

**GEM Terminal Ind. Co., Ltd. and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of GEM Terminal Ind. Co., Ltd. as of and for the year ended December 31, 2019, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GEM Terminal Ind. Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

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Su, Tun-Li  
Chairman of the board

March 25, 2020

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of GEM Terminal Ind. Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2019 is as follows:

#### Impairment of Inventories

As discussed in Note 10 to the consolidated financial statements, as of December 31, 2019, the Group's consolidated inventories amounted to NT\$950,408 thousand, which accounted for 17% of the Group's total assets. Impairment loss is the amount by which the carrying amount of inventories exceeds their 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. Because the estimation involves significant judgements, we considered the impairment of inventories as a key audit matter.

Aside from obtaining an understanding of control activities relevant to the evaluation of the impairment of inventories, we also performed the following audit procedures:

1. We obtained the inventory aging schedule and the inventory impairment assessment schedule to evaluate the estimation and information source of net realizable value.
2. We sample-tested the inventory items and evaluated the reasonableness of the valuation of the net realizable value and the appropriateness of the carrying amount of inventories.

### **Other Matter**

We have also audited the parent company only financial statements of GEM Terminal Ind. Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

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

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

# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,173,569	21	\$ 1,501,888	25
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,891	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	47,939	1	93,727	2
Notes receivable (Notes 4 and 9)	189,678	3	86,222	1
Accounts receivable, net (Notes 4 and 9)	944,206	17	1,083,129	18
Other receivables (Note 4)	19,815	-	8,745	-
Current tax assets (Notes 4 and 23)	1,051	-	2,502	-
Inventories (Notes 4, 5 and 10)	950,408	17	809,566	14
Other financial assets - current (Notes 4, 11 and 28)	176,132	3	176,980	3
Other current assets (Notes 3, 15 and 28)	111,822	2	140,197	2
Total current assets	<u>3,616,511</u>	<u>64</u>	<u>3,902,956</u>	<u>65</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 13, 28 and 29)	1,775,470	32	1,861,249	31
Right-of-use assets (Notes 3, 4, 14, 27 and 28)	77,342	1	-	-
Deferred tax assets (Notes 4 and 23)	133,743	3	129,798	2
Prepayments for equipment	9,326	-	20,411	-
Other financial assets - non-current (Notes 4 and 11)	2,623	-	1,696	-
Long-term prepayments for lease (Notes 3, 15 and 28)	-	-	90,040	2
Other non-current assets	7,137	-	5,616	-
Total non-current assets	<u>2,005,641</u>	<u>36</u>	<u>2,108,810</u>	<u>35</u>
<b>TOTAL</b>	<u>\$ 5,622,152</u>	<u>100</u>	<u>\$ 6,011,766</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 28)	\$ 1,090,977	19	\$ 884,377	15
Short-term bills payable (Note 18)	100,000	2	100,000	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	530	-	832	-
Notes payable (Note 16)	126,704	2	185,096	3
Accounts payable (Note 16)	379,306	7	493,159	8
Other payables (Notes 17 and 19)	176,613	3	178,335	3
Current tax liabilities (Notes 4 and 23)	-	-	5,480	-
Lease liabilities - current (Notes 3, 4, 14 and 27)	1,658	-	-	-
Long-term borrowings - current portion (Notes 18 and 28)	784,113	14	613,128	10
Other current liabilities	3,372	-	7,649	-
Total current liabilities	<u>2,663,273</u>	<u>47</u>	<u>2,468,056</u>	<u>41</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 28)	506,049	9	899,451	15
Deferred tax liabilities (Notes 4 and 23)	181,652	3	78,732	1
Lease liabilities - non-current (Notes 3, 4, 14 and 27)	5,389	-	-	-
Net defined benefit liabilities (Notes 4 and 19)	18,528	1	26,221	1
Total non-current liabilities	<u>711,618</u>	<u>13</u>	<u>1,004,404</u>	<u>17</u>
Total liabilities	<u>3,374,891</u>	<u>60</u>	<u>3,472,460</u>	<u>58</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
Ordinary shares	1,692,000	30	1,692,000	28
Capital surplus	271,315	5	271,315	5
Retained earnings				
Legal reserve	343,170	6	343,170	6
Special reserve	40,765	1	-	-
Unappropriated earnings	44,667	1	273,586	4
Total retained earnings	428,602	8	616,756	10
Other equity	(144,656)	(3)	(40,765)	(1)
Total equity	<u>2,247,261</u>	<u>40</u>	<u>2,539,306</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 5,622,152</u>	<u>100</u>	<u>\$ 6,011,766</u>	<u>100</u>

