HITRON TECHNOLOGIES INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hitron Technologies Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Hitron Technologies Inc. and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hitron Technologies Inc. and its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as 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 Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Hitron Technologies Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China , and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Company's consolidated financial statements of the current period are stated as follows:

Revenue recognition

Please refer to Note 4(22) to the consolidated financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. and its subsidiaries mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

Valuation for Inventories

Please refer to Note 4(13) to the consolidated financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or servies influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.

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Provisions

Please refer to Note 4(18) to the consolidated financial statements about accounting policy of provisions, Note 5(3) about key sources of estimation and assumptions of uncertainty for provisions.

Hitron Technologies Inc. and its subsidiaries estimates the possible maintenance costs and accrues provisions of the product warranty based on past technical experience and contractual conditions. Considering the uncertainty in estimation, the accrual of warranty provisions has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Understood the evaluation process of provision performed by the management.
2. Evaluate the appropriateness of procedures used and the rationality of estimates in assessing provisions.
3. Sampled warranties not expired and evaluated if there were significant unexpected liabilities.
4. Reviewed the settlements of expired warranties and the relevant authorization and supporting documents.

Other Matter

We did not audit the financial statements of the Hitron Technologies Europe Holding B.V. Thus, the amounts and information of the subsidiary shown within are based solely on the reports of other auditors. Total assets of the subsidiary were NT$112,828 thousand and NT$158,658 thousand, constituting 1.14% and 1.59% of the consolidated total assets as of December 31, 2019 and 2018 respectively. Total operating revenues of the subsidiary were NT$204,598 thousand and NT$221,178 thousand, constituting 1.98% and 2.20% of the consolidated operating revenues for December 31, 2019 and 2018 respectively.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Hitron Technologies Inc. as of and for the years ended December 31, 2019 and 2018.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed 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 ability of Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc. and its subsidiaries.

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 ROC GAAS 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 ROC GAAS, 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 internal control of Hitron Technologies Inc. and its subsidiaries.
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 Hitron Technologies Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ke-Yi Liu and Kun-His Hsu.

BDO Taiwan

BDO TAIWAN

March 16, 2020

Notice to Readers

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

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

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

UNIT：NTD (In Thousands)

Assets	Notes	December 31,2019		December 31,2018	%
Current assets					
Cash and cash equivalents	6.1	$4,607,008	46.46	$2,241,177	22.50
Financial assets at fair value through profit or loss - current	6.2	92,866	0.94	107,950	1.08
Financial assets at amortized cost- current	6.3	30,000	0.30	30,000	0.30
Notes receivable, net	6.5	46,055	0.46	52,311	0.53
Accounts receivable, net	6.5	1,284,572	12.96	1,973,494	19.81
Other receivables		58,181	0.59	337,858	3.39
Income tax assets		5,648	0.06	18,098	0.18
Inventories	6.6	1,767,865	17.83	3,310,356	33.23
Prepayments		357,500	3.61	585,753	5.88
Other current assets		5,919	0.05	5,317	0.06
Sub-total		8,255,614	83.26	8,662,314	86.96
Non-current assets					
Financial assets at fair value through other comprehensive income	6.4	21,245	0.21	16,667	0.17
Property, plant and equipment	6.7	1,108,216	11.18	959,324	9.63
Right of use assets	6.8	219,340	2.21	-	-
Intangible assets		50,916	0.51	83,464	0.84
Deferred income tax assets	6.23	78,917	0.80	57,422	0.58
Other non-current assets		180,948	1.83	181,938	1.82
Sub-total		1,659,582	16.74	1,298,815	13.04
Total assets		$9,915,196	100.00	$9,961,129	100.00

Liabilities & Equity	Notes	December 31,2019		December 31,2018	%
Current liabilities					
Short-term borrowings	6.9	$952,701	9.61	$1,644,650	16.51
Contract liabilities- current	6.19	463,355	4.67	414,677	4.16
Notes payable		237	-	1,813	0.02
Accounts payable		1,269,489	12.80	2,928,456	29.40
Other Payables	6.11	458,922	4.63	481,126	4.83
Income tax payable		62,654	0.63	38,487	0.39
Provisions- current	6.10	189,104	1.91	184,774	1.85
Lease liabilities- current	6.8	42,474	0.43	-	-
Other current liabilities	6.12	134,758	1.36	190,612	1.92
Sub-total		3,573,694	36.04	5,884,595	59.08
Non-current liabilities					
Financial liabilities at fair value through profit or loss		1,560	0.02	-	-
Bonds payable	6.13	571,047	5.76	-	-
Long-term borrowings	6.14	150,000	1.51	122,800	1.23
Provisions - non-current	6.10	41,703	0.42	61,469	0.62
Deferred Income tax liabilities	6.23	7,070	0.07	8,867	0.09
Lease liabilities- non current	6.8	26,152	0.27	-	-
Other non-current liabilities		418	0.01	2,429	0.02
Sub-total		797,950	8.06	195,565	1.96
Total liabilities		4,371,644	44.10	6,080,160	61.04
Equity					
Equity attributable to owners of parent					
Share capital	6.16				
Common stock		3,289,862	33.18	2,242,940	22.52
Share capital collected in advance		-	-	165	-
Capital surplus	6.17	1,401,968	14.14	729,418	7.32
Retained earnings	6.18				
Legal reserve		226,069	2.28	206,873	2.08
Special reserve		56,615	0.57	42,626	0.43
Unappropriated retained earnings		223,073	2.25	192,739	1.93
Other equity interest		(89,974)	(0.91)	(56,615)	(0.57)
Treasury stock	6.16	(160,442)	(1.62)	-	-
Total equity attributable to owners of the parent		4,947,171	49.89	3,358,146	33.71
Non-controlling interests		596,381	6.01	522,823	5.25
Total equity		5,543,552	55.90	3,880,969	38.96
Total liabilities and equity		$9,915,196	100.00	$9,961,129	100.00

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018

UNIT：NTD (In Thousands)

Item	Notes	2019	%	2018	%
Operating revenue	6.19	$10,325,500	100.00	$10,057,776	100.00
Operating costs	6.6	(8,240,735)	(79.81)	(8,210,403)	(81.63)
Gross profit(loss)		2,084,765	20.19	1,847,373	18.37
Net gross profit (loss)		2,084,765	20.19	1,847,373	18.37
Operating expenses					
Selling expenses		(620,259)	(6.01)	(589,241)	(5.86)
General and administrative expenses		(589,416)	(5.71)	(536,839)	(5.34)
Research and development expenses		(396,516)	(3.84)	(357,314)	(3.55)
Expected credit losses (gains)		1,978	0.02	(1,716)	(0.02)
Sub-total		(1,604,213)	(15.54)	(1,485,110)	(14.77)
Net operating income		480,552	4.65	362,263	3.60
Non-operating income and expense					
Other income		24,807	0.24	49,054	0.49
Other gains and losses	6.20	(24,996)	(0.24)	17,619	0.18
Financial costs		(74,125)	(0.72)	(60,304)	(0.60)
Sub-total		(74,314)	(0.72)	6,369	0.07
Profit before income tax		406,238	3.93	368,632	3.67
Income tax	6.23	(55,895)	(0.54)	(72,697)	(0.73)
Net profit for the period from continuing operations		350,343	3.39	295,935	2.94
Net profit		350,343	3.39	295,935	2.94
Other comprehensive income(loss)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans		258	-	916	0.01
Unrealized gain or losses on investments in equity instruments		4,737	0.05	(1,182)	(0.01)
Income tax related to items that will not be reclassified subsequently		3,353	0.03	(212)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(38,868)	(0.38)	(12,981)	(0.13)
Other comprehensive income(loss) for the period, net of income tax		(30,520)	(0.30)	(13,459)	(0.13)
Total comprehensive income for the year		319,823	3.09	282,476	2.81
Profit attributable to ：					
Owners of parent		219,959	2.13	191,960	1.91
Non-controlling interests		130,384	1.26	103,975	1.03
Total		350,343	3.39	295,935	2.94
Total comprehensive income attributable to：					
Owners of parent		189,715	1.84	178,750	1.78
Non-controlling interests		130,108	1.25	103,726	1.03
Total		$319,823	3.09	$282,476	2.81
Earnings per share	6.24				
Basic earnings per share		$0.98		$0.81	
Diluted earnings per share		$0.97		$0.79	

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018

UNIT：NTD (In Thousands)

