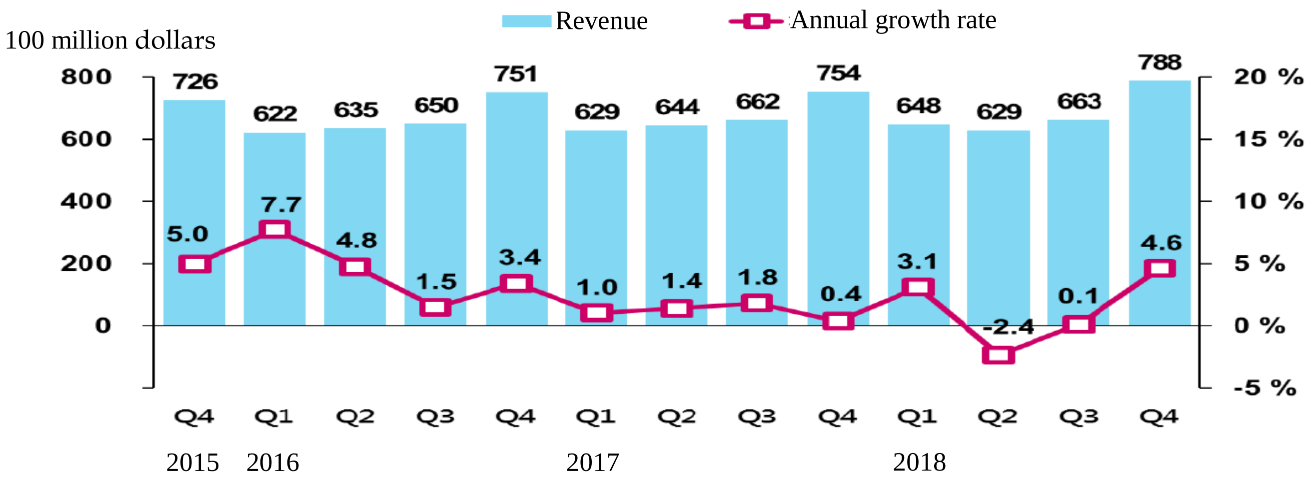
(II) Industry Overview



Ording to the MIC industry definition by Institute for Information Industry, and according to products function and service offering mode, information service and software market can thereby divided as 1. The main core of information service is to offer customer with basic architecture service, development, commercial process and consultation, software support and hardware maintenance, etc., in order to create value by offering services; 2. Software in the other hand, is including application software, information security, database and development tool used by business, and game and mobile application for public. Classified by our company's main service item, which includes selling drawing software, offering complete drawing software system integrate with planning service, technical support and self-R&D customize software. It shall cover information service and software market; therefore, below is the statement of current situation and development of domestic information service and software market:

1. Status and development of information service industry

Revenue and Annual Growth Rate of Information service industry



Source: Department of Statistics of Ministry of Economic Affairs

The revenue of information service industry is 272.8 billion, which hit the record and the annual growth rate is 1.5%; especially for computer system design service industry, due to the increase of computer soft hardware and communication technology services integrated by business user, and eager needs toward cloud construction, the revenue increased 4.9%.

2. Software industry status and development

Traditional computer drawing field can be divided into three basic technologies, model, animation and imaging. The essential of model technique is to construct an accurate object model; the key point of animation technique is to produce simulate physical movement; imaging technique focus on producing simulate computer graphics. Domestic computer drawing software is limited by not mastering in 3D drawing engine and having differentiation of special effect software program library. Develop domestic self-imaging and visual special-effect software element, and align with business to build industry-academia-research cooperation platform, to create talent exchange and engagement should enable us to develop competitive productivity software.

Although Taiwan faces developmental retardation in recent years, the overall fundamentals is still stable, and the domestic market demand maintains a small growth, which makes the domestic information service market scale still shows an upward trend, and having stable growth for software market as well. According to the Statistics of Ministry of Economic Affairs, the revenue growth of information service industry in the last five years is as follows:

Unit: Expressed in 100 million of NTD;%

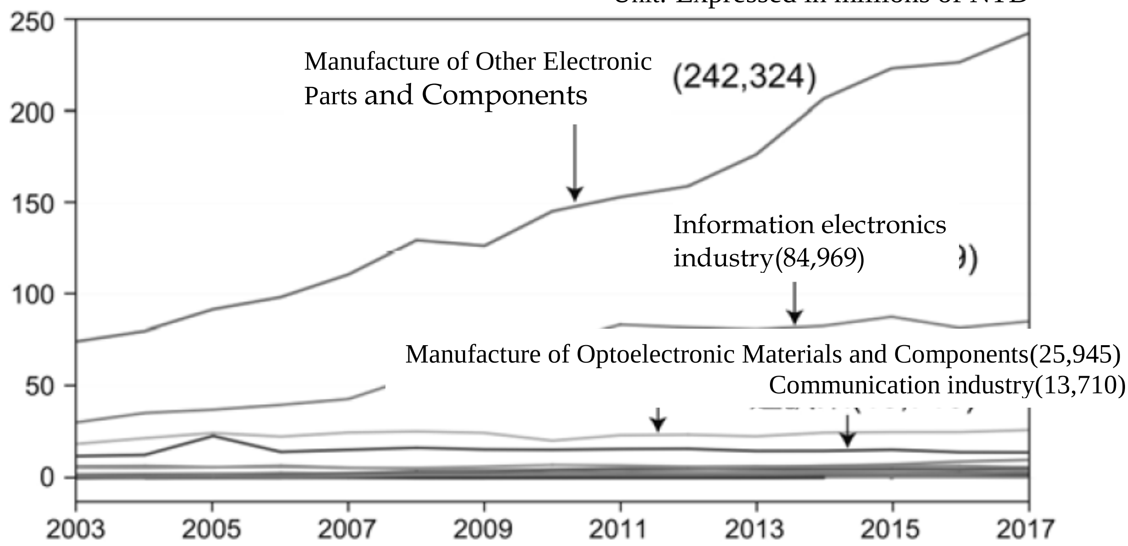
year	Information service industry in total		Computer system design service industry		Data processing and Information supply services	
	amount	Annual growth	amount	Annual growth	amount	Annual growth
2014	2,516	1.8	2,036	1.5	480	3
2015	2,551	1.4	2,071	1.7	480	0
2016	2,658	4.2	2,185	5.5	474	-1.3
2017	2,688	1.1	2,211	1.2	477	0.8
2018	2,728	1.5	2,241	1.4	487	1.9

3. Developing trend of domestic R&D

Due to our company is agent for drawing software relevant products, most of the users are after R&D; therefore, the situation of R&D investment by business can shows the development trend of software industry as well.

"Domestic Top 300 R&D" from2003 to 2017 R&D Investment Trend

Unit: Expressed in millions of NTD



Source: Taiwan Economic Journal; Collected by Taiwan Institute of Economic Research

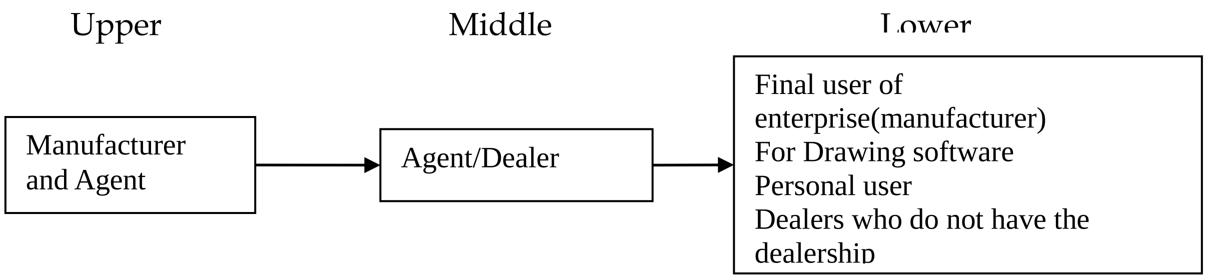
The main industry of domestic R&D investment is Manufacture of Other Electronic Parts and Components; as for information electronic industry, which is related to software takes second place; as of 2017, budget for R&D reached 84,969 million dollars, which presents a stable growth trend in the past decade.

4. Industry Outlook

Under the constant innovation and development of technology applications of cloud computing and massive data and mobilized devices, the market scale of information service is growing constantly. According to Institute for Information Industry(III), it is predicted that the global market scale will grow from 836.8 billion USD in 2016 to 948.9 billion USD in 2019, compound annual growth rate is 4.4%; Taiwanese market rise to 181.5 billion NTD in 2019, and the compound annual growth rate is 4.1%.

As for the global software market, under the rapid development of package software in smart mobile device, application software functions renewed constantly; the embedded software of market orientation is under the traction of mobile device operating system, and the middleware demand for various sensors and Internet of Things is rising. It is predicted that global software market will grow from 619.7 billion USD in 2016 to 733.4 billion USD in 2019, compound annual growth rate is 6%; it will rise to 83.6 billion NTD in Taiwanese market, and the growth rate is 4.3%.

5. The Relevance of the Upper, Middle and Lower Stream Industry



Our company is mainly as agent for value-added selling of drawing software, offering relevant technique and system integration, the character of which is the middle-stream industry. With the human technical sources and broad channel, our company sells merchandise directly to general company or by dealers, and provides integrated technical support services.

6. Developing Trend of Product

(1) The extension of 3D Application

At present, CAD and working tools have been developing to a smooth operation of visualize interface and 3D display, which can design a more complicated or with special material product; moreover, it can directly and fastly shows the designer's thought through the monitor, which breakthrough the problem of learning curve. With 3D printer, fast proofing is achievable in the future, or scale down the models to increase the developing efficiency of new products. In addition, Product Lifecycle Management(PLM) assists manufacturer to be product-centric, and to manage with the research, manufacture and alteration procedure of the product; it will usually combined with CAD/CAM graphic drawing, to assist with the overall design and management of the product. Although the rate of adoption of PLM is not higher than ERP or CAD/CAM, product design is expected to be more valuable in manufacturing, and under the trend of having design headquarter in Taiwan, it will be adopted more by enterprises.

(2) Adjustment and Innovation of System Integration Service

System integration service mainly assists business with information technology to achieve various operation or strategy purposes. Supplier needs to understand the operation direction, strategy needs and solution of businesses in each area, so they can assist business to make good use of resources. Due to the uncertainty of business transformation, and hardware construction is affected greatly by cloud service, the growth of consultancy will be higher than system design and construction. However, consultancy, system design and construction company will still meet with the requirement of business transformation and technology development of innovation and continue to grow.

(3) Development of High-level Drawing and Video Call Software Technology

Drawing and video call software technology have popularize in personal computer, smart portable device, digital television GPS, the smoothness of 3D animation has decide the competitiveness of the devices. With the constant improvement of soft and hardware technology, VR/AR have becoming an important application in the future; because of the drawing software technology is the core part of both industries, competitive investment of technology has been going around the globe, and the revenue is predicted to reach 150 billion USD in 2020.

7. Market Competition

Our company belongs to 3D CAX/PDM system integration consultancy, and is the only company in Taiwan market who successfully crossed manufacturing and construction industry; we mainly offer our customer with upper-intermediate 3D CAD/CAX software related application solution, technical service and consultation. Below is the analysis of product service and the competitive situation that our company's operating scale is facing:

(1) Product Analysis

Product Design & Manufacturing Collection (PDMIC), Autodesk PRDS, etc., are the bread-winning product of our company, which belong to middle-class 3D CAD drawing R&D integration package software, our main domestic competitor is SolidWorks software owned by Groupe Dassault of France. Autocad software gains the highest market share in the globe, which even reached 90% of market share especially in many areas, so does Taiwan. Therefore, there are many potential 2D users upgrading to 3D product; through the ever-changing development of technology, no matter it is the product for manufacturing solution, such as Inventor, Alias, 3DS Max, because of owning many unique techniques and functions, they gained popularity among domestic automatic machinery industries in a short time after the year it launched. The series product has been developing up to now, it not only has the highest market share in this industry, but also leaves other 3D software far behind. Nowadays, Autodesk even comes up with new manufacturing design package software (including PRDS/FDS/VAULT/SIMULATION), and offers digital prototyping tools especially designed for manufacturing industry. Industry now values R&D creativity and the time and efficiency of product development, Autodesk design package software provides with sound 3D modeling environment and powerful solution of productivity improvement, which will bring developing motivation to industry furthermore.

In addition, our company is the sales agent for high level 3D drawing software, Creo, which is the product of American company parameter technology and has good-growth performance in recent years. This product is most widely used system in Taiwanese computer, communication, consumer electronics industry, which has powerful surface design function. Among them, CAD design solution provides with flexible parallel use of various CAD systems, which enhance design collaboration and significantly strengthen the product development process to make it more efficiently and become easier to support with, and we are looking forward to an optimistic prospect. In addition, our company has cross-strait agent for Siemens NX, which is to offer CAD/CAM/CAE/PLM with most excellent products and solving capability. Our company realizes our advantages of technique, and seizes the growth opportunity of expanding the business scope. In 2019, we will keep investing manpower and make good use of our strength to increase the product line profit and stabilize our market position.

In the aspect of architectural design, our company agent for Autodesk Engineering Construction Collection and Bentley, and is the most popular system among construction industries in the globe; in the green building trend, this product line can provide with green analysis and fulfill the benefit of energy saving and carbon reduction. Besides, offering client with integrating and exploring solutions of 3D plant design and surroundings is another major market promotion of our company. It is predicted that construction market will continuously bring in more benefits for our company this year.

From 3D drawing software developing to date, we can find the functional commonality of it, and if we are taking a comprehensive comparison, we still can find their pros and cons. However, different industry attributes will depend on the product needs to choose the suitable software. Among domestic automated machinery industry, the most common use software belongs to PRDS and PDMIC; that’s because when the intrinsic Inventor launched, it best suited machinery manufacturer’s needs of large assembly and structural motion simulation. Although every software has its own field, clients highly valued the educational training and online consultation services after installation of 3D drawing software implementation. Therefore, clients buying this software doesn’t mean they can operate successfully and meet their needs. To conclude, user choose different softwares depends on their requirement, besides selling software, the most important thing is to provide clients with consultation and educational training services; therefore, our product still has a great advantage of expanding market.

(2) Analysis of Company’s Operating Scale

According to the current status of Taiwan, there’s around ten companies who sell CAD/CAX/PDM, which normally is small company with less than 20 staff, and with incomplete product line, they usually sell single product of CAD, CAM or CAE, not like Otsuka who provide with complete solution of CAD/CAX/PDM, the market coverage includes manufacturing, multimedia and construction industry, and establish a complete provincial marketing network with more than 140 staff of marketing, technical service team and several educational training centers around Taiwan. Besides, breaking into this market needs to equip with professional Know-

How; Otsuka has been running business in Taiwan for more than 20 years, the business reputation and technical skills it established has staying ahead of its competitors; moreover, the high competitive threshold it built is hard to surpass for other companies. However, the important thing is that we value customer service greatly, which will need to invest more in employee training and service-support system and have other competitors fall far behind. The cultivation of product engineers and sales person is based on software operation to offering solution to actual industry. A person equipped with marketing or technical service capability has at least 3 years of accumulated experience and practice; currently, approximately 80 technical or support personnel of OITC are teams of long-term training and with actual case experiences, which is not for general company to compete with, this is the core value of our company in drawing software market as well. Moreover, the juridical person of the company, OITC, is one of the top CAD/CAM system integrators around the globe; its mastery toward business pulse, integrating efficiency of operating management, and the prediction of future IT industry developing trend are the advance and accurate benchmark among the industries.

Therefore, under our company's effort and with the assistance of Otsuka's business experience; examining domestic and future Chinese market, Otsuka definitely has the strength of market expansion and willing to take any business challenges.

(3) The Development and Promotion of private HyperPDM products

Through the accumulated developing experience and feedbacks from many customers, HyperPDM assists customer with the management of increasing project development information of product efficiently, the product will meet with Windows system and upgrade 2D/3D CAD version in the future, continuously supporting the stable operation and improve performance of related function integration, and view customer's feedback as the direction of increase function and performance.

(III) Technology and R&D Overview:

The investment of R&D cost and successfully developed technology or products in recent years and as of the annual report printing date.

1. The R&D investing cost in recent years and as of the annual report printing date

Unit: Expressed in thousands of NTD

Year	2018	2019 As of 31st, March
R&D Cost	7,023	1,521
Operating Revenue	923,668	276,729
R&D Cost to revenue ratio	0.76%	0.55%

2. Successfully developed technology or product

Our company has years of core technology of CAD/CAM integrated application, we utilize this technical advantage to develop App mobile business of 3D mobile lightweight technology, and had successfully developed 3D product interactive control, animation display of 3D cutting machine, virtual tour of 3D actual disassembly and 3D product optional accessories specification, which can actually apply to App modules function of marketing business procedure, and assist equipment manufacturer to transfer marketing mode to a more efficient 3D visualize creative mobile business and after service mode.

(IV) Long and short-term business development plans

We have been focusing on business development since the establishment of our company, in order to meet with the business developing trend and the changeable domestic, foreign business environment; we adjust our system by long and short-term plan to increase overall competitiveness. The long and short-term plans are as follows:

1. In the aspect of agent for CAX drawing software
   (1) Short-term plan:
      A. Strength our customer service, and focus on offering fast design module of the machinery and equipment industry development for current client, to improve its design procedure and efficiency, by that we can increase the value of our technical consultation and customer loyalty, and increase our income.
      B. Training professional marketing and technical support consultation actively, so that we can provide a completed and integrated customer service.
      C. Moving toward the One Stop Solution Provider business promotion of industrial design, manufacturing, marketing and service, not only strengthen the agent product line, but also understand the future needs of the industry.
   (2) Long-term plan:
      A. Integrate business internal information system, connect with customer needs and automatic supplying and marketing function; by service-oriented planning system procedure, we can lay the foundation for business growth.
      B. Moving toward improving the development speed of customer products, offering comprehensive solution for industry and technical support service, assists customer with innovative product development and increasing launch efficiency, and developing marketing scale to VR/AR development. By the long-term technical advantages in manufacturing, we develop mobile business application solution, offering high-efficient marketing source management tool and assist customer to strengthen their profitable business mode of mobile business service.

2. Self-R&D products
   (1) HyperPDM
      A. Cooperate with OS system and CAD version upgrade, constantly support the stable operation and improve performance of related function integration.
      B. Refine and strengthen the managing application of HyperPDM system function, and continue to expand the system toward platform architecture, and have the most effective sharing of business R&D assets. Constantly optimize and simplify every operational surface and function based on customer feedback and suggestion.
      C. Apply with Addin expansion function to assist every client to build expansion component program by their requirement under different circumstances.
   (2) OITC Inventor Power Pack
      Cooperate with the sales mode of Autodesk product subscription, Otsuka provides customer with exclusive tool kit, it not only strengthen the original function of Inventor, but also added new design gadget program from time to time to reward our subscriber.
   (3) OITC Creo Toolkit
      Cooperate with sales mode of PTC product subscription, provides Otsuka's clients with exclusive Creo convenient design tool when facing other competitors, which highlight the better technical ability than other dealers and the advantage of CAD value added development.
   (4) OITC Moldflow Technological Parameter Optimization System
      As the growing of industry 4.0 around the globe, software information analysis and the integrated application and knowledge feedback of module and molding factory of the Internet is the trend for future industry development. Technological parameter optimization system implement the actual molding parameter into Moldflow analysis, and implement into equipment through software optimization analysis, enable injection molding machine to produce directly by best technological parameter.

3. Marketing and developing strategies:

(1) Short-term plan:

A. Actively explore new CAX high level application business market, and increase market share and repurchase rate by improving customer satisfaction; while strengthen the exploration toward the demand of cloud product and mobile device solution.

B. Overseas sales locations, actively build marketing and customer service access into local market to find new clients, and offering immediate customer service.

C. Actively find new clients and explore the advanced needs of current clients through creative media and entertainment business department, and help with the marketing of VR/AR business.

(2) Long-term plan:

To build a system-integrated consultancy which can direct future needs of customer and developing trend. Provide various industries with complete system implementation, strengthen the exclusive characteristic, and improve consulting performance. Enable our clients to have R&D competitiveness, marketing uniqueness and reliable mobile service capability, to create a triple win for the company, clients and suppliers.