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

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 21)	\$ 3,443,022	100	\$ 3,950,854	100
OPERATING COSTS (Notes 10 and 22)	<u>3,138,699</u>	<u>91</u>	<u>3,672,842</u>	<u>93</u>
GROSS PROFIT	<u>304,323</u>	<u>9</u>	<u>278,012</u>	<u>7</u>
OPERATING EXPENSES (Note 22)				
Marketing	148,532	4	150,256	4
General and administrative	193,000	6	209,034	5
Research and development	17,009	-	21,424	1
Expected credit loss reversed (Note 9)	<u>(1,854)</u>	<u>-</u>	<u>(2,747)</u>	<u>-</u>
Total operating expenses	<u>356,687</u>	<u>10</u>	<u>377,967</u>	<u>10</u>
LOSS FROM OPERATIONS	<u>(52,364)</u>	<u>(1)</u>	<u>(99,955)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	35,362	1	25,777	1
Other gains and losses	(20,138)	(1)	16,895	-
Finance costs	<u>(53,066)</u>	<u>(1)</u>	<u>(55,943)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(37,842)</u>	<u>(1)</u>	<u>(13,271)</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(90,206)	(2)	(113,226)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 23)	<u>101,370</u>	<u>3</u>	<u>(23,979)</u>	<u>(1)</u>
NET LOSS	<u>(191,576)</u>	<u>(5)</u>	<u>(89,247)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	2,088	-	(535)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	10,821	-	(36,362)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,553)	-	7,065	-

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## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (111,963)	(3)	\$ (59,626)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,138</u>	-	<u>(10,773)</u>	-
Other comprehensive loss for the year, net of income tax	<u>(100,469)</u>	<u>(3)</u>	<u>(100,231)</u>	<u>(3)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u><u>\$ (292,045)</u></u>	<u><u>(8)</u></u>	<u><u>\$ (189,478)</u></u>	<u><u>(5)</u></u>
<b>NET LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u><u>\$ (191,576)</u></u>	<u><u>(6)</u></u>	<u><u>\$ (89,247)</u></u>	<u><u>(2)</u></u>
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u><u>\$ (292,045)</u></u>	<u><u>(8)</u></u>	<u><u>\$ (189,478)</u></u>	<u><u>(5)</u></u>
<b>NET LOSS PER SHARE (Note 24)</b>				
Basic	<u><u>\$ (1.13)</u></u>		<u><u>\$ (0.53)</u></u>	
Diluted	<u><u>\$ (1.13)</u></u>		<u><u>\$ (0.53)</u></u>	

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

(Concluded)

**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company										
	Ordinary Shares	Capital Surplus	Retained Earnings				Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earning	Total		Exchange Differences on Translating the Financial Statements of Foreign Operations	Remeasurement of Defined Benefit Plans	Total	
BALANCE AT JANUARY 1, 2018	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ -	\$ 386,197	\$ 729,367	\$ (3,166)	\$ 33,232	\$ 6,036	\$ 36,102	\$ 2,728,784
Net loss for the year ended December 31, 2018	-	-	-	-	(89,247)	(89,247)	-	-	-	-	(89,247)
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(29,186)	(70,399)	(646)	(100,231)	(100,231)
Total comprehensive loss for the year ended December 31, 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 AT 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
Appropriation of 2018 earnings Special reserve	-	-	-	40,765	(40,765)	-	-	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	-	-	(191,576)	(191,576)	-	-	-	-	(191,576)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	8,685	(110,825)	1,671	(100,469)	(100,469)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(191,576)	(191,576)	8,685	(110,825)	1,671	(100,469)	(292,045)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,422	3,422	(3,422)	-	-	(3,422)	-
BALANCE AT DECEMBER 31, 2019	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 40,765	\$ 44,667	\$ 428,602	\$ (3,725)	\$ (147,992)	\$ 7,061	\$ (144,656)	\$ 2,247,261