Summary	Stockholders' equity of Parent Company												
	Stock			Retained Earnings			Equity Adjustments						
	Common Stock	Share capital collected in advance	Capital surplus	Legal Reserve	Special Reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on investments in equity instruments at fair value through other comprehensive income	Unrealized gain or loss on available-for－sale financial assets	Treasury Stock	Subtotal	Non-controllong interests	Total equity
Balance on January 1, 2018	$2,297,357	$117,500	$687,987	$174,139	$25,386	$338,155	$(43,971)	$-	$1,345	$-	$3,597,898	$545,549	$4,143,447
Effect of retrospective application	-	-	-	-	-	-	-	1,345	(1,345)	-	-	-	-
Adjusted balance balance on January 1, 2018	2,297,357	117,500	687,987	174,139	25,386	338,155	(43,971)	1,345	-	-	3,597,898	545,549	4,143,447
Appropriation and distribution of retained earnings 2017								-					
Legal reserve	-	-	-	32,734	-	(32,734)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	17,240	(17,240)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(288,182)	-	-	-	-	(288,182)	-	(288,182)
Cash dividends from capital surplus	-	-	(15,610)	-	-	-	-	-	-	-	(15,610)	-	(15,610)
Other	-	-	73	-	-	-	-	-	-	-	73		73
Profit for the Year 2018	-	-	-	-	-	191,960	-	-	-	-	191,960	103,975	295,935
Other comprehensive income for the year 2018	-	-	-	-	-	780	(12,807)	(1,182)	-	-	(13,209)	(250)	(13,459)
Capital reduction by cash	(241,485)	-	-	-	-	-	-	-	-	-	(241,485)		(241,485)
Bonds payable converted into common stock and capital surplus	187,068	(117,335)	56,968	-	-	-	-	-	-	-	126,701	-	126,701
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(126,451)	(126,451)
Balance on January 1, 2019	$2,242,940	$165	$729,418	$206,873	$42,626	$192,739	$(56,778)	$163	$-	$-	$3,358,146	$522,823	$3,880,969
Appropriation and distribution of retained earnings 2018													
Legal reserve	-	-	-	19,196	-	(19,196)	-	-	-		-	-	-
Special reserve	-	-	-	-	13,989	(13,989)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(159,554)	-	-	-	-	(159,554)	-	(159,554)
Change in capital reserve of invested companies	-	-	10,814	-	-	-	-	-	-	-	10,814	-	10,814
Cash dividends from capital surplus	-	-	(20,494)	-	-	-	-	-	-	-	(20,494)	-	(20,494)
Profit for the Year 2019	-	-	-	-	-	219,959	-	-	-	-	219,959	130,384	350,343
Other comprehensive income for the year 2019	-	-	-	-	-	3,611	(38,592)	4,737	-	-	(30,244)	(276)	(30,520)
Issuance of common stock for cash/Subscribed Stock	1,000,000	-	611,000	-	-	-	-	-	-	-	1,611,000	-	1,611,000
Bonds payable converted into common stock and capital surplus	46,922	(165)	38,210	-	-	-	-	-	-	-	84,967	-	84,967
Increase in treasury stock	-	-	-	-	-	-	-	-	-	(160,442)	(160,442)	-	(160,442)
Difference between par value and share price of subsidiaries stocks acquired or disposed			33,020	-	-	-	-	-	-	-	33,020	-	33,020
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(56,550)	(56,550)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(497)	-	497	-	-	-	-	-
Rounding	-	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Balance on December 31, 2019	$3,289,862	$-	$1,401,968	$226,069	$56,615	$223,073	$(95,371)	$5,397	$-	$(160,442)	$4,947,171	$596,381	$5,543,552

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

UNIT：NTD (In Thousands)

Items	2019	2018
Cash flows from operating activities		
Profit before income tax	$406,238	$368,632
Consolidated profit and loss before income tax	406,238	368,632
Adjusted items:		
Income and expenses having no effect on cash flows		
Depreciation	223,278	166,963
Amortization	33,366	26,472
Loss(gain) on expected credit	(1,978)	1,716
Net gains (losses) on financial assets (liabilities) at fair value through profit or loss	(12,322)	21,043
Interest expense	74,125	60,304
Interest income	(6,217)	(8,123)
Dividend income	(5,126)	(6,445)
Loss(gain) on disposal and obsoleteness of property, plant and equipment	196	(585)
Loss(gain) on disposal of investments	(2,038)	(917)
Loss(gain) on disposal of investments accounted for using equity method	-	1,631
Loss(gain) on liquidate	(16)	-
Changes in current assets and liabilities related to operating activities		
(Increase)decrease in held-for-trading financial assets	-	(8,137)
(Increase)decrease in notes receivable	6,255	(26,782)
(Increase)decrease in accounts receivable	690,901	(852,202)
(Increase)decrease in other receivables	279,908	(296,475)
(Increase)decrease in inventories	1,542,214	(1,865,959)
(Increase)decrease in prepaid expenses	(1,451)	(19,747)
(Increase)decrease in prepayments	228,262	(260,170)
(Increase)decrease in other current assets	(603)	5,848
Increase(decrease) in contract liabilities	48,678	267,116
Increase(decrease) in notes payable	(1,576)	(64)
Increase(decrease) in accounts payable	(1,658,966)	1,720,087
Increase(decrease) in other payables	(24,902)	(42,697)
Increase(decrease) in provisions	(15,436)	(93,905)
Increase(decrease) in advanced receipts	-	(2,567)
Increase(decrease) in other current liabilities	2,680	2,098
Increase(decrease) in net defined benefit liabilities	258	(31,339)
Interest received	5,987	8,680
Dividends received	5,126	6,445
Interest paid	(77,669)	(50,732)
Income taxes refund (paid)	(39,217)	(55,476)
Net cash generated from (used in) operating activities	1,699,955	(965,287)
Cash flows from investing activities		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	158	1,061
Acquisition of financial assets at fair value through profit or loss	(8,865)	-
Proceeds from disposal of financial assets at fair value through profit or loss	37,829	-
Proceeds from disposal of investments accounted for using equity method	60,300	11,167
Subsidiary liquidation of returned shares	16	-
Acquisition of property, plant and equipment	(322,316)	(52,322)
Proceeds from disposal of property, plant and equipment	132	3,019
Increase in refundable deposits	-	(12,658)
Decrease in refundable deposits	13,634	-
Acquisition of intangible assets	(18,856)	(27,641)
Acquisition of right of use assets	(130,255)	-
Increase in other financial assets	(1,000)	-
Increase in other non-current assets	(2,810)	(3,699)
Increase in prepayments for equipment	(18,934)	(18,643)
Net cash generated from (used in) investing activities	(390,967)	(99,716)
Cash flows from (used in) financing activities		
Increase in short-term borrowings	-	890,198
Decrease in short-term borrowings	(691,949)	-
Issuance of bonds payable	596,200	-
Repayments of bonds payable	(1,700)	-
Proceed from long-term borrowings	55,100	-
Decrease in long-term borrowings	-	(196,140)
Decrease in financial liabilities at fair value through profit or loss, designated upon initial recognition	-	(279)
Decrease in guarantee deposits received	(148)	152
Decrease lease liabilities	(51,227)	-
Decrease in other non-current liabilities	(688)	15,654
Cash dividends paid	(180,048)	(303,791)
Cash dividends paid proceeds from issuance of shares	1,611,000	-
Capital reduction by cash	-	(241,485)
Purchase of treasury stock	(160,442)	-
Increase(decrease) in non-controlling interests	(97,212)	(126,702)
Net cash generated from (used in) financing activities	1,078,886	37,607
Effect of exchange rate	(22,043)	(10,923)
Net increase in cash and cash equivalents	2,365,831	(1,038,319)
Cash and cash equivalents at the beginning of year	2,241,177	3,279,496
Cash and cash equivalents at the end of year	$4,607,008	$2,241,177

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Hitorn Technologies Inc. (HT) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. Main business and information of the Company and its subsidiaries (the "Company") are described in Note 4.3. Alpha Networks Inc. is the ultimate parent company of HT.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC") :

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	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
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact on the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' and 'lease liability' by $147,673 and $118,857, and decreased other non-current assets by $28,816 in January 1, 2019, respectively.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

    (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

    (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

    (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases .

    (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using incremental borrowing interest rate 2.92%.

E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$128,213
Less: Short-term leases	(2,542)
Less: Leases of low-value assets	(129)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$125,542
Incremental borrowing interest rate at the date of initial application	2.92%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$118,857

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company：

New standards, interpretations and amendments as endorsed by the FSC effective from 2020 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of Liabilities as Current or Non-Current'	January 1, 2022

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial condition and operating results.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC(the 'IFRSs').

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

(1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(2) Financial assets and financial liabilities at fair value through other comprehensive income.