4. Business scale development

(1) Short-term plan:

A. Continuous maintenance of CRM, improve and strengthen internal system operation to enhance client relationship management and case-tracking efficiency.

B. Continuous implementation of internal control, audit and budget management to enhance business efficiency.

(2) Long-term plan:

Promote internationalized idea and enhance business managing capability, actively cultivate internationalized talents and moving toward the goal of international corporation.

5. Financial planning

(1) Strengthen risk control in a short term, to serve clients with stable, high-efficient and flexible idea.

(2) Make good use of domestic capital market and foreign financial market tool in a long term, and expand the landscape of business globalization.

II. Market and Sales Overview

(I) Market analysis

1. Analysis of sales(offering) areas of main products(service)

Unit: Expressed in thousands of NTD

year / item	2017		2018	
	amount	%	amount	%
Domestic sales	670,100	99.08	919,886	99.59
Export sales(Asian area)	6,217	0.92	3,782	0.41
total	676,317	100.00	923,668	100.00

2. Market share, future supply and demand situation and growth of market

(1) 3D market share

Our company is agent for Autodesk, which is the manufacturer of computer graphics software CAD/CAM/CAE/PDM. According to Department of Statistics, the revenue of Taiwanese information service industry is around 272.8 billion in 2018, due to various kinds of products of information service industry, the purpose of them are different as well. It is hard to evaluate the status of each software market because of the lack of objective statistic information evaluation. However, our company has been focusing on this industry for more than 20 years, we have constantly accumulate professional knowledge to improve the depth and breadth of customer service; moreover, continuous growth of revenue shows a certain market status of the company's products agent.

(2) Supply and demand status and growth of future market

2D drawing software AutoCAD, which belongs to Autodesk software company, has the highest software market share globally, even exceeds 90% of market share especially in many areas. According to Department of Statistics, the revenue of Taiwanese information service industry from 2015 to 2017 was 255.1, 265.8 and 268.8 billions respectively, and the annual growth rate is 1.4%, 4.2% and 1.1%.

Additionally, as the constant growth of AI capability, IT industry will remain the trend of expanding as well. According to the report of research company Forrester, IT released their biggest software, the revenue will rise 7.5%, which will reach 700 billion USD; one-third of IT and communication expenses will invest in Cloud in 2019, the main motivation comes from SaaS. The market growth of SaaS business application market will exceed 20%, which will breakthrough 100 billion USD.

3. Competitive Niche

(1) Has a complete CAD/CAX/PDM integrated marketing, series products of CAD/IT government educational business sales and multiple marketing channels:

Our company has many platforms of marketing channels, besides construction and manufacturing of domestic sales, it also expands to dealers, SME and personal users; moreover, our company has a complete manufacturing mechanical automation, construction BIM and multimedia VR/AR solutions, including from conception assembly design, mechanism design, manufacture, assembly test to maintenance and display; all of which have offering equivalent solutions for software and construction, satisfying customer need with one-stop shopping from infrastructure software and engineering information management to business source planning software products. As for operating scale, our company is one of the biggest CAX system integration companies in Taiwan, if the business operation is affected by external environment, it is a relative competitive advantage for a big-scale company. Our company holds the spirit of "in-depth service to increase product value", continuously developing in domestic market, expand market share and create customer need to increase the revenue streams; interact with OEM actively and establish indicative customers as our main product strategy and market goals.

(2) Professional service team and training center

Our company always values customer service, and possesses rich experience of salesperson, with professional technique and consultant to become a strong service team. Around 80% of personnel of our company are sales consultant, product support and project consultant. Besides providing customer with solution according to their needs, we also offer complete online customized implementation service in the mean time.

In order to provide customer with software implementation system to improve performance, create and promote future business opportunity of agent product line, our company has training center located in Taipei, Hsinchu, Taichung, Tainan and Kaohsiung. Take the software OEM training information as first draft, and programmed materials by ourselves; lectured by OEM software technical training certificated instructor, offering various lessons and CAD technical support information lesson.

(3) R&D of value added product line, high benefit for future market

Our company has more than 20 years' experience in CAD/CAX/PDM integrated marketing, we know more about customer's problems and demands during the process of cooperation between sales, technical support team and customer's salesperson. By agent for famous drawing software of foreign company, we make up for the insufficient function of original drawing software while marketing, and self developed the plug-in of Autodesk. In order to meet with industry requirement of ERP/PDM system integration in recent years, technical team has offering complete consultation for the database managements and applications. Our PDM product especially focuses on domestic SME's demand of customized small-volume production of multiple types of products, which will get closer to customer needs. With the young, impulsive and rich creativity characteristic we possess, it is more likely for us to meet the ever-changeable software industry, grasp the market pulsation and constant innovation to gain favor from business.

(4) The overall corporation development and positive synergy of supply

Our company's main shareholder Otsuka, is a famous company in Japan which has information system integration, CAD/CAM project solution and provides with service and channel support. Otsuka not only provides with related industry operating suggestion and instruction, but also has a long-term relationship of production-marketing cooperation with our main supplier. Besides our agent products Autodesk, PTC and Siemens have good performance, we grow with clients and suppliers for many years, and become the biggest system integrator of CAD/CAE/CAID/IT in Taiwan; moreover, we are the authorized agent and OEM certified training center, our new R&D products can quickly gain priority agency. Under the motivation of sustainable operation, and good operating performance of stabilized supply and marketing synergy, enable our source of supply to be more stable, and have a positive image of agent for excellent brands in sales market as well.

4. Advantages and disadvantages of development prospects and solutions

(1) Advantages

A. Agent for brand products that meets the needs of market pulsation, gain favor from market

Our company is agent for drawing software products of Autodesk, PTC, Siemens, which gain favor from domestic supplier. As the constant development of Taiwanese industry and work hard to cultivate markets, we still have relative room for development from the aspect of current market share of our company.

B. Complete before and after sales service, provide with full service of Total Solution

Our company provides suppliers with immediacy market needs and assist clients to solve technical problems quickly by professional technical R&D and supporting capability. With professional technical support, project consultation and R&D team to assist clients in completed the overall design software purchase project by the most cost effective method, and offering exclusive Total Solution by customized mode. Therefore, our company has cultivated good cooperative relationship with suppliers and clients.

C. Equip with the foundation of mainland China and overseas market exploration

The scale of information service and software market in China is still the important growth motivation for global IT market. In addition, Chinese business's average ICT budget in the proportion of business revenue is relatively low when compared with the globe; that means there's a relative room for market growth. Therefore, by duplicated Taiwanese experience as prerequisite to actively explore the market in east and south China, and explore benchmark supplier by new agent for niche product; interact with supplier actively and establish indicative customers as main product strategy and market goal.

D. We have strong R&D team which is close to customer needs, and grasp the core competitiveness of self R&D graphic peripheral software.

(2) Disadvantages and solutions

A. Limited scale of domestic market, price war with competitors

Taiwan has a small scale of information service market, with quite mature development and constant manufacturing offshoring, and due to cutting information cost from government annually, there's a fierce price war.

Solutions:

In order to expand domestic market and increase revenue, our company providing customers with high add value of after sales service and technical support to continue cultivating domestic market; by offering customers with value co-creation capability to create customer needs and increase revenue.

B. Expand overseas market, gaining resources will be a hard slog

Compare to international industry, the scale of Taiwanese industry is relatively small and has limited access to sources, it is not easy to collect information of overseas market as well.

Solutions:

Cross-selling to overseas market and develop information service in specific areas through overseas company subsidiaries, and strengthen team capabilities.

C. International industry enters the market segmentation of SME

Benefited from cloud technology, international brand industry can now has direct access to customer, and offering software and service to SME by cloud. This strategy is undoubtedly invading the survival space of our company, which will make the operating more difficult.

Solutions:

a. Actively fight for new product agent, by maintaining multiple brands to lower the proportion of business outsourcing, and maintain our gross profit ratio.

b. Inspect self-advantages and all the complementary assets to gain a foothold in industry and develop toward specialization.

Our company is a professional technical type of channel firm, who is a professional computer graphics, industrial design software system service, equip with high integrated manufacturing and industrial design solutions capability, and exploring future core peripheral software products technique oriented company. We mainly agent for core technology products with high gross profit and strong competitiveness, with our strong marketing consultation team to increase customer needs toward product specification, and avoiding price war. By separating market positioning and competitive advantages from competitors, we can gain higher profit in the meantime.

(II) Important purpose and production process of main products

1. Main product and its purpose

Product name	Purpose
Computer Graphics Software	1.CAID：CA industrial design software, appearance design of 3D product. Innovative way of design helps business to reach excellent design standard, and brings rich profits. 2.CAD：Computer Aided Design software: includes 3D design software for machinery purpose, pipe fitting equipment, circuit layout and civil construction. 3.CAE：Computer-Aided Engineering software: Through engineering analysis software, we can design 3D mechanical structure while evaluating materials, physical property and mechanics factors, and

Product name	Purpose
	proceed with mechanical engineering analysis to produce data as the reference of design improvement or reinforcement. 4.CAM：Computer-aided manufacturing software: From the components of front-end 3D CAD design, by CAM automatic toolpath to further control machining center and reach the precise and speedy purpose, and achieve low conversion cost and high dimensional accuracy. 5.AEC：Architectural Engineering &Construction: Combine with power and scale, visualize and documenting of BIM, this product line can provides mainstream benefits with optimization, cost control and sustainable development. 6.Media entertainment solutions：3D modeling and professional animation tools, includes Maya, 3Ds MAX series products, which enable artist to present creative concept by fast and creative toolset.
Product Information management software	PDM：Applied to related information of organization, access and manage all manufacturing products and product life cycle, enable engineers from every level clearly understand the relevance and hierarchical structure of various types of information.

2. Manufacturing process: Our company is the import agent of our main products so we do not have manufacturing process; the manufacturing of self-R&D HyperPDM mainly is copying software into media vehicle, therefore, we do not have the process compare to general manufacturing.

(III) Main raw materials supply status

Raw materials, components or Outsourcing items	Name of Manufacturer	Supply status
Computer Graphics CAD/CAM/CAX	Synnex(purchase Autodesk products), PTC, Siemens	stable

(IV) Suppliers (clients) name and its procurement (sales) amount and ratio, of which the procurement (sales) amounts is account for more than 10% over any year of the last two years and the variation reasons.

1. Main suppliers information over last two years:

Unit: Expressed in thousands of NTD

	2017				2018				2019 as of previous quarter			
item	name	amount	Annual net purchase ratio 〔%〕	Relationship with issuer	name	amount	Annual net purchase ratio 〔%〕	Relationship with issuer	name	amount	Annual net purchase ratio as of previous quarter 〔%〕	Relation ship with issuer
1	Autodesk	114,710	27.85	NA	Synnex	301,319	52.52	NA	Synnex	127,361	64.24	NA
2	Synnex	106,048	25.75	NA	PTC	84,394	14.71	NA	Grandtech	20,146	10.16	NA
3	PTC	50,883	12.35	NA	-	-	-	-	-	-	-	-
	Others	140,221	34.05	-	Others	188,043	32.77	-	Others	50,764	25.60	-
	Net purchases	411,863	100.00	-	Net purchases	573,756	100.00	-	Net purchases	198,271	100.00	-

Note 1：Our company is the product agent of 3D drawing software.

Note 2：Supplier changed from Autodesk to Synnex since May 2017.

2. Main sales customers information over last two years:

Unit: Expressed in thousands of NTD

	2017				2018				2019 as of previous quarter			
item	name	amount	Annual net purchase ratio〔%〕	Relationship with issuer	name	amount	Annual net purchase ratio〔%〕	Relationship with issuer	name	amount	Annual net purchase ratio as of previous quarter〔%〕	Relationship with issuer
1	LITE-ON Technology	12,808	1.89	NA	LITE-ON Technology	30,350	3.29	NA	Delta Electronics	28,621	10.34	NA
2	CECI	11,090	1.64	NA	Delta Electronics	25,167	2.72	NA	YAMADA	16,654	6.02	NA
3	Delta Electronics	10,867	1.61	NA	Gemhorn	19,552	2.12	NA	FCFC	5,658	2.04	NA
	Others	641,552	94.86	NA	Others	848,599	91.87	NA	Others	225,795	81.59	NA
	Net sales	676,317	100.00	-	Net sales	923,668	100.00	-	Net sales	276,729	100.00	-

Note1: Among the sales customers of our company over last two years, such as LITE-ON Technology, CECI, Delta Electronics, YAMADA ,FCFC are graphics softwares for the needs of system upgrade or project procurement, Gemhorn is as other agent.

(V) Volume of production table over last two years: The company is not the manufacturing, therefore is not applicable to the subject.

(VI) Sales volume table over last two years:

Unit: Expressed in thousands of NTD

year / sales volume / main product	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quant-ity	Value	Quant-ity	Value	Quant-ity	Value	Quant-ity	Value
CAD	—	305,215	—	4,220	—	522,589	—	—
Professional application CAD	—	12,063	—	—	—	21,645	—	—
Maintenance	—	278,836	—	727	—	237,521	—	4,095
Others	—	73,986	—	1,270	—	137,818	—	—
Total	—	670,100	—	6,217	—	919,573	—	4,095

Note: The company has various kinds of products, and the units of measurement is differ from products, therefore, the quantity is not listed above.

III. The number of Employed for the two Most Recent Fiscal Years, and during the Current Fiscal year up to the date of Publication of the Annual Report, Their average years of Service, Average ages and Education Levels：

year		2017	2018	2019.3.31
Staff number	Supervisor	33	29	30
	General	131	132	134
	Total	164	161	164
Average ages		36.08	36.39	36.82
Average seniority		5.4	5.6	5.71
Ratio of educational attainment	PhD	0%	0%	0%
	Master's	15.24%	13.67%	13.41%
	University	78.66%	80.12%	80.49%
	High school	6.10%	6.21%	6.10%
	Less than high school	0%	0%	0%

IV. Environmental expenditure information

The company is not the manufacturing, therefore is not applicable to the subject.

V. Labor relations

(I) The implementation status of every employee welfare measures, self-study, training, retirement system, agreements between labor and employee interests maintenance:

1. Employee welfare measures and the implementation status

Our company highly values employee welfare, according to Employees' Welfare Funds Act and established the Organization of Employees' Welfare Committee to conduct employees' welfare matters, followed by regulation of contribute welfare funds according to monthly revenue, salary and sell rejects. In addition, following are the welfares our employee have:

(1) Bonus system:Bonus system: In addition to the monthly sales bonus, the company will issues quarterly bonus, half year dividend, year-end bonus and employee bonus depends on state of operation. As for employees with five or more years of employment, the company will issue longevity bonus and paid leave for employee to take time off for family trip or recharge; when employee with ten or more years of employment resign from job, company will issue pension to show appreciation to employee.

(2) Welfare activities: Provides various kinds of welfare measures, which includes wedding and death subsidy, childbirth subsidy, dragon boat festival/mid-autumn festival/birthday cash gifts, hospital allowance, clubs&activities, year-end party, domestic/foreign travel, blind massage and car purchase allowance for specific position,parking subsidy and promotion of special contract shops on an irregular basis.

(3) Insurance: According to the law, employees are insured with labor insurance, health insurance and withdraw 6% of labor pension on the first day of employment, and insured all employee with group insurance, includes life insurance, casualty insurance, hospital

insurance, cancer insurance and personal injury insurance; additional business travel accident insurance for employee who needs to go on business trip frequently, to increase the assurance of employees' family.

(4) Educational training: provides perfect new employee orientation and on-the-job training, and holds professional training, supervisor training and employee training annually on a regular basis.

(5) Health examination:holds employees' health examination every two years, and offering half-day paid leave for employee to receive examination in the special contract hospital.

(6) Stock ownership trust:offers senior employee with preferential shareholding opportunity and bonus issue.

2. Implementation status of further study and training

Arranging courses by orientation training, assist new employee to understand the positioning and future development of the company. Professional internal training will be hold irregularly, enable employee to receive new information of professional skills and enhance the capability of business promotion and R&D. Moreover, we focus on on-the-job training, each department will arrange suitable educational training lessons depends on the actual needs, and establish training center, e-learning online learning system to offer employee a diversified and convenient learning platform; or depends on the needs of each professional competence course, and participating in lessons held by training institutes to improve employees' professional competencies.

3. Implement state of retirement system

(1) Our company has established Workers' Retirement Fund Supervisory Committee, and enacted Organic Law of Committees and Regulations for Retirement. In order to guarantee the retirement right of employee in old system, even if the retirement preparation funds has reached over annual safety line, we will still follow the Labor Standard Law to withdraw 2% of labor pension monthly from employees' gross salary to the pension account of Bank of Taiwan, and do not have end of withdrawal plan.

(2) From July 1st 1995, the company has enacted pension system according to Labor Pension Statutes, and withdraw 6% of labor pension according to insured salary monthly to employees' personal account of Bureau of Labor Insurance.

(3) The company has enacted Regulations for Preferential Retirement on May 11th 2017, which enable employees with 20 or more years of seniority or 15 or more years of seniority and is above 50 years old to actively apply for preferential retirement depends on their career guidance, physical and mental health and family needs.

4. Protocols between labor relations and state of employees' right and interest maintenance:

(1) The labor relations of our company is harmonious, labor dispute has never happened before. We highly value two-way communication in order to maintain good labor relations; therefore, we do not have any significant labor dispute happened before.

(2) Our company has complete regulation of personnel management, which has specify related rights and obligations and welfare measures, and has review the content on a regular basis to protect employees' right.

(II) Recent years and as of the annual report printing date, suffer losses from labor dispute, and estimated amount and measures for the possibility of happening at present or in the future: NA.

VI. Important contract

At present, supply and marketing contract, technical cooperation contract, engineering contract, long-term loan contract and other critical contracts which will affect shareholders' right and interest are still under effective duration or expiration in recent years.

Contract characterization	Party	Date of contract	Main content	Restrictive covenants
Agency aggrement (augmentation of distribution agreement)	Autodesk Asia Pte Ltd.	2019.2.1-2020.1.31	Autodesk agency Contract of related products	NA
Agency aggrement	SIEMENS	2018.11.23-2019.11.22	Siemens agency Contract of related products	NA
Agency aggrement	Parametric Technology PTC	2018.7.1-2019.6.30	PTC agency Contract of related products	NA

VI. Financial Profile

I. Condensed balance sheet and Statements of Comprehensive income for the Past 5 years, Showing the Name of the Certified Public Accountant and the auditor's Opinion Given Thereby.

(I) Condensed balance sheet-adopt the International Financial Reporting Standards (merge with Financial statements).

Unit: Expressed in thousands of NTD

Item / Year		Financial information in the last five years					2019 as of first quarter(review by auditor)
		2014	2015	2016	2017	2018	
current assets		635,387	660,420	615,072	579,294	705,407	729,217
Real estate, plant and equipment		23,690	23,471	21,795	20,575	22,791	22,170
Intangible asset		–	–	–	–	–	–
Other assets		25,442	30,402	31,772	32,449	34,952	75,304
Gross assets		684,519	714,293	668,639	632,318	763,150	826,691
current liabilities	Before distribution	137,036	146,594	107,878	101,252	181,353	179,302
	After distribution	205,424	206,434	159,169	123,136	(Note 1)	(Note 1)
Non-current liabilities		18,264	19,580	5,582	905	2,273	30,905
Total liabilities	Before distribution	155,300	166,174	113,460	102,157	183,626	210,207
	After distribution	223,688	226,014	164,751	124,041	(Note 1)	(Note 1)
Attributed to owner's equity of the Parent Company		–	–	–	–	–	–
Share capital		170,970	170,970	170,970	170,970	170,970	170,970
Additional paid-in capital		68,813	68,813	68,813	68,813	68,813	68,813
retained earnings	Before distribution	280,943	294,353	319,209	295,409	346,903	381,355
	After distribution	212,555	234,513	267,918	273,525	(Note 1)	(Note 1)
Other equity		8,493	5,704	(3,813)	(5,031)	(7,162)	(4,654)
Treasury stock		–	–	–	–	–	–
Non-controlling Interests		–	8,279	–	–	–	–
Total equity	Before distribution	529,219	548,119	555,179	530,161	579,524	616,484
	After distribution	460,831	488,279	503,888	508,277	(Note 1)	(Note 1)

Note1: Earnings of 2018 has not distributed by shareholders' meeting resolution.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(II) Condensed balance sheet-adopt the International Financial Reporting Standards (merge with Financial statements).