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

# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (90,206)	\$ (113,226)
Adjustments for:		
Depreciation expense	261,510	257,245
Amortization expense	2,715	4,977
Expected credit loss reversed	(1,854)	(2,747)
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(5,821)	(1,351)
Finance costs	53,066	55,943
Interest income	(7,571)	(9,815)
Dividend income	(3,428)	(3,680)
Loss on disposal of property, plant and equipment and fire loss, net	29,072	4,073
Loss on disposal of right-of-use assets	2,262	-
Write-down of inventories and fire damages	2,582	8,041
Other non-cash items	(4,368)	(3,805)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	3,638	2,183
Notes receivable	(103,456)	64,241
Accounts receivable	140,988	136,330
Other receivables	(11,438)	(7,605)
Inventories	(142,108)	156,831
Other current assets	26,020	29,233
Notes payable	(58,392)	36,126
Accounts payable	(113,853)	(97,263)
Other payables	(15,239)	969
Other current liabilities	(3,096)	3,055
Net defined benefit liabilities	(9,912)	(10,102)
Cash generated from (used in) operations	(48,889)	509,653
Interest received	7,939	10,449
Income tax paid	(7,055)	(10,340)
Net cash generated from (used in) operating activities	<u>(48,005)</u>	<u>509,762</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(1,046,889)	(1,524,661)
Proceeds from sale of financial assets at fair value through other comprehensive income	1,100,975	1,512,544
Payments for property, plant and equipment	(239,775)	(248,183)
Proceeds from disposal of property, plant and equipment	68	3,543
Payments for right-of-use assets	(3,861)	-
Proceeds from disposal of right-of-use assets	18,031	-
Decrease (increase) in other financial assets	(79)	93,014
Increase in other non-current assets	(4,350)	(2,029)

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# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
Dividends received	\$ 3,428	\$ 3,680
Net cash used in investing activities	<u>(172,452)</u>	<u>(162,092)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,598,858	886,423
Decrease in short-term borrowings	(1,370,651)	(836,564)
Increase in short-term bills payable	100,000	100,000
Decrease in short-term bills payable	(100,000)	(100,000)
Increase in long-term borrowings	400,000	523,983
Repayment of long-term borrowings	(621,264)	(780,823)
Interest paid	<u>(55,213)</u>	<u>(59,019)</u>
Net cash used in financing activities	<u>(48,270)</u>	<u>(266,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(59,592)</u>	<u>(10,506)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(328,319)	71,164
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,501,888</u>	<u>1,430,724</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,173,569</u>	<u>\$ 1,501,888</u>

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

(Concluded)

# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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; and lead frames.

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

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on March 25, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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, 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 did not have material impact on the Group’s accounting policies:

#### IFRS 16 “Leases”

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

#### 1) Definition of a lease

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

#### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive

income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest of lease liabilities are both classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land and property use rights located in China and Vietnam were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information is not restated.

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

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.69%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,962
Less: Recognition exemption for short-term leases	(970)
Less: Recognition exemption for leases of low-value assets	<u>(224)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 768</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 755
Add: Adjustments as a result of a different treatment of extension options	<u>3,592</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 4,347</u>

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Amount as of January 1, 2019</b>
Right-of-use assets	\$ -	\$ 96,742	\$ 96,742
Other current assets	2,355	(2,355)	-
Long-term prepayments for lease	<u>90,040</u>	<u>(90,040)</u>	<u>-</u>
Total effect on assets	<u>\$ 92,395</u>	<u>\$ 4,347</u>	<u>\$ 96,742</u>
Lease liabilities - current	\$ -	\$ 694	\$ 694
Lease liabilities - non-current	<u>-</u>	<u>3,653</u>	<u>3,653</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 4,347</u>	<u>\$ 4,347</u>

- b. The IFRSs endorsed by the FSC for application starting from 2020

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

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

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

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

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have material impact on the Group’s financial position and financial performance.

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

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

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

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on 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.

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 twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., 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 translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting consolidated 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 dollar, 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.

f. Inventories

Inventories consist of 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. The 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.