(3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

4.3.1. Basis for preparation of consolidated financial statements:

(1) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by HT. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

(2) Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

(3) Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

4.3.2. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business and Products	Percentage of Ownership 2019.12.31	Percentage of Ownership 2018.12.31	Note
HT	HITRON TECHNOLOGIES (SAMOA) INC. (HT SAMOA)	International trade	100.00	100.00	
HT	WEI TECH (SAMOA) INC., LTD.(WT)	International trade	-	100.00	(1)
HT	INTERACTIVE DIGITIAL TECHNOLOGIES INC.(IDT)	Telecommunications and broadband network systems and services	45.21	47.70	(2)
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V. (HT BV)	International trade	100.00	100.00	
HT	HITRON TECHNOLOGIES AMERICAS INC.(HT US)	International trade	100.00	100.00	
HT	INNOAUTO TECHNOLOGIES INC. (INNO)	Investment and automotive electronics products	100.00	100.00	
HT	HITRON TECHNOLOGIES VIET NAM Co.Ltd (HT VN)	Manufacturing wireless and telecom products	100.00	-	(3)
HT SAMOA	HITRON TECHNOLOGIES (SIP) INC. (HT SZ)	Manufacturing wireless and telecom products	100.00	100.00	
HT SAMOA	JIETECH TRADING (SUZHOU) INC. (HT JT)	International trade	100.00	100.00	
IDT	HWA CHI TECHNOLOGIES (SHANGHAI) INC. (HWA CHI)	Technical consulting, researching, maintenance and after service of electronic and telecom products	100.00	100.00	

Note (1): The Company sold shares of WEI TECH and the share percentage down to 0% in June 2019.

Note (2): The Company sold shares of INTERACTIVE DIGITIAL TECHNOLOGIES from March 2019 to July 2019 and the share percentage down to 45.21%.

Note (3): The Company established HT Vietnam with cash of $157,775 in June 2019, and issued common stock for cash of $63,130 in July 2019,the shareholding percentage is 100%.

4.3.3. Subsidiaries not included in the consolidated financial statements: None

4.3.4. Adjustments for subsidiaries with different reporting period: None

4.3.5. Significant restrictions: None

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company:

As of December 31, 2019 and 2018, the information on non-controlling interest and respective subsidiaries is as follows:

	Non-controlling interest			
	2019.12.31	Ownership (%)	2018.12.31	Ownership (%)
Interactive Digital Technologies Inc.	$596,381	54.79	$522,823	52.30

Summarized financial information of the subsidiaries:

(1) Balance sheets

	Interactive Digital Technologies Inc.	
	2019.12.31	2018.12.31
Current assets	$2,290,966	$1,874,002
Non-current assets	405,685	389,043
Current liabilities	(986,199)	(1,199,007)
Non-current liabilities	(621,577)	(61,790)
Total net assets	$1,088,875	$1,002,248

(2) Statements of comprehensive incomes

	Interactive Digital Technologies Inc.	
	Year ended December 31, 2019	Year ended December 31, 2018
Operating revenue	$1,960,244	$1,727,270
Profit (loss) before tax	292,116	238,201
Income tax	(51,572)	(39,967)
Profit (loss) from continuing operations	240,544	198,234
Profit (loss) for the year	240,544	198,234
Total comprehensive income for the year	$240,040	$197,756

(3) Statements of cash flows

	Interactive Digital Technologies Inc.	
	Year ended December 31, 2019	Year ended December 31, 2018
Net cash generated from (used in) operating activities	$480,609	$19,419
Net cash generated from (used in) investing activities	15,614	(8,865)
Net cash generated from (used in) financing activities	409,799	(240,140)
Effect of exchange rate	(504)	(332)
Net increase(decrease) in cash and cash equivalents	950,518	(229,918)
Cash and cash equivalents at beginning of year	492,015	721,933
Cash and cash equivalents at the end of year	$1,397,533	$492,015

4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the HT and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.(attributed to non-controlling interests as appropriate.)

4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the end of the reporting period;

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.5.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the end of the reporting period;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

4.6. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

4.7. Financial assets or financial liabilities at fair value through profit or loss

(1) Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

(2) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

(3) At initial recognition, the Company measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.

(4) Dividend income is recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

4.8. Financial assets at amortized cost

4.8.1. Financial assets at amortized cost are those that meet all of the following criteria:

(1) The objective of the Company's business model is achieved by collecting contractual cash flows.

(2) The assets' contractual cash flows represent solely payments of principal and interest.

4.8.2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

4.8.3. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

4.9. Accounts receivable and Notes Receivable

4.9.1 Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

4.9.2 The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

4.10. Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company and its subsidiaries has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:

   (1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

   (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition the Company and its subsidiaries measures the financial assets at fair value plus transaction costs. The Company and its subsidiaries subsequently measures the financial assets at fair value:

   (1) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings, and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.

   (2) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from the comprehensive income to profit or loss as a reclassification adjustment.

4.11. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including accounts receivable that have a significant financing component or contract assets), at each end of the financial reporting period, the Company recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognize the impairment provision for lifetime ECLs.

4.12. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, including forward exchange contracts and cross currency swap contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

4.13. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

4.14. Property, Plant and Equipment

4.14.1 Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.14.2 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.14.3 Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If 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 must be depreciated separately.

4.14.4 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 5~50 years, useful lives for other PP&E are 1 ~ 10 years.

4.15. Leasing

Effective 2019

4.15.1 Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.15.2 Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

4.15.3 At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

Effective 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

4.16. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 1 to 5 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.17. Impairment of non-financial Assets

The Company assesses at the end of the reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

4.18. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

4.19. Employee benefits

4.19.1. Pensions

(1) 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.

Effective July 1, 2005, HT adopted the "Labor Pension Act" (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the "Labor Standards Act" HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee's monthly wages. The contributions are accounted for as current pension expense.

(2) Defined benefit plans

1. A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the "Labor Standards Act", HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.
2. Subsidiaries in the People's Republic of China participate in the pension benefit plan operated by the local governments. The benefit plan is a defined contribution plan. After making contribution to the plan, the subsidiaries are not liable to pay any pension benefits, but the local governments in PRC assume the obligations to pay instead.

4.19.2. 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 bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.19.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

4.20. Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus – treasury share transactions. Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

When treasury shares are cancelled, capital surplus and share capital are debited proportionately. If the capital surplus is insufficient to be offset, such deficiency are charged to retained earnings.

4.21. Income Tax

4.21.1. The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.

4.21.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4.21.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.22. Revenue recognition

4.22.1. The Company mainly engaged in producing and selling electronic and telecom communication products. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contact price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.

4.22.2. For certain contacts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

4.23. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

4.24. Operating segments

Operating segments are reported in a manner consistent with the internal managements reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

5.3 Provision

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive obligation) that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. In accordance with the contracts terms or commitments to customers, the Company estimates the maintenance obligations based on past technical experience. In addition, the Company periodically reviews the reasonableness of the estimates.

6 DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

	December 31,2019	December 31,2018
Cash on hand	$1,259	$1,227
Deposits in bank	3,270,749	1,793,550
Time deposit	1,335,000	446,400
Total	$4,607,008	$2,241,177

6.1.1 The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.1.2 The Company has no cash and cash equivalents pledged to others.

6.2 Financial assets at fair value through profit or loss

6.2.1 Current items:

(1)Financial assets

	December 31,2019	December 31,2018
Financial assets at fair value through profit or loss		
Listed Stocks	$92,866	$107,950
Total	$92,866	$107,950

6.2.2 The Company has no financial assets at fair value through profit or loss pledged to others.

6.3 Financial assets at amortized cost

	December 31,2019	December 31,2018
Time deposits	$30,000	$30,000

The Company and its subsidiaries have no financial assets at amortized cost pledged to others.

6.4 Financial assets at fair value through other comprehensive income, non-current

Items	December 31,2019	December 31,2018
Non-current items		
Common Stocks		
Chao Long Motor Parts Corp.	$21,245	$16,509
Yung Li Investments Inc.	-	158
Total	$21,245	$16,667

These investments in equity instruments are held for medium or long-term strategic purposes.

