

GEM Terminal Ind. Co., Ltd.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
GEM Terminal Ind. Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of GEM Terminal Ind. Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matter of the Company's financial statements for the year ended December 31, 2018 is as follows:

The inventories impairment valuation of the investments accounted for using the equity method

As discussed in Note 12 and Table 6, as of December 31, 2018, the Company's investment made through Global Electronics Terminal (Cayman) Co., Ltd. to invest Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM Suzhou), amounted to NT\$1,987,964 thousand, and accounted for 44% of the Company's total assets. As a result, GEM Suzhou's financial performance significantly impacts the Company's share of profits (loss) of subsidiaries.

The balance of inventories of GEM Suzhou was NT\$405,303 thousand. The impairment loss was measured as costs of inventories is lower than net realizable value. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Due to the

estimation involves significant judgements, and it will impact on GEM Suzhou's financial performance, we considered GEM Suzhou's valuation of inventories impairment as a key audit matter.

Besides to obtain an understanding of internal control activities relevant to the valuation of inventories impairment, we also performed the following audit procedures:

1. Obtained the inventory aging schedule and evaluation document to understand the estimation and information resource of net realizable value.
2. Tested the net realizable value of inventory items on a sample basis and calculated the appropriateness of net realizable value and the carry amount.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 430,582	10	\$ 794,686	16	Short-term borrowings (Note 16)	\$ 220,000	5	\$ 90,000	2
Financial assets at fair value through other comprehensive income-current (Notes 3, 4 and 8)	26,234	1	-	-	Short-term bills payable (Note 16)	100,000	2	100,000	2
Available-for-sale financial assets - current (Notes 3, 4 and 9)	-	-	29,730	1	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	832	-	-	-
Notes receivable (Notes 4 and 10)	45,800	1	45,015	1	Notes payable (Note 14)	17,093	-	32,882	1
Accounts receivable, net (Notes 4 and 10)	92,022	2	109,967	2	Accounts payable (Note 14)	35,736	1	45,831	1
Accounts receivable - related parties (Notes 4 and 25)	101,646	2	33,600	1	Accounts payable - related parties (Notes 14 and 25)	71,019	2	77,142	1
Other receivables (Note 4)	2,121	-	93	-	Other payables (Notes 15 and 17)	49,385	1	37,926	1
Other receivables - related parties (Notes 4 and 25)	172,222	4	69,019	1	Other payables - related parties (Note 25)	18,164	-	16,750	-
Current tax assets (Notes 4 and 21)	112	-	74	-	Current tax liabilities (Notes 4 and 21)	-	-	3,729	-
Inventories (Notes 4, 5 and 11)	55,776	1	87,842	2	Long-term borrowings - current portion (Note 16)	573,167	13	681,167	14
Other financial assets - current (Note 4)	11,390	-	3,038	-	Other current liabilities	896	-	613	-
Other current assets	19,491	-	21,516	-	Total current liabilities	1,086,292	24	1,086,040	22
Total current assets	957,396	21	1,194,580	24	NONCURRENT LIABILITIES				
NONCURRENT ASSETS					Long-term borrowings (Note 16)	860,750	19	1,048,917	21
Investments accounted for using the equity method (Notes 4 and 12)	3,200,998	71	3,324,896	68	Deferred tax liabilities (Notes 4 and 21)	40,308	1	7,540	-
Property, plant and equipment (Notes 4, 13, 25 and 26)	285,438	6	295,452	6	Net defined benefit liabilities (Notes 4 and 17)	26,221	-	37,722	1
Deferred tax assets (Notes 4, 5 and 21)	100,269	2	85,788	2	Total noncurrent liabilities	927,279	20	1,094,179	22
Prepayments for equipment (Note 26)	6,416	-	5,885	-	Total liabilities	2,013,571	44	2,180,219	44
Other financial assets - noncurrent (Note 4)	170	-	170	-	EQUITY (Note 18)				
Other noncurrent assets	2,190	-	2,232	-	Ordinary shares	1,692,000	37	1,692,000	34
Total noncurrent assets	3,595,481	79	3,714,423	76	Capital surplus	271,315	6	271,315	6
					Retained earnings				
					Legal reserve	343,170	8	343,170	7
					Unappropriated earnings	273,586	6	386,197	8
					Total retained earnings	616,756	14	729,367	15
					Other equity	(40,765)	(1)	36,102	1
					Total equity	2,539,306	56	2,728,784	56
TOTAL	\$ 4,552,877	100	\$ 4,909,003	100	TOTAL	\$ 4,552,877	100	\$ 4,909,003	100

The accompanying notes are an integral part of the parent company only financial statements.

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 25)	\$ 695,469	100	\$ 663,466	100
OPERATING COSTS (Notes 11, 20 and 25)	<u>639,978</u>	<u>92</u>	<u>558,610</u>	<u>84</u>
GROSS PROFIT	55,491	8	104,856	16
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	(7,260)	(1)	(6,210)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	<u>6,210</u>	<u>1</u>	<u>7,663</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>54,441</u>	<u>8</u>	<u>106,309</u>	<u>16</u>
OPERATING EXPENSES (Notes 20 and 25)				
Marketing	17,923	3	16,893	3
General and administrative	67,298	10	68,946	10
Research and development	21,424	3	33,433	5
Expected credit loss	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>106,771</u>	<u>16</u>	<u>119,272</u>	<u>18</u>
LOSS FROM OPERATIONS	<u>(52,330)</u>	<u>(8)</u>	<u>(12,963)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 25)				
Other income	29,876	4	26,095	4
Other gains and losses	14,413	2	(4,878)	(1)
Finance costs	(30,016)	(4)	(28,065)	(4)
Share of profits or loss of subsidiaries	<u>(43,965)</u>	<u>(6)</u>	<u>31,898</u>	<u>5</u>
Total non-operating income and expenses	<u>(29,692)</u>	<u>(4)</u>	<u>25,050</u>	<u>4</u>
PROFIT (LOSS) BEFORE INCOME TAX	(82,022)	(12)	12,087	2
INCOME TAX EXPENSE (Notes 4 and 21)	<u>7,225</u>	<u>1</u>	<u>12,947</u>	<u>2</u>
NET LOSS	<u>(89,247)</u>	<u>(13)</u>	<u>(860)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 21)				

(Continued)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (535)	-	\$ (1,034)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(7,656)	(1)	-	-
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(21,530)	(3)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(111)	-	176	-
Items that may be reclassified subsequently to profit or loss				
Unrealized loss on available-for-sale financial assets	-	-	(3,054)	(1)
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(59,626)	(9)	(68,821)	(10)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(10,773)</u>	<u>(1)</u>	<u>4,600</u>	<u>1</u>
Other comprehensive loss for the year, net of income tax	<u>(100,231)</u>	<u>(14)</u>	<u>(68,133)</u>	<u>(10)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (189,478)</u>	<u>(27)</u>	<u>\$ (68,993)</u>	<u>(10)</u>
NET LOSS PER SHARE (Note 22)				
Basic	<u>\$ (0.53)</u>		<u>\$ (0.01)</u>	
Diluted	<u>\$ (0.53)</u>		<u>\$ (0.01)</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity					
			Legal Reserve	Unappropriated Earnings	Total	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Loss on Available -for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefit Plans	Total	Total Equity
BALANCE, JANUARY 1, 2017	\$ 1,692,000	\$ 271,315	\$ 338,662	\$ 391,565	\$ 730,227	\$ -	\$ -	\$ 97,341	\$ 6,894	\$ 104,235	\$ 2,797,777
Appropriation of 2016 earnings Legal reserve	-	-	4,508	(4,508)	-	-	-	-	-	-	-
Net loss in 2017	-	-	-	(860)	(860)	-	-	-	-	-	(860)
Other comprehensive loss in 2017, net of income tax	-	-	-	-	-	-	(3,166)	(64,109)	(858)	(68,133)	(68,133)
Total comprehensive loss in 2017	-	-	-	(860)	(860)	-	(3,166)	(64,109)	(858)	(68,133)	(68,993)
BALANCE, DECEMBER 31, 2017	1,692,000	271,315	343,170	386,197	729,367	-	(3,166)	33,232	6,036	36,102	2,728,784
Effect of retrospective application (Note 3)	-	-	-	-	-	(3,166)	3,166	-	-	-	-
BALANCE, JANUARY 1, 2018 AS ADJUSTED	1,692,000	271,315	343,170	386,197	729,367	(3,166)	-	33,232	6,036	36,102	2,728,784
Net loss in 2018	-	-	-	(89,247)	(89,247)	-	-	-	-	-	(89,247)
Other comprehensive loss in 2018, net of income tax	-	-	-	-	-	(29,186)	-	(70,399)	(646)	(100,231)	(100,231)
Total comprehensive loss in 2018	-	-	-	(89,247)	(89,247)	(29,186)	-	(70,399)	(646)	(100,231)	(189,478)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	(23,364)	(23,364)	23,364	-	-	-	23,364	-
BALANCE, DECEMBER 31, 2018	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 273,586	\$ 616,756	\$ (8,988)	\$ -	\$ (37,167)	\$ 5,390	\$ (40,765)	\$ 2,539,306

The accompanying notes are an integral part of the parent company only financial statements.