Unit: Expressed in thousands of NTD

Year / Item	Financial information in the last five years					2019 as of first quarter(review by auditor)
	2014	2015	2016	2017	2018	
Revenue	874,252	984,296	869,193	676,317	923,668	276,729
Gross Profit	370,380	370,377	338,914	237,172	319,599	105,367
Operating income statement	117,648	109,419	84,550	30,047	91,131	42,529
Non-operating Income	272	(2,529)	5,456	2,936	1,954	536
Pre-Tax Income	117,920	106,890	90,006	32,983	93,085	43,065
Net Income	89,490	82,874	72,901	25,753	74,245	34,452
Other comprehensive income(Net Income)	4,846	(4,586)	(257)	520	(2,998)	2,508
total comprehensive income	94,336	78,288	72,644	26,273	71,247	36,960
Net income attributed to owner of the parent company	89,490	83,595	75,436	25,753	74,245	34,452
Net income attributed to non-controlling interest	–	(721)	(2,535)	–	–	–
Total comprehensive income attributed to owner of the parent company	94,336	79,009	75,179	26,273	71,247	36,960
Total comprehensive income attributed to non-controlling interest	–	(721)	(2,535)	–	–	–
Earnings Per Share	5.23	4.89	4.41	1.51	4.34	2.02

Note1: Earnings of 2018 has not distributed by shareholders' meeting resolution.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(III) Condensed balance sheet-adopt the International Financial Reporting Standards (individual financial statements).

Unit: Expressed in thousands of NTD

Item \ Year		Financial information in the last five years					2019 as of first quarter
		2014	2015	2016	2017	2018	
current assets		462,264	454,111	468,887	454,434	569,665	No compilation of individual financial quarter report
Real estate, plant and equipment		21,995	20,260	21,083	20,036	22,231	
Investments Accounted for Using Equity Method		160,583	183,168	136,368	123,570	128,147	
Other assets		21,713	24,178	28,863	25,277	29,258	
Gross assets		666,555	681,717	655,201	623,317	749,301	
current liabilities	Before distribution	119,072	122,297	94,440	92,251	167,504	
	After distribution	187,460	182,137	145,731	114,135	(Note1)	
Non-current liabilities		18,264	19,580	5,582	905	2,273	
Total liabilities	Before distribution	137,336	141,877	100,022	93,156	169,777	
	After distribution	205,724	201,717	151,313	115,040	(Note1)	
Attributed to owner's equity of the Parent Company		-	-	-	-	-	
Share capital		170,970	170,970	170,970	170,970	170,970	
Additional paid-in capital		68,813	68,813	68,813	68,813	68,813	
retained earnings	Before distribution	280,943	294,353	319,209	295,409	346,903	
	After distribution	212,555	234,513	267,918	273,525	(Note1)	
Other equity		8,493	5,704	(3,813)	(5,031)	(7,162)	
Treasury stock		-	-	-	-	-	
Non-controlling Interests		-	-	-	-	-	
Total equity	Before distribution	529,219	539,840	555,179	530,161	579,524	
	After distribution	460,831	480,000	503,888	508,277	(Note1)	

Note1: Earnings of 2018 has not distributed by shareholders' meeting resolution.

Note2: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(IV) Condensed Statement of Comprehensive Income- adopt the International Financial Reporting Standards (individual financial statements).

Unit: Expressed in thousands of NTD

Item \ Year	Financial information in the last five years					2019 as of first quarter
	2014	2015	2016	2017	2018	
Revenue	669,925	781,484	731,581	578,488	824,099	No compilation of individual financial quarter report
Gross Profit	308,704	317,131	318,684	223,504	294,348	
Operating income statement	96,415	99,016	109,808	42,052	84,079	
Non-operating Income	15,924	4,208	(17,314)	(8,722)	8,563	
Pre-Tax Income	112,339	103,224	92,494	33,330	92,642	
Net Income	89,490	83,595	75,436	25,753	74,245	
Other comprehensive income(Net Income)	4,846	(4,586)	(257)	520	(2,998)	
total comprehensive income	94,336	79,009	75,179	26,273	71,247	
Earnings per share	5.23	4.89	4.41	1.51	4.34	

Note1: Sales revenue subtraction adjustment according to The Financial Supervisory Commission no. 1060016664 of 2017.06.26, revise the revenue from 2014.10 to 2016.12 and financial statement from Q4 2014 to Q4 2016.

(V). Name of auditors and their review and comment in the last five years

Year	Accountancy firms	Name of auditors	Comment
2014	KPMG TW	Huang, Yon-Hua and Ou,Yao-Jun	Unqualified opinion
2015	KPMG TW	Huang, Yon-Hua and Ou,Yao-Jun	Unqualified opinion
2016	KPMG TW	Wu, Mei-Ping and Huang, Yon-Hua	Unqualified opinion
2017	KPMG TW	Wu, Mei-Ping and Huang, Yon-Hua	Unqualified opinion
2018	KPMG TW	Wu, Mei-Ping and Zhuang, Jun-Wei.	Unqualified opinion

II. Financial analysis of the past 5 Fiscal years

(I) Financial analysis in the last five years-adopt the International Financial Reporting Standards (merge with financial statements)

Analysis Item（Note3） / Year		Financial analysis in the last five years 2014	2015	2016	2017	2018	2019 as of first quarter(review by auditor)
Financial structure（%）	Debt to total assets	22.69	23.26	16.97	16.16	24.06	25.43
	Long term funding to property, plant and equipment ratio	2,233.93	2,335.30	2,547.28	2,576.72	2542.78	2,780.71
Solvency %	Current ratio	463.66	450.51	570.16	572.13	388.97	406.70
	Quick ratio	411.43	391.67	473.56	498.66	360.4	359.80
	Times interest earned ratio（Note 1）	0	0	0	0	0	216
Operating ability	Average collection turnover(times)	3.49	3.93	3.96	3.59	3.94	4.02
	Average collection days	105	93	92	102	93	91
	Inventory turnover(times)	8.38	9.33	6.39	5.34	10.12	10.74
	Average payables turnover(times)	8.59	9.79	10.62	9.71	7.55	6.95
	Average inventory turnover days	44	39	57	68	36	34
	Property, plant and equipment turnover(times)	37.59	41.74	38.40	31.92	42.6	49.24
	Total assets turnover(times)	1.33	1.41	1.26	1.04	1.32	1.39
Profitability	Return on asset（%）	13.64	11.85	10.54	3.96	10.64	17.35
	Return on equity（%）	17.63	15.38	13.22	4.75	13.38	23.04
	Profit before tax to capital stock（%）	68.97	62.52	52.64	19.29	54.45	100.75
	Profit margin（%）	10.24	8.42	8.39	3.81	8.04	12.45
	Earnings per share（dollars）	5.23	4.89	4.41	1.51	4.34	2.02
Cash flow	Cash flow ratio（%）	86.51	59.52	65.32	56.79	46.93	7.62
	Cash flow adequacy ratio（%）	89.58	94.17	89.83	105.02	136.82	116.55
	Cash flow reinvestment ratio（%）	12.26	3.31	1.88	1.16	10.70	2.07
Leverage	Operating leverage	1.05	1.06	1.07	1.20	1.07	1.11
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

The variation of each inventory ratio is above 20% in the last two years statement is as follows:

a. Debt to total assets increase 49% due to the increase of accounts payable.
b. Current ratio decrease 32%: due to the increase of receivable is smaller than the increase of payables.
c. Quick ratio decrease 28%: due to the increase of liquid capital is smaller than the increase of payables.
d. Inventory turnover increase 90%: due to the increase of cost of goods sold.
e. Payables turnover decrease 22%: due to the increase of accounts payable.
f. Average inventory turnover days decrease 47%: due to the increase of inventory turnover.
g. Property, plant and equipment turnover increase 33%: due to the increase of sales revenue.
h. Total assets turnover ratio increase 27%: due to the increase of sales revenue.
i. Return on asset increase 169%: due to the increase of net income.
j. Return on equity increase 182%: due to the increase of net income.
k. Profit before tax to capital stock increase 182%: due to the increase of pre-tax income.
l. Profit margin increase 111%: due to the increase of net income.
m. Earnings per share increase 187%: due to the increase of net income.
n. Cash flow adequacy ratio increase 30%: due to cash flows from operating activities.
o. Cash flow reinvestment ratio increase 822%: due to cash flows from operating activities.

Note1: Our company do not have interest expense from 2014 to 2018, therefore is not applicable to the subject.

Note2: The calculation formula of analysis item is as follow:

1.Financial structure

(1) Debt to total assets=total liabilities/total assets.

(2) Long term funding to real estat, plant and equipment ratio=（total equity+non-current libilities）/ Net property, plant and equipment.

2. Solvency

(1)Current ratio=current assets/current liabilities.

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

(3) Times interest earned ratio=net income before tax and interest expense/interest expense

3. Operating ability

(1)Receivable(include receivable and bill receivable resulted from business operation) turnover=net sales/average balance of receivable (including receivable and bill receivable resulted from business operation)

(2)Average collection days=365/receivable turnover

(3)Inventory turnover=cost of goods sold/average inventory

(4)Payables (including payable and bill payable resulted from business operation)=operating costs/average balance of payables (including payables and bill payable resulted from business operation)

(5)Average days in sales=365/inventory turnover

(6)Property, plant and equipment turnover=net sales/average net property, plant and equipment.

(7)Total assets turnover=net sales/average total assets

4. Profitability

(1)Return on asset=[net income+interest expense*(1-tax rate)] /average total assets.

(2)Return on equity=net income/average total equity

(3)Profit margin= net income/net sales

(4)Earnings per share=（Consolidated net income attributed to stockholders of the company－preference dividends）/ weighted average stock shares issued。

5.Cash flow

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

(2)Net cash flow adequacy ratio=net cash flow from operating activities within five years (capitalexpenditure+inventory increase +cash dividend) within five years

(3)Cash flow reinvestment ratio=(net cash flow from operating activities－cash dividend)/(gross property, plant and equipment+long-term investment+other non-current assets+working capital)。

6.Leverage

(1)Operating leverage=(net operating income-operating variable cost and expense)/operating profit

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

(II) Financial analysis -adopt the International Financial Reporting Standards (individual financial statements)

Analysis Item (Note2) \ Year		Financial analysis in the last five years					2019 as of first quarter(review by auditor)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to total assets	20.60	20.81	15.27	14.95	22.66	No compilation of individual financial quarter report
	Long term funding to property, plant and equipment ratio	2,406.09	2,664.56	2,633.30	2,646.04	2,606.83	
Solvency%	Current ratio	388.22	371.32	496.49	492.61	340.09	
	Quick ratio	348.70	332.80	419.02	419.65	31207	
	Times interest earned ratio（Note 1）	-	-	-	-	--	
Operating ability	Average collection turnover(times)	3.41	4.10	4.22	3.68	3.99	
	Average collection days	107	89	86	99	91	
	Inventory turnover(times)	10.34	10.29	7.07	5.15	9.66	
	Average payables turnover(times)	7.68	9.61	11.12	9.19	7.29	
	Average inventory turnover days	35	35	52	71	38	
	Property, plant and equipment turnover(times)	30.56	36.99	35.39	28.14	38.99	
	Total assets turnover(times)	1.05	1.16	1.09	0.90	1.20	
Profitability	Return on asset（%）	14.00	12.40	11.29	4.03	10.82	
	Return on equity（%）	17.63	15.64	13.78	4.75	13.38	
	Profit before tax to capital stock（%）	65.71	60.38	54.10	19.49	54.19	
	Profit margin（%）	13.36	10.70	10.31	4.45	9.01	
	Earnings per share（dollars）	5.23	4.89	4.41	1.51	4.34	
Cash flow	Cash flow ratio（%）	117.11	60.46	86.47	36.65	48.40	
	Cash flow adequacy ratio（%）	74.30	76.21	81.91	96.46	112.20	
	Cash flow reinvestment ratio（%）	15.94	1.45	5.13	(4.25)	12.87	
Leverage	Operating leverage	1.02	1.05	1.04	1.11	1.06	
	Financial leverage	1	1	1	1	1	

The variation of each inventory ratio is above 20% in the last two years statement is as follows:

a. Debt to total assets increase 52% due to the increase of accounts payable.
b. Current ratio decrease 31%: due to the increase of receivable is smaller than the increase of payables.
c. Quick ratio decrease 26%: due to the increase of liquid capital is smaller than the increase of payables
d. Inventory turnover increase 88%: due to the increase of cost of goods sold.
e. Payables turnover decrease 21%: due to the increase of accounts payable.
f. Average inventory turnover days decrease 47%: due to the increase of inventory turnover.
g. Property, plant and equipment turnover increase 39%: due to the increase of sales revenue.
h. Total assets turnover ratio increase 33%: due to the increase of sales revenue.
i. Return on asset increase 169%: due to the increase of net income.
j. Return on equity increase 182%: due to the increase of net income.
k. Profit before tax to capital stock increase 178%: due to the increase of pre-tax income.
l. Profit margin increase 102%: due to the increase of net income.
m. Earnings per share increase 187%: due to the increase of net income.
n. Cash flow ratio increase 32%: due to cash flows from operating activities.
o. Cash flow reinvestment ratio 403%: due to cash flows from operating activities.

Note1: Our company do not have interest expense from 2014 to 2018, therefore is not applicable to the subject.

Note2: The calculation formula of analysis item is as follow:

1.Financial structure

(1) Debt to total assets=total liabilities/total assets.

(2) Long term funding to real estat, plant and equipment ratio=（total equity+non-current lilibilities）/ Net property, plant and equipment.

2. Solvency

(1)Current ratio=current assets/current liabilities.

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

(3) Times interest earned ratio=net income before tax and interest expense/interest expense

3. Operating ability

(1)Receivable(include receivable and bill receivable resulted from business operation) turnover=net sales/average balance of receivable (including receivable and bill receivable resulted from business operation)

(2)Average collection days=365/receivable turnover

(3)Inventory turnover=cost of goods sold/average inventory

(4)Payables (including payable and bill payable resulted from business operation)=operating costs/average balance of payables (including payables and bill payable resulted from business operation)

(5)Average days in sales=365/inventory turnover

(6)Property, plant and equipment turnover=net sales/average net property, plant and equipment.

(7)Total assets turnover=net sales/average total assets

4. Profitability

(1)Return on asset=[net income+interest expense*(1-tax rate)] /average total assets.

(2)Return on equity=net income/average total equity

(3)Profit margin= net income/net sales

(4)Earnings per share=（Consolidated net income attributed to stockholders of the company－preference dividends）/ weighted average stock shares issued。

5.Cash flow

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

(2)Net cash flow adequacy ratio=net cash flow from operating activities within five years (capitalexpenditure+inventory increase +cash dividend) within five years

(3)Cash flow reinvestment ratio=(net cash flow from operating activities－cash dividend)/(gross property, plant and equipment+long-term investment+other non-current assets+working capital)。

6.Leverage

(1)Operating leverage=(net operating income-operating variable cost and expense)/operating profit

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

III. Supervisors' report on the Most Recent years' Financial Statement

Otsuka Information Technology Ltd.
Supervisor review and comment report

Hereby

Board of directors have submitted the 2018 individual financial statements with consolidated financial stetements, and business report with disposition of net income by certified public accountants from KPMG TW's CPAs Wu, Mei-Ping and Zhuang, Jun-Wei.. After audited by supervisor, all the forms were compiled according to the law and no error has been found. Therefore, attached with the report according to Article 219 of Taiwan Company Law for inspection.

2019 Board of directors

TAMEHIRO AKIO

Supervisor：Huang, Xiang-Min

Chen, Tai-Ming

March 13, 2019

IV. Latest Consolidated Combined Financial Statement Report Audited and Certified by CPAs：

2018 consolidated financial statement, please refer to page 108 to 164 of the annual report.

V. Latest Consolidated Individual Financial Statement Report Audited and Certified by CPAs：

2018 individual financial statement, please refer to page 165 to 216 of the annual report.

VI. Finanial Difficulties Faced ant its Effect on the Company’s Financial Status If the Company or its affiliated have Experienced Financial difficulties in the most recent fiscal year or during the current fiscal year up to te date of Pblication of the Annual Report：None

VII. Review and analysis of financial status and business results and risk issues

I. Financial status

(I) Comparative analysis chart of financial status

Unit: Expressed in thousands of NTD

Item \ Year	2018	2017	Difference	
			Amount	%
Current assets	705,407	579,294	126,113	21.77
Fixed assets	22,791	20,575	2,216	10.77
Other assets	34,952	32,449	2,503	7.71
Total assets	763,150	632,318	130,832	20.69
Current liabilities	181,353	101,252	80,101	79.11
Other liabilities	2,273	905	1,368	151.16
Total liabilities	183,626	102,157	81,469	79.75
Share capital	170,970	170,970	0	0.00
Capital surplus	68,813	68,813	0	0.00
Retained earnings	346,903	295,409	51,494	17.43
Cumulative translation adjustment	(7,162)	(5,031)	(2,131)	42.36
Total stockholders' equity	579,524	530,161	49,363	9.31

(II) The main reasons, impact and solution for future of significant change toward company’s assets, liabilities and stockholders’ equity over past two years (of which pre and post variation reach above 20%, and the amount reach 10 million NTD) is state as below:

Due to the increase of revenue in 2018, receivable and bill has increased 98,085 thousand dollars, accounts payable has increased 53,065 thousand dollars, which have current assets and current liabilities increased 21.77% and 79.11% respectively. However, the average collection days of receivable is 93 days in 2018, which is under reasonable period; compare to the decrease of 2017, we will maintain under the regulation of qualified internal control and credit in the future, also keep track on customer’s payment term to insure the quality of receivable assets of our company.

II. Financial performance

(I) Comparative analysis chart of financial performance

Unit: Expressed in thousands of NTD

Item \ Year	2018	2017	Increase(decrease) amount	Increase and decrease ratio%
Net operating revenue	923,668	676,317	247,351	36.57
Operating cost	604,069	439,145	164,924	37.56
Gross profit	319,599	237,172	82,427	34.75
Operating expenses	228,468	207,125	21,343	10.30
Operating profit	91,131	30,047	61,084	203.29
Non-operating revenue	1,954	2,936	(982)	(33.45)
Non-operating expense or loss	0	0	0	0
Pre-tax income	93,085	32,983	60,102	182.22
Tax income (expense)	(18,840)	(7,230)	(11,610)	160.58
Net income	74,245	25,753	48,492	188.30

(II) Increase and decrease ratio analysis over last two years:

1. Net operating revenue increase is due to the increase of order amount.
2. Operating cost increase is due to the increase of net operating revenue in 2018.
3. Gross profit increase is due to the increase of net operating revenue in 2018.
4. Operating expense increase is due to the increase of selling, management and R&D expenses.
5. Operating profit increase is due to the increase of order amount.
6. Non-operating revenue and interest decrease is due to the decrease of foreign exchange gain.
7. Pre-tax income increase is due to the increase of operating profit.
8. Income tax expense increase is due to the increase of pre-tax income of Taiwan and China.

(III) Expected sale amount and its basis, the possible impact and solution for future financial business of the company

Our company will still continue to develope in the professional drawing software industry in the future, our business unit has sales forecast based on existing products to offer customer with complete and various solution and consultation. We are expecting to invest in professional business service and under the support of OEM proxy authorization, it is estimated that the sales volume can continue to grow in 2019; moreover, under the growth of business, the financial structure of the company will maintain a long-term stable development.

III. Cash Flow

(I) Liquidity analysis over last two years:

item	Cash inflows(outflows)		Increase(decrease) variation	
	2018	2017	amount	%
Operating activities	85,103	57,505	27,598	47.99
Investment activities	(14,424)	(4,286)	(10,138)	236.54
Financing activities	(21,884)	(51,291)	29,407	(57.33)
Exchange influence	(3,221)	(1,440)	(1,781)	123.68

Variation of increase/decrease proportion statement:

1. Cash flows from operating activities is 85,103 thousand dollars, which increased 27,598 thousand dollars compare to last period, this is due to the increase of pre tax income of this period.
2. Cash flows from investment activities is 14,424 thousand dollars, which increased 10,138 thousand dollars compare to last period, this is due to the increase of investing financial assets of this period.
3. Cash flows from financing activities is 21,884 thousnad dollars, which decreased 29,407 thousand dollars compare to last period, this is due to the issue of cash dividends of this period.
4. Exchange influence is affected by changes in foreign exchange rate of RMB.