6.5 Notes receivable and Accounts receivable

	December 31,2019	December 31,2018
Notes receivable	$46,055	$52,311
Accounts receivable	$1,316,337	$2,009,208
Less: allowance for doubtful account	(31,765)	(35,714)
Total	$1,284,572	$1,973,494

(1) Ageing analysis of accounts receivable is as follows:

	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due over 180 days	Total
December 31,2019						
Booking value	$1,208,638	$19,804	$9,934	$-	$77,961	$1,316,337
Loss allowance	(495)	(587)	(33)	-	(30,650)	(31,765)
Amortized cost	$1,208,143	$19,217	$9,901	$-	$47,311	$1,284,572
December 31,2018						
Booking value	$1,776,522	$151,267	$3,458	$-	$77,961	$2,009,208
Loss allowance	(289)	(4,499)	(276)	-	(30,650)	(35,714)
Amortized cost	$1,776,233	$146,768	$3,182	$-	$47,311	$1,973,494

(2) Movements of the allowance for expected credit loss：

	2019	2018
Balance, beginning of year	$35,714	$34,331
Reversal of impairment loss	(3,949)	1,383
Balance, end of year	$31,765	$35,714

(3) The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

(4) The Company does not hold any collateral as guaranty of collectability.

6.6 Inventories

	December 31,2019	December 31,2018
Raw materials	$514,980	$866,268
Work in process	272,572	565,845
Finished goods	262,119	521,739
Merchandise inventories	408,807	487,350
Other inventories	372,800	971,058
Subtotal	1,831,278	3,412,260
Allowance for inventory valuation losses	(63,413)	(101,904)
Total	$1,767,865	$3,310,356

Inventory related cost and expense

	2019	2018
Cost of goods sold	$8,115,693	$8,121,125
Loss on inventory disposal	19,102	45,494
Loss on (gain on reversal of) decline in market value	(37,290)	36,205
Total cost of goods sold	8,097,505	8,202,824
Costs of service revenue	143,230	7,579
Total	$8,240,735	$8,210,403

1. The gain on reversal of decline in market value is due to the sales of obsolete inventory.

2. The Company has no inventories pledged to others.

6.7 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Others	Total
2019.1.1						
Cost	$207,450	$521,511	$579,172	$-	$315,280	$1,623,413
Accumulated depreciation and impairment	(8,984)	(198,212)	(320,473)	-	(136,420)	(664,089)
Total	$198,466	$323,299	$258,699	$-	$178,860	$959,324
2019						
As at 1.1	$198,466	$323,299	$258,699	$-	$178,860	$959,324
Additions	-	42,140	31,617	199,219	49,340	322,316
Disposals	-	-	(105)	-	(217)	(322)
Reclassification	-	328	3,049	-	7,070	10,447
Depreciation charge	-	(15,905)	(69,619)	-	(85,029)	(170,553)
Net exchange differences	-	(4,196)	(5,373)	-	(3,427)	(12,996)
As at 12.31	$198,466	$345,666	$218,268	$199,219	$146,597	$1,108,216
2019.12.31						
Cost	$207,450	$555,014	$575,252	$199,219	$298,427	$1,835,362
Accumulated depreciation and impairment	(8,984)	(209,348)	(356,984)	-	(151,830)	(727,146)
Total	$198,466	$345,666	$218,268	$199,219	$146,597	$1,108,216

	Land	Buildings	Machinery and equipment	Others	Total
2018.1.1					
Cost	$207,450	$521,062	$573,633	$353,659	$1,655,804
Accumulated depreciation and impairment	(8,984)	(182,645)	(260,804)	(126,412)	(578,845)
Total	$198,466	$338,417	$312,829	$227,247	$1,076,959
2018					
As at 1.1	$198,466	$338,417	$312,829	$227,247	$1,076,959
Additions	-	3,519	15,386	33,417	52,322
Disposals	-	-	(1,410)	(1,032)	(2,442)
Reclassification	-	477	2,925	10,033	13,435
Depreciation charge	-	(16,303)	(68,277)	(82,383)	(166,963)
Net exchange differences	-	(2,811)	(2,754)	(8,422)	(13,987)
As at 12.31	$198,466	$323,299	$258,699	$178,860	$959,324
2018.12.31					
Cost	$207,450	$521,511	$579,172	$315,280	$1,623,413
Accumulated depreciation and impairment	(8,984)	(198,212)	(320,473)	(136,420)	(664,089)
Total	$198,466	$323,299	$258,699	$178,860	$959,324

The Company have no PPE pledged as collateral.

6.8 Lease Arrangements

2019

1. The Company leases various assets including land, buildings, office equipment, transportation equipment and other equipments. Rental contracts are typically made for periods 1 to 39 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

2. Right-of-Use Asset:

	December 31,2019	2019
	Carrying amount	Depreciation charge
Land	$154,327	$4,101
Buildings	60,134	44,437
Office equipment	1,483	1,801
Transportation equipment	1,972	1,872
Other equipment	1,424	514
	$219,340	$52,725

HT VN signed land lease contract with VSIP on May 29th, 2019, with the lease term from May 2019 to December 2058, and the related right-of-use asset amounted to $126,234.

3. Lease liability

	December 31,2019		
	Future minimum lease payments	Interest	Minimum rent pay present value
Current	$44,044	$1,570	$42,474
Non-current	26,464	312	26,152
Total	$70,508	$1,882	$68,626

For the twelve-months periods ended December 31, 2019, the Company total cash outflow for lease was $51,227.

6.9 Short-term borrowings

	December 31,2019	December 31,2018
Unsecured loans	$952,701	$1,644,650
Interest rate range	1.15%~4.35%	1.20%~5.51%

6.10 Provisions

	December 31,2019	December 31,2018
Warranties - current	$189,104	$184,774
Warranties - non-current	41,703	61,469
Total	$230,807	$246,243

	2019	2018
Beginning Provisions	$246,243	340,148
New provision for the current period	136,192	154,782
Provision used in the current period	(151,354)	(251,033)
Impact of exchange rate changes	(274)	2,346
Ending Provisions	$230,807	$246,243

6.11 Other payables

	December 31,2019	December 31,2018
Accrued Salaries	$292,637	$270,704
Employee bonus payable	33,170	27,020
Directors remuneration payable	6,620	5,400
Business tax payable	22,276	30,498
Other payables	104,219	147,504
Total	$458,922	$481,126

6.12 Other current liabilities

	December 31,2019	December 31,2018
Current portion of long-term loans	$120,000	92,100
Current portion of bonds payable	-	86,433
Others	14,758	12,079
Total	$134,758	$190,612

6.13 Bonds payable

6.13.1 Outstanding secured convertible bonds issued by HT and IDT are as follows:

	December 31,2019	December 31,2018
Total of issuance of convertible bonds	$1,100,000	$500,000
Less: discount on bonds payable	(28,953)	(367)
Less: accumulated converted amount	(498,300)	(413,200)
Redemption on maturity	(1,700)	-
Current portion of bonds payable	-	(86,433)
Total	$571,047	$-

6.13.2 The HT secured convertible bonds has expired on June 15th, 2019 and total common stocks of 26,866 thousand shares were converted and NT$224,281 thousand of capital surplus were recognized.

6.13.3 With the aim of increasing working capital, improving the financial structure and reducing interest costs, the HT secured convertible bonds in 2016 was approved by Financial Supervisory Commission. Terms and conditions of the issuance are as follows:

Total issuance	NT$500,000 thousand
Issue date	June 15, 2016
The coupon rate	0%
Issue period	June 15, 2016 ~ June 15, 2019
Repayment	According to Article 5 of the terms and conditions of the issuance, the coupon rate of the convertible bonds is 0%. Unless the bond is converted by bondholder or put option is exercised according to Article 10 and 19, or the bonds are redeemed, repurchased and retired by the Company in accordance with Article 18, the Company shall redeem the bonds in cash at maturity.
Redemption at the option of the Company	1. At any time starting one month from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting one month from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than 10% of the total issuance, the Company could redeem the outstanding bonds based on par value in cash during the remaining period.
Redemption at the option of the bondholders	Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the Company to redeem; in whole or in part; the bonds at redemption price of principal amount plus a gross yield in cash.
Conversion period	Bondholders may convert bonds into the Company's common shares at any time starting one month from the issue date to the maturity date, except for the book closure date for stock dividend, the cash dividend or 15 business days prior to cash capital increase subscription.
Conversion price	The conversion price was NT$20.6 per share at issuing. The conversion price was adjusted to NT$19.9 from NT$20.6 since July 19, 2016. The conversion price was adjusted to NT$18.4 from NT$19.9 since July 17, 2017. The conversion price was adjusted to NT$17.4 from NT$18.4 since July 21, 2018. The conversion price was adjusted to NT$18.2 from NT$17.4 since August 01, 2018.