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (82,022)	\$ 12,087
Adjustments for:		
Depreciation expense	22,002	24,059
Amortization expense	1,702	1,805
Expected credit loss	126	-
Finance costs	30,016	28,065
Interest income	(5,927)	(3,142)
Dividend income	(823)	(5)
Share of profit (loss) of subsidiaries	43,965	(31,898)
Gain on disposal of property, plant and equipment, net	(4,105)	(2,428)
Gain on sale of investments, net	-	(119)
Write-down (reversal) of inventories	157	(79)
Unrealized gain on transactions with subsidiaries	7,260	6,210
Realized gain on transactions with subsidiaries	(6,210)	(7,663)
Other non-cash items	(4,533)	(2,853)
Changes in operating assets and liabilities		
Financial assets held for trading	-	(199)
Financial assets mandatorily classified as at fair value through profit or loss	2,183	-
Notes receivable	(785)	2,168
Accounts receivable	17,819	(11,445)
Accounts receivable - related parties	(68,046)	(3,329)
Other receivables	(2,066)	-
Other receivables - related parties	8,357	2,252
Inventories	31,909	(22,575)
Other current assets	2,025	1,262
Financial liabilities held for trading	-	136
Notes payable	(15,789)	3,590
Accounts payable	(10,095)	18,818
Accounts payable - related parties	(6,123)	12,754
Other payables	6,976	(12,682)
Other payables - related parties	1,414	(1,173)
Other current liabilities	126	(146)
Net defined benefit liabilities	<u>(10,102)</u>	<u>(2,953)</u>
Cash generated from (used in) operations	(40,589)	10,517
Interest received	3,655	3,088
Income tax received (paid)	<u>(3,589)</u>	<u>25</u>
Net cash generated from (used in) operating activities	<u>(40,523)</u>	<u>13,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(39,882)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	35,722	-

(Continued)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of available-for-sale financial assets	\$ -	\$ (47,860)
Proceeds from disposal of available-for-sale financial assets	-	15,195
Acquisition of property, plant and equipment	(12,704)	(8,938)
Proceeds from disposal of property, plant and equipment	8,422	-
Increase in other receivables - related parties	(109,250)	(27,350)
Increase in other financial assets	(8,352)	(1,568)
Increase in other noncurrent assets	(1,660)	(1,345)
Dividend received	<u>823</u>	<u>5</u>
Net cash used in investing activities	<u>(126,881)</u>	<u>(71,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	220,000	213,220
Decrease in short-term borrowings	(90,000)	(123,220)
Increase in short-term bills payable	100,000	150,000
Decrease in short-term bills payable	(100,000)	(100,000)
Increase in long-term borrowings	450,000	770,000
Repayment in long-term borrowings	(746,167)	(596,666)
Interest paid	<u>(30,533)</u>	<u>(28,625)</u>
Net cash generated from (used in) financing activities	<u>(196,700)</u>	<u>284,709</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(364,104)	226,478
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>794,686</u>	<u>568,208</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 430,582</u>	<u>\$ 794,686</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

GEM TERMINAL IND. CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China. The Company mainly manufactures and sells the following products:

- Series terminals, plug inserts, housing and electronic connectors for AC and DC power cords
- Electric and motor parts terminal
- Electric and communication terminal
- Optical communication passive devices
- Lead frames

The Company’s shares have been listed on the Taiwan Stock Exchange since September 2001.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the board of directors on March 26, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

IFRS 9 “Financial Instruments” and related amendment

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 794,686	\$ 794,686	2)
Equity securities	Available for sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	29,730	29,730	1)
Notes receivable and accounts receivable (included related parties)	Loans and receivables	Amortized cost	188,582	188,582	2)
Other receivables (included related parties)	Loans and receivables	Amortized cost	69,112	69,112	2)
Other financial assets	Loans and receivables	Amortized cost	3,208	3,208	2)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Remark
FVTOCI				
Reclassification from available-for-sale (IAS 39)	\$ -	\$ 29,730	\$ 29,730	1)
Amortized cost				
Reclassification from loans and receivables (IAS 39)	-	1,055,588	1,055,588	2)
	<u>\$ -</u>	<u>\$ 1,085,318</u>	<u>\$ 1,085,318</u>	

- 1) The Company and subsidiaries elected to designate all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$3,166 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.
 - 2) Cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and other financial assets that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses (ECLs) under IFRS 9.
- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<u>New, Amended or Revised Standards and Interpretations (the "New IFRSs")</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
	(Concluded)

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

Note 2: The Company can elect early adoption of the amendments starting from 2018.

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

IFRS 16 “Leases”

IFRS 16 set out the accounting standards for identifying leases and accounting treatments for lessees and lessors. It will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, and a number of related interpretations.

Definition of a lease

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal and interest of lease liabilities are both classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

Impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 4,347	\$ 4,347
Total effect on assets	<u>\$ -</u>	<u>\$ 4,347</u>	<u>\$ 4,347</u>
Lease liabilities - current	\$ -	\$ 694	\$ 694
Lease liabilities - noncurrent	-	<u>3,653</u>	<u>3,653</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 4,347</u>	<u>\$ 4,347</u>
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Except for the abovementioned impact, as of the date the parent company only financial statements were authorized for issue, the Company assessed the implication of other standards and interpretations will not have material impact on the Company's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to "investments accounted for using the equity method", "share of profit or loss of subsidiaries", "share of other comprehensive loss of subsidiaries accounted for using the equity method" in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are retranslated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting parent company only financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of merchandise, raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in subsidiaries is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Unrealized profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only

to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of tangible assets

At the end of each reporting year, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

2018

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

i Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL, which are derivative instruments.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

i Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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

ii Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable, other receivables and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable and accounts receivable).

The Company always recognizes lifetime ECLs for notes receivable and accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from

default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2018

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

2017

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

Subsequent measurement

The Company's financial liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

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

j. Revenue recognition

1) 2018

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

Revenue from sale of goods

Revenue from sale of goods comes from sales of terminals. Sales of terminals are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) 2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- i The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii The amount of revenue can be measured reliably;
- iv It is probable that the economic benefits associated with the transaction will flow to the Company; and
- vi The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

b) Dividend and interest income

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

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

k. Leasing

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

When the Company is lessee, operating lease payments are recognized as expenses on a straight-line basis over the lease term.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The

measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Income tax

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place. The taxable temporary differences associated with investment in foreign subsidiaries will not utilize in the foreseeable future, thus no deferred tax liabilities have been recognized, and tax expenses will be recognized in the year the foreign subsidiaries distribute the earnings. As of December 31, 2018 and 2017, the tax of taxable temporary differences associated with investment in foreign subsidiaries for which no deferred tax liabilities have been recognized were \$210,339 thousand and \$91,044 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 300	\$ 401
Checking accounts and demand deposits	179,782	384,685
Cash equivalents		
Time deposits with original maturities less than 3 months	<u>250,500</u>	<u>409,600</u>
	<u>\$ 430,582</u>	<u>\$ 794,686</u>

a. The market interest rates of cash equivalents at the end of the reporting year were as follows:

	<u>December 31</u>	
	2018	2017
Time deposits (%)	0.55-0.66	0.55-1.90

b. The Group transacted with a variety of financial institutions with high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT - ONLY DECEMBER 31, 2018

As of December 31, 2018, the financial liabilities at FVTPL were copper futures held for trading. The copper futures did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting. Outstanding copper futures were as follows:

	Futures Month	Lots	Contract Amount (In thousands)
Copper futures			
Refined copper	March, 2019	20	US\$1,338
Refined copper	May, 2019	5	US\$ 334

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT

	December 31, 2018
Investments in equity instruments at FVTOCI	
Domestic listed shares	<u>\$ 26,234</u>

These investments in equity instruments are not held for trading. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

In the year ended December 31, 2018, the Company acquired \$39,882 thousand of domestic listed shares for medium and long-term strategic purposes; the management designated these investments as at FVTOCI.