(II)The improvement plan of liquidity shortages: do not have the problem on current period.

(III) Cash liquidity analysis of next year

Unit: Expressed in thousands of NTD

cash balance at beginning of year	Net cash flows from operating activities throughout the year	Net cash flows from other activities throughout the year	Cash surplus(shortfall) amount	Measures of remediation for cash shortfall	
				Investment plan	Financial plan
365,339	63,708	(64,710)	364,337	—	—

1. Cash flows analysis of this year
   (1) It is predicted that the net cash flows from operating activities will increase this year, this is due to the estimated profit of 2019, so the cash from operating activities will increase in 2019.
   (2) It is predicted that the cash will outflow from other activities this year, this is due to the estimated procurement of fixed assets and issue cash dividends.
2. Measures of remediation for estimated cash shortfall and liquidity analysis: NA.

IV. Impact of major capital expenditure on the financial status during the most recent fiscal year：No important capital expenditure in 2019.

V. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year：

(I) Investment policy

The company emphasize strategic investment, long-term hold, focus on carrying out the economic situation of invested business at anytime, and analyze investment effectiveness for the benefit of follow-up assessment on post investment management for decision authorities.

(II) Reinvestment profit or loss situation

2018.12. 31 Unit: Expressed in thousands of NTD

Reinvestment business	amount	Main reason of profit or loss			Improvement plan
		Current profit and loss	Investment interest recognization of current period	statement	
Otsuka Information Technology Limited	125,328	7,507	7,507	Third place investment company Taiwan	Reinforce niche product sales with high added value, continue developing related business.
Otsuka Software Trading (DongGuan) Limited.	49,168	8,155	8,155		
Otsuka Software (Suzhou) Limited.	49,168	(238)	(238)		
OITC Information Technology(shanghai)Limited.	30,730	(410)	(410)		

(III) Investment plan for the coming year:

The operating content of areas in mainland China originally have graphics systems integration consultation, which offers customer with a more integrated service, distinguish market positioning and competitive edge from competitors. Established a new sales location in Shanghai in 2014, and recruited excellent sales person and technician from local to join our group, the developing area of operating scope includes East, South and Central China. In order to strengthen operating management, we merged two sales locations of Suzhou and Shanghai in January 2019, with the hope of improving operational efficiency.

VI. Analysis and assessment of risk issues during the most recent fiscal year, up to the date of publication of the annual report.

(I) The impact and future measures of company's profit and loss from interest rate, changes in foreign exchange rates and inflation

1. Risk of interest rate variation

Unit: Expressed in thousands of NTD

Year / Item	2018	2019 as of 31st March
Interest income	1,751	386
Interest expense	-	200
Net operating revenue	923,668	276,729
(Interest expense- interest income)/Net operating revenue	(0.19%)	(0.07%)

Policy and solution:

(1) In the aspect of interest rate, our company still take domestic or foreign economic research institution and bank research report for references, in the convenience of grasping future trend of interest rate, and keep a unimpeded contact access with correspondent bank to fight for better loan conditions.

(2) Solid financial planning of the company, utilize every financial instrument effectively to decrease the risk of interest rate variation.

(3) In the future, our company will still based on conservatism principle, take safe and reasonable revenue as consideration, and the fund of the company will be deposited in financial institutions with good credits.

2. Risk of changes in foreign exchange rates

Unit: Expressed in thousands of NTD

Item \ Year	2018	2019 as of 31st March
Net exchange gains or losses	307	30
Net operating revenue	923,668	276,729
Net exchange gains or losses/ net operating revenue	0.03%	0.01%

Policy and solution:

(1) Our company collect change in exchange rate information at anytime to judge its situation, and to take hedging risk operation, so we can avoid the risk of change in exchange rate in order to decrease its adverse Impact on the company’s income(loss).

(2) The company’s receivable and partial payables are mainly denominated in NTD, therefore the exchange rate risk affected by exchange rate fluctuation is relatively low. However, as for direct imports of ADOBE, due to the payment is denominated in USD, we purchase partial inventory to avoid the risk of foreign currency fluctuation.

3. Inflation risk

The monetary policy of every economic power are well-controlled currently, and there’s no inflation issue of domestic cost of living. Our company will maintain good interactive relationship with suppliers and customers in the future, which enable the sales price to adjust flexibly when fluctuating with the market, by that we can lower the impact of inflation variation.

(II) Main reasons and future measures of high risk, high leverage investment, lending of capital to others, endorsements and guarantees and policy, profit or loss of derivative trading:

1. High risk and high leverage investment status

Our company do not have engaged in any high risk, high leverage investment.

2. Lending of capital to others and endorsements and guarantees status

The company has enact “The procedures for acquisition or disposal of assets”, “The procedures for lending of capital to others”, “The procedures for endorsements and guarantees”, and have passed the resolution by the shareholders’ meeting, all transactions are handled in accordance with related regulations. Our company do not have endorsements and guarantees situation from 2012. As for lending of capital to others, we not only went through careful assessment while executing, having regular report and monthly control, but also rest on the regulation of “The procedures for lending of capital to others” enacted by the company.

3. Engaged in derivative trading status

Our company do not have engaged in derivative trading.

(III) Future R&D plan and estimated investment in R&D expense

1. Refine and strengthen the management application of CRM system function, view feedbacks of customer sales information as assets and have the most effective sharing. Collect first-line consultant’s feedback through customer’s reflection of problem and needs, and keep optimizing and simplifying every operational interface and function.

2. With the experience in CAD customized program project development for many years, Otsuka invest in the product development of Autodesk Inventor tool 3rd Party, and strengthen the current system function through API (Application Programming Interface)provided by CAD system. The 2.0 version launched in 2017 has added new features that was what customer expected, which will increase the efficiency of 3D design greatly.

We will continue focusing on the R&D of PDM product series in 2019, the estimated R&D cost of manpower and equipment is around 6,084 thousands of NTD.

(IV) Influence and measures of domestic and foreign important policy and variation of law toward company financial business

The company pay attention to domestic and foreign policy development trend and variation regulation, in order to seize the market environment variation. Therefore, there is no significant impact of domestic and foreign important policy, variation regulation and industrial change to financial business of the company in recent years as of the annual report printing date.

(V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measues to be taken in response:

The company is mainly agent for drawing software used by manufacturing, our core competitiveness is solid sales, technical team and complete after sales service and consultation. The progress of 3D software technology or improvement of hardware specification can both increase the possiblility of invested in higher R&D drawing software system by clients. Our company keep an eye on the change of technology and needs at anytime, in order to grasp industrial dynamics and market information. Therefore, the change of technology and industrial variation do not have significant impact on financial business of our company.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

Since the beginning, the company has always live up to its name, and gain recognition from customer by our positive and active service attitude, and comply with the law; therefore, there is no impact on the image of our company as of now.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The company did not conduct any M&A activity in recent years as of the date of report publication. However, in order to energize our company and grow actively, we will not exclude the M&A activity in the future, and will assess the procedure cautiously, so we can avoid possible risks.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The company is not manufacturing, and has not expanded its plant in recent years as of the date of report publication.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. Risks associated with sales amd contingency measures:

(1) Although we are concentrating on purchasing the agent product 3D graphic software, our company have maintain good relationship with supplier and had enacted supply contract, with the characteristic of the product, we need a

complete sales support team who has industrial experience to provide direct selling and added value service, which cannot be replaced by other domestic companies.

(2) The company is a governance system company with complete risk management culture and combined current operation, with a more strict and precise quantitative model to focus on the risk of purchasing and have a more effective evaluation. Our product manager will have timely evaluation according to Measures of Risk Management, and provide related operation as accordance of management to managerial levels.

(3) Our company actively looking for other agency for niche products, to reinforce and widen the purchasing product line: in addition, the self-R&D product of HyperPDM can have related cooperation with main agent products, and can improve the integrated effectiveness of suppliers' products to increase the customer stickiness and the effectiveness of customer's sales management, which should deepen the cooperative relationship with main suppliers. With the comprehensive effects, there shall not have any risk of interrupting purchase.

2. Risk associated with sales and contingency measures:

The main customer of our company is end users, which is quite scatter. In 2018, customer with direct transaction is around 2,000, among which the sales proportion of biggest client is merely 3.29%; therefore, we do not have the risk of sales concentration.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

1. The main shareholder Otsuka Corporation of our company, which set up joint venture with Aurora Corporation and established the company in 1997, Otsuka obtained 100& of equity from Aurora Corporation in 2001 and have great confidence toward the long-term prospect and operation of the company. Because of the consideration of public offering and listed company plan, and in the hope of complete operation and substainability of the company, Otsuka made the decision of stock dispersion in 2006. In the future, stock transfer of big shareholder must take the corporate image from the public into consideration as prerequisite, and have full discussion with board of directors and operating team before reinvestment and transfer; therefore, there shall not have matters with significant impact to the company.
2. In order to have a more complete operating management of the company, conform with the policy suggestions of the authority, and implement the spirit of governance in our company, we introduced independent directors system in 2006, which enable the board of directors to have a more effective operation and independence, by that, it will have positive benefit to the company.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The equity of our company is concentrating on Otsuka and our employee. Since the establishment of Otsuka, its operating levels always has positive support to the development of our company, and recognize and trust the operating capability of Taiwanese executives; moreover, all the executives of the company have strong sense of mission, and view the operating of the company as their life position. Our employee have been concentrating on their job and agreeing with the development of the company. In the future, our company will continue to upholding the steady operating idea and good managing behavior, and set the stability of operating and profit of the company as our primary goal, in order to establish the long-term reliable image of our company to shareholders. To sum up, our company shall not have the risk of mass equity transfer or replacement which leads to the change of management right.

(XII) Litigious and non-litigious matters, should list the company and directors, supervisors, general managers, substantial principals, shareholder with more than 10% of shareholding and major lawsuit, non-contentious cases or administrative litigation that have been determined or are included in the lawsuit of affiliate companies, non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price, commencement of litigation, main party involved and up to the date of publication of the annual report: None

(XIII) Other important risk and measures: None.

VII. Other important matters: None.

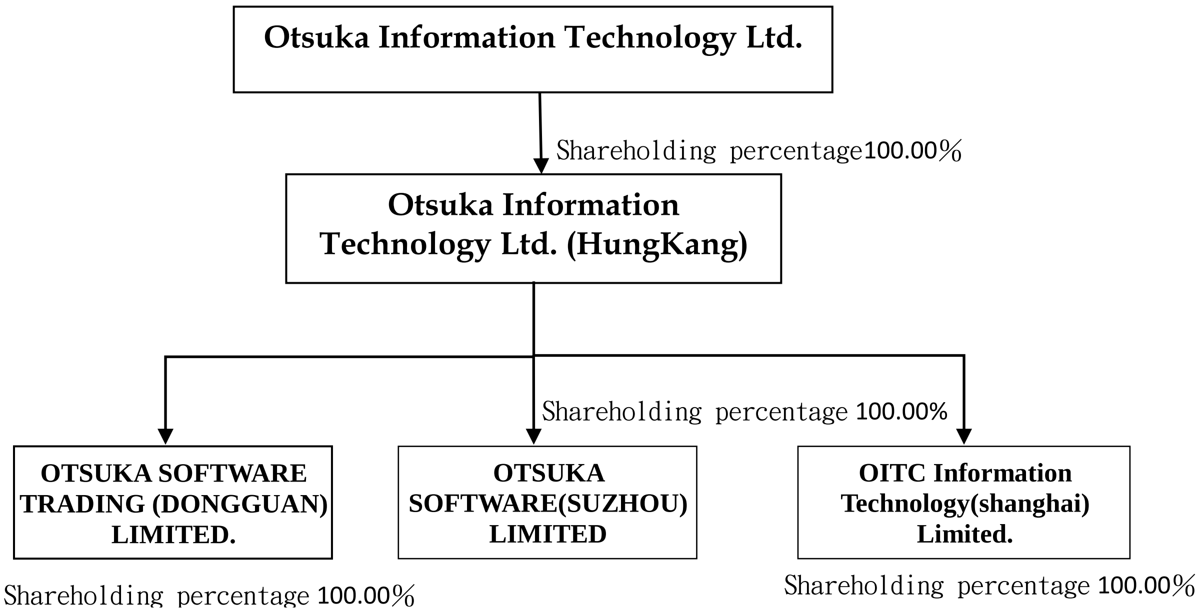
VIII. Special Notes

I. Information about the company's affiliates

(I) Consolidated business report of affiliate companies

1. Affiliates overview

(1) Organization chart of affiliate companies



(2) Basic information of affiliate companies

2018,12,31 Unit: Expressed in thousands of NTD

Name of company	Date of incorporation	Address	Paid-in capital	Main service or production items
Otsuka information Techonlogy Ltd.	1997.08.30	Room 905,9/F., Wing Kwok Centre, No. 182 Woosung Street, Jordan, Kowloon, Hong Kong	125,328	Holding company
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.	1997.11.26	Room 1903, Block 4, Diwang Plaza, Changqing South Road 303, Changan Town, Dongguan City, Guangdong, China	47,744	Software trading and consultancy
OTSUKA SOFTWARE(SUZHOU)LIMITED	1999.06.10	Room1101，No.888 Renmin South Road Kunshan 215300,Jiangsu,China	47,744	
OITC Information Technology(shanghai)Limited.	2014.1.01	Room 1311, Building B, Fareast International Plaza, No.317 Xianxia Road, Changning District, Shanghai City	29,840	

(3) Shareholders presumed to have control and subordinate relationship with the same information: None

(4) The overall relationship between business enterprises covered by the industry the company and the overall relationship between business covers holding company, software trading and consultancy.

(5) Relationship between the directors, supervisors and general manager of the enterprise

Company name	Title	Name or representative	Shares owned	
			Capital contribution	Percentage%
Otsuka Information Techonlogy Limited.	Director and general manager	Otsuka Information Techonlogy Limited. Representative: Kuo,Yi-Lung	32,760,000 股	100
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.			USD 1,600 thousand dollars(Note1)	100
OITC Information Technology(shanghai)Limited.			USD 1,000 thousand dollars(Note1)	100
OTSUKA SOFTWARE(SUZHOU)LIMITED			USD 1,600 thousand dollars(Note1)	100

Note1：Non shareholding system, expressed in capital

Note2：Completed the merger to OITC Information Technology(shanghai)Limited.in January, 2019

2. Operation status of affiliate companies

Financial status and operating result of affiliate companies

2018.12.31；Unit: Expressed in thousands of NTD

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating interest	Current income (After tax)	Earning per share
Otsuka Information Techonlogy Limited.	12,528	141,996	0	141,996	0	0	7,507	(Note1)
OTSUKA SOFTWARE TRADING (DONGGUAN) LIMITED.	49,168	72,337	4,045	68,292	53,220	7,816	8,155	
OTSUKA SOFTWARE(SUZHOU) LIMITED	49,168	32,297	49	32,248	0	(131)	(238)	
OITC Information Technology(shanghai) Limited.	30,730	58,251	30,651	27,600	56,777	(633)	(410)	

Note1: Non shareholding system, expressed in capital

(II) Consolidated financial statement of affiliate companies:

In connection with the Consolidated Financial Statements of Affiliated Enterprises, we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates are the same as those required to be included in the Consolidated Financial Statements of the company, and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, our company does not prepare a separate set of Consolidated FS of Affiliates.

(III) Retional report: The company is not belong to The Company Act Affiliate Companies, therefore do not need to compile relational report of Consolidated Business Report of affiliate companies, Relational Business Consolidated Financial Statements and Retional Report Regulation.

II. Transaction about the company’s private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report：None.

III. Holding or disposal of shares in the company by the company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of annual report.

IV. Other necessary supplementary notes：None.

IX. Matters during the most recent fiscal year and as of the date of publication of the annual report which have a substantial impact on owner’s equity as stipulated in item2, paragraph 2 of article 36 of the securities exchange law：None.

Representation Letter

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

Company name: OTSUKA INFORMATION TECHNOLOGY CORP.
Chairman: Tsurumi Hironobu
Date: March 15, 2019

Independent Auditors’ Report

To the Board of Directors of OTSUKA INFORMATION TECHNOLOGY CORP.:

Opinion

We have audited the consolidated financial statements of OTSUKA INFORMATION TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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 at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 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”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Evaluation of inventories

   Please refer to Note 4(h) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(f) “Inventories” of the consolidated financial statements.

Description of key audit matter:

The Group’ s inventories are measured at the lower of cost and net realizable value. Due to the rapid transformation of technology, the products may be out of date in the market, and there is a risk that the cost of the inventory would be higher than its net realizable value. The condition of inventories to be sold will influence the result of evaluation, so consistent attention are required. In addition, the inventories are the significant account in the consolidated financial statement. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the allowance and obsolescence of the inventories of the Group and inspecting whether existing inventory policies are applied; sampling the individual inventory items and examining the sources of the net realizable value of the samples to access whether the net realizable value are reasonable; examining the accuracy of aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate.

2. Impairment of accounts receivable

Please refer to Note 4(g) “Financial Instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(e) “Notes and accounts receivable” of the consolidated financial statements.

Description of key audit matter:

The Group’ s accounts receivable are derived from sales of software and rendering of service, the balance constitutes 37% of the consolidated assets as of December 31, 2018. Due to the payment terms of the major customers are long and the receivables are not collected totally up to the date of the auditors’ report. The recoverability of accounts receivable reguires subjective judgments of the management. Therefore, impairment assessment of receivables is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing internal control process of accounts receivable; understanding the policies of evaluating the allowance of accounts receivable of the Group, and inspecting whether existing receivables policies are applied; asking the management whether there are any debtors with financial difficulties, and examining the accuracy of aging of receivables by sampling; inspecting the reasonableness of impairment loss of receivables recognized by the management in the past, and compare it to the current year to ensure that the measurements and assumptions are appropriate; inspecting collection of receivables in the subsequent period to assess the reasonability of impairment loss measurement.