6.13.4 With the aim of operational requirements, purchase of office buildings and warehouses, the IDT first convertible bonds in 2019 was approved by Financial Supervisory Commission on 6 November 2019. Terms and conditions of the issuance are as follows:

Total issuance	NT$600,000 thousand
Issue date	November 22, 2019
The coupon rate	0%
Issue period	November 22, 2019 ~ November 22, 2022
Repayment	Except for early call and cancellation by the IDT Company or early put and conversion by bondholders in accordance with the terms and conditions set by the IDT Company, the bondholders will receive in cash at maturity of the convertible bonds.
Redemption at the option of the Company	1. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the IDT Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than NT$60,000 thousand of the total issuance, if the outstanding balance of the bonds is less than NT$60,000 thousand the IDT Company may repurchase the outstanding bonds at par in cash.
Redemption at the option of the bondholders	Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the IDT to redeem the bonds at redemption price of par value plus interest compensation in cash. The interest compensation for the 2 years from the date of issuance is 0.5%.
Conversion period	Bondholders may convert bonds into the IDT Company’s common shares at any time starting three months from the issue date to the maturity date.
Conversion price	The conversion price was NT$78.5 per share at issuing.

6.14 Long-term borrowings

Bank	Borrowing period and repayment term	December 31,2019	December 31,2018
First Bank	From 2017.12.22 to 2020.12.22, circulation	$120,000	$122,800
Shin Kong Bank	From 2016.08.23 to 2019.06.22, circulation	-	92,100
First Bank (Syndication)	From 2019.07.17 to 2024.10.07, circulation	150,000	-
	Subtotal	270,000	214,900
	Less: current portion	(120,000)	(92,100)
	Total	$150,000	$122,800
	Interest rate range	1.80%~2.89%	3.27%~3.67%

The Company took a syndicated loan in the amount of NTD 2.2 billion from First Commercial Bank and other banks to fulfill working capital and to support Hitron Tehnologies Vietnam’s plan to set up plants. According to the loan agreement, during the loan term, the Company shall maintain its current ratio, leverage ratio, interest coverage ratio, and tangible net worth semiannually and annually.

6.15 Pensions

6.15.1 Defined Contribution plans

HT、IDT and INNO have defined contribution pension plans set up according to Labor Pension Act. 6% of employees’ monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of $27,234 thousand and $25,858 thousand are recognized for the year 2019 and 2018, respectively.

6.15.2 Defined benefit plans

(1) HT and IDT have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT and IDT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan were $3,246 thousand and $3,052 thousand as of December 31, 2019 and 2018 respectively. IDT had settled these employees' seniority in November, 2018, revoked the Supervisory Committee of Workers' Retirement Reserve Fund and closed the account.

(2) The amounts recognized in the balance sheet are as follows:

	December 31,2019	December 31,2018
Present value of defined benefit obligations	$(2,376)	$(2,146)
Fair value of plan assets	3,246	3,053
Net defined benefit liability	$870	$907

(3) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2019			
Balance at January1	$(2,146)	$3,053	$907
Current service cost	(325)	-	(325)
Interest (expense) income	(26)	38	12
	(2,497)	3,091	594
Remeasurements:			
Return on plan assets	-	136	136
Change in financial assumptions	(181)	-	(181)
Change in demographic assumptions	(9)	-	(9)
Experience adjustments	311	-	311
	(2,376)	3,227	851
Contributions from employer	-	19	19
Balance at December 31	$(2,376)	$3,246	$870

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2018			
Balance at January1	$(47,107)	$24,864	$(22,243)
Current service cost	(679)	-	(679)
Interest (expense) income	(424)	207	(217)
	(48,210)	25,071	(23,139)
Remeasurements:			
Return on plan assets	-	646	646
Change in financial assumptions	128	-	128
Change in demographic assumptions	(17)	-	(17)
Experience adjustments	305	-	305
Effect amount of plan settle	32,992	(25,551)	7,441
Benefits paid from plan assets	12,656	(3,974)	8,682
	(2,146)	(3,808)	(5,954)
Contributions from employer	-	6,861	6,861
Balance at December 31	$(2,146)	$3,053	$907

(4) A. The Bank of Taiwan is commissioned to manage the fund assets of HT and IDT's pension plans in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund".

B. Subsidiaries in China have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in China are required. Other than the monthly contributions, the subsidiaries have no further obligations.

(5) The principal actuarial assumptions used are as follows:

	Decmember 31,2019	Decmember 31,2018
Discount rate	0.90%	1.25%
Future salary increases rate	1.00%	1.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	$(131)	$140	$139	$(132)
December 31, 2018				
Effect on present value of defined benefit obligation	$(120)	$128	$128	$121

(6) Expected contributions to the defined benefit pension plan of HT is $0 thousand for the year ending December 31, 2020.

(7) As of December 31, 2019, the weighted average duration of the retirement plan is 22 years.

6.16 Share capital

	December 31,2019	December 31,2018
Authorized share capital	$4,000,000	$4,000,000
Capital Stock issued	$3,289,862	$2,242,940
Share capital collected in advance	-	165
Total	$3,289,862	$2,243,105

(1) As of December 31 2019, HT's authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for employee stock option plan and convertible bond convergent. Par value of common stock is $10 (in dollars) per share and each share has one voting power.

(2) On December 19, 2018, according to the resolution of the interim shareholder meeting, a capital increase plan of private issuance was approved. The board of directors approved to carry out the plan through the issuance of 100,000 thousand common shares at a issuance price of 16.11, with total value amounting 1,611,000 thousand. The effective date for the capital increase was December 17, 2019. The purpose of the plan is to expand the factory and purchase machinery and equipment. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden.

(3) To adjust the Company's capital structure and improve the return on equity, cash capital reduction of $241,485 thousand were approved by the resolution of shareholders' meeting on June 14, 2018. Amount to 24,149 thousand common shares were eliminated and the cash capital reduction rate was 10%. The capital reduction plan had been approved by the Ministry of Economy on August 1, 2018.

(4) Treasury stock

(1) The changes in treasury stocks in 2019 is as follows：

	2019			
Reason to buy back	January 01	Increase	Decrease	December 31
Transfer to employees	-	7,669	-	7,669
Total	-	7,669	-	7,669

(2) In compliance with Securities and Exchange Law of the R.O.C., treasury stock held by the parent company should not be pledged, nor should it be entitled to voting rights or receiving dividends.

6.17 Capital surplus

(1) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

(2) Capital surplus for the years of 2019 and 2018 are as follows:

	December 31,2019	December 31,2018
Additional paid-in capital	$742,718	$131,718
From convertible bonds	534,868	495,712
From disposal of subsidiaries	84,029	71,502
From share of changes in equities of subsidiaries	37,765	26,951
From employee stock options	2,461	2,461
Others	127	1,074
Total	$1,401,968	$729,418

6.18 Retained earnings

(1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

(2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT’s Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:

a. Paying income tax；

b. Offsetting previous deficit；

c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.

d. Setting aside or reversing a special reserve according to relevant regulations when necessary.

e. Any balance left over shall be allocated according to the resolution of the shareholder's meeting.

f. The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders according to Paragraph 29 of Articles of Incorporation. Cash dividends shall be at least 10% of the total distribution.

B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2019 and 2018 are available at the Market Observation Post System website.

C. For the information relating to employees bonuses and directors and supervisors remuneration, please refer to Note 6(22).

6.19 Operating revenue

(1) Revenue from contracts with customers

	2019	2018
Sales revenue	$10,047,490	$9,804,685
Service revenue	278,010	253,091
Total	$10,325,500	$10,057,776

(2) Detail information about revenue from contracts with customers are as follows:

A. Disaggregation of revenue from contracts with customers:

	2019	2018
At a point in time	$10,277,617	$10,019,560
Over time	47,883	38,216
	$10,325,500	$10,057,776

B. Contract assets and liabilities

	December 31, 2019	January 1, 2018
Contract liabilities	$463,355	$414,677

6.20 Other gains and losses

	2019	2018
Net currency exchange gain (loss)	$(38,799)	$39,554
Financial asset or liability held for trading valuation gain (loss)	12,322	(21,042)
Gain (loss) on disposal of investments	2,038	(714)
Others	(557)	(179)
Total	$(24,996)	$17,619

6.21 Expenses by nature

	2019	2018
Change in merchandise	$1,068,350	$944,145
Change in finished goods, work in process, raw materials and supplies	6,441,315	6,566,064
Service costs and other expenses	143,230	7,579
Employee benefit	1,336,603	1,306,672
Depreciation and amortization	256,644	193,435
Other expenses	598,806	677,618
Total operating costs and expense	$9,844,948	$9,695,513

6.22 Employee benefit

	2019	2018
Wages and salaries	$1,144,626	$1,114,328
Director's remuneration	35,308	35,395
Labor and health insurance	96,049	93,715
Pension	27,548	26,696
Other expenses	33,072	36,538
Total	$1,336,603	$1,306,672

1. According to HT'S Articles of Incorporation, HT shall allocate 3%-10% of annual profit as bonuses to employees and no more than 2% of annual profit as remuneration to directors and supervisors, respectively, pursuant to the resolution of the boards of directors. Employees of subsidiaries are entitled to receive employees' bonuses.