In the year ended December 31, 2018, the Company sold its domestic listed shares in order to manage credit concentration risk. The sold shares had a fair value of \$35,722 thousand and the Company transferred a loss of \$3,358 thousand from other equity to retained earnings.

The dividends for the year ended December 31, 2018 were \$823 thousand, which all related to investments held at the end of the reporting year.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2017
Domestic listed shares	<u>\$ 29,730</u>

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2018	2017
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 45,800</u>	<u>\$ 45,015</u>
<u>Accounts receivable</u>		
Accounts receivable		
Gross carrying amount	\$ 92,758	\$ 110,577
Less: Allowance for impairment loss	<u>736</u>	<u>610</u>
	<u>\$ 92,022</u>	<u>\$ 109,967</u>
<u>Accounts receivable - related parties</u>		
Accounts receivable-related parties		
Gross carrying amount	<u>\$ 101,646</u>	<u>\$ 33,600</u>

a. Notes and accounts receivable

2018

The average credit period of sales of goods was 30-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2018

	Not Past Due	Past Due 1to 60 Days	Past Due 61 to 90 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	40-50	
Gross carrying amount	\$ 237,077	\$ 2,718	\$ 409	\$ 240,204
Loss allowance (Lifetime ECL)	<u>(417)</u>	<u>(131)</u>	<u>(188)</u>	<u>(736)</u>
Amortized cost	<u>\$ 236,660</u>	<u>\$ 2,587</u>	<u>\$ 221</u>	<u>\$ 239,468</u>

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

	For the Year Ended December 31,2018
Balance at January 1, IAS 39	\$ 610
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, IFRS 9	610
Loss allowance	<u>126</u>
Balance at December 31, 2018	<u>\$ 736</u>

2017

The average credit period of sales of goods was 30-120 days. The Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting year. The Company recognized an allowance for impairment loss of 100% against all receivables over 360 days because historical experience revealed that receivables that are past due beyond 360 days were not recoverable. Allowance for impairment loss was recognized against accounts receivable between 0 days and 360 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

There were no accounts receivable that were past due and not impaired at the end of the reporting year. Inspection on customers' credit was taken regularly and aging analysis was performed based on the past due date.

Aging analysis of notes and accounts receivable was as follows:

	December 31, 2017
Not past due	\$ 184,070
Past due 1-60 days	5,085
Past due 61-90 days	<u>37</u>
	<u>\$ 189,192</u>

The allowance for impairment loss on accounts receivable had not changed in 2017.

b. Credit risk of notes and accounts receivable

The Company's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Concentration of credit risk occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The balances of the notes and accounts receivable from certain customers with significant carrying amounts as of each reporting year were as follows:

	December 31	
	2018	2017
Group A	\$ 40,612	\$ 24,913
Group B	6,999	8,832
Group C	<u>1,177</u>	<u>11,952</u>
	<u>\$ 48,788</u>	<u>\$ 45,697</u>

11. INVENTORIES

	December 31	
	2018	2017
Merchandise	\$ 17,663	\$ 36,287
Raw materials	12,859	17,700
Supplies	13,770	19,731
Finished goods	6,179	7,985
Work in process	<u>5,305</u>	<u>6,139</u>
	<u>\$ 55,776</u>	<u>\$ 87,842</u>

All operating costs recognized in 2018 and 2017 were the cost of inventories, which included the following items:

	For the Year Ended December 31	
	2018	2017
Write-off obsolete inventories	\$ 2,865	\$ -
Write-down (reversal of write-down) of inventories	157	(79)
Others	<u>66</u>	<u>(65)</u>
	<u>\$ 3,088</u>	<u>\$ (144)</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2018		2017	
	Amount	% of Owner - ship	Amount	% of Owner - ship
<u>Investments in subsidiaries</u>				
Unlisted companies				
Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	\$ 2,849,795	100	\$ 2,910,178	100
GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	270,830	100	339,142	100
Genius Terminal Co., Ltd. (Genius)	<u>80,373</u>	100	<u>75,576</u>	100
	<u>\$ 3,200,998</u>		<u>\$ 3,324,896</u>	

The Company's share of profit or loss and other comprehensive income of subsidiaries for the years ended December 31, 2018 and 2017 were based on the subsidiaries' audited financial statements.

See Table 5 and 6 for the information on investees and investments in mainland China.

13. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased land of \$7,908 thousand for the purpose of a resort constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of related party in substance, Su Chung-Hong. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

a. Movements of cost and accumulated depreciation were as follows:

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 146,218	\$ 159,909	\$ 205,371	\$ 49,042	\$ 14,339	\$ 574,879
Additions	-	1,314	4,836	15,879	(6,790)	15,239
Disposal	-	-	(7,275)	(6,488)	-	(13,763)
Balance at December 31, 2018	<u>\$ 146,218</u>	<u>\$ 161,223</u>	<u>\$ 202,932</u>	<u>\$ 58,433</u>	<u>\$ 7,549</u>	<u>\$ 576,355</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ -	\$ (126,529)	\$ (130,862)	\$ (22,036)	\$ -	\$ (279,427)
Depreciation expenses	-	(3,046)	(13,866)	(5,090)	-	(22,002)
Disposal	-	-	6,022	4,490	-	10,512
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (129,575)</u>	<u>\$ (138,706)</u>	<u>\$ (22,636)</u>	<u>\$ -</u>	<u>\$ (290,917)</u>
Carrying amounts at December 31, 2018	<u>\$ 146,218</u>	<u>\$ 31,648</u>	<u>\$ 64,226</u>	<u>\$ 35,797</u>	<u>\$ 7,549</u>	<u>\$ 285,438</u>

For the year ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 146,218	\$ 160,326	\$ 196,136	\$ 40,304	\$ 18,137	\$ 561,121
Additions	-	333	8,588	2,454	11,001	22,376
Disposal	-	(840)	(1,408)	(393)	-	(2,641)
Reclassification	-	90	2,055	6,677	(14,799)	(5,977)
Balance at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 159,909</u>	<u>\$ 205,371</u>	<u>\$ 49,042</u>	<u>\$ 14,339</u>	<u>\$ 574,879</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ (124,325)	\$ (114,488)	\$ (19,019)	\$ -	\$ (257,832)
Depreciation expenses	-	(2,968)	(17,701)	(3,390)	-	(24,059)
Disposal	-	764	1,327	373	-	2,464
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ (126,529)</u>	<u>\$ (130,862)</u>	<u>\$ (22,036)</u>	<u>\$ -</u>	<u>\$ (279,427)</u>
Carrying amounts at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 33,380</u>	<u>\$ 74,509</u>	<u>\$ 27,006</u>	<u>\$ 14,339</u>	<u>\$ 295,452</u>

b. Estimated useful lives

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings

Factory facilities	10 years
Building facilities	5-10 years
Main buildings of the factory	19-20 years
Main buildings of the office	50-55 years
Machinery and equipment	3-10 years
Others	5-15 years

c. Investing activities affecting both cash and non-cash items

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Acquisition of property, plant and equipment	\$ 15,239	\$ 22,376
Capitalized interest	(314)	(560)
Increase (decrease) in prepayments for equipment	531	(15,681)
(Increase) decrease in payable for purchase of equipment	<u>(2,752)</u>	<u>2,803</u>
Cash paid	<u>\$ 12,704</u>	<u>\$ 8,938</u>

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Company's notes payable and accounts payable (including those to related parties) were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding accounts payable.