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.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods 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 Group 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 Group 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 an entity in the Group 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

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 assets at FVTPL

Financial assets are 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 26.

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 Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the

equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

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

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

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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Group:

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## j. Revenue recognition

The Group identifies contracts with 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 Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

## k. Leasing

### 1) 2019

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

### The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method over the lease terms. Lease liabilities are initially measured at the present value of the lease payments (including fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

## 2) 2018

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

### The Group as 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 liabilities (assets)) 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 Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred 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 Group's accounting policies, management is required to make judgments, estimations 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 estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

### Key sources of estimation uncertainty

#### 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 taxable temporary differences associated with investments in foreign subsidiaries will not be utilized in the foreseeable future; thus, no deferred tax liabilities have been recognized. Tax expenses will be recognized in the year the foreign subsidiaries distribute the earnings. As of December 31, 2019 and 2018, the tax of taxable temporary differences associated with investments in foreign subsidiaries for which no deferred tax liabilities have been recognized were \$166,991 thousand and \$282,648 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 2,366	\$ 2,204
Checking accounts and demand deposits	1,062,803	1,144,415
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>108,400</u>	<u>355,269</u>
	<u>\$ 1,173,569</u>	<u>\$ 1,501,888</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Time deposits (%)	0.55-1.88	0.55-2.58

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 INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivatives (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 1,891</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Held for trading		
Derivatives (not under hedge accounting)		
Copper futures	<u>\$ 530</u>	<u>\$ 832</u>

- a. At the end of the reporting year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Sell	USD/CNY	August, 2020	US\$5,000/CNY\$ 35,496

The foreign exchange forward contracts above did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

- b. At the end of reporting year, outstanding copper futures not under hedge accounting were as follows:

	<b>Futures Month</b>	<b>Lots</b>	<b>Contract Amount (In thousands)</b>
<u>December 31, 2019</u>			
Copper futures			
Refined copper - Sell	May 2020	27	US\$1,877
Refined copper - Buy	July 2020	3	US\$ 211
<u>December 31, 2018</u>			
Copper futures			
Refined copper - Buy	March 2019	20	US\$1,338
Refined copper - Buy	May 2019	5	US\$ 334

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 22,263	\$ 26,234
Overseas listed shares	<u>25,676</u>	<u>67,493</u>
	<u>\$ 47,939</u>	<u>\$ 93,727</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.

For the years ended December 31, 2019 and 2018, the Group acquired \$1,046,889 thousand and \$1,524,661 thousand of domestic and overseas listed shares for medium and long-term strategic purposes; the management designated these investments as at FVTOCI.

For the years ended December 31, 2019 and 2018, the Group sold its domestic and overseas listed shares in order to manage credit concentration risk. The sold shares had a fair value of \$1,100,975 thousand and \$1,512,544 thousand and the Group transferred a gain of \$4,967 thousand and a loss of \$30,032 thousand from other equity to retained earnings.

The dividends for the years ended December 31, 2019 and 2018 were \$3,428 thousand and \$3,680 thousand. Those related to investments derecognized during the years were \$131 thousand and \$1,407 thousand and those related to investments held at the end of the reporting year were \$3,297 thousand and \$2,273 thousand.

**9. NOTES AND ACCOUNTS RECEIVABLE, NET**

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 189,678</u>	<u>\$ 86,222</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 952,391	\$ 1,093,995
Less: Allowance for impairment loss	<u>8,185</u>	<u>10,866</u>
	<u>\$ 944,206</u>	<u>\$ 1,083,129</u>
<u>Overdue receivable</u>		
At amortized cost		
Gross carrying amount	\$ 616	\$ -
Less: Allowance for impairment loss	<u>616</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Notes and accounts receivable

The average credit period of sales of goods was 30-120 days. In order to minimize credit risk, the management of the Group 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 Group 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 Group's credit risk was significantly reduced.