Other Matter

OTSUKA INFORMATION TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified 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, 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 supervisors) 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We 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 Mei-Pin Wu and Chun-Wei Chuang.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2019

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

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 365,339	48	319,765	51
1170	Notes and accounts receivable, net (notes 6(e), (m) and 7)	283,225	37	185,140	29
1200	Other receivables (note 6(d))	5,041	1	-	-
1300	Inventories (note 6(f))	49,367	6	70,013	11
1410	Prepaid expenses and other current assets	2,435	-	4,376	1
		705,407	92	579,294	92
	Non-current assets:				
1527	Held-to-maturity financial assets－non-current (note 6(b))	-	-	10,000	2
1535	Financial assets at amortised cost－non-current (note 6(c))	10,000	2	-	-
1600	Property, plant and equipment (note 6(g))	22,791	3	20,575	3
1990	Other non-current assets (notes 6(a), (e), (i), (j) and 8)	24,952	3	22,449	3
		57,743	8	53,024	8
	Total assets	**$ 763,150**	**100**	**632,318**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2170	Accounts payable	$ 106,577	14	53,512	8
2201	Salaries payable	41,716	5	29,026	5
2200	Accured expenses and other payables	28,361	4	15,479	2
2300	Other current liabilities	4,699	1	3,235	1
		181,353	24	101,252	16
	Non-Current liabilities:				
2640	Net defined benefit liability and other (notes 6(i) and (j))	2,273	-	905	-
	Total liabilities	183,626	24	102,157	16
	Equity attributable to owners of parent:				
3100	Ordinary shares (note 6(k))	170,970	22	170,970	27
3200	Total capital surplus (note 6(k))	68,813	9	68,813	11
3310	Legal reserve (note 6(k))	73,045	10	70,470	11
3320	Special reserve (note 6(k))	5,031	1	3,813	1
3350	Unappropriated retained earnings (note 6(k))	268,827	35	221,126	35
3400	Other equity interest	(7,162)	(1)	(5,031)	(1)
	Total equity	579,524	76	530,161	84
	Total liabilities and equity	**$ 763,150**	**100**	**632,318**	**100**

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

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018			2017	
			Amount	%	Amount	%
4000	**Operating revenue** (notes 6(m), (n) and 7)	$	923,668	100	676,317	100
5000	**Operating costs** (note 6(f))		604,069	65	439,145	65
	Gross profit		319,599	35	237,172	35
	Operating expenses: (notes 6(e), (h), (i), (o) and 12)					
6100	Selling expenses		185,977	20	171,195	25
6200	Administrative expenses		35,028	4	30,251	4
6300	Research and development expenses		7,023	1	5,679	1
6450	Expected credit loss		440	-	-	-
	Total operating expenses		228,468	25	207,125	30
	Net operating income		91,131	10	30,047	5
	Non-operating income and expenses:					
7100	Interest income		1,751	-	1,516	-
7020	Other gains and losses (notes 6 (d) and (p))		203	-	1,420	-
	Total non-operating income and expenses		1,954	-	2,936	-
	Profit from continuing operations before tax		93,085	10	32,983	5
7950	**Less: Income tax expense** (note 6(j))		18,840	2	7,230	1
	Profit		74,245	8	25,753	4
8300	**Other comprehensive income (loss):**					
8310	**Items that will not be reclassified to profit or loss**					
8311	Remeasurements of defined benefit plans (note 6(i))		(867)	-	1,738	-
8349	Income tax related to items that will not be reclassified to profit or loss		-	-	-	-
			(867)	-	1,738	-
8360	**Items that may be reclassified to profit or loss**					
8361	Exchange differences on translation of foreign operation’s financial statements		(2,930)	-	(1,467)	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(j))		799	-	249	-
	Items that may be reclassified to profit or loss		(2,131)	-	(1,218)	-
8300	**Comprehensive income after tax**		(2,998)	-	520	-
8500	**Total comprehensive income**	**$**	**71,247**	**8**	**26,273**	**4**
	Earnings per share (NT dollars) (note 6(l))					
	Basic earnings per share	**$**		**4.34**		**1.51**
	Diluted earnings per share	**$**		**4.31**		**1.50**

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

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						
	Share capital		Retained earnings			Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2017	$ 170,970	68,813	63,570	–	255,639	(3,813)	555,179
Profit	–	–	–	–	25,753	–	25,753
Other comprehensive income	–	–	–	–	1,738	(1,218)	520
Comprehensive income	–	–	–	–	27,491	(1,218)	26,273
Appropriation and distribution of retained earnings:							
Legal reserve	–	–	6,900	–	(6,900)	–	–
Special reserve	–	–	–	3,813	(3,813)	–	–
Cash dividends of ordinary share	–	–	–	–	(51,291)	–	(51,291)
Balance at December 31, 2017	170,970	68,813	70,470	3,813	221,126	(5,031)	530,161
Profit	–	–	–	–	74,245	–	74,245
Other comprehensive income	–	–	–	–	(867)	(2,131)	(2,998)
Comprehensive income	–	–	–	–	73,378	(2,131)	71,247
Legal reserve	–	–	2,575	–	(2,575)	–	–
Special reserve	–	–	–	1,218	(1,218)	–	–
Cash dividends of ordinary share	–	–	–	–	(21,884)	–	(21,884)
Balance at December 31, 2018	**$ 170,970**	**68,813**	**73,045**	**5,031**	**268,827**	**(7,162)**	**579,524**

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

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 93,085	32,983
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	5,983	5,884
Losses (gains) on inventory valuation and obsolete inventories	(1,928)	32,056
Expected credit loss / reversal of provision for bad debt expense	440	(223)
Interest expense	(1,751)	(1,516)
Losses on disposal of financial assets at fair value through profit or loss	649	(94)
Losses on disposal of property, plant and equipment	20	57
Total adjustments to reconcile profit (loss)	3,413	36,164
Changes in operating assets and liabilities:		
Notes and accounts receivable	(100,826)	12,927
Other receivable	(343)	180
Inventories	22,895	(7,935)
Prepaid expenses and other current assets	1,949	943
Accounts payable	53,065	16,557
Salaries payable	12,690	(8,852)
Accrued expenses and other payables	4,848	(7,077)
Other current liabilities	1,464	1,308
Others	(1,551)	(1,569)
Total adjustments	(2,396)	42,646
Cash inflow generated from operations	90,689	75,629
Interest received	1,743	1,504
Income taxes paid	(7,329)	(19,628)
Net cash flows from operating activities	85,103	57,505
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(15,000)	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss	9,653	5,094
Acquisition of property, plant and equipment	(5,290)	(1,929)
Proceeds from disposal of property, plant and equipment	2	1
Increase in other non-current assets	(3,789)	(2,452)
Net cash flows used in investing activities	(14,424)	(4,286)
Cash flows from (used in) financing activities:		
Cash dividends	(21,884)	(51,291)
Net cash flows used in financing activities	(21,884)	(51,291)
Effect of exchange rate changes on cash and cash equivalents	(3,221)	(1,440)
Net increase in cash and cash equivalents	45,574	488
Cash and cash equivalents at beginning of year	319,765	319,277
Cash and cash equivalents at end of year	$ 365,339	319,765

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. (“the Company”) was incorporated on August 4, 1995 in accordance with the Company Act. The Investment Commission, Ministry of Economic Affairs permits the foreign stockholders to invest the Company in accordance with the Statute for Investment by Foreign Nationals. The address of the Company’s registered office is 6F., No. 68, Sec. 2, Sianmin Blvd., Banqiao Dist., New Taipei City. The major business activities of the Company and subsidiaries (together referred to as “the Group”) are designing, trading, maintaining, import and export the hardware, software, computers, network and accessories.

The Company’s common shares were listed on the Taipei Exchange (“TPEx”) on October 23, 2008.

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

The consolidated financial statements were authorized for issuance by the board of directors on March 15, 2019.

(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, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework by five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized when the goods were delivered to the customers, which was taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue was recognized at this point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods. The Group has performed an assessment indicating the timing of the related risks and rewards transferred is similar to the timing of control transferred. Therefore, the Group believes that there would not be any material impact on its consolidated financial statements.

2) Rendering of services

The Group provides services, such as installation of software, connection of systems, and training, to customers. Revenue was recognized when the service was completed in the past. Under IFRS 15, the Group has performed an assessment indicating these services do not meet the criteria to recognize revenues over time. Therefore, the Group believes that there would not be any material difference from the current condition.

(ii) IFRS 9 "Financial Instruments"

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

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

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

2) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

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

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

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

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

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

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (The measurement categories and the carrying amount of financial liabilities do not change.)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	319,765	Amortized cost	319,765
Debt security	Held-to-maturity	10,000	Amortized cost	10,000
Notes and account receivable (including long-term)	Loans and receivables	187,036	Amortized cost	187,036
Other non-current financial assets	Loans and receivables	500	Amortized cost	500

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1IFRS 9 Carrying Amount	2018.1.1Adjustment of retained earnings	2018.1.1 Adjustment of other equity interest
Financial assets measured at amortized cost						
Cash and cash equivalents, financial assets held to maturity, trade and other receivables and other financial assets. (Beginning balance of IAS 39 is equevelant to IFRS 9)	$ 517,301	-	-	517,301	-	-

(b) The impact of IFRS 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16 “Leases”

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

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

1) Determining whether an arrangement contains a lease

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

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

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

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

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

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices. The Group estimated that the right-of-use assets and the lease liabilities both to increase by $40,138 and there is no effect on retained earnings.

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

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

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

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

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC ("the IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except the defined benefit liabilities (assets) are recognized as plan assets less the present value of the defined benefit obligation, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Profit or loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of its subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

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 differences between the Group’s share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

List of subsidiaries in the consolidated financial statements

			Percentage of shareholding	
Name of investor	**Name of subsidiary**	**Principal activities**	**December 31, 2018**	**December 31, 2017**
The Company	Otsuka Information Technology Ltd. (Otsuka)	Holding company	100%	100%
Otsuka	Otsuka Software Trading (Dongguan) Ltd. (Otsuka Dongguan)	Software Merchandising	100%	100%

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31, 2018	Percentage of shareholding December 31, 2017
Otsuka	Otsuka Software (Suzhou) Ltd. (Otsuka Suzhou)	Software Merchandising	100%	100%
Otsuka	OITC Information Technology (Shanghai) Ltd. (OITC)	Software Merchandising	100%	100%

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available for sale)equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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 interests. When the Group disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence 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, foreign exchange gains and losses arising from such a monetary item 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

(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) It 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 and cash equivalents comprise cash and cash in bank 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

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

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

- The credit risk of debt securities at the reporting date is determined to be low; and
- The credit risk of other debt securities and bank deposits (ie, the risk of default in the expected duration of financial instruments) has not increased significantly since the original recognition.

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 1 year past due.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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. Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of ECL (or reversal) in profit or loss, as an impairment gain or loss.

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

4) Derecognition of financial assets

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

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

Financial assets were classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset were classified in this category if it was classified as held for trading. Financial assets were classified as held for trading if they were acquired principally for the purpose of selling in the short term.

Financial assets in this category were measured at fair value at initial recognition. Attributable transaction costs were recognized in profit or loss as incurred. Financial assets at fair value through profit or loss were measured at fair value, and changes therein, which take into account any dividend and interest income, were recognized in other gains and losses. A regular way purchase or sale of financial assets was recognized and derecognized, as applicable, using trade date accounting.

2) Held-to-maturity financial assets

If the Group had positive intentions and ability to hold debt securities up to maturity, then such financial assets were classified as held-to maturity. Held-to-maturity were recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they were measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets should be recognized and derecognized, as applicable, using trade-date accounting. Interest income was included in interest revenue under non-operating income and expenses.

3) Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables comprised notes and accounts receivable and other receivables. Such assets were recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets should be recognized and derecognized as applicable using trade-date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets were assessed for impairment at each reporting date. A financial asset was impaired if, and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) had an impact on the estimated future cash flows of the financial asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlated with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged declined in its fair value below its cost was considered objective evidence of impairment.

All individually significant receivables were assessed for specific impairment. Receivables that were not individually significant were collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group used historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management’s judgment as to whether current economic and credit conditions were such that the actual losses were likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset was deducted from the carrying amount except for trade receivables, for which an impairment loss was reflected in an allowance account against the receivables. When it was determined a receivable was uncollectible, it was written off from the allowance account. Any subsequent recovery of a receivable written off was recorded in the allowance account. Changes in the amount of the allowance account were recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreased and the decrease could be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss was reversed through profit or loss to the extent that the carrying value of the asset did not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable were recognized in operating expense. Impairment losses and recoveries of other financial assets were recognized in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset were terminated, or when the Group transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income was recognized in profit or loss.

The Group separated the part that continued to be recognized and the part that was derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income should be recognized in profit or loss, and it was included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income was allocated between the part that continued to be recognized and the part that was derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest, profit and loss related to financial liabilities are recognized as profit or loss.

2) Other financial liabilities

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

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed 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

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-method and includes expenditure incurred in other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 10~50 years

2) Computers: 2 ~3 years

3) Transportation equipment: 5 years

4) Office equipment: 2 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

(j) Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.　Operating leases are not recognized is the Group’s balance sheet.

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. Revenue from lease incentives received are recognized as reductions of lease expenses on a straight-line basis. Contingent rent is recognized as expense in the period in which it is incurred.

(k) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(i) The technical feasibility of the intangible asset is accomplished so that it will be available for use or sale.

(ii) The intention to complete the intangible asset and use or sell it.

(iii) The ability to use or sell the intangible asset.

(iv) The intangible asset will generate probable future economic benefits.

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

(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

(l) Impairment－non-financial assets

Non-financial assets, except for inventories and deferred tax assets, are assessed for impairment, and the Group estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset’ s cash-generating unit.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less costs to sell and its value in use. If the recoverable amount of individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or the cash-generating unit shall be reduced to its recoverable amount and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset except for goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(m) Revenue

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

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

1) Sale of goods

The Group purchases and sells software products in the market and recognizes revenue when the goods are delivered to customers. A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Rendering of services

The Group provides services such as installation of software, connection of systems and training. The related revenues are recognized when the Group has provided all services and has submitted the invoices to the customers.

Some contracts include multiple deliverables, such as software, installation of software, and training. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

3) 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. If it is more than one year, the transaction price would be adjusted during the period to reflect the impact of the time value of money in accordance with.

(i) Revenue (policy applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities was measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue was recognized when persuasive evidence existed, usually in the form of an executed sales agreement that the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. If it was probable that a discount would be granted and the amount could be measured reliably, then the discount was recognized as a reduction of revenue as the sales were recognized.

The timing of the transfer of risks and rewards depended on the individual terms of the sales agreement. Transfer usually occurred when the goods were delivered to the customers.

In addition, if sales agreements included the term that the customer could pay by installments during the period, interest income of sales was recognized during the same period in accordance with the interest method.

2) Services

Revenue was recognized when the services had been provided.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

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

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to 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 share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non market performance conditions at the vesting date.

(p) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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 following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) Levied by the same taxing authority; or

2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions 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 the Regulations and the IFRSs endorsed by the 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.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivables

The Group has estimated the loss allowance of trade receivables that is 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 assumptions to be used in calculating the impairments and the selected inputs.

(b) Valuation of inventory

As inventories are measured at the lower of cost or net realizable value, the Group estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	$ 128	154
Checking and demand desposts	209,295	172,886
Time deposits	155,916	146,725
	$ 365,339	**319,765**

As of December 31, 2018 and 2017, the Group had provided time deposits amounted to $500 as collateral and the deposit have been reclassified to other non-current assets.

Please refer to note 6(q) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Held-to-maturity financial assets－non-current

	December 31, 2017
Bond	**$ 10,000**

(i) The Group's bond was classified as financial assets measured at amortized cost as of December 31, 2018. Please refer to note 6(c).

(ii) The Group purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was $10,000 and its effective interest rate was 3%. The Group has the intention and ability to hold it up to maturity.

(iii) As of December 31, 2017, the Group did not provide any of the aforementioned bond as collateral.

(c) Financial assets measured at amortized cost

	December 31, 2018
Bond	$ 10,000

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost on January 1, 2018.

(i) The Group purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was $10,000 and its effective interest rate was 3%. The investment was previously classified as held-to-maturity on December 31, 2017.

(ii) As of December 31, 2018, the Group did not provide any of the aforementioned bond as collateral.

(d) Financial assets at fair value through profit or loss

The Group purchased mutual funds amounted to $10,000 and $5,000 in January and September 2018, respectively, and sold them in February and December 2018, respectively. The losses from disposal amounted to $649 were recognized as other gains or losses. As of December 31, 2018, the receivable of aforementioned transaction amounted to $4,698 was recognized as other receivables.

The Group purchased mutual funds amounted to $5,000 in March 2017 and sold it in October 2018. The gains from disposal amounted to $94 were recognized as other gains or losses.

(e) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 52,241	29,114
Accounts receivable	238,344	160,645
	290,585	189,759
Less: allowance for doubtful accounts	(3,160)	(2,723)
Long-term notes and accounts receivable, net	(4,200)	(1,896)
	$ 283,225	185,140

(i) The Group did not provide any of the aforementioned notes and accounts receivable as collateral. The aforementioned notes and accounts receivable were not discounted because the due dates were less than a year. The book value is assumed to approximate the fair value.

(ii) The amounts of notes and accounts receivable from the installment sales were $12,023 and $11,883 as of December 31, 2018 and 2017 respectively. The aforementioned receivables as of December 31, 2018 were expected to be recovered by $7,823 and $4,200 for the years ended December 31, 2019 and 2020, respectively. The aforementioned receivables as of December 31, 2017 were expected to be recovered by $9,987 and $1,896 for the years ended December 31, 2018 and 2019, respectively, and $9,987 were already recovered for the year ended December 31, 2018.

(iii) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables (including long-term), on December 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer’ s ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis as of December 31, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including long-term)	**Lifetime weighted-average ECL rate**	**Loss allowance provision of lifetime ECL**
Current	$ 269,022	0%	-
Past due 0 to 60 days	14,508	0.5%~3%	121
Past due 61 to 210 days	4,116	7%~40%	454
Past due 211 to 360 days	536	30%~80%	182
More than 1 years past due	2,403	100%	2,403
	$ 290,585		**3,160**

(iv) As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 0 to 60 days	$ 19,738
Past due 61 to 210 days	3,495
Past due 211 to 360 days	439
More than 1 years past due	-
	$ 23,672

The movement in the allowance for notes and accounts receivable was as follows:

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, per IAS 39	$ 2,723	337	3,160
Adjustment on initial application of IFRS 9	-		
Balance on January 1, per IFRS 9	2,723		
Impairment losses recognized (reversed)	440	-	(223)
Amounts written off	-	-	(529)
Effect of exchange rate changes	(3)	-	(22)
Balance on March 31	$ 3,160	337	2,386

(f) Inventories

	December 31, 2018	December 31, 2017
Software	$ 47,733	67,938
Hardware	1,634	2,075
	$ 49,367	70,013

The Group recognized the following items as cost of goods sold:

	2018	2017
Losses and (gains) on obsolete inventories and inventory valuation	$ (6,973)	21,476
Loss on disposal of inventories	5,045	10,580
Total	$ (1,928)	32,056

As of December 31, 2018 and 2017, the Group did not provide any of the aforementioned inventories as collateral.

(g) Property, plant and equipment

	Land	Buildings	Computers	Office equipment	Total
Cost:					
Balance on January 1, 2018	$ 10,260	6,175	17,141	3,551	37,127
Additions	-	-	5,064	226	5,290
Disposals	-	-	(587)	(4)	(591)
Effect of changes in exchange rates	-	-	(64)	(12)	(76)
Balance on December 31, 2018	$ 10,260	6,175	21,554	3,761	41,750

		Land	Buildings	Computers	Office equipment	Total
Balance on January 1, 2017	$	10,260	6,175	15,710	3,375	35,520
Additions		-	-	1,524	405	1,929
Disposals		-	-	(66)	(221)	(287)
Effect of changes in exchange rates		-	-	(27)	(8)	(35)
Balance on December 31, 2018	**$**	**10,260**	**6,175**	**17,141**	**3,551**	**37,127**
Depreciation:						
Balance on January 1, 2018	$	-	1,597	12,523	2,432	16,552
Depreciation		-	194	2,418	427	3,039
Disposals		-	-	(565)	(4)	(569)
Effect of changes in exchange rates		-	-	(55)	(8)	(63)
Balance on December 31, 2018	**$**	**-**	**1,791**	**14,321**	**2,847**	**18,959**
Balance on January 1, 2017	$	-	1,403	10,122	2,200	13,725
Depreciation		-	194	2,469	420	3,083
Disposals		-	-	(46)	(183)	(229)
Effect of changes in exchange rates		-	-	(22)	(5)	(27)
Balance on December 31, 2017	**$**	**-**	**1,597**	**12,523**	**2,432**	**16,552**
Carring amounts:						
Balance on December 31, 2018	**$**	**10,260**	**4,384**	**7,233**	**914**	**22,791**
Balance on January 1, 2017	**$**	**10,260**	**4,772**	**5,588**	**1,175**	**21,795**
Balance on December 31, 2017	**$**	**10,260**	**4,578**	**4,618**	**1,119**	**20,575**

As of December 31, 2018 and 2017, the Group did not provide any of the aforementioned property, plant and equipment as collateral.

(h) Operating lease

The Group leases a few offices, parking lots, cars, and employees' dorm under operating leases with a lease term between 1 and 5 years. Non-cancellable rentals payable of operating leases were as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	11,167	6,971
Between one and five years		30,998	7,347
	$	**42,165**	**14,318**

The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Some of lease payments are increased every two years to reflect market rentals.

For the years ended December 31, 2018 and 2017, the Group recognized operating lease expenses of $17,536 and $18,486, respectively, as expenses. There is no contingent rent in any of the operating lease contracts.