15. OTHER PAYABLES

	<u>December 31</u>	
	2018	2017
Payable for salaries and bonuses	\$ 11,898	\$ 10,346
Payable for pension	9,830	7,906
Payable for purchase on subsidiaries' behalf	4,059	1,523
Payable for purchase of equipment	4,094	1,342
Payable for professional service fees	3,757	3,170
Payable for employees' compensation and remuneration of directors and supervisors	-	2,539
Others	<u>15,747</u>	<u>11,100</u>
	<u>\$ 49,385</u>	<u>\$ 37,926</u>

Other payables - others were payables for interests, labor and health insurance, and purchase of parts, etc.

16. BORROWINGS

a. Short-term borrowing

	<u>December 31</u>	
	2018	2017
Unsecured borrowings	\$ 220,000	\$ 90,000
Annual interest rates (%)	1.25-1.50	1.23-1.35

b. Short-term bills payable

The annual interest rates of short-term bills payable were as follows:

	<u>December 31</u>	
	2018	2017
Short-term bills payable (%)	1.17-1.24	1.10-1.16

As of December 31, 2018 and 2017, commercial paper of \$50,000 thousand were issued and granted by International Bills Corporation and China Bills Finance Corporation, respectively. The commercial papers above were issued with one year revolving credit facilities.

c. Long-term borrowings

	<u>December 31</u>	
	2018	2017
Unsecured borrowings	\$ 1,433,917	\$ 1,730,084
Less: Current portion	<u>573,167</u>	<u>681,167</u>
	<u>\$ 860,750</u>	<u>\$ 1,048,917</u>
Annual interest rates (%)	1.49-2.06	1.49-2.09

Under the loan agreements with certain banks, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. The financial ratio of the Company as of December 31, 2018 and 2017 were in compliance with the requirements stated in the loan agreements.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 71,447	\$ 87,089
Fair value of plan assets	<u>(36,202)</u>	<u>(42,277)</u>
Deficit	35,245	44,812
Classified under other payables	<u>(9,024)</u>	<u>(7,090)</u>
Net defined benefit liabilities	<u>\$ 26,221</u>	<u>\$ 37,722</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	<u>\$ 88,340</u>	<u>\$ (41,609)</u>	<u>\$ 46,731</u>
Service cost			
Current service cost	859	-	859
Net interest expense (income)	<u>1,237</u>	<u>(612)</u>	<u>625</u>
Recognized in profit or loss	<u>2,096</u>	<u>(612)</u>	<u>1,484</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 229	\$ 229
Actuarial gain - experience adjustments	(476)	-	(476)
Actuarial loss - changes in financial assumptions	<u>1,281</u>	<u>-</u>	<u>1,281</u>
Recognized in other comprehensive income	<u>805</u>	<u>229</u>	<u>1,034</u>
Contributions from the employer	<u>-</u>	<u>(4,437)</u>	<u>(4,437)</u>
Benefits paid	<u>(4,152)</u>	<u>4,152</u>	<u>-</u>
Balance at December 31, 2017	<u>87,089</u>	<u>(42,277)</u>	<u>44,812</u>
Service cost			
Current service cost	728	-	728
Net interest expense (income)	<u>1,045</u>	<u>(560)</u>	<u>485</u>
Recognized in profit or loss	<u>1,773</u>	<u>(560)</u>	<u>1,213</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,018)	(1,018)
Actuarial loss - experience adjustments	484	-	484
Actuarial loss - changes in financial assumptions	<u>1,069</u>	<u>-</u>	<u>1,069</u>
Recognized in other comprehensive income	<u>1,553</u>	<u>(1,018)</u>	<u>535</u>
Contributions from the employer	<u>-</u>	<u>(9,080)</u>	<u>(9,080)</u>
Benefits paid	<u>(18,968)</u>	<u>16,733</u>	<u>(2,235)</u>
Balance at December 31, 2018	<u>\$ 71,447</u>	<u>\$ (36,202)</u>	<u>\$ 35,245</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2018	2017
Discount rate (%)	1.0	1.2
Expected rate of salary increase (%)	1.2	1.2

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	2018	2017
Discount rate		
0.25% increase	<u>\$ (1,332)</u>	<u>\$ (1,596)</u>
0.25% decrease	<u>\$ 1,378</u>	<u>\$ 1,657</u>
Expected rate of salary increase		
1% increase	<u>\$ 5,771</u>	<u>\$ 6,946</u>
1% decrease	<u>\$ (5,143)</u>	<u>\$ (6,103)</u>

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

	<u>December 31</u>	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 1,777</u>	<u>\$ 8,841</u>
The average duration of the defined benefit obligation	10.5 years	11 years

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2018	2017
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares issued and fully paid (in thousands)	<u>169,200</u>	<u>169,200</u>
Shares issued	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u> (Concluded)

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

b. Capital Surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares</u>		
Issuance of ordinary shares	\$ 266,411	\$ 266,411
Treasury share transactions	<u>4,904</u>	<u>4,904</u>
	<u>\$ 271,315</u>	<u>\$ 271,315</u>

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

c. Retained Earnings and Dividend Policy

According to the dividend policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is in line with the Company's operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders' long-term interests. Thus, the Company adopted Residual dividend policy as its stockholder dividends' policy. Company's profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than \$0.2, the Company may choose to appropriate stock dividends instead.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The deficit compensation for 2017 and the appropriations of earnings for 2016 were approved in the stockholders' meeting on June 13, 2018 and June 14, 2017, respectively. The appropriation of earnings for 2016 was as follows:

	Appropriation of Earnings	
Legal reserve		<u>\$ 4,508</u>
d. Other Equity Items		
1) Exchange differences on translating foreign operations		
	<u>For the Year Ended December 31</u>	
	2018	2017
Balance at January 1	\$ 33,232	\$ 97,341
Effect of change in tax rate	2,914	-
Recognized for the year		
Share from subsidiaries accounted for using the equity method	<u>(73,313)</u>	<u>(64,109)</u>
Balance at December 31	<u>\$ (37,167)</u>	<u>\$ 33,232</u>
2) Unrealized loss on available-for-sale financial assets		
		<u>For the Year Ended December 31, 2018</u>
Balance at January 1, 2018 per IAS 39		\$ (3,166)
Adjustment on initial application of IFRS 9		<u>3,166</u>
Balance at December 31, 2018 per IFRS 9		<u>\$ -</u>
		<u>For the Year Ended December 31, 2017</u>
Balance at January 1, 2017		\$ -
Recognized for the year		
Unrealized loss on available-for-sale financial assets		(2,935)
Share from subsidiaries accounted for using the equity method		(112)
Reclassification adjustment		
Disposal of available-for-sale financial assets		<u>(119)</u>
Balance at December 31, 2017		<u>\$ (3,166)</u>
3) Unrealized loss on financial assets at FVTOCI		
		<u>For the Year Ended December 31, 2018</u>
Balance at January 1 per IAS 39		\$ -
Adjustment on initial application of IFRS 9		<u>(3,166)</u>

(Continued)

	For the Year Ended December 31
Balance at January 1 per IFRS 9	\$ (3,166)
Recognized for the year	
Unrealized loss - equity instruments	(7,656)
Share for subsidiaries accounted for using the equity method	(21,530)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	
Equity instruments	3,358
Share from subsidiaries accounted for using the equity method	<u>20,006</u>
Balance at December 31, 2018	<u>\$ (8,988)</u> (Concluded)

4) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 6,036	\$ 6,894
Effect of change in tax rate	(218)	-
Remeasurement	<u>(428)</u>	<u>(858)</u>
Balance at December 31	<u>\$ 5,390</u>	<u>\$ 6,036</u>

19. OPERATING REVENUE

For the years ended December 31, 2018 and 2017, operating revenues arose from contracts with customer mainly by selling terminals products. The contract balances as of December 31, 2018 and 2017 were all notes receivable and accounts receivable.

20. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax included following items:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 5,927	\$ 3,142
Dividends	823	5
Others	<u>23,126</u>	<u>22,948</u>
	<u>\$ 29,876</u>	<u>\$ 26,095</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2018	2017
Foreign exchange gains (losses), net	\$ 8,957	\$ (7,488)
Gain on disposal of investments, net	-	119
Gain on disposal of property, plant and equipment, net	4,105	2,428
Others	<u>1,351</u>	<u>63</u>
	<u>\$ 14,413</u>	<u>\$ (4,878)</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2018	2017
Interest expense of borrowings	\$ 30,330	\$ 28,625
Less: Amounts included in the cost of qualifying assets	<u>314</u>	<u>560</u>
	<u>\$ 30,016</u>	<u>\$ 28,065</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 314	\$ 560
Capitalization rate (%)	1.65-1.84	1.63-1.83

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2018	2017
Property, plant and equipment	\$ 22,002	\$ 24,059
Other assets	<u>1,702</u>	<u>1,805</u>
	<u>\$ 23,704</u>	<u>\$ 25,864</u>

Other assets were long-term prepayments for computer software, etc.

	<u>For the Year Ended December 31</u>	
	2018	2017
An analysis of depreciation by function		
Operating costs	\$ 9,842	\$ 9,033
Operating expenses	<u>12,160</u>	<u>15,026</u>
	<u>\$ 22,002</u>	<u>\$ 24,059</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of amortization by function		
Operating costs	\$ 8	\$ 8
Operating expenses	<u>1,694</u>	<u>1,797</u>
	<u>\$ 1,702</u>	<u>\$ 1,805</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	<u>\$ 92,388</u>	<u>\$ 93,950</u>
Post-employment benefits (Note 17)		
Defined contribution plans	3,216	3,272
Defined benefit plans	<u>1,213</u>	<u>1,484</u>
	<u>4,429</u>	<u>4,756</u>
	<u>\$ 96,817</u>	<u>\$ 98,706</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 26,936	\$ 25,339
Operating expenses	<u>69,881</u>	<u>73,367</u>
	<u>\$ 96,817</u>	<u>\$ 98,706</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and \$2,100 thousand, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors. For the year ended December 31, 2018, the Company had incurred net loss, hence, no employees' compensation and remuneration of directors and supervisors were accrued for the year. The appropriations of employees' compensation and remuneration of directors and supervisors for 2017 resolved by the board of directors on March 23, 2018 were as below:

	Accrual rate	
	(%)	Amount
Employees' compensation	3	\$ 439
Remuneration of directors and supervisors		2,100

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2017 and 2016.

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

21. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	2018	2017
Current tax		
In respect of the current year	\$ 56	\$ 30
Income tax on unappropriated earnings	-	3,841
Adjustments for prior years	<u>(234)</u>	<u>53</u>
	<u>(178)</u>	<u>3,924</u>
Deferred tax		
In respect of the current year	19,821	9,023
Effect of change in tax rate	<u>(12,418)</u>	<u>-</u>
	<u>7,403</u>	<u>9,023</u>
Income tax expense recognized in profit or loss	<u>\$ 7,225</u>	<u>\$ 12,947</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Profit (loss) before income tax	<u>\$ (82,022)</u>	<u>\$ 12,087</u>
Income tax expense (benefit) calculated at the statutory rate	\$ (16,404)	\$ 2,055
Nondeductible expenses in determining taxable income	2	17
Tax-exempt income	(435)	(32)
Income tax on unappropriated earnings	-	3,841
Deferred tax effect of earnings of subsidiaries	36,658	6,983
Effect of change in tax rate	(12,418)	-
Adjustments for prior years	(234)	53
Nondeductible withholding tax	<u>56</u>	<u>30</u>
Income tax expense recognized in profit or loss	<u>\$ 7,225</u>	<u>\$ 12,947</u>

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

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 2,696	\$ -
In respect of the current year		
Translation of foreign operations	(13,687)	4,600
Remeasurement of defined benefit plans	<u>107</u>	<u>176</u>
Income tax recognized in other comprehensive income (loss)	<u>\$ (10,884)</u>	<u>\$ 4,776</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 112</u>	<u>\$ 74</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 3,729</u>

d. Deferred tax assets and liabilities

The movements of net of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>				
Temporary differences				
Defined benefit obligations	\$ 7,618	\$ (458)	\$ (111)	\$ 7,049
Unrealized deferred profit	24,390	3,757	-	28,147
Subsidiaries accounted for using the equity method	26,359	(24,700)	(10,773)	(9,114)
Land value increment tax	(7,398)	-	-	(7,398)
Others	<u>1,295</u>	<u>(713)</u>	-	<u>582</u>
	52,264	(22,114)	(10,884)	19,266
Loss carryforwards	<u>25,984</u>	<u>14,711</u>	-	<u>40,695</u>
	<u>\$ 78,248</u>	<u>\$ (7,403)</u>	<u>\$ (10,884)</u>	<u>\$ 59,961</u>

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>				
Temporary differences				
Defined benefit obligations	\$ 7,944	\$ (502)	\$ 176	\$ 7,618
Unrealized deferred profits	25,396	(1,006)	-	24,390
Subsidiaries accounted for using the equity method	33,927	(12,168)	4,600	26,359
Land value increment tax	(7,398)	-	-	(7,398)
Others	<u>1,059</u>	<u>236</u>	<u>-</u>	<u>1,295</u>
	60,928	(13,440)	4,776	52,264
Loss carryforwards	<u>21,567</u>	<u>4,417</u>	<u>-</u>	<u>25,984</u>
	<u>\$ 82,495</u>	<u>\$ (9,023)</u>	<u>\$ 4,776</u>	<u>\$ 78,248</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 10,471	2024
55,604	2025
55,845	2026
24,415	2027
<u>57,139</u>	2028
<u>\$ 203,474</u>	

f. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2018 and 2017, the tax of taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$210,339 thousand and \$91,044 thousand, respectively.

g. Income tax assessments

The tax returns of the Company through 2016 have been assessed by the tax authorities.

22. NET LOSS PER SHARE (EPS)

There is no diluted effect for the years ended December 31, 2018 and 2017 for net loss incurred.

The net loss and weighted average number of ordinary shares outstanding used in the computation of EPS were as follows:

Net loss for the year

	<u>For the Year Ended December 31</u>	
	2018	2017
Net loss used in the computation of basic/diluted EPS	\$ (89,247)	\$ (860)

Weighted average number of ordinary shares outstanding (in thousand shares)

	<u>For the Year Ended December 31</u>	
	2018	2017
Weighted average number of ordinary shares used in computation of basic/diluted EPS	<u>169,200</u>	<u>169,200</u>

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt and equity of the Company. The Company is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements (Refer to Note 16).

Key management personnel of the Company review the capital structure on a quarterly basis. The capital structure comprises the consideration of costs and risks. The Company balances the overall capital structure based on recommendations of the key management personnel.

24. FINANCIAL INSTRUMENTS

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

The Company's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

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

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 26,234	\$ -	\$ -	\$ 26,234
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	\$ 832	\$ -	\$ -	\$ 832

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Investments in equity instruments				
Domestic listed shares	\$ 29,730	\$ -	\$ -	\$ 29,730

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

c. Categories of financial instruments

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ -	\$ 1,052,550
Available-for-sale financial assets	-	29,730
Measured at amortized cost (Note 1)	855,953	-
Financial assets at FVTOCI		
Equity instruments	26,234	-
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,945,314	2,130,615
Financial liabilities at FVTPL		
Held for trading	832	-

Note 1: Included cash and cash equivalents, notes receivable, accounts receivable, net (including those from related parties), other receivables (including those from related parties) and other financial assets.

Note 2: Included short-term borrowings, short-term bills payable, notes payable, accounts payable (including those to related parties), other payables (including those to related parties), and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, notes payable and accounts payable. The Company's Corporate Treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing exposures to risks. These risks include market risk, credit risk and liquidity risk.