The Group measures the loss allowance for the notes receivable and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses 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 Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off 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 Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2019

	Not Past Due	Past Due 1to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	20-50	30-60	70-100	
Gross carrying amount	\$ 1,111,120	\$ 28,488	\$ 407	\$ -	\$ 2,054	\$ 1,142,069
Loss allowance (Lifetime ECL)	<u>(4,381)</u>	<u>(1,531)</u>	<u>(219)</u>	<u>-</u>	<u>(2,054)</u>	<u>(8,185)</u>
Amortized cost	<u>\$ 1,106,739</u>	<u>\$ 26,957</u>	<u>\$ 188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,133,884</u>

December 31, 2018

	Not Past Due	Past Due 1to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	20-50	30-60	70-100	
Gross carrying amount	\$ 1,117,705	\$ 58,633	\$ 1,586	\$ 315	\$ 1,978	\$ 1,180,217
Loss allowance (Lifetime ECL)	<u>(4,888)</u>	<u>(3,302)</u>	<u>(744)</u>	<u>(166)</u>	<u>(1,766)</u>	<u>(10,866)</u>
Amortized cost	<u>\$ 1,112,817</u>	<u>\$ 55,331</u>	<u>\$ 842</u>	<u>\$ 149</u>	<u>\$ 212</u>	<u>\$ 1,169,351</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 10,866	\$ 15,473
Loss allowance reversed	(1,854)	(2,747)
Amounts written off	-	(1,873)
Foreign exchange gains and losses	<u>(211)</u>	<u>13</u>
Balance at December 31	<u>\$ 8,801</u>	<u>\$ 10,866</u>

b. Credit risk of notes and accounts receivable

The Group's receivables are significantly concentrated on certain individuals, most of which have similar business operations and economic features. Therefore, credit risk occurs when financial instrument transactions are from 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Group A	<u>\$ 117,650</u>	<u>\$ 146,965</u>

**10. INVENTORIES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Finished goods	\$ 267,932	\$ 217,798
Work in process	189,185	161,590
Raw materials	425,310	367,997
Supplies	<u>67,981</u>	<u>62,181</u>
	<u>\$ 950,408</u>	<u>\$ 809,566</u>

All operating costs recognized in 2019 and 2018 were the cost of inventories, which included the following items:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Write-down of inventories	\$ 87	\$ 8,041
Fire damages (Note 22)	2,495	-
Others	<u>(731)</u>	<u>2,421</u>
	<u>\$ 1,851</u>	<u>\$ 10,462</u>

**11. OTHER FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Time deposits with original maturities of more than 3 months	\$ 140,302	\$ 155,815
Pledge time deposits	22,190	9,632
Refundable deposits	<u>16,263</u>	<u>13,229</u>
	<u>\$ 178,755</u>	<u>\$ 178,676</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current	\$ 176,132	\$ 176,980
Non-current	<u>2,623</u>	<u>1,696</u>
	<u>\$ 178,755</u>	<u>\$ 178,676</u> (Concluded)

a. The market rate intervals of other financial assets at the end of the reporting year were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Time deposits (%)	1.35-7.00	0.30-1.55

b. The counterparties of the Group's time deposits were banks with good credit and no significant default concerns; hence, there was no expected credit loss.

c. Refer to Note 28 for the pledge information of other financial assets.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%)	
			December 31, 2019	December 31, 2018
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	Note 1	100	100
	Genius Terminal Co., Ltd. (Genius)	Notes 1 and 2	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	Note 1	100	100
Global Cayman	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Note 2	100	100
Genius	Genius Terminal (HK) Ltd. (Genius HK)	Note 2	100	100
GEM Cayman	Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Note 3	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM Suzhou)	Note 3	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM Dongguan)	Note 3	100	100

Note 1: International investments.

Note 2: International trading.

Note 3: Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.

### 13. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased agricultural land of \$7,908 thousand 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 are as follows:

#### For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 146,218	\$ 1,054,182	\$ 1,564,038	\$ 61,923	\$ 773,416	\$ 108,121	\$ 3,707,898
Additions	-	22,575	137,189	2,999	95,958	12,228	270,949
Fire damages	-	(13,591)	(9,188)	-	(4,969)	-	(27,748)
Disposal	-	(1,954)	(28,387)	(5,158)	(50,174)	-	(85,673)
Effect of foreign currency exchange differences	-	(29,467)	(98,293)	(1,560)	(25,692)	(1,042)	(156,054)
Balance at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 1,031,745</u>	<u>\$ 1,565,359</u>	<u>\$ 58,204</u>	<u>\$ 788,539</u>	<u>\$ 119,307</u>	<u>\$ 3,709,372</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ (474,555)	\$ (904,637)	\$ (43,065)	\$ (424,392)	\$ -	\$ (1,846,649)
Depreciation expenses	-	(43,526)	(105,864)	(3,101)	(105,384)	-	(257,875)
Fire damages	-	1,413	1,252	-	936	-	3,601
Disposal	-	1,880	24,756	5,106	48,938	-	80,680
Effect of foreign currency exchange differences	-	13,543	53,685	1,312	17,801	-	86,341
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (501,245)</u>	<u>\$ (930,808)</u>	<u>\$ (39,748)</u>	<u>\$ (462,101)</u>	<u>\$ -</u>	<u>\$ (1,933,902)</u>
Carrying amounts at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 530,500</u>	<u>\$ 634,551</u>	<u>\$ 18,456</u>	<u>\$ 326,438</u>	<u>\$ 119,307</u>	<u>\$ 1,775,470</u>

#### For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 146,218	\$ 1,046,950	\$ 1,629,392	\$ 57,436	\$ 690,093	\$ 176,368	\$ 3,746,457
Additions	-	18,381	157,773	13,318	117,800	(63,746)	243,526
Disposal	-	(10,094)	(175,109)	(8,461)	(29,433)	-	(223,097)
Effect of foreign currency exchange differences	-	(1,055)	(48,018)	(370)	(5,044)	(4,501)	(58,988)
Balance at December 31, 2018	<u>\$ 146,218</u>	<u>\$ 1,054,182</u>	<u>\$ 1,564,038</u>	<u>\$ 61,923</u>	<u>\$ 773,416</u>	<u>\$ 108,121</u>	<u>\$ 3,707,898</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ (430,535)	\$ (972,172)	\$ (48,426)	\$ (361,678)	\$ -	\$ (1,812,811)
Depreciation expenses	-	(45,105)	(113,414)	(2,913)	(95,813)	-	(257,245)
Disposal	-	6,084	169,429	8,161	31,807	-	215,481
Effect of foreign currency exchange differences	-	(4,999)	11,520	113	1,292	-	7,926
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (474,555)</u>	<u>\$ (904,637)</u>	<u>\$ (43,065)</u>	<u>\$ (424,392)</u>	<u>\$ -</u>	<u>\$ (1,846,649)</u>
Carrying amounts at December 31, 2018	<u>\$ 146,218</u>	<u>\$ 579,627</u>	<u>\$ 659,401</u>	<u>\$ 18,858</u>	<u>\$ 349,024</u>	<u>\$ 108,121</u>	<u>\$ 1,861,249</u>

b. Estimated useful lives

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

Buildings	
Factory facilities	5-25 years
Building facilities	5-25 years
Main building of the factory	19-50 years
Main building of the office	20-55 years
Machinery and equipment	5-10 years
Transportation equipment	4-12 years
Others	3-15 years

c. Refer to Note 28 for the carrying amount of property, plant and equipment pledged as collateral for bank borrowings.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Payments for property, plant and equipment	\$ 270,949	\$ 243,526
Capitalized interest	(1,945)	(2,911)
Decrease in prepayments for equipment	(11,085)	(2,342)
Decrease (increase) in payable for purchase of equipment	<u>(18,144)</u>	<u>9,910</u>
Cash paid	<u>\$ 239,775</u>	<u>\$ 248,183</u>

#### 14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Land	\$ 68,500
Buildings	<u>8,842</u>
	<u>\$ 77,342</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 6,443</u>
Depreciation charge for right-of-use assets	
Land	\$ 1,938
Buildings	<u>1,697</u>
	<u>\$ 3,635</u>

b. Lease liabilities - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Current	<u>\$ 1,658</u>
Non-current	<u>\$ 5,389</u>

Range of discount rate for lease liabilities were all 1.69%.

c. Material lease-in activities and terms

The Group leases land and buildings for the use as plants and office with lease term of 1 to 50 years, refer to Note 15. The Group does not have bargain purchase options to acquire the leasehold land and buildings but have extension options at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

In 2019, Subsidiary GEM VN terminated some of its building lease contracts for purchase and collected the refunded rent of \$ 18,031 thousand. The difference between the refunded rent and the right-of-use assets was \$ 2,262 thousand recognized as non-operating loss. As of December 31, 2019, partial land lease of \$8,881 thousand are in the process of obtaining the land use right certificate.