2. For the year ended December 31, 2019 and 2018 employees bonuses and directors and supervisors remuneration were accrued $29,058 thousand and $26,665 thousand, respectively. Employees' bonuses and directors and supervisors remuneration for 2018 had been approved by the shareholders meeting with no difference to the accrued amount in the consolidated financial statements ended December 31, 2018.

3. Information about employees bonuses and directors and supervisors remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.23 Income tax

(1) Income tax expense

A. Components of income tax (expense) benefit:

	2019	2018
Current tax:		
Current tax on profits for the period	$(75,834)	$(79,927)
Income tax adjustment of prior years	-	644
Additional 5% tax on unappropriated earnings	-	(403)
Foreign withholding tax (non-deductible)	-	(20)
Total current tax (expense)	(75,834)	(79,706)
Deferred income tax:		
Origination and reversal of temporary differences	19,939	7,009
Total deferred income tax (expense)	19,939	7,009
Income tax (expense)benefit	$(55,895)	$(72,697)

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2019	2018
Actuarial gains/losses on defined benefit obligations	$3,353	$(212)

(2) Reconciliation between income tax (expense) benefit and accounting profit

	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$(112,306)	$(114,088)
Effects from items disallowed by tax regulations	32,673	34,161
Effect from investment tax credit	3,799	-
Origination and reversal of temporary differences	19,939	7,009
Income tax adjustments on prior years	-	644
Additional 5% tax on unappropriated earnings	-	(403)
Foreign withholding tax (non-deductible)	-	(20)
Income tax (expense) benefit	$(55,895)	$(72,697)

(3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:			-		
- Deferred income tax assets:					
Unrealized exchange loss	$2,567	$5,827	$-	$-	$8,394
Inventory valuation losses	3,766	(161)	-	-	3,605
Unrealized gross profit from affiliates	263	12,529	-	-	12,792
Warranty pronsion	40,395	3,133	-	-	43,528
Other loss	10,000	-	-	-	10,000
Others	431	167	-	-	598
Subtotal	$57,422	$21,495	$-	$-	$78,917
- Deferred income tax liabilities:					
Unrealized exchange gain	$(4,972)	$(988)	$-	$-	$(5,960)
Defined benefit plans	(3,895)	(568)	3,353	-	(1,110)
Subtotal	$(8,867)	$(1,556)	$3,353	$-	$(7,070)
Total	$48,555	$19,939	$3,353	$-	$71,847

	2018					
	January 1	Effect from changes on tax rate	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:				-		
- Deferred income tax assets:						
Unrealized exchange loss	$2,315	$413	$(161)	$-	$-	$2,567
Doubtful account losses	275	49	(53)	-	-	271
Inventory valuation losses	3,834	677	(745)	-	-	3,766
Defined benefit pension plans	3,142	554	(3,696)	-	-	-
Unrealized gross profit from affiliates	6,330	1,117	(7,184)	-	-	263
Others	31,284	5,521	13,750	-	-	50,555
Subtotal	$47,180	$8,331	$1,911	$-	$-	$57,422
- Deferred income tax liabilities:						
Unrealized exchange gain	$(2,083)	$(373)	$(2,516)	$-	$-	$(4,972)
Defined benefit plans	(3,193)	-	(490)	(212)	-	(3,895)
Subtotal	$(5,276)	$(373)	$(3,006)	$(212)	$-	$(8,867)
Total	$41,904	$7,958	$(1,095)	$(212)	$-	$48,555

(4) Income tax returns of HT、IDT and INNO through 2017 have been assessed and approved by the Tax Authority.

(5) Unappropriated retained earnings:

	December 31,2019	December 31,2018
Earnings generated in and after 1998	$223,073	$192,739

6.24 Earnings per share

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	$219,959		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	219,959	224,976	$0.98
Assumed conversion of all dilutive potential common shares			
Employees bonuses	-	1,091	
Convertible bonds	188	1,290	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	220,147	227,357	$0.97

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	$191,960		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	191,960	236,448	$0.81
Assumed conversion of all dilutive potential common shares			
Employees bonuses	-	1,500	
Convertible bonds	859	6,666	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$192,819	244,614	$0.79

(1) Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonuses resolved will be included in the basic EPS.

(2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

	2019	2018
At January 1	224,310	241,486
Cash reduction	-	(10,062)
Buy back treasury shares	(6,980)	-
Cash replenishment	4,167	-
Convertible bonds	3,479	5,024
At December 31	224,976	236,448

(3) Please refer to Note 6.16 "Share capital" for more information of capital increasing and common shares conversion.

6.25 Non-cash transaction

Financing activities with no cash flow effects

	2019	2018
Convertible bonds being converted to capital stocks and capital surplus	$84,967	$126,701

7 RELATED-PARTY TRANSACTIONS

7.1 Significant related party transactions: None

7.2 Key management compensation

	2019	2018
Salaries and other short-term employee benefit	$78,668	$83,348

8 PLEDGED ASSETS

The assets pledged as collateral are as follows:

Assets item	Book Value	
	December 31, 2019	December 31, 2018
Non-current assets- restricted time deposits	$2,382	$1,382
Non-current assets- refundable deposits	11,993	11,195
Total	$14,375	$12,577

(1) The pledged assets are disclosed at net carrying values.

(2) The Company provided time deposits as collateral mainly for lands lease agreements. The refundable deposits was pledged as collateral for security deposit provided to the local government of overseas sales.

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

9.1. Contingencies

	December 31,2019	December 31,2018
1. Guarantee notes submitted for purchasing projects	$8,256	$6,850
2. Guarantees of constructions	$175,190	$167,073
3. Guarantees amount for duties payable to Tax Office	$3,000	$3,000
4. Unused letters of credit for purchase overseas goods	-	CNY 66,500

HT and eASPNET Taiwan Inc. ("eASPNET") entered into the "Agreement for Establishment of Kaohsiung City Wireless Common Platform" (the "Agreement"). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, brought a lawsuit against eASPNET and claimed for the contract payment of NT$86,619 thousand. And HT has obtained the favorable judgment made by Taiwan Shilling District Court dated Feb. 17, 2011, the civil judgment was decided that eASPNET has to pay HT NT$ 72,916 thousand and the interest collected based on 5% of the annual interest rate from April 12, 2008 till paying off day, the objection and application of provisional execution raised by eASPNET were rejected and eASPNET has provided NT$ 72,916 thousand as securities for purposes of being exempted from provisional execution in April. 2011. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and the Supreme Court of Appeal; the Supreme Court on Nov 18, 2013 abandoned the original judgment, back to the Taiwan High Court trial update. On March 29, 2016, Taiwan High Court declared that HT won the court case. The civil judgment was decided that eASPNET has to pay HT NT$ 71,115 thousand. However, the two sides filed an appeal; The Supreme Court on January 5, 2017 abandoned the original judgment except provisional execution, back to the Taiwan High Court trial. It is currently being tried second instance by the Taiwan High Court. It is estimated by HT that the lawsuit does not lead to immediate and significant impacts on the Company's financial and business.

9.2. Commitments: None

10 SIGNIFICANT DISASTER LOSS: None

11 SIGNIFICANT SUBSEQUENT EVENTS: None

12 OTHERS

12.1. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

12.2. Financial instruments

(1) Fair value information of financial instruments

	December 31,2019	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	4,607,008	4,607,008
Financial assets at fair value through profit or loss-current	92,866	92,866
Financial assets at amortized cost	30,000	30,000
Financial assets at fair value through other comprehensive income	21,245	21,245
Notes receivable	46,055	46,055
Accounts receivable	1,284,572	1,284,572
Other receivables	58,181	58,181
Other financial assets	143,744	143,744
Total	$6,283,671	$6,283,671

	December 31,2018	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	2,241,177	2,241,177
Financial assets at fair value through profit or loss-current	107,950	107,950
Financial assets at amortized cost	30,000	30,000
Financial assets at fair value through other comprehensive income	16,667	16,667
Notes receivable	52,311	52,311
Accounts receivable	1,973,494	1,973,494
Other receivables	337,858	337,858
Other financial assets	156,379	156,379
Total	$4,915,836	$4,915,836

	December 31,2019	
	Book value	Fair value
Financial liabilities：		
Short-term borrowings	$952,701	$952,701
contract liability	463,355	463,355
Notes payable	237	237
Accounts payable	1,269,489	1,269,489
Other payables	458,922	458,922
Bonds payable(including current portion)	571,047	571,047
Long-term borrowings (including current portion)	270,000	270,000
Lease liability (including the amount less than one year)	68,626	68,626
Other financial liabilities	461	461
Total	$4,054,838	$4,054,838

	December 31,2018	
	Book value	Fair value
Financial liabilities：		
Short-term borrowings	$1,644,650	$1,644,650
contract liability	414,677	414,677
Notes payable	1,813	1,813
Accounts payable	2,928,456	2,928,456
Other payables	481,126	481,126
Bonds payable(including current portion)	86,433	86,433
Long-term borrowings (including current portion)	214,900	214,900
Other financial liabilities	564	564
Total	$5,772,619	$5,772,619

(2) Financial risk management policies

a. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.

b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

●The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.