The Corporate Treasury function reports monthly to the Company's management personnel.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company had foreign currency trades, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 27.

Sensitivity analysis

The Company was mainly expose to the USD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting year for a 1% change in foreign currency rates. For a 1% weakening of the NTD against the USD, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase by \$3,470 thousand and \$2,097 thousand, respectively.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting year were as follows:

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 419,350	\$ 469,200
Financial liabilities	510,000	918,750
Cash flow interest rate risk		
Financial assets	179,650	384,553
Financial liabilities	1,243,917	1,001,334

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$10,643 thousand and \$6,168 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Company manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting year. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would increase/decrease by \$262 thousand and \$297 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI and available-for-sale financial assets, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting year, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the counterparties' failure to discharge an obligation is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company's receivables are significantly concentrated in certain individuals. Accounts receivable from customers with significant carrying amounts were disclosed in Notes 10 and 25.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and loan commitments, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

a) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting year.

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>December 31, 2018</u>				
Fixed interest rate liabilities	\$ 50,859	\$ 116,020	\$ 173,067	\$ 175,930
Variable interest rate liabilities	128,459	65,533	381,007	694,251
Non-interest bearing	<u>69,082</u>	<u>68,424</u>	<u>52,828</u>	<u>-</u>
	<u>\$ 248,400</u>	<u>\$ 249,977</u>	<u>\$ 606,902</u>	<u>\$ 870,181</u>
<u>December 31, 2017</u>				
Fixed interest rate liabilities	\$ 191,791	\$ 95,709	\$ 271,742	\$ 375,316
Variable interest rate liabilities	36,762	47,554	252,839	691,053
Non-interest bearing	<u>81,051</u>	<u>63,192</u>	<u>65,021</u>	<u>-</u>
	<u>\$ 309,604</u>	<u>\$ 206,455</u>	<u>\$ 589,602</u>	<u>\$ 1,066,369</u>

Taking into account the Company's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid in one year after the end of reporting year in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting year.

b) Liquidity risk tables for derivative financial instruments - Only December 31, 2018

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Copper Futures	<u>\$ -</u>	<u>\$ (702)</u>	<u>\$ (130)</u>	<u>\$ -</u>

25. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its related parties were as follows:

a. Related party name and its relationship with the Company

<u>Related Party Name</u>	<u>Relationship with the Company</u>
GEM Suzhou	Subsidiaries
Dongguan Gem Electronics & Metal Co., Ltd. (GEM Dongguan)	Subsidiaries

(Continued)

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Subsidiaries
Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Subsidiaries
Genius Terminal (HK) Ltd. (Genius HK)	Subsidiaries
Su, Tun-Jen	Related party in substance
Su, Tun-Yi	Related party in substance
Su, Tun-Li	Related party in substance
Su, Chung-Hong	Related party in substance
Su, Bo-Chen	Related party in substance

(Concluded)

b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries		
GEM VN	\$ 111,718	\$ 62,391
GEM Suzhou	52,661	78,918
Others	<u>10,650</u>	<u>12,064</u>
	<u>\$ 175,029</u>	<u>\$ 153,373</u>

Accumulated unrealized gains on the transactions with the subsidiaries as of December 31, 2018 and 2017, were \$7,260 thousand and \$6,210 thousand, respectively.

The goods sold to related parties listed above were mainly raw materials and semi-finished goods. The payment collection period was about 4 months. The terms of the sales to related parties were not comparable with those to third parties.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries		
Genius HK	\$ 230,535	\$ 220,621
Global HK	89,809	112,769
Others	<u>45,284</u>	<u>33,149</u>
	<u>\$ 365,628</u>	<u>\$ 366,539</u>

The goods purchased were mainly semi-finished goods, finished goods and merchandise, which were different from those sold to the related parties by the Company. The payment period was about 4 months or earlier depending on the related parties' working capital. The terms of the purchases from related parties were not comparable with those to third parties.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2018	2017
Accounts receivable - related parties	Subsidiaries		
	GEM VN	\$ 89,898	\$ 28,473
	Others	<u>11,748</u>	<u>5,127</u>
		<u>\$ 101,646</u>	<u>\$ 33,600</u>
Other receivables - related parties	Subsidiaries	<u>\$ 829</u>	<u>\$ 9,186</u>

The outstanding receivables from related parties are unsecured and no impairment loss was recognized.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Accounts payable - related parties	Subsidiaries		
	Genius HK	\$ 55,252	\$ 46,975
	Global HK	10,732	9,941
	GEM Suzhou	3	16,392
	Others	<u>5,032</u>	<u>3,834</u>
		<u>\$ 71,019</u>	<u>\$ 77,142</u>
Other payables - related parties	Subsidiaries		
	Genius HK	\$ 18,164	\$ 16,466
	Others	<u>-</u>	<u>284</u>
		<u>\$ 18,164</u>	<u>\$ 16,750</u>

The other payables to subsidiaries were due to agency receipt of trade receivable.

The outstanding payables to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Parties Category/Name	Price	
	For the Year Ended December 31	
	2018	2017
Subsidiaries		
Global HK	\$ 172	\$ 331
Genius HK	-	5,151
GEM Suzhou	<u>-</u>	<u>2,993</u>
	<u>\$ 172</u>	<u>\$ 8,475</u>

The payment period was about 4 months. Since there was no similar transaction with third parties, the terms of the acquisitions were not comparable with those to third parties.

g. Disposals of assets

1) Property, plant and equipment

Related Party Category/Name	For the Year Ended December 31			
	2018		2017	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM SUZ	\$ 4,274	\$ 2,356	\$ -	\$ -
GEM VN	<u>1,498</u>	<u>1,306</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,772</u>	<u>\$ 3,662</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2018 and 2017, the accumulated unrealized gains on the intercompany property transactions by selling to subsidiaries amounted to \$10,696 thousand and \$9,630 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains are amortized by the straight-line method over 10 years and recognized under gain on disposal of property, plant and equipment.

2) Equipment purchased on behalf of subsidiaries

Related Party Category/Name	For the Year Ended December 31			
	2018		2017	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM Suzhou	\$ 39,077	\$ 17,455	\$ 31,544	\$ 17,224
GEM VN	16,150	708	6,577	338
Genius HK	6,897	572	100	14
Others	<u>-</u>	<u>-</u>	<u>4,469</u>	<u>1</u>
	<u>\$ 62,124</u>	<u>\$ 18,735</u>	<u>\$ 42,690</u>	<u>\$ 17,577</u>

As of December 31, 2018 and 2017, the accumulative unrealized gains on the intercompany property transactions by purchasing on behalf of subsidiaries amounted to \$122,675 thousand and \$126,014 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains amortized by the straight-line method over 10 years and recognized under other income.

The payment collection period was about 4 months. Since there was no similar transaction with third parties, the terms of the disposals were not comparable with those to third parties.

h. Loans to related parties

As of December 31, 2018 and 2017, the loans (which were unsecured) to GEM VN amounted to \$168,850 thousand (US\$5,500 thousand) and \$59,600 thousand (US\$2,000 thousand), respectively, and were recorded as other receivables - related parties. The annual interest rates for the aforementioned loans were 2.1%-2.8% and 2.1%, which approximated market interest rate, and for the years ended December 31, 2018 and 2017, and interest income were \$3,438 thousand and \$744 thousand, respectively, of which interest receivable were \$2,543 thousand and \$233 thousand as of December 31, 2018 and 2017, respectively.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 4,866	\$ 4,854
Post-employment benefits	<u>210</u>	<u>272</u>
	<u>\$ 5,076</u>	<u>\$ 5,126</u>

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

j. Property lease

The Company leased its Taipei office, factories and storehouse from related party in substance Su, Tun-Jen, Su, Tun-Li and Su, Tun-Yi. The rentals for the years ended December 31, 2018 and 2017 were both \$1,658 thousand, and were recorded as operating expenses and manufacturing cost.

The rental terms were determined by negotiation. The rental rates were similar to the local market rate and the payment terms were at arm's length.

k. Guarantees

The Company's related party in substance Su, Chung-Hong, Su, Tun-Li and Su, Bo-Chen jointly provided the guarantee for the loans of the Company.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018, significant contingent liabilities and unrecognized commitments of the Company were as follows:

- a. The amounts of contracts for the Company's purchases of properties (including on behalf of subsidiaries) and materials were \$67,289 thousand, of which \$6,360 thousand had been paid.
- b. Unused letters of credit for purchases of raw materials and equipment amounted to \$18,844 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	\$ 11,821	30.7	(USD:NTD)	\$ 362,897
HKD	2,777	3.922	(HKD:NTD)	<u>10,890</u>
				<u>\$ 373,787</u>
				(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	\$ 104,267	30.7	(USD:NTD)	<u>\$ 3,200,998</u>
Financial liabilities				
Monetary items				
USD	517	30.7	(USD:NTD)	\$ 15,859
HKD	18,716	3.922	(HKD:NTD)	<u>73,404</u>
				<u>\$ 89,263</u>
<hr/> December 31, 2017 <hr/>				
Financial assets				
Monetary items				
USD	8,068	29.8	(USD:NTD)	\$ 240,433
HKD	7,350	3.815	(HKD:NTD)	<u>28,041</u>
				<u>\$ 268,474</u>
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	11,574	29.8	(USD:NTD)	<u>\$ 3,324,896</u>
Financial liabilities				
Monetary items				
USD	1,032	29.8	(USD:NTD)	\$ 30,750
HKD	16,550	3.815	(HKD:NTD)	<u>63,137</u>
				<u>\$ 93,887</u>
				(Concluded)

The significant unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
		2018	2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.7 (USD:NTD)	\$ 3,884	29.8 (USD:NTD)	\$ (2,127)
HKD	3.922 (HKD:NTD)	<u>599</u>	3.815 (HKD:NTD)	<u>723</u>
		<u>\$ 4,483</u>		<u>\$ (1,404)</u>

28. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): Table 2.
- 4) Marketable securities acquired and disposed at cost or price at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 9) Trading in derivative instruments: None. For the year ended December 31, 2018, net gains of futures contracts were \$1,351 thousands. The transactions amount was not significant.
- 10) Information on investees: Table 5.

b. Information on investments in Mainland China

Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the Mainland China areas: Table 6.

Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 7.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 7.
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

- 5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.
- 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: Table 7.

TABLE 1

GEM TERMINAL IND. CO., LTD.

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance (Note 2)	Actual Borrowing Amount (Note 2)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 278,010	\$ 276,300	\$ 168,850	2.1-3.2	Short-term financing	\$ -	Business development	\$ -	\$ -	\$ -	\$ 507,861	\$ 1,015,722
0	The Company	GEM Suzhou	Other receivables - related parties	Yes	146,050	92,100	-	2.1-2.8	Short-term financing	-	Business development	-	-	-	507,861	1,015,722

Note 1: Under the Company's "Operational Procedures for Loaning Funds to Others", if short-term financing is needed, total amounts of these financings should not exceed 40% of the Company's stockholders' equity, and individual financing should not exceed 20% of the Company's stockholders' equity.

Note 2: The exchange rate was US\$1.00: NT\$30.7.

GEM TERMINAL IND. CO., LTD.

MARKETABLE SECURITIES HELD
 DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ESON Precision Engineering Co., Ltd.	-	Financial assets at FVTOCI - current	118,000	\$ 3,617	-	\$ 3,617	
	Tai Tung Communication Co., Ltd	-	Financial assets at FVTOCI - current	273,000	4,914	-	4,914	
	Innolux Corporation	-	Financial assets at FVTOCI - current	495,000	4,811	-	4,811	
	Microelectronics Technology Inc.	-	Financial assets at FVTOCI - current	259,000	5,297	-	5,297	
	Asia Pacific Telecom Co., Ltd.	-	Financial assets at FVTOCI - current	811,000	5,596	-	5,596	
Shin Kong Pinancial Holding	-	Financial assets at FVTOCI - current	222,880	<u>1,999</u>	-	<u>1,999</u>		
					<u>\$ 26,234</u>		<u>\$ 26,234</u>	

GEM TERMINAL IND. CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Global HK	Subsidiary	Purchases	\$ (230,535)	(43)	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	\$ (55,252)	(45)	
	GEM VN	Subsidiary	Sales	111,718	16	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	89,898	38	

GEM TERMINAL IND. CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate (Note 2)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	GEM VN	Subsidiary	\$ 261,512	1.89	\$ -	-	\$	-

Note 1: It included accounts receivable and other receivables

Note 2: The computation of Turnover Rate didn't include other receivables.

GEM TERMINAL IND. CO., LTD.

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares/Units	%	Carrying Amount			
The Company	Global Cayman	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,849,795	\$ 21,837	\$ 24,637	Note
The Company	GEM Cayman	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	270,830	(67,638)	(68,434)	Note
The Company	Genius	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	80,373	(168)	(168)	Note
								<u>\$ 3,200,998</u>		<u>\$ (43,965)</u>	

Note: Net of unrealized profits.

GEM TERMINAL IND. CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2018 (Notes 1)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
GEM (Dongguan)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	\$ 757,503	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (36,503)	100	\$ (30,055)	\$ 831,596	\$ -	
GEM (Suzhou)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	1,120,515	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320	-	-	741,320	33,955	100	19,997	1,987,964	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
The Company	\$ 1,193,450	\$ 1,740,690 (US\$56,700 thousand)	\$ 1,523,584

Note 1: Amount was recognized based on the audited financial statement.

Note 2: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the maximum amount that can be invested in companies located in mainland China is 60% of the Company's net value.

GEM TERMINAL IND. CO., LTD.

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Company Name	Counterparty	Transaction Type	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM Suzhou	Sales	\$ 52,661	120 days after monthly closing	No significant difference with those in the market	\$ 6,454	3	\$ 4,769	
		Purchase	26,435	120 days after monthly closing	No significant difference with those in the market	(3)	-	965	
		Disposal of property, plant, and equipment	43,351	120 days after monthly closing	No comparable transactions with those to third parties	618	-	18,842	
	GEM Dongguan	Sales	2,462	120 days after monthly closing	No significant difference with those in the market	318	-	1,007	

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STATEMENT 1

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash on hand		\$ 300
Cash in banks		
New Taiwan dollars deposits		
Demand deposits		145,191
Checking accounts		132
Foreign currency deposits		
Demand deposits	Including USD1,074 thousand, HKD25 thousand, JPY163 thousand, GBP17 thousand and CAD29 thousand (Note)	34,459
Cash equivalents		
Time deposits with original maturities less than 3 months		
New Taiwan dollars deposits	Interest rate at 0.55%-0.66%, expired by 2019.01-2019.03	250,500
		<hr/>
		<u>\$ 430,582</u>

Note: Exchange rate: USD1=NTD30.7, HKD1=NTD3.922, JPY1=NTD0.278,
GBP1=NTD38.836 and CAD1 =NTD22.561.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Company A	Sale of good	\$ 4,496	Not overdue
Company B	Sale of good	4,001	Not overdue
Company C	Sale of good	3,884	Not overdue
Company D	Sale of good	2,937	Not overdue
Company E	Sale of good	2,750	Not overdue
Company F	Sale of good	2,750	Not overdue
Others (Note)	Sale of good	<u>24,982</u>	
		<u>\$ 45,800</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Due Over a Year	Remark
Non-related parties			
Group A	\$ 39,539	\$ -	Sale of goods
Others (Note)	<u>53,219</u>	<u>-</u>	Sale of goods
	92,758	-	
Less: Allowance for impairment loss	736	-	
	<u>92,022</u>	<u>-</u>	
Related parties			
GEM VN	89,898	-	Sale of goods
Others (Note)	<u>11,748</u>	<u>-</u>	Sale of goods
	<u>101,646</u>	<u>-</u>	
	<u>\$ 193,668</u>	<u>\$ -</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Remark
Related parties		
GEM VN	\$ 171,604	Mainly including financing provided
Others (Note)	<u> 618</u>	
	172,222	
Non-related parties (Note)	<u> 2,121</u>	Mainly including tax refund receivable
	<u>\$ 174,343</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 5