(i) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value adjustment of plan assets of the Group were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	20,851	20,943
Fair value of plan assets		21,322	20,730
Net defined benefit liability (asset)	**$**	**(471)**	**213**

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

1) Composition of plan assets

The Group contributes 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 Bank of Taiwan labor pension reserve account balance amounted to $21,322 at the end of the reporting period. 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 in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Defined benefit obligation at January 1	$	20,943	25,173
Current service costs and interest expense		481	561
Remeasurement of net defined liability expense －Actuarial gain (loss) arising from experience adjustments		1,349	(1,931)
Benefits paid		(1,922)	(2,860)
Defined benefit obligation at December 31	**$**	**20,851**	**20,943**

3) Movements in the fair value of plan assets

The movements in the fair value of plan assets for the Group for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 20,730	21,654
Contributions paid by the employer	1,659	1,730
Interest income	373	399
Remeasurement of net defined asset		
－Return on plan assets (excluding interest income)	482	(193)
Benefits paid	(1,922)	(2,860)
Fair value of plan assets at December 31	**$ 21,322**	**20,730**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Current service costs	$ 123	121
Net interest of net liability (asset) for defined benefit	(15)	41
	$ 108	**162**
Selling expenses	$ 88	136
Administrative expenses	14	19
Research and development expenses	6	7
	$ 108	**162**

5) Remeasurement of the net defined benefit liabilities (asset) recognized in other comprehensive income

As of December 31, 2018 and 2017, the Group’s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	2018	2017
Cumulated amount at January 1	$ (6,496)	(4,758)
Recognized (reversed) during the period	867	(1,738)
Cumulated amount at December 31	**$ (5,629)**	**(6,496)**

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2018	2017
Discount rate	1.75%	1.75%
Future salary increase rate	3.00%	3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date was $2,167.

The weighted average duration of the defined benefit plans is 6.9 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2018 and 2017, would have been as follows:

	Influence of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
Discount rate:		
December 31, 2018	$ (620)	649
December 31, 2017	$ (643)	675

	Influence of defined benefit obligations	
	Increased 1%	**Decreased 1%**
Future salary increase rate:		
December 31, 2018	$ 2,550	(2,184)
December 31, 2017	$ 2,662	(2,270)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounted to $7,295 and $7,362 for the years ended December 31, 2018 and 2017, respectively.

(j) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

(i) Income tax expense

The components of income tax expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax expense	$ 15,363	11,069
Deferred tax expense (benefit)	3,477	(3,839)
Income tax expense	$ 18,840	7,230

(ii) The amounts of income tax benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Exchange differences on translation	$ (799)	(249)

(iii) Reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Profit before income tax	$ 93,085	32,983
Income tax using the Company's domestic tax rate	20,117	3,681
Effect of tax rate differential in foreign jurisdictions	398	(933)
Adjustment in income tax rate	(541)	-
Current-year losses for which no deferred tax asset was recognized	142	2,918
Recognition of previously unrecognized tax losses	(2,129)	-
10% surtax on unappropriated earnings	181	1,626
Other	672	(62)
	$ 18,840	7,230

(iv) Deferred tax assets and liabilities

There are no unrecognized deferred tax liabilities. Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2018	December 31, 2017
Tax losses	$ 4,923	6,910

There are no unrecognized deferred tax liabilities. Deferred tax assets have not been recognized with respect to the following items:

Change in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

	Investment income of subsidiaries recognized under the equity method	Unrealized foreign exchange gains	Defined benefit obligations	Total
Deferred tax liabilities:				
Balance on January 1, 2018	$ -	-	692	692
Recognized in profit or loss	1,138	10	433	1,581
Balance on December 31, 2018	$ 1,138	10	1,125	2,273
Balance on January 1, 2017	$ 1,616	21	426	2,063
Recognized in profit or loss	(1,616)	(21)	266	(1,371)
Balance on December 31, 2017	$ -	-	692	692

	Investment income of subsidiaries recognized under the equity method	Share of other comprehensive income of subsidiaries recognized under the equity method	Unrealized foreign exchange losses	Loss on inventory valuation and obsolete inventories	Bad debt in excess of tax limit	Others	Total
Deferred tax assets:							
Balance on January 1, 2018	$ (309)	(1,206)	(20)	(1,492)	(364)	(2,188)	(5,579)
Recognized in profit or loss	309	-	20	266	84	1,217	1,896
Recognized in other comprehensive income	-	(799)	-	-	-	-	(799)
Foreign currency translation differences for foreign operations	-	-	-	-	1	4	5
Balance on December 31, 2018	$ -	(2,005)	-	(1,226)	(279)	(967)	(4,477)
Balance on January 1, 2017	$ -	(957)	-	(329)	(322)	(1,089)	(2,697)
Recognized in profit or loss	(309)	-	(20)	(1,163)	(51)	(925)	(2,468)
Recognized in other comprehensive income	-	(249)	-	-	-	-	(249)
Foreign currency translation differences for foreign operations	-	-	-	-	9	(174)	(165)
Balance on December 31, 2017	$ (309)	(1,206)	(20)	(1,492)	(364)	(2,188)	(5,579)

(v) The Company's income tax returns have been examined by the tax authority through the years up to 2016.

(k) Capital and other equity

(i) Capital

As of December 31, 2018 and 2017, the number of authorized ordinary shares both were 20,000 thousand shares with par value of $10 (dollars) per share and amounted to $200,000. As of the dates, 17,097 thousand shares of ordinary shares were issued and all issued ordinary shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2018	December 31, 2017
Additional paid-in capital	$	68,176	68,176
Employee stock options		637	637
	$	68,813	68,813

According to the amendment of ROC Company Act in January 2012, capital surplus can only be used to offset an accumulated deficit, and then the realized capital surplus can be distributed as stock dividends or cash dividends according to the stockholders' original percentage of ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium upon the issuance of capital stock and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the increase in capital by transferring the paid-in capital in excess of the par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the articles of the Corporation, when allocating the earnings for each year, the Corporation shall first pay income taxes, and offset its prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve has equaled the total capital of the Corporation; then set aside a special reserve in accordance with the relevant laws when necessary. The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

The Company shall consider the demand for expanding the scale of corporation, cash-flow, retained earnings, flexibility of business operation, and strength of competition to distribute dividend. The dividend distributed by directors' meeting shall not be less than 20% of the net amount of the annual profit after deducting the reserve retained in accordance with the laws while cash dividend shall not be less than 10% of the distributed dividend. The rate of cash dividend could be adjusted by the stockholders' meeting in accordance with the actual profit in the year and demand of cash-flow in the future.

1) Legal reserve

According to the amendment of ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a stockholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash to shareholders, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the 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 current-period total net reduction of other stockholders' 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 the 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) Earnings distribution

On June 15, 2018, and June 26, 2017, the stockholders' meeting resolved the distribution of earnings for 2017 and 2016, respectively. The distribution was $1.28 (dollars) and $3 (dollars) per share, which amounted to $21,884 and $51,291, respectively. Information can be accessed in the Market Observation Post System website.

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding was as follows:

	2018	2017
Profit attributable to owners of parent	$ 74,245	25,753

	2018	2017
Weighted average number of ordinary shares (thousand shares)	17,097	17,097

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2018 and 2017, based on the profit attributable to owners of parent of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2018	**2017**
Profit attributable to owners of parent (diluted)	74,245	25,753

	2018	**2017**
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration	116	60
Weighted average number of ordinary shares (diluted) (thousand shares)	17,213	17,157

(m) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018			
	Business unit 1	**Business unit 2**	**Business unit 3**	**Total**
Primary geographical markets:				
Taiwan	$ 824,099	-	-	824,099
China	-	51,241	48,328	99,569
	$ 824,099	51,241	48,328	923,668
Major products:				
3D CAD	$ 466,938	19,791	35,860	522,589
Subscription contracts	141,693	16,472	4,311	162,476
Service	77,043	894	1,203	79,140
3D Animation	32,796	-	-	32,796
CAD	9,000	10,115	2,530	21,645
Other	96,629	3,969	4,424	105,022
	$ 824,099	51,241	48,328	923,668

For details on revenue in the year ended December 31, 2017, please refer to note 6(n).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including long-term)	$ 290,585	189,759
Less: allowance for impairment	(3,160)	(2,723)
Total	**$ 287,425**	**187,036**

For details on notes, accounts receivable (including long-term) and allowance for impairment, please refer to note 6(e).

(n) Operating revenue

The details of operating revenue was as follows:

	2017
Sale of goods	$ 590,243
Services	86,074
Total	**$ 676,317**

For details on revenue in the year ended December 31, 2018, please refer to note 6(m).

(o) Employee directors' and supervisors' remuneration

Based on the Company's articles of incorporation, more than 5% of annual profit should be appropriated as employee remuneration. The board of directors will adopt a resolution on whether the distribution is paid in cash or stock. Qualified employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive their remuneration specified by the board of directors. The annual profit aforementioned may also be appropriated as directors' and supervisors' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $4,954 and $1,782, and directors' and supervisors' remuneration amounting to $1,486 and $535, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2018 and 2017. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(p) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Foreign exchange gains	$	307	925
Other		(104)	495
	$	**203**	**1,420**

(q) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2018 and 2017, the maximum amount to credit risk amounted to $668,305 and $517,301, respectively.

2) Concentration of credit risk

Since the Group has a lot of customers, it does not trade with single customer and market areas are diversified. The Group periodically evaluates these customers' financial position and the possibility of recovery of notes and accounts receivable to decrease credit risk, collaterals will be requested from the customers if necessary.

3) For credit risk exposure of notes and accounts receivables (including long-term), please refer to note 6(e).

4) The exposure to credit risk for the financial assets at amortized cost, which were recognized in held-to-maturity financial assets as of December 31, 2017, are measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	Within 6 months
December 31, 2018				
Accounts payable	$	106,577	106,577	106,577
Other financial liabilities		11,464	11,464	11,464
	$	**118,041**	**118,041**	**118,041**

		Carrying amount	Contractual cash flows	Within 6 months
December 31, 2017				
Accounts payable	$	53,512	53,512	53,512
Other financial liabilities		10,740	10,740	10,740
	$	**64,252**	**64,252**	**64,252**

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 foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items-USD	$ 249	30.73	7,653	460	29.84	13,719
Financial liabilities						
Monetary items-USD	17	30.73	525	11	29.84	333

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, accounts receivable and accounts payable that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2018 and 2017, would have increased or decreased the profit after tax by $285 and $556 for the years ended December 31, 2018 and 2017, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Group's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), TWD, was as follows:

	2018		2017	
Functional currencies	**Foreign exchange gain or loss**	**Average exchange rate**	**Foreign exchange gain or loss**	**Average exchange rate**
TWD	$ 377	1	925	1
CNY	(70)	4.562	-	4.508
	$ 307		**925**	

(iv) Interest rate analysis

The Group's financial assets with floating-rate were bank deposits and there were no financial liabilities with floating-rates. The Group believes that the cash flow risk arising from the fluctuation in interest rates was not significant and the sensitivity analysis of interest rate was not required.

(v) Fair value

Kinds of financial instruments and fair value

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Financial bond	$ 10,000				
Cash and cash equivalents	365,339				
Notes and accounts receivable (including long-term)	287,425				
Other receivables	5,041				
Other non-current assets	500				
Total	$ 668,305				
Financial liabilities measured at amortized cost:					
Accounts payable	$ 106,577				
Salaries payable, accrued expenses payable and other payables	70,077				
Total	$ 176,654				

	December 31, 2017				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost:					
Financial assets held to maturity	$ 10,000				
Loans and receivables					
Cash and cash equivalents	$ 319,765				
Notes and accounts receivable (including long-term)	187,036				
Other non-current assets	500				
Total	$ 517,301				
Financial liabilities measured at amortized cost:					
Accounts payable	$ 53,512				
Salaries payable, accrued expenses payable and other payables	44,505				
Total	$ 98,017				

(r) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The financial management department of the Group provides services for each business, including helping businesses to operate in the domestic and international financial markets, and supervising and managing the financial risks of the Group related to the operation by analyzing the internal risk report in accordance with the degree and extent of risk. Internal auditors continue to review policy compliance and risk limits.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents; receivables; and bonds.

1) Notes, accounts and other receivables

The Group has established a credit policy and is required to transact with corporations having high credit ratings. The Group uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Group constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the 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 is to ensure, as far as possible, that it always has 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.

(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 bank desposites that are denominated in a currency other than the respective functional currencies of the Group's entities. The bank desposites are denominated in USD. The Group believes the cash flow risk arising from the fluctuation in exchange rates is not significant.

2) Interest rate risk

The Group's main assets with a floating interest rate basis are bank deposits. The Group believes that cash flow risk arising from the fluctuation in interest rates is not significant.

(s) Capital Management

The Group's capital management policy is to maintain a strong capital base and appropriate debt ratio so as to maintain investor, creditor, and market confidence to sustain the future development of the business.

As of December 31, 2018 and 2017, the debt ratios were 24% and 16%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2018.

(7) Related-party transactions:

(a) Names and relationship of the related parties

The followings is relatied party that has had transactions with the Group during the periods covered in the consolidated financial statements.

Name	Relationship
Otsuka Information System Trading (Shanghai) Limited (Otsuka Shanghai)	The same chairman as the Company

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties				
Otsuka Shanghai	$ 6,081	4,471	584	184

The selling price for aforementioned related parties was based on cost-plus. There were no significant differences in the trading terms between related parties and other customers. The credit terms with related parties were 30 days, whereas the terms with other customers were 30 to 240 days and 30 to 210 days, respectively, as of December 31, 2018 and 2017.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short term employee benefits	$ 10,038	8,459
Termination benefits	138	137
Post employment benefits	-	-
Other long term benefits	-	-
Share based payments	-	-
	$ 10,176	8,596

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other non-current assets－restricted deposit	line of corporate credit card	$ 500	500

(9) Commitments and contingencies:

Guarantee notes provided as part of agreements and line of forward exchange were as follows:

	December 31, 2018	December 31, 2017
Guaranteed notes	$ 19,628	20,260

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	2018 Cost of Sale	2018 Operating Expense	2018 Total	2017 Cost of Sale	2017 Operating Expense	2017 Total
Employee benefits						
Salary	－	151,261	151,261	－	130,595	130,595
Labor and health insurance	－	10,161	10,161	－	10,541	10,541
Pension	－	7,403	7,403	－	7,524	7,524
Others	－	6,563	6,563	－	6,328	6,328
Depreciation	－	3,039	3,039	－	3,083	3,083
Amortization	－	2,944	2,944	－	2,801	2,801

OTSUKA INFORMATION TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required to be disclosed by the Regulations for the Group:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Ostuska Software Trading (Dongguan) Ltd.	Otsuka Software (Suzhou) Ltd.	Other receivables	Y	23,435	22,360	-	-	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	47,804	68,292
1	〃	Otsuka Information Technology (Shanghai) Ltd.	〃	〃	23,435	22,360	-	-	〃	-	〃	-	〃	-	47,804	68,292
2	Otsuka Software (Suzhou) Ltd.	Otsuka Information Technology (Shanghai) Ltd.	〃	〃	21,092	20,124	20,124	1.75%	〃	-	〃	-	〃	-	22,574	32,248

Note1: The ending balance is the amount of loans to other parties were authorized by the board of directors.
Note2: When the subsidiaries need to loan to other parties, the amount for loans to a company shall not exceed 70% of its net worth and the total amount for loans to all companies shall not exceed its net worth.
Note3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Category and name of security	Relationship with company	Account title	Ending balance				Highest		Note
				Shares/Units (thousands)	**Carrying value**	**Percentage of ownership (%)**	**Fair value**	**Shares / Units (thousands)**	**Percentage of ownership (%)**	
The Company	Financial Bond: FY2014 1st subordinated bond of Bank of Panhsin		Financial assets measured at amortized cost-non-current	-	10,000	- %	10,000	- %	- %	

(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:None

(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$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Ostuska Software Trading (Dongguan) Ltd.	Otsuka Information Technology (Shanghai) Ltd.	Between subsidiaries	Purchase	8,388	Cost-plus	0.9%
1	Otsuka Software (Suzhou) Ltd.	Otsuka Information Technology (Shanghai) Ltd.	〃	Other Receivables	20,124	loan	2.64%

Note1: 1. “0” represents the parent company.
2.Subsidiaries are numbered sequentially from "1".
Note2: Disclose transactions amounts exceeding the lower of NT$100 million.
Note3: Related transactions have been eliminated during the preparation of the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Highest balance during the year		Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of wnership	Carrying value			Shares (thousand)	Percentage of wnership	
The company	Otsuka Information Technology Ltd.	Hong Kong	Holding company	129,517	129,517	32,760	100.00%	128,147	7,507	7,507	32,760	100.00%	Note

Note : Related transactions have been eliminated during the preparation of the consolidated financial statements.

(c) Information on investment in China:

(i) The names of investees in China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Highest balance during the year		Accumulated remittance of earnings in current period
					Outflow	Inflow						Shares (thousand)(Note)	Percentage of ownership	
Ostuska Software Trading (Dongguan) Ltd.	Software merchandising	49,168 (US$1,600 thousand)	Investing in China through the company incorporated in the third country	49,168 (US$1,600 thousand)	-	-	49,168 (US$1,600 thousand)	8,155	100.00%	8,155	68,292	-	100%	-
Otsuka Software (Suzhou) Ltd.	Software merchandising	49,168 (US$1,600 thousand)	Investing in China through the company incorporated in the third country	49,168 (US$1,600 thousand)	-	-	49,168 (US$1,600 thousand)	(238)	100.00%	(238)	32,248	-	100%	-
Otsuka Informationg Technology (Shanghai) Ltd.	Software merchandising	30,730 (US$1,000 thousand)	Investing in China through the company incorporated in the third country	30,730 (US$1,000 thousand)	-	-	30,730 (US$1,000 thousand)	(410)	100.00%	(410)	27,599	-	100%	-

Note: The limited companies did not issue the shares.

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,066 (USD4,200 thousand)	129,066 (USD4,200 thousand)	347,714

Note: The TWD amount was measured on December 31, 2018 with the spot exchange rate of 30.73.

The above investment income (losses) were based on the financial statements audited by the Company’s auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(14) Segment information:

(a) General information

For the purpose of resource allocation and performance measurement, the Group separates the operating segments according to the customers’ geographical locations and conditions. The Group regularly monitors and manages every segment’s operating results through operating decision makers. The operating segments of Business Unit 1, Business Unit 2, and Business Unit 3 are the reportable segments, whose revenues mainly come from 3D CAD, designing, valuable and multiple CAD integration, and consulting services.

Since the operating segments supply different kinds of products and services, and the sales units will differ in their product categories and marketing strategies, the operating segments are managed separately.

(b) Reportable segments' profit or loss, segment assets and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4 and the Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit or loss and exchange gains or losses). Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

The Group's segment financial information was as follows:

	2018				
	Business Unit 1	**Business Unit 2**	**Business Unit 3**	**Reconciliation and write-off**	**Total**
External revenues	824,099	51,241	48,328	-	923,668
Intra-group revenue	-	5,877	3,293	(9,170)	-
Total segment revenue	**$ 824,099**	**57,118**	**51,621**	**(9,170)**	**923,668**
Reportable segment profit and loss	**$ 84,079**	**3,875**	**3,177**	**-**	**91,131**

	2017				
	Business Unit 1	**Business Unit 2**	**Business Unit 3**	**Reconciliation and write-off**	**Total**
External revenues	$ 578,156	49,084	49,077	-	676,317
Intra-group revenue	332	11,007	3,873	(15,212)	-
Total segment revenue	**$ 578,488**	**60,091**	**52,950**	**(15,212)**	**676,317**
Reportable segment profit and loss	**$ 42,124**	**(16,621)**	**4,544**	**-**	**30,047**

(c) Products and services information

The Group’ s revenue from extenal customers were as follows:

Products and services		**2018**	**2017**
3D CAD	$	522,589	309,435
Subscription contracts		162,476	193,489
Service		79,140	86,074
3D Animation		32,796	5,606
CAD		21,645	12,063
Other		105,022	69,650
Total	**$**	**923,668**	**676,317**

(d) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information		**2018**	**2017**
External revenues:			
Taiwan	$	824,099	578,156
China		99,569	98,161
Total	**$**	**923,668**	**676,317**
Non-current assets			
Taiwan	$	36,708	30,349
China		6,087	7,096
Total	**$**	**42,795**	**37,445**

(e) Major customers

The Group’ s revenues from a single customer did not exceed 10% of operating revenues in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, so the Group does not disclose any information on major customers.