- d. Refer to Note 28 for the carrying amount of right-of-use assets pledged as collateral for bank borrowings.

## 15. PREPAYMENT FOR LEASE

	<b>December 31, 2018</b>
Current (included in other current assets)	
Non-current (included in long-term prepayments for lease)	\$ 2,355
	<u>90,040</u>
	<u>\$ 92,395</u>

Prepayments for leases are for land use rights and property use rights in China and Vietnam. The land use rights in China is 50 years, which will expire from December 2046 to September 2061 in a row. The land and property use rights in Vietnam are 40-50 years, which will expire from October 2054 to December 2066 in a row.

Refer to Note 28 for the carrying amount of prepayments for leases pledged as collateral for bank borrowings.

## 16. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group 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.

## 17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Payable for salaries and bonuses	\$ 44,705	\$ 45,430
Payable for purchase of equipment	55,511	37,367
Payable for freight	16,705	18,091
Payable for utilities expense	3,736	6,250
Payable for service fees	9,146	13,385
Payable for processing fees	2,020	1,196
Payable for pension	5,536	9,830
Others	<u>39,254</u>	<u>46,786</u>
	<u>\$ 176,613</u>	<u>\$ 178,335</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured borrowings	\$ 539,946	\$ 387,051
Secured borrowings (Note 28)	<u>551,031</u>	<u>497,326</u>
	<u>\$ 1,090,977</u>	<u>\$ 884,377</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Unsecured borrowings (%)	1.20-3.17	1.25-3.60
Secured borrowings (%)	2.50-4.57	3.48-4.57

### b. Short-term bills payable

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term bills payable (%)	1.49-1.50	1.17-1.24

As of December 31, 2019 and 2018, commercial papers 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured borrowings	\$ 1,252,417	\$ 1,433,917
Secured borrowings (Note 28)	<u>37,745</u>	<u>78,662</u>
	1,290,162	1,512,579
Less: Current portion	<u>784,113</u>	<u>613,128</u>
	<u>\$ 506,049</u>	<u>\$ 899,451</u>

The annual interest rates of long-term borrowings were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured borrowings (%)	1.49-2.06	1.49-2.06
Secured borrowings (%)	3.80	3.75-4.00

The maturity date of long-term borrowings were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured borrowings	February 2020- December 2022	February 2019- November 2022
Secured borrowings	February 2021	March 2019- February 2021

Under the loan agreements with certain banks, the Group should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2019, the Group was not compliant with the requirement of net asset value stated in the loan agreements with certain banks, and the banks may increase the interest rates according to the agreement. As of December 31, 2018, the financial ratio of the Group was in compliance with the requirements stated in the loan agreements.

## 19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

- 1) The Company adopted a pension plan under the Labor Pension Act (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.
- 2) GEM Dongguan, GEM Suzhou and GEM Vietnam of the Group make contributions in accordance with the local regulations, which are defined contribution plan.

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 consolidated balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 68,293	\$ 71,447
Fair value of plan assets	<u>(45,048)</u>	<u>(36,202)</u>
Deficit	23,245	35,245
Classified under other payables	<u>(4,717)</u>	<u>(9,024)</u>
Net defined benefit liabilities	<u>\$ 18,528</u>	<u>\$ 26,221</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	\$ <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>
Service cost			
Current service cost	573	-	573
Net interest expense (income)	<u>714</u>	<u>(371)</u>	<u>343</u>
Recognized in profit or loss	<u>1,287</u>	<u>(371)</u>	<u>916</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (1,474)	\$ (1,474)
Actuarial gain - experience adjustments	<u>(614)</u>	<u>-</u>	<u>(614)</u>
Recognized in other comprehensive income	<u>(614)</u>	<u>(1,474)</u>	<u>(2,088)</u>
Contributions from the employer	<u>-</u>	<u>(10,828)</u>	<u>(10,828)</u>
Benefits paid