●The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

I. Foreign currency risk

●Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company’s foreign exchange risk management is mainly for the purpose of hedging not for profiting.

●Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.

●Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

	December 31,2019					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Extent of variation	Effect on profit or loss	Effect other comprehensive income
Financial assets						
Monetary items						
USD : NTD	$19,692	30.00	$590,760	5%	±$29,538	$-
CAD : NTD	$1,374	23.00	$31,602	5%	±$1,580	$-
RMB : NTD	$1,363	4.31	$5,875	5%	±$294	$-
Financial liabilities						
Monetary items						
USD : NTD	$51,923	30.00	$1,557,690	5%	±$77,885	$-

	December 31,2018					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Extent of variation	Effect on profit or loss	Effect other comprehensive income
Financial assets						
Monetary items						
USD：NTD	$16,871	30.7	$517,940	5%	±$25,897	$-
CAD：NTD	$895	22.56	$20,192	5%	±$1,010	$-
RMB：NTD	$757	4.47	$3,384	5%	±$169	$-
Financial liabilities						
Monetary items						
USD：NTD	$83,146	30.7	$2,552,582	5%	±$127,629	$-

●Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

II. Price risk

●The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

●The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased as a result of gains/losses on equity securities classified as at fair value through profit or loss.

III. Interest rate risk

- ●The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- ●Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- ●The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- ●If interest rates are 0.1% higher/lower with all other variables held constant, the Company's net income for 2019 and 2018 will subsequently increase or decrease. The Company's interest expenses increasing or decreasing are mainly due to the floating rate borrowings.

b. Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.

II. No credit limits were exceeded during the reporting periods for 2019 and 2018, and the management does not expect any significant losses from non-performance by these counterparties.

III. The Company classifies accounts receivables according to the customer types, and refers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

c. Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31,2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$952,701	$-	$-	$-
Contract liabilities	463,355	-	-	-
Notes payable	237	-	-	-
Accounts payable	1,269,489	-	-	-
Other payables	458,922	-	-	-
Long-term borrowings(including current portion)	120,000	-	150,000	
Lease liability	42,474	24,495	1,657	-

Non-derivative financial liabilities

December 31,2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	1,644,650	$-	$-	$-
Contract liabilities	$414,677	-	-	-
Notes payable	1,813	-	-	-
Accounts payable	2,928,456	-	-	-
Other payables	481,126	-	-	-
Long-term borrowings(including current portion)	92,100	-	122,800	-

IV. Derivative financial liabilities

As of December 31, 2019 and December 31, 2018 all derivative financial liabilities of the Company are due within one year.

12.3. Fair value estimation

(1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company’s financial assets and liabilities that are measured at fair value at December 31, 2019 and December 31, 2018. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Financial assets at fair value through other comprehensive income are classified into Level 3.

December 31,2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$92,866	$-	$-	$92,866
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	21,245	21,245
Total	$92,866	$-	$21,245	$114,111

December 31,2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$107,950	$-	$-	$107,950
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	16,667	16,667
Total	$107,950	$-	$16,667	$124,617

(2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets at fair value through profit or loss.

(3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(5) Specific valuation techniques used to value financial instruments include:

(a) Quoted by market prices or dealer quotes for similar instruments.

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(6) The following table presents the change in level 3 instruments for the years ended December 31, 2019 and 2018.

	Equity securities	
	2019	2018
As at January 1	$16,667	$18,910
Recognized in other comprehensive income	4,737	(1,182)
Capital deducted by returning cash	(158)	(1,061)
Rounding	(1)	-
As at December 31	$21,245	$16,667

13 SUPPLEMENTARY DISCLOSURES

13.1. Significant transactions information

(1) Loans to others:

No. (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2019(Note 3)	Balance at December 31, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Other receivables - related parties	Yes	51,248	-	-	0%	1	163,301	-	-	no	-	163,301	1,978,868	-
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	Other receivables - related parties	Yes	498,166	-	-	0%	1	5,799,986	-	-	no	-	1,978,868	1,978,868	
0	HT	HITRON TECHNOLOGIES VIET NAM Co.Ltd	Other receivables - related parties	Yes	282,510	270,000	210,000	2%	2	-	Working capital	-	no	-	1,978,868	1,978,868	
0	HT	HITRON TECHNOLOGIES (SIP) INC.	Other receivables - related parties	Yes	274,545	270,000	-	2%	2	-	Working capital	-	no	-	1,978,868	1,978,868	
1	JIETECH TRADING (SUZHOU) INC.	HITRON TECHNOLOGIES (SIP) INC.	Other receivables - related parties	Yes	27,612	21,540	21,450	2%	2	-	Working capital	-	no	-	1,978,868	1,978,868	Note7(1)c

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The parent company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.
Note 2: Fill in the name of account in which the loans are recognized, such as receivables–related parties, current account with shareholders, prepayments, temporary payments, etc.
Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2019.
Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.
Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.
Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.
Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.
(1)Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:
a. The nature of the loan is related to business transactions. Amount of the loan cannot exceed the amount of business transactions occurred within the 12 months (the higher of purchasing or selling).
b. Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 10% of overall net profit shown on the most recent audited/reviewed financial report.
c. Between offshore subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares, notwithstanding the foregoing, the aggregate amount for lending to companies other than HT shall not exceed forty percent (40%) of the net worth of HT.
Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement /guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement /guarantee amount at December 31,2019 (Note 5)	Actual Amount Drawn down (Note 6)	Amount of endorsement / guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsement / guarantees by parent company to subsidiary (Note 7)	Provision of endorsement/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsement / guarantees to the party in Mainland China (Note 7)
		Company name	Relationship with the endorser/ guarantor (Note 2)										
0	HT	INNOAUTO TECHNOLOGIES INC.	(2)	4,947,171	50,000	50,000	-	-	1.01	7,420,757	Y	N	N
0	HT	Hitron Technologies VIET NAM Co. Ltd.	(2)	4,947,171	518,585	510,000	-	-	10.31	7,420,757	Y	N	N
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	(2)	4,947,171	410,735	330,000	161,381	-	6.67	7,420,757	Y	N	N
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	(2)	4,947,171	854,140	840,000	-	-	16.98	7,420,757	Y	N	N
0	HT	HITRON TECHNOLOGIES (SIP) INC.	(2)	4,947,171	1,216,777	1,199,328	90,000	-	24.24	7,420,757	Y	N	Y

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The parent company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:
(1)Business transaction
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee as required by the construction contract
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.
(1)Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement. Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 10% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot not exceed 100% of total net profit of the most recent financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

(3) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
HT	TRANSCEND	-	Financial assets at fair value through profit or loss - current	391	30,459	-	30,459	NA
HT	SENAO	-	Financial assets at fair value through profit or loss - current	207	6,645	-	6,645	NA
HT	FUBON FINANCIAL	-	Financial assets at fair value through profit or loss - current	310	14,384	-	14,384	NA
HT	MEDIGEN	-	Financial assets at fair value through profit or loss - current	36	2,235	-	2,235	NA
HT	TICP	-	Financial assets at fair value through profit or loss - current	-	3	-	3	NA
HT	AMTRAN	-	Financial assets at fair value through profit or loss - current	400	4,260	-	4,260	NA
HT	SUPREME	-	Financial assets at fair value through profit or loss - current	100	3,015		3,015	NA
INTERACTIVE DIGITAL TECHNOLOGIES INC.	TRANSCEND	-	Financial assets at fair value through profit or loss - current	351	27,343	-	27,343	NA
INTERACTIVE DIGITAL TECHNOLOGIES INC.	SUPREME	-	Financial assets at fair value through profit or loss - current	150	4,522	-	4,522	NA
HT	CHAO LONG MOTOR PARTS CORP.	-	Financial assets at fair value through other comprehensive income	668	21,245	2.10%	21,245	NA
HT	IMAGETECH CO., LTD.	-	Financial assets at fair value through other comprehensive income	120	-	1.20%	-	NA
HT	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Financial assets at fair value through other comprehensive income	1,220	-	9.34%	-	NA