Independent Auditors’ Report

To the Board of Directors of OTSUKA INFORMATION TECHNOLOGY CORP.:

Opinion

We have audited the parent company only financial statements of OTSUKA INFORMATION TECHNOLOGY CORP.(“the Company”), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgments, key audit matters to be communicated in the independent auditors’ report are listed below:

1. Evaluation of inventories

   Please refer to Note 4(g) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(f) “Inventories” of the parent company only financial statements.

Description of key audit matter:

The Company’ s inventories are measured at the lower of cost and net realizable value. Due to the rapid transformation of technology, the products may be out of date in the market and there is a risk that the cost of the inventory would be higher than its net realizable value. The condition of inventories to be sold in the future will influence the result of evaluation so consistent attention are required. In addition, the inventories are the significant account in the parent company only financial statement. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the allowance and obsolescence of the inventories of the Company and inspecting whether existing inventory policies are applied; sampling the individual inventory items and examining the sources of the net realizable value of the samples to access whether the net realizable value are reasonable; examining the accuracy of aging of inventories by sampling and analyzing the changes of the aging of inventories; inspecting the reasonableness for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate.

2. Impairment of accounts receivable

Please refer to Note 4(f) “Financial Instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(e) “Notes and accounts receivable” of the parent company only financial statements.

Description of key audit matter:

The Company’ s accounts receivable are derived from sales of software and rendering of service, the balance constitutes 33% of the assets as of December 31, 2018. Due to the payment terms of the major customers are long and the receivables are not collected totally up to the date of the auditors’ report. The recoverability of accounts receivable requires subjective judgments of the management. Therefore, impairment assessment of receivables is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing internal control process of accounts receivable; understanding the policies of evaluating the allowance of accounts receivable of the Company and inspecting whether existing receivables policies are applied; asking the management whether there are any debtors with financial difficulties and examining the accuracy of aging of receivables by sampling; inspecting the reasonableness of impairment loss of receivables recognized by the management in the past and compare it to the current year to ensure that the measurements and assumptions are appropriate; inspecting collection of receivables in the subsequent period to assess the reasonability of impairment loss measurement.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only financial statements.

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

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

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

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

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 investments in other entities accounted for using the equity method to express an opinion on this parent company only 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 parent company only 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 Mei-Pin Wu and Chun-Wei Chuang.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2019

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

OTSUKA INFORMATION TECHNOLOGY CORP.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 267,989	36	223,615	36
1170	Notes and accounts receivable, net (notes 6(e) and (n))	249,707	33	163,518	26
1200	Other receivables (note 6(d))	5,041	1	-	-
1300	Inventories (note 6(f))	44,933	6	65,399	11
1410	Prepaid expenses and other current assets	1,995	-	1,902	-
		569,665	76	454,434	73
	Non-current assets:				
1527	Held-to-maturity financial assets－non-current (note 6(b))	-	-	10,000	2
1541	Financial assets at amortized cost－non-current (note 6(c))	10,000	1	-	-
1550	Investments accounted for using equity method, net (note 6(g))	128,147	17	123,570	20
1600	Property, plant and equipment (note 6(h))	22,231	3	20,036	3
1900	Total other non-current assets (notes 6(a), (e), (j), (k) and 8)	19,258	3	15,277	2
		179,636	24	168,883	27
	Total assets	**$ 749,301**	**100**	**623,317**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2170	Accounts payable	$ 96,891	13	49,340	8
2201	Salaries payable	40,041	5	27,107	4
2200	Accured expenses and other payables	26,566	4	14,040	3
2300	Other current liabilities	4,006	1	1,764	-
		167,504	23	92,251	15
	Non-Current liabilities:				
2640	Net defined benefit liability and other (notes 6(j) and (k))	2,273	-	905	-
	Total liabilities	169,777	23	93,156	15
3100	Ordinary shares (note 6(l))	170,970	23	170,970	27
3200	Total capital surplus (note 6(l))	68,813	9	68,813	11
3310	Legal reserve (note 6(l))	73,045	9	70,470	11
3320	Special reserve (note 6(l))	5,031	1	3,813	1
3350	Unappropriated retained earnings (note 6(l))	268,827	36	221,126	36
3400	Other equity interest	(7,162)	(1)	(5,031)	(1)
	Total equity	579,524	77	530,161	85
	Total liabilities and equity	**$ 749,301**	**100**	**623,317**	**100**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6(n), (o) and 7)	$ 824,099	100	578,488	100
5000	**Operating costs** (note 6(f))	532,751	65	354,984	61
	Gross profit	291,348	35	223,504	39
	Operating expenses: (notes 6(e), (i), (j), (p) and 12)				
6100	Selling expenses	169,277	20	150,855	26
6200	Administrative expenses	30,547	4	24,918	5
6300	Research and development expenses	7,023	1	5,679	1
6450	Expected credit loss	422	-	-	-
	Total operating expenses	207,269	25	181,452	32
	Net operating income	84,079	10	42,052	7
	Non-operating income and expenses:				
7010	Interest income	1,360	-	1,144	-
7020	Other gains and losses (notes 6 (d) and (q))	(304)	-	1,465	1
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	7,507	1	(11,331)	(2)
	Total non-operating income and expenses	8,563	1	(8,722)	(1)
	Profit from continuing operations before tax	92,642	11	33,330	6
7950	**Less: Income tax expense** (note 6(k))	18,397	2	7,577	2
	Profit	74,245	9	25,753	4
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans (note 6(j))	(867)	-	1,738	1
8349	Income tax related to items that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(867)	-	1,738	1
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign operation’s financial statements	(2,930)	-	(1,467)	-
8399	Income tax related to items that may be reclassified to profit or loss (note 6(k))	799	-	249	-
	Items that may be reclassified to profit or loss	(2,131)	-	(1,218)	-
8300	**Comprehensive income after tax**	(2,998)	-	520	1
8500	**Total comprehensive income**	**$ 71,247**	**9**	**26,273**	**5**
	Earnings per share (NT dollars) (note 6(m))				
	Basic earnings per share	**$**	**4.34**		**1.51**
	Diluted earnings per share	**$**	**4.31**		**1.50**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2017	$ 170,970	68,813	63,570	-	255,639	(3,813)	555,179
Profit	-	-	-	-	25,753	-	25,753
Other comprehensive income	-	-	-	-	1,738	(1,218)	520
Comprehensive income	-	-	-	-	27,491	(1,218)	26,273
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	6,900	-	(6,900)	-	-
Special reserve	-	-	-	3,813	(3,813)	-	-
Cash dividends of ordinary share	-	-	-	-	(51,291)	-	(51,291)
Balance at December 31, 2017	170,970	68,813	70,470	3,813	221,126	(5,031)	530,161
Profit	-	-	-	-	74,245	-	74,245
Other comprehensive income	-	-	-	-	(867)	(2,131)	(2,998)
Comprehensive income	-	-	-	-	73,378	(2,131)	71,247
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	2,575	-	(2,575)	-	-
Special reserve	-	-	-	1,218	(1,218)	-	-
Cash dividends of ordinary share	-	-	-	-	(21,884)	-	(21,884)
Balance at December 31, 2018	**$ 170,970**	**68,813**	**73,045**	**5,031**	**268,827**	**(7,162)**	**579,524**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

OTSUKA INFORMATION TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 92,642	33,330
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	5,420	4,575
Losses on inventory valuation and obsolete inventories	2,396	17,420
Expected credit loss / reversal of provision for bad debt expense	422	130
Loss (gain) on disposal of financial assets at fair value through profit or loss	649	(94)
Interest revenue	(1,360)	(1,144)
Share of loss (profit) of subsidiaries,associates and joint ventures accounted for using equity method	(7,507)	11,331
Loss (gain) on disposal of property, plan and equipment	(1)	17
Total adjustments to reconcile profit (loss)	19	32,235
Changes in operating assets and liabilities:		
Notes and accounts receivable	(88,915)	(6,541)
Other receivable	(343)	180
Inventories	18,070	(10,430)
Prepaid expenses and other current assets	(85)	(1,116)
Accounts payable	47,551	21,430
Salaries payable	12,934	(8,731)
Accrued expenses and other payables	4,492	(6,221)
Other current liabilities	2,242	(151)
Others	(1,551)	(1,568)
Total adjustments	(5,586)	19,087
Cash inflow generated from operations	87,056	52,417
Interest received	1,352	1,132
Income taxes paid	(7,329)	(19,735)
Net cash flows from operating activities	81,079	33,814
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(15,000)	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss	9,653	5,094
Acquisition of property, plant and equipment	(5,123)	(1,802)
Proceeds from disposal of property, plant and equipment	2	1
Increase in other non-current assets	(4,353)	(2,047)
Net cash flows used in investing activities	(14,821)	(3,754)
Cash flows from (used in) financing activities:		
Cash dividends	(21,884)	(51,291)
Net cash flows used in financing activities	(21,884)	(51,291)
Net increase (decrease) in cash and cash equivalents	44,374	(21,231)
Cash and cash equivalents at beginning of year	223,615	244,846
Cash and cash equivalents at end of year	$ 267,989	223,615

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

(1) Company history

OTSUKA INFORMATION TECHNOLOGY CORP. ("the Company") was incorporated on August 4, 1995 in accordance with the Company Act. The Investment Commission, Ministry of Economic Affairs permits the foreign stockholders to invest the Company in accordance with the Statute for Investment by Foreign Nationals. The address of the Company's registered office is 6F., No. 68, Sec. 2, Sianmin Blvd., Banqiao Dist., New Taipei City. The major business activities of the Company are designing, trading, maintaining, import and export the hardware, software, computers, network and accessories.

The Company's common shares were listed on the Taipei Exchange ("TPEx") on October 23, 2008.

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

The parent company only financial statements were authorized for issuance by the board of directors on March 15, 2019.

(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, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation". The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework by five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue was recognized when the goods wer delivered to the customers, which was taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue was recognized at this point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company has performed an assessment indicating the timing of the related risks and rewards transferred is similar to the timing of control transferred. Therefore, the Company believes that there would not be any material impact on its parent company only financial statements.

2) Rendering of services

The Company provides services, such as installation of software, connection of systems, and training, to customers. Revenue was recognized when the service is completed. Under IFRS 15, the Company has performed an assessment indicating these services do not meet the criteria to recognize revenues over time. Therefore, the Company believes that there would not be any material difference from the current condition.

(ii) IFRS 9 "Financial Instruments"

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

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

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

2) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

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

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

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

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

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

・If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (The measurement categories and the carrying amount of financial liabilities do not change.)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	223,615	Amortized cost	223,615
Debt security	Held-to-maturity	10,000	Amortized cost	10,000
Notes and account receivable (including long-term)	Loans and receivables	165,414	Amortized cost	165,414
Other non-current financial assets	Loans and receivables	500	Amortized cost	500

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1IFRS 9 Carrying Amount	2018.1.1Adjustment of retained earnings	2018.1.1 Adjustment of other equity interest
Financial assets measured at amortized cost						
Cash and cash equivalents, financial assets held to maturity, trade and other receivables and other financial assets. (Beginning balance of IAS 39 is equevelant to IFRS 9)	$ 399,529	-	-	399,529	-	-

(b) The impact of IFRS 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

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

1) Determining whether an arrangement contains a lease

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

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

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

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

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

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices. The Company estimated that the right-of-use assets and the lease liabilities both to increase by $39,479 and there is no effect on retained earnings.

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

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

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

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

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

The Company is evaluating the impact on its parent company only financial position and parent company only financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These annual parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except the defined benefit liabilities (assets) are recognized as plan assets less the present value of the defined benefit obligation, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company’ s parent company only financial statements are presented in New Taiwan dollars, which is the Company’ s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available for sale)equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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 interests. When the Company disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence 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, foreign exchange gains and losses arising from such a monetary item 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) It 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 and cash equivalents comprise cash and cash in bank 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.

(f) Financial instruments

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

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

- The credit risk of debt securities at the reporting date is determined to be low; and
- The credit risk of other debt securities and bank deposits (ie, the risk of default in the expected duration of financial instruments) has not increased significantly since the original recognition.

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

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

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

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due.

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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. Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 year past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of ECL (or reversal) in profit or loss, as an impairment gain or loss.

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

4) Derecognition of financial assets

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

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

Financial assets were classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset was classified in this category if it was classified as held for trading. Financial assets were classified as held for trading if they were acquired principally for the purpose of selling in the short term.

Financial assets in this category were measured at fair value at initial recognition. Attributable transaction costs were recognized in profit or loss as incurred. Financial assets at fair value through profit or loss were measured at fair value, and changes therein, which take into account any dividend and interest income, were recognized in other gains and losses. A regular way purchase or sale of financial assets was recognized and derecognized, as applicable, using trade date accounting.

2) Held-to-maturity financial assets

If the Company had positive intentions and ability to hold debt securities up to maturity, then such financial assets were classified as held-to maturity. Held-to-maturity were recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they were measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets should be recognized and derecognized, as applicable, using trade-date accounting. Interest income was included in interest revenue under non-operating income and expenses.

3) Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables comprised notes and accounts receivable and other receivables. Such assets were recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets should be recognized and derecognized as applicable using trade-date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets were assessed for impairment at each reporting date. A financial asset was impaired if, and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) had an impact on the estimated future cash flows of the financial asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlated with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged declined in its fair value below its cost was considered objective evidence of impairment.

All individually significant receivables were assessed for specific impairment. Receivables that were not individually significant were collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company used historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management’s judgment as to whether current economic and credit conditions were such that the actual losses were likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset was deducted from the carrying amount except for trade receivables, for which an impairment loss was reflected in an allowance account against the receivables. When it was determined a receivable was uncollectible, it was written off from the allowance account. Any subsequent recovery of a receivable written off was recorded in the allowance account. Changes in the amount of the allowance account were recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreased and the decrease could be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss was reversed through profit or loss to the extent that the carrying value of the asset did not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable were recognized in operating expense. Impairment losses and recoveries of other financial assets were recognized in other gains and losses under non-operating income and expenses.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset were terminated, or when the Company transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income was recognized in profit or loss.

The Company separated the part that continued to be recognized and the part that was derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income should be recognized in profit or loss, and it was included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income was allocated between the part that continued to be recognized and the part that was derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest, profit and loss related to financial liabilities are recognized as profit or loss.

2) Other financial liabilities

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

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed 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

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-method and includes expenditure incurred in other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company’ s parent company only financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company’ s parent company only financial statements and the equity attributable to stockholders of the parent in the Company’ s consolidated financial statements are also the same.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 10~50 years

2) Computers: 2 ~3 years

3) Transportation equipment: 5 years

4) Office equipment: 2 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

(j) Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating leases are not recognized is the Company’s balance sheet.

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. Revenue from lease incentives received are recognized as reductions of lease expenses on a straight-line basis. Contingent rent is recognized as expense in the period in which it is incurred.

(k) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(i) The technical feasibility of the intangible asset is accomplished so that it will be available for use or sale.

(ii) The intention to complete the intangible asset and use or sell it.

(iii) The ability to use or sell the intangible asset.

(iv) The intangible asset will generate probable future economic benefits.

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

(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

(l) Impairment－non-financial assets

Non-financial assets, except for inventories and deferred tax assets, are assessed for impairment, and the Company estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset’s cash-generating unit.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less costs to sell and its value in use. If the recoverable amount of individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or the cash-generating unit shall be reduced to its recoverable amount and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset except for goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(m) Revenue

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

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

1) Sale of goods

The Company purchases and sells software products in the market and recognizes revenue when the goods are delivered to customers. A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Rendering of services

The Company provides services such as installation of software, connection of systems and training. The related revenues are recognized when the Company has provided all services and has submitted the invoices to the customers.

Some contracts include multiple deliverables, such as software, installation of software, and training. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

3) 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. If it is more than one year, the transaction price would be adjusted during the period to reflect the impact of the time value of money in accordance with.

(i) Revenue (policy applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities was measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue was recognized when persuasive evidence existed, usually in the form of an executed sales agreement that the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. If it was probable that a discount would be granted and the amount could be measured reliably, then the discount was recognized as a reduction of revenue as the sales were recognized.

The timing of the transfer of risks and rewards depended on the individual terms of the sales agreement. Transfer usually occurred when the goods were delivered to the customers.

In addition, if sales agreements included the term that the customer could pay by installments during the period, interest income of sales were recognized during the same period in accordance with the interest method.

2) Services

Revenue was recognized when the services had been provided.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

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

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to 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 share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non market performance conditions at the vesting date.

(p) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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 following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) Levied by the same taxing authority; or

2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(r) Operating segments

Please refer to the Company’s consolidated financial statements for the years ended December 31, 2018 and 2017, for further details.

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

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the 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.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on 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 within the next financial year is as follows:

(a) Impairment of accounts receivables

The Company has estimated the loss allowance of trade receivables that is 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 assumptions to be used in calculating the impairments and the selected inputs.

(b) Valuation of inventory

As inventories are measured at the lower of cost or net realizable value, the Company estimates the amount due to inventories' obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	$ 81	110
Checking and demand desposts	125,408	90,505
Time deposits	142,500	133,000
	$ 267,989	223,615

As of December 31, 2018 and 2017, the Company had provided time deposits amounted to $500 as collateral and the deposit have been reclassified to other non-current assets.

Please refer to note 6(r) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Held-to-maturity financial assets－non-current

	December 31, 2017
Bond	$ 10,000

(i) The Company's bond was classified as financial assets measured at amortized cost as of December 31, 2018. Please refer to note 6(c).

(ii) The Company purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was $10,000 and its effective interest rate was 3%. The Company has the intention and ability to hold it up to maturity.

(iii) As of December 31, 2017, the Company did not provide any of the aforementioned bond as collateral.

(c) Financial assets measured at amortized cost

		December 31, 2018
Bond	$	10,000

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost on January 1, 2018.

(i) The Company purchased the six-year bonds of Bank of Panhsin in June 2014. The face value of the bond was $10,000 and its effective interest rate was 3%. The investment was previously classified as held-to-maturity on December 31, 2017.

(ii) As of December 31, 2018, the Company did not provide any of the aforementioned bond as collateral.

(d) Financial assets at fair value through profit or loss

The Company purchased mutual funds amounted to $10,000 and $5,000 in January and September 2018, respectively, and sold them in February and December 2018, respectively. The losses from disposal amounted to $649 were recognized as other gains or losses. As of December 31, 2018, the receivable of aforementioned transaction amounted to $4,698 was recognized as other receivables.

The Company purchased mutual funds amounted to $5,000 in March 2017 and sold it in October 2018. The gains from disposal amounted to $94 were recognized as other gains or losses.

(e) Notes and accounts receivable

		December 31, 2018	December 31, 2017
Notes receivable	$	52,241	29,114
Accounts receivable		204,726	138,938
		256,967	168,052
Less: allowance for doubtful accounts		(3,060)	(2,638)
Long-term notes and accounts receivable, net		(4,200)	(1,896)
	$	249,707	163,518

(i) The Company did not provide any of the aforementioned notes and accounts receivable as collateral. The aforementioned notes and accounts receivable were not discounted because the due dates were less than a year. The book value is assumed to approximate the fair value.

(ii) The amount of notes and accounts receivable from the installment sales were $12,023 and 11,883 as of December 31, 2018 and 2017 respectively. The aforementioned receivables as of December 31, 2018 were expected to be recovered by $7,823 and $4,200 for the years ended December 31, 2019 and 2020, respectively. The aforementioned receivables as of December 31, 2017 were expected to be recovered by $9,987 and $1,896 for the years ended December 31, 2018 and 2019, respectively, and $9,987 were already recovered for the year ended December 31, 2018.

(iii) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables (including long-term), on December 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer’ s ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis as of December 31, 2018 was as follows:

	Carrying amounts of notes and accounts receivable (including long-term)	Lifetime weighted-avera age ECL rate	Loss allowance provision of lifetime ECL
Current	$ 238,863	0%	-
Past due 0 to 60 days	11,883	0.5%~3%	108
Past due 61 to 210 days	3,282	7%~40%	367
Past due 211 to 360 days	536	30%~80%	182
More than 1 years past due	2,403	100%	2,403
	$ 256,967		**3,060**

(iv) As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 0 to 60 days	$ 13,123
Past due 61 to 210 days	2,851
Past due 211 to 360 days	438
More than 1 years past due	-
	$ 16,412

The movement in the allowance for notes and accounts receivable was as follows:

		2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, per IAS 39	$	2,638	337	2,171
Adjustment on initial application of IFRS 9		-		
Balance on January 1, per IFRS 9		2,638		
Impairment losses recognized		422	-	130
Balance on March 31	$	3,060	337	2,301

(f) Inventories

		December 31, 2018	December 31, 2017
Software	$	43,299	63,324
Hardware		1,634	2,075
	$	44,933	65,399

The Company recognized the following items as cost of goods sold:

		2018	2017
Losses and (gains) on obsolete inventories and inventory valuation	$	(2,649)	6,840
Loss on disposal of inventories		5,045	10,580
Total	$	2,396	17,420

As of December 31, 2018 and 2017, the Company did not provide any of the aforementioned inventories as collateral.

(g) Investments accounted for using equity method

The Company’ s investments accounted for using the equity method at the reporting dates comprise:

		December 31, 2018	December 31, 2017
Subsidiaries	$	128,147	123,570

Please refer to the Company’ s consolidated financial statements for the year ended December 31, 2018, for details of subsidiaries.

(h) Property, plant and equipment

		Land	Buildings	Computers	Office equipment	Total
Cost:						
Balance on January 1, 2018	$	10,260	6,175	14,290	2,986	33,711
Additions		-	-	4,897	226	5,123
Disposals		-	-	(370)	(4)	(374)
Balance on December 31, 2018	$	10,260	6,175	18,817	3,208	38,460
Balance on January 1, 2017	$	10,260	6,175	12,834	2,692	31,961
Additions		-	-	1,501	301	1,802
Disposals		-	-	(45)	(7)	(52)
Balance on December 31, 2018	$	10,260	6,175	14,290	2,986	33,711
Depreciation:						
Balance on January 1, 2018	$	-	1,597	9,963	2,115	13,675
Depreciation		-	194	2,375	358	2,927
Disposals		-	-	(369)	(4)	(373)
Balance on December 31, 2018	$	-	1,791	11,969	2,469	16,229
Balance on January 1, 2017	$	-	1,402	7,699	1,777	10,878
Depreciation		-	195	2,291	345	2,831
Disposals		-	-	(27)	(7)	(34)
Balance on December 31, 2017	$	-	1,597	9,963	2,115	13,675
Carring amounts:						
Balance on December 31, 2018	$	10,260	4,384	6,848	739	22,231
Balance on January 1, 2017	$	10,260	4,578	4,327	871	20,036
Balance on December 31, 2017	$	10,260	4,773	5,135	915	21,083

As of December 31, 2018 and 2017, the Company did not provide any of the aforementioned property, plant and equipment as collateral.

(i) Operating lease

The Company leases a few offices, parking lots, cars, and employees' dorm under operating leases with a lease term between 1 and 5 years. Non-cancellable rentals payable of operating leases were as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	10,277	5,056
Between one and five years		30,998	6,726
	$	41,275	11,782

The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Some of the lease payments are increased every two years to reflect market rentals.

For the years ended December 31, 2018 and 2017, the Company recognized operating lease expenses of $13,985 and $13,006, respectively, as expenses. There is no contingent rent in any of the operating lease contracts.

(j) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value adjustment of plan assets of the Company were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	20,851	20,943
Fair value of plan assets		21,322	20,730
Net defined benefit liability (asset)	$	(471)	213

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

1) Composition of plan assets

The Company contributes 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 Bank of Taiwan labor pension reserve account balance amounted to $21,322 at the end of the reporting period. 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 in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Defined benefit obligation at January 1	$	20,943	25,173
Current service costs and interest expense		481	561
Remeasurement of net defined liability expense －Actuarial gain (loss) arising from experience adjustments		1,349	(1,931)
Benefits paid		(1,922)	(2,860)
Defined benefit obligation at December 31	$	20,851	20,943

3) Movements in the fair value of plan assets

The movements in the fair value of plan assets for the Company for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Fair value of plan assets at January 1	$	20,730	21,654
Contributions paid by the employer		1,659	1,730
Interest income		373	399
Remeasurement of net defined asset			
－Return on plan assets (excluding interest income)		482	(193)
Benefits paid		(1,922)	(2,860)
Fair value of plan assets at December 31	**$**	**21,322**	**20,730**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Current service costs	$	123	121
Net interest of net liability (asset) for defined benefit		(15)	41
	$	**108**	**162**
Selling expenses	$	88	136
Administrative expenses		14	19
Research and development expenses		6	7
	$	**108**	**162**

5) Remeasurement of the net defined benefit liabilities (asset) recognized in other comprehensive income

As of December 31, 2018 and 2017, the Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

		2018	2017
Cumulated amount at January 1	$	(6,496)	(4,758)
Recognized (reversed) during the period		867	(1,738)
Cumulated amount at December 31	**$**	**(5,629)**	**(6,496)**

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2018	2017
Discount rate	1.75 %	1.75 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date was $2,167.

The weighted average duration of the defined benefit plans is $6.9 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2018 and 2017, would have been as follows:

	Influence of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
Discount rate:		
December 31, 2018	$ (620)	649
December 31, 2017	$ (643)	675

	Influence of defined benefit obligations	
	Increased 1%	**Decreased 1%**
Future salary increase rate:		
December 31, 2018	$ 2,550	(2,184)
December 31, 2017	$ 2,662	(2,270)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounted to $5,436 and $5,738 for the years ended December 31, 2018 and 2017, respectively.

(k) Income taxes

According to the amendments to the “Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

(i) Income tax expense

The components of income tax expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax expense	$ 15,363	11,219
Deferred tax expense (benefit)	3,034	(3,642)
Inocme tax expense	$ 18,397	7,577

(ii) The amounts of income tax benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Exchange differences on translation operations’ financial statements	$ (799)	(249)

(iii) Reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Profit before income tax	$ 92,642	33,330
Income tax using the Company’s domestic tax rate	18,528	5,666
Adjustment in income tax rate	(541)	-
10% surtax on unappropriated earnings	181	1,626
Other	229	285
	$ 18,397	7,577

(iv) Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities. Change in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

	Investment income of subsidiaries recognized under the equity method	Unrealized foreign exchange gains	Defined benefit obligations	Total
Deferred tax liabilities:				
Balance on January 1, 2018	$ -	-	692	692
Recognized in profit or loss	1,138	10	433	1,581
Recognized in profit or loss	-	-	-	-
Balance on December 31, 2018	$ 1,138	10	1,125	2,273
Balance on January 1, 2017	$ 1,616	21	426	2,063
Recognized in profit or loss	(1,616)	(21)	266	(1,371)
Balance on December 31, 2017	$ -	-	692	692

	Investment income of subsidiaries recognized under the equity method	Share of other comprehensive income of subsidiaries recognized under the equity method	Unrealized foreign exchange losses	Loss on inventory valuation and obsolete inventories	Bad debt in excess of tax limit	Others	Total
Deferred tax assets:							
Balance on January 1, 2018	$ (309)	(1,206)	(20)	(1,492)	(315)	(1,622)	(4,964)
Recognized in profit or loss	309	-	20	266	40	818	1,453
Recognized in other comprehensive income	-	(799)	-	-	-	-	(799)
Balance on December 31, 2018	$ -	(2,005)	-	(1,226)	(275)	(804)	(4,310)
Balance on January 1, 2017	$ -	(957)	-	(329)	(308)	(850)	(2,444)
Recognized in profit or loss	(309)	-	(20)	(1,163)	(7)	(772)	(2,271)
Recognized in other comprehensive income	-	(249)	-	-	-	-	(249)
Balance on December 31, 2017	$ (309)	(1,206)	(20)	(1,492)	(315)	(1,622)	(4,964)

(v) The Company’ s income tax returns have been examined by the tax authority through the years up to 2016.

(l) Capital and other equity

(i) Capital

As of December 31, 2018 and 2017, the number of authorized ordinary shares both were 20,000 thousand shares with par value of $10 (dollars) per share and amounted to $200,000. As of the dates, 17,097 thousand shares of ordinary shares were issued and all issued ordinary shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 68,176	68,176
Employee stock options	637	637
	$ 68,813	68,813

According to the amendment of ROC Company Act in January 2012, capital surplus can only be used to offset an accumulated deficit, and then the realized capital surplus can be distributed as stock dividends or cash dividends according to the stockholders' original percentage of ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium upon the issuance of capital stock and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the increase in capital by transferring the paid-in capital in excess of the par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the articles of the Corporation, when allocating the earnings for each year, the Corporation shall first pay income taxes, and offset its prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve has equaled the total capital of the Corporation; then set aside a special reserve in accordance with the relevant laws when necessary. The balance of the earnings shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals and the resolution at the stockholders' meeting.

The Company shall consider the demand for expanding the scale of corporation, cash-flow, retained earnings, flexibility of business operation, and strength of competition to distribute dividend. The dividend distributed by directors' meeting shall not be less than 20% of the net amount of the annual profit after deducting the reserve retained in accordance with the laws while cash dividend shall not be less than 10% of the distributed dividend. The rate of cash dividend could be adjusted by the stockholders' meeting in accordance with the actual profit in the year and demand of cash-flow in the future.

1) Legal reserve

According to the amendment of ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a stockholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash to shareholders, and only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve
In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the 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 current-period total net reduction of other stockholders' 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 the 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) Earnings distribution
On June 15, 2018, and June 26, 2017, the stockholders' meeting resolved the distribution of earnings for 2017 and 2016, respectively. The distribution was $1.28 (dollars) and $3 (dollars) per share, which amounted to $21,884 and $51,291, respectively. Information can be accessed in the Market Observation Post System website.

(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, based on the profit and the weighted-average number of ordinary shares outstanding was as follows:

	2018	2017
Profit attributable to owners of parent	$ 74,245	25,753

	2018	2017
Weighted average number of ordinary shares (thousand shares)	17,097	17,097

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2018 and 2017, based on the profit and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares was as follows:

	2018	2017
Profit attributable to owners of parent (diluted)	$ 74,245	25,753

	2018	2017
Weighted average number of ordinary shares (basic) (thousand shares)	17,097	17,097
Effect of employee remuneration	116	60
Weighted average number of ordinary shares (diluted) (thousand shares)	17,213	17,157

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographical markets:		
Taiwan	$	824,099
Major products:		
3D CAD	$	466,938
Subscription contracts		141,693
Service		77,043
3D Animation		32,796
CAD		9,000
Other		96,629
	$	824,099

For details on revenue in the year ended December 31, 2017, please refer to note 6(o).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Notes and accounts receivable (including long-term)	$	256,967	168,052
Less: allowance for impairment		(3,060)	(2,638)
Total	$	253,907	165,414

For details on notes, accounts receivable (including long-term) and allowance for impairment, please refer to note 6(e).

(o) Operating revenue

The details of operating revenue was as follows:

		2017
Sale of goods	$	502,797
Services		75,691
Total	$	578,488

For details on revenue in the year ended December 31, 2018, please refer to note 6(n).

(p) Employee directors' and supervisors' remuneration

Based on the Company's articles of incorporation, more than 5% of annual profit should be appropriated as employee remuneration. The board of directors will adopt a resolution on whether the distribution is paid in cash or stock. Qualified employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive their remuneration specified by the board of directors. The annual profit aforementioned may also be appropriated as directors' and supervisors' remuneration through the board's resolution, wherein the amount should not exceed 3% of annual profit. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits.

For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $4,954 and $1,782, and directors' and supervisors' remuneration amounting to $1,486 and $535, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2018 and 2017. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2018 and 2017.

(q) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Foreign exchange gains	$	377	925
Other		(681)	540
	$	**(304)**	**1,465**

(r) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2018 and 2017, the maximum amount exposed to credit risk amounted to $537,437 and $399,529, respectively.

2) Concentration of credit risk

Since the Company has a lot of customers, it does not trade with single customer and market areas are diversified. The Company periodically evaluates these customers' financial position and the possibility of recovery of notes and accounts receivable to lower credit risk, collaterals will be requested from the customers if necessary.

3) For credit risk exposure of notes and accounts receivable (including long-term), please refer to note 6(e).

4) The exposure to credit risk for the financial assets at amortized cost, which were recognized in held-to-maturity financial assets as of December 31, 2017, are measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	Within 6 months
December 31, 2018				
Accounts payable	$	96,891	96,891	96,891
Other financial liabilities		9,670	9,670	9,670
	$	106,561	106,561	106,561
December 31, 2017				
Accounts payable	$	49,340	49,340	49,340
Other financial liabilities		9,300	9,300	9,300
	$	58,640	58,640	58,640

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 foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

		December 31, 2018			December 31, 2017		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items-USD	$	248	30.73	7,608	458	29.84	13,675
Financial liabilities							
Monetary items-USD		17	30.73	525	11	29.84	333

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 and accounts payable that are denominated in foreign currency. A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2018 and 2017, would have increased or decreased the profit after tax by $283 and $554 for the years ended December 31, 2018 and 2017, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Company's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), TWD, was as follows:

	2018		2017	
Functional currencies	**Foreign exchange gain or loss**	**Average exchange rate**	**Foreign exchange gain or loss**	**Average exchange rate**
TWD	$ 377	1	925	1

(iv) Interest rate analysis

The Company's financial assets with floating-rate were bank deposits and there were no financial liabilities with floating-rate. The Company believes that the cash flow risk arising from the fluctuation in interest rates was not significant and the sensitivity analysis of interest rate was not required.

(v) Fair value

Kinds of financial instruments and fair value

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Carrying amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost:					
Financial bond	$ 10,000				
Cash and cash equivalents	267,989				
Notes and accounts receivable (including long-term)	253,907				
Other receivables	5,041				
Other non-current assets	500				
Total	$ 537,437				

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost:					
Accounts payable	$ 96,891				
Salaries payable, accrued expenses payable and other payables	66,607				
Total	$ 163,498				

	December 31, 2017				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Financial assets held to maturity	$ 10,000				
Loans and receivables					
Cash and cash equivalents	$ 223,615				
Notes and accounts receivable (including long-term)	165,414				
Other non-current assets	500				
Total	$ 389,529				
Financial liabilities measured at amortized cost:					
Accounts payable	$ 49,340				
Salaries payable, accrued expenses payable and other payables	41,147				
Total	$ 90,487				

(s) Financial risk management

(i) Overview

The Company has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The financial management department of the Company provides services for each business, including helping businesses to operate in the domestic and international financial markets, and supervising and managing the financial risks of the Company related to the operation by analyzing the internal risk report in accordance with the degree and extent of risk. Internal auditors continue to review policy compliance and risk limits.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's cash and cash equivalents; receivables; and bonds.

1) Notes, accounts and other receivables

The Company has established a credit policy and is required to transact with corporations having high credit ratings. The Company uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Company constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the 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 is to ensure, as far as possible, that it always has 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.

(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 bank desposites that are denominated in a currency other than the respective functional currencies of the Company's entities. The bank desposites are denominated in USD. The Company believes the cash flow risk arising from the fluctuation in exchange rates is not significant.

2) Interest rate risk

The Company's main assets with a floating interest rate basis are bank deposits. The Company believes that cash flow risk arising from the fluctuation in interest rates is not significant.

(t) Capital Management

The Company's capital management policy is to maintain a strong capital base and appropriate debt ratio so as to maintain investor, creditor, and market confidence to sustain the future development of the business.

As of December 31, 2018 and 2017, the debt ratios were 23% and 15%, respectively. There were no changes in the Company's approach to capital management as of December 31, 2018.

(7) Related-party transactions:

(a) Names and relationship of the related parties

The followings is relatied party that has had transactions with the Company during the periods covered in the parent company only financial statements.

Name	Relationship
Otsuka Information Technology Ltd. (Otsuka Information)	A subsidiary
Otsuka Software Trading (Dongguan) Ltd. (Otsuka Dongguan)	A subsidiary
Otsuka Otsuka Software (Suzhou) Ltd. (Otsuka Suzhou)	A subsidiary
Otsuka OITC Information Technology (Shanghai) Ltd. (OITC)	A subsidiary

(b) Significant transactions with related parties

(i) Sales

The amounts of sales by the Company to related parties and the outstanding balances were as follows:

	Sales		Accounts receivable	
	2018	2017	December 31, 2018	December 31, 2017
Other related parties	$ -	332	-	-

The credit terms with related parties were 30 days in 2017. There were no significant differences in the trading terms between related parties and other customers.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short term employee benefits	$ -	-
Termination benefits	10,038	8,459
Post employment benefits	138	137
Other long term benefits	-	-
Share based payments	-	-
	-	-
	$ 10,176	8,596

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other non-current assets－restricted deposit	line of corporate credit card	$ 500	500

(9) Commitments and contingencies:

Guarantee notes provided as part of agreements and line of forward exchange were as follows:

	December 31, 2018	December 31, 2017
Guaranteed notes	$ 19,628	20,260

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	2018 Cost of Sale	2018 Operating Expense	2018 Total	2017 Cost of Sale	2017 Operating Expense	2017 Total
Employee benefits						
Salary	－	138,782	138,782	－	117,410	117,410
Labor and health insurance	－	10,161	10,161	－	10,541	10,541
Pension	－	5,544	5,544	－	5,900	5,900
Remuneration of directors	－	2,699	2,699	－	2,108	2,108
Others	－	5,796	5,796	－	5,601	5,601
Depreciation	－	2,927	2,927	－	2,831	2,831
Amortization	－	2,493	2,493	－	1,744	1,744

The number of the Company’s employees for the years ended December 31, 2018 and 2017, was 139 and 145, respectively. In addition, the number of the Company’s directors who were non-adjunct employees were both 5.

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant financing transactions required to be disclosed by the Regulations for the Company:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	Ostuska Software Trading (Dongguan) Ltd.	Otsuka Software (Suzhou) Ltd.	Other receivables	Y	23,435	22,360	-	-	Necessary to short-term loans to other parties	-	Operating capital	-	N	-	47,804	68,292
1	〃	Otsuka Information Technology (Shanghai) Ltd.	〃	〃	23,435	22,360	-	-	〃	-	〃	-	〃	-	47,804	68,292
2	Otsuka Software (Suzhou) Ltd.	Otsuka Information Technology (Shanghai) Ltd.	〃	〃	21,092	20,124	20,124	1.75%	〃	-	〃	-	〃	-	22,574	32,248

Note1: The ending balance is the amount of loans to other parties were authorized by the board of directors.

Note2: When the subsidiaries need to loan to other parties, the amount for loans to a company shall not exceed 70% of its net worth and the total amount for loans to all companies shall not exceed its net worth.

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Company holding securities	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Financial Bond: FY2014 1st subordinated bond of Bank of Panhsin		Financial assets measured at amortized cost-non-current	-	10,000	- %	10,000	

(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:None

(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$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of wnership	Carrying value			
The company	Otsuka Information Technology Ltd.	Hong Kong	Holding company	129,517	129,517	32,760	100.00%	128,147	7,507	7,507	

(c) Information on investment in China:

(i) The names of investees in China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Ostuska Software Trading (Dongguan) Ltd.	Software merchandising	49,168 (US$1,600 thousand)	Investing in China through the company incorporated in the third country	49,168 (US$1,600 thousand)	-	-	49,168 (US$1,600 thousand)	8,155	100.00%	8,155	68,292	-
Otsuka Software (Suzhou) Ltd.	Software merchandising	49,168 (US$1,600 thousand)	Investing in China through the company incorporated in the third country	49,168 (US$1,600 thousand)	-	-	49,168 (US$1,600 thousand)	(238)	100.00%	(238)	32,248	-
Otsuka Information Technology (Shanghai) Ltd.	Software merchandising	30,730 (US$1,000 thousand)	Investing in China through the company incorporated in the third country	30,730 (US$1,000 thousand)	-	-	30,730 (US$1,000 thousand)	(410)	100.00%	(410)	27,599	-

(ii) Limitation on investment in China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
129,066 (USD4,200 thousand)	129,066 (USD4,200 thousand)	347,714

Note: The TWD amount was measured on December 31, 2018 with the spot exchange rate of 30.73.

The above investment income (losses) were based on the financial statements audited by the Company’s auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in China are disclosed in “Information on significant transactions”.

(14) Segment information:

Please refer to the Company’s consolidated financial statements for the year ended December 31, 2018, for details.

Otsuka Information Technology Corp.

Chairman Tsurumi Hironobu