GEM TERMINAL IND. CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value (Note)
Merchandise	\$ 17,663	\$ 21,485
Raw materials	12,859	13,275
Supplies	13,770	13,771
Finished goods	6,179	7,106
Work in process	<u>5,305</u>	<u>6,117</u>
	<u>\$ 55,776</u>	<u>\$ 61,754</u>

Note: Refer to note 4, account policy, for the net realizable value.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2018			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	
Global Cayman	40,137,184	\$ 2,910,178	-	\$ -	-	\$ 60,383	40,137,184	100	\$ 2,849,795	\$ 73.82	\$ 2,963,115	None
GEM Cayman	12,598,333	339,142	-	-	-	68,312	12,598,333	100	270,830	22.06	277,940	None
Genius	750,000	<u>75,576</u>	-	<u>4,797</u>	-	<u>-</u>	750,000	100	<u>80,373</u>	126.7	<u>95,022</u>	None
		<u>\$ 3,324,896</u>		<u>\$ 4,797</u> (Note)		<u>\$ 128,695</u> (Note)			<u>\$ 3,200,998</u>		<u>\$ 3,336,077</u>	

Note: Mainly including share of profit or loss of subsidiaries, share of other comprehensive income or loss and unrealized profit or loss resulting from downstream transactions.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Type / Bank Name	Balance, December 31,2018	Contract Period	Interest Rate (%)	Loan Commitments	collateral
Unsecured Borrowing					
Taiwan Cooperative Bank	\$ 50,000	107.11.15-108.11.15	1.35	\$ 50,000	None
Bangkok Bank	40,000	107.09.05-108.03.04	1.45	92,100	None
Mega Bank	50,000	107.11.06-108.05.05	1.25	100,000	None
Cathay United Bank	<u>80,000</u>	107.06.27-108.01.12	1.50	<u>80,000</u>	None
	<u>\$ 220,000</u>			<u>\$ 322,100</u>	

STATEMENT 8

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	\$ 6,112
Company B	3,175
Company C	1,154
Others (Note)	<u>6,652</u>
	<u>\$ 17,093</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 9

GEM TERMINAL IND. CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Genius HK	\$ 55,252
Global HK	10,732
Others (Note)	<u>5,035</u>
	<u>71,019</u>
Non-related parties	
Company A	19,764
Company B	8,508
Others (Note)	<u>7,464</u>
	<u>35,736</u>
	<u>\$ 106,755</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, December 31, 2018			Collateral
			Current	Noncurrent	Total	
Unsecured Borrowing						
Bank of Taiwan	Repayable semiannually from August 2017 to February 2019	1.66	\$ 25,000	\$ -	\$ 25,000	None
Mega Bank	Repayable semiannually from June 2017 to June 2019	1.80	20,000	-	20,000	None
Taiwan Cooperative Bank	Repayable quarterly from July 2018 to July 2019	1.49	60,000	-	60,000	None
The Export-Import Bank of the Republic of China	Repayable semiannually from January 2018 to July 2021	1.73	9,500	19,000	28,500	None
Taichung Bank	Repayable semiannually from February 2018 to August 2019	1.71	50,000	-	50,000	None
JihSun Bank	Repayable quarterly from January 2018 to October 2019	1.70	50,000	-	50,000	None
The Shanghai Commercial & Saucing Bank	Repayable semiannually from May 2017 to November 2019	1.62	26,667	-	26,667	None
Taishin Bank	Repayable semiannually from August 2019 to February 2020	1.76	50,000	50,000	100,000	None
Bangkok Bank	Repayable in May 2020	1.63	-	100,000	100,000	None
Bank of Taiwan	Repayable semiannually from November 2018 to May 2020	1.97	50,000	25,000	75,000	None
First Bank	Repayable quarterly from October 2018 to July 2020	1.75	35,000	26,250	61,250	None
O-Bank	Repayable quarterly from November 2018 to August 2020	1.69	50,000	37,500	87,500	None
Yuanta Commercial Bank	Repayable semiannually from February 2020 to August 2020	1.74	-	200,000	200,000	None
The Export-Import Bank of the Republic of China	Repayable semiannually from May 2019 to November 2022	1.57	25,000	75,000	100,000	None
Bank SinoPac	Repayable semiannually from July 2019 to January 2021	1.81	30,000	90,000	120,000	None
EnTie Bank	Repayable semiannually from March 2019 to March 2021	1.79	50,000	50,000	100,000	None
Hua Nan Bank	Repayable semiannually from October 2019 to April 2021	1.70	17,500	52,500	70,000	None
Chang Hwa Bak	Repayable semiannually from November 2019 to May 2021	2.06	12,500	37,500	50,000	None
Taiwan Cooperative Bank	Repayable quarterly from August 2020 to August 2021	1.49	-	50,000	50,000	None
The Shanghai Commercial & Scuing Bank	Repayable semiannually from December 2019 to December 2021	1.68	12,000	48,000	60,000	None
			<u>\$ 573,167</u>	<u>\$ 860,750</u>	<u>\$ 1,433,917</u>	

GEM TERMINAL IND. CO., LTD.

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Quantities (In Thousands)	Amount
Terminals	832,469	\$ 520,471
Raw materials and supplies		171,822
Others (Note)		<u>3,176</u>
		<u>\$ 695,469</u>

Note: The amount of individual item included in others does not exceed 10% of the account balance.

GEM TERMINAL IND CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Production cost	
Direct materials	
Raw materials, beginning of year	\$ 17,700
Raw materials purchased	151,257
Raw materials, end of year	(12,859)
Raw materials sold	(101,255)
Others	<u>(4,545)</u>
Raw materials used	50,298
Direct labor	10,641
Manufacturing expenses	<u>48,068</u>
Manufacturing cost	109,007
Add: Work in process, beginning of year	6,139
Work in process purchased	8,626
Less: Work in process, end of year	<u>(5,305)</u>
Cost of finished goods	118,467
Add: Finished goods, beginning of year	7,985
Finished goods purchased	404
Less: Finished goods, end of year	(6,179)
Others	<u>(77)</u>
	<u>120,600</u>
 Cost of merchandise	
Merchandise, beginning of year	36,287
Merchandise purchased	363,173
Less: Merchandise, end of year	(17,663)
Others	<u>(103)</u>
	<u>381,694</u>
	502,294
Raw materials and supplies sold	134,752
Other operating costs	<u>2,932</u>
	<u>\$ 639,978</u>

GEM TERMINAL IND CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Employee benefits	\$ 7,475	\$ 36,777	\$ 25,629	\$ 69,881
Professional service fees	590	11,919	368	12,877
Depreciation	231	1,881	10,048	12,160
Others (Note)	<u>9,627</u>	<u>16,721</u>	<u>(14,621)</u>	<u>11,727</u>
	<u>\$ 17,923</u>	<u>\$ 67,298</u>	<u>\$ 21,424</u>	106,645
Expected credit loss				<u>126</u>
				<u>\$ 106,771</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance. The negative amount of others in research and development expenses was resulting from the allocation to self-made equipment or parts.

GEM TERMINAL IND CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit						
Salaries	\$ 22,015	\$ 56,174	\$ 78,189	\$ 20,318	\$ 58,176	\$ 78,494
Labor and health insurance	2,228	6,111	8,339	2,194	6,370	8,564
Pension	1,081	3,348	4,429	1,146	3,610	4,756
Remuneration of directors	-	888	888	-	1,620	1,620
Others	<u>1,612</u>	<u>3,360</u>	<u>4,972</u>	<u>1,681</u>	<u>3,591</u>	<u>5,272</u>
	<u>\$ 26,936</u>	<u>\$ 69,881</u>	<u>\$ 96,817</u>	<u>\$ 25,339</u>	<u>\$ 73,367</u>	<u>\$ 98,706</u>
Depreciation	\$ 9,842	\$ 12,160	\$ 22,002	\$ 9,033	\$ 15,026	\$ 24,059
Amortization	8	1,694	1,702	8	1,797	1,805

Note: The Company had 146 and 159 employees, including 4 and 5 non-employee directors as of December 31, 2018 and 2017, respectively.