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2019				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
HT	PIVOT TECHNOLOGY CORP.	-	Financial assets at fair value through other comprehensive income	198	-	10.94%	-	NA
HT	CARDTEK DIGITAL TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive income	1,000	-	6.45%	-	NA
HT	YESMOBILE HOLDINGS COMPANY LTD.	-	Financial assets at fair value through other comprehensive income	294	-	0.75%	-	NA
HT	CODENT NETWORKS (CAYMAN) LTD.	-	Financial assets at fair value through other comprehensive income	1,570	-	-	-	NA

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments."Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
HITRON TECHNOLOGIES VIET NAM Co.Ltd	Right-of-use asset -Land	2019.05.29	126,234	By contract	VSIP HAI PHONG CO.,LTD.	-	-	-	-	-	Open tender	Build a factory	None
HITRON TECHNOLOGIES VIET NAM Co.Ltd	Construction in progress -Building	2019.06~ 2019.12	199,219	project progress	SAI GON VISICONS ACTER JIUH JIANG LONG	-	-	-	-	-	Open tender	Build a factory	None

Note 1:If the asset acquired needs to be appraised under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the appraisal result shall be disclosed in the column of basis or reference used in setting the price.

Note 2: Paid-in capital is the one of the parent company. In the case of a company whose shares have no par value or a par value other than NT$10—for the calculation of transaction amounts of 20 percent of paid-in capital under the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, 10 percent of equity attributable to owners of the parent shall be substituted.

Note 3: The fact occurrence date refers to the former date of transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date or other sufficient funds to determine the transaction object and transaction amount.

(6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

(7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
HT	HITRON TECHNOLOGIES (SIP) INC.	Subsidiary	Purchases	6,111,800	38.47%	Normal payment terms	Negotiated by two parties	Normal payment terms	Accounts Payable (842,310)	66.34%	N/A
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	Sales	5,788,216	55.74%	Normal payment terms	Negotiated by two parties	Normal payment terms	Accounts Receivables 1,164,345	85.46%	N/A

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.
Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.
Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(8) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017（Note 1）	Turnover rate	Overdue receivables		Amount collected subsequent to the end of the reporting period	Allowance for doubtful accounts
					Amount	Action taken		
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	1,164,345	3.50	-	-	1,164,345	Non

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties….

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2019: Please refer to Notes 6.2, 12.2 and 12.3.

(10) Please refer to Notes 13.7 of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2.2)	Investment income (loss) recognized by parent company for the year ended December 31, 2019(Notes 2.3)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
HT	HITRON TECHNOLOGIES (SAMOA) INC.	Samoa	International trade	669,031	669,031	22,300	100.00%	780,195	30,701	30,701	Subsidiary
HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	Taiwan	Telecommunications and broadband network systems and services	133,527	142,717	16,703	45.21%	495,680	240,544	111,546	Subsidiary
HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Vietnam	Produce and sell the wireless communication and telecom products	220,905	-	-	100.00%	204,609	(5,555)	(5,555)	Subsidiary
HT	HITRON TECHNOLOGIES AMERICAS INC.	America	International trade	90,082	90,082	300	100.00%	66,578	3,352	14,974	Subsidiary
HT	INNOAUTO TECHNOLOGIES INC.	Taiwan	Investment and automotive electronics products	80,000	100,000	8,000	100.00%	4,222	(29,520)	(29,520)	Subsidiary
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Netherlands	International trade	59,604	59,604	-	100.00%	(82,551)	(1,144)	(1,144)	Subsidiary

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.

(3)The Investment income (loss) recognized by the parent company for the year ended December 31, 2019' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2019 (Note 2)	Book value of investment in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
HITRON TECHNOLOGIES (SIP) INC.	Produce and sell the wireless communication and telecom products	$641,763	2	641,763	-	-	641,763	33,454	100.00%	33,454(2)	750,018	-
JIETECH TRADING (SUZHOU) INC.	International trade	$57,473	2	57,473	-	-	57,473	(2,753)	100.00%	(2,753)(2)	31,954	-
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of the electronic communication and telecom products	USD200	3	12,048	-	-	12,048	1,737	45.21%	801(2)	5,649	20,654

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
HT	711,284	711,284	2,968,303

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3)Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2019' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

13.4. Significant inter-company transactions during the year ended December 31, 2019:

Number (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Other payable	$6,009	Normal payment terms	0.06%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Commission charges	28,851	Normal payment terms	0.28%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Purchase	6,111,800	Normal payment terms	58.85%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Other costs	4,708	Normal payment terms	0.05%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Operating expense	5,653	Normal payment terms	0.05%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Other receivables	311,366	Normal payment terms	3.14%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Accounts payable	842,310	Normal payment terms	8.50%
0	HT	JIETECH TRADING (SUZHOU) INC	1	Sales revenue	7,072	Normal payment terms	0.07%
0	HT	JIETECH TRADING (SUZHOU) INC	1	Accounts receivable	2,133	Normal payment terms	0.02%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Sales revenue	163,232	Normal payment terms	1.57%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Accounts receivable	39,389	Normal payment terms	0.40%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Sales revenue	5,788,216	Normal payment terms	55.74%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Other revenue	11,771	Normal payment terms	0.11%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Accounts receivables	1,164,345	Normal payment terms	11.74%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Other receivables	4,214	Normal payment terms	0.04%
0	HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	1	Other receivables	210,712	Normal payment terms	2.13%
1	HITRON TECHNOLOGIES (SIP) INC.	INNOAUTO TECHNOLOGIES INC.	3	Sales revenue	6,663	Normal payment terms	0.06%
2	HITRON TECHNOLOGIES (SIP) INC.	JIETECH TRADING (SUZHOU) INC	3	Other payable	21,540	Normal payment terms	0.22%
3	INNOAUTO TECHNOLOGIES INC.	JIETECH TRADING (SUZHOU) INC	3	Other revenue	1,385	Normal payment terms	0.01%
3	INNOAUTO TECHNOLOGIES INC.	JIETECH TRADING (SUZHOU) INC	3	Sales revenue	7,763	Normal payment terms	0.07%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1)Parent company to subsidiary
(2)Subsidiary to parent company
(3)Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

14 <u>SEGMENT INFORMATION</u>

14.1. General information

The Company is mainly engaged in integrating communications systems, producing and selling electronic and telecom communication products. By assessing the performances of every operating segment, the Board of Directors and the chief of the operating team can decide operating strategies and allocate resources.

14.2. Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement. The chief operating decision-maker evaluates the performance of each operating segment based on net operating profit or loss.

14.3. Information about segment profit or loss, assets and liabilities

(1) The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	2019			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	$1,930,755	$8,394,745	$-	$10,325,500
Inter-segment revenue	29,489	12,077,446	(12,106,935)	-
Total segment revenue	$1,960,244	$20,472,191	$(12,106,935)	$10,325,500
Inter-segment profit (loss)	$210,693	$139,650	$-	$350,343
Segment assets	$-	$-	$-	$-

	2018			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	$1,682,222	$8,375,554	$-	$10,057,776
Inter-segment revenue	45,048	15,642,964	(15,688,012)	-
Total segment revenue	$1,727,270	$24,018,518	$(15,688,012)	$10,057,776
Inter-segment profit (loss)	$153,023	$142,912	$-	$295,935
Segment assets	$-	$-	$-	$-

14.4. Reconciliation for segment profit (loss), assets and liabilities

The assessment method of segment profit or loss reported to the chief operating decision-maker is the same as the assessment method used to measure incomes and expenses in Comprehensive Income Statement. The asset amount evaluated is not the key indicator for decision-maker, thus the measured amount for assets should be zero. Besides, report submitted for decision-making regarding to segment operation is same as Comprehensive Income Statement; hence, reconciliation can be waived.

14.5. Geographical information

The Company has no foreign operating segment, disclosure of geographical information can be waived.

14.6. Information of export sales

	2019	2018
America	$7,613,126	$7,196,308
Europe	273,566	315,699
Asia	186,281	473,430
Total	$8,072,973	$7,985,437

14.7. Major customer information

Details of revenue contribution by client which the revenue is accounted for more than 10% of total revenue on Comprehensive Income Statement for the year 2019 and 2018:

	2019		2018	
Client	Amount	% accounted for operation revenue	Amount	% accounted for operation revenue
Client C	$3,467,865	33.59	$2,431,808	24.18
Client R	-	-	1,412,695	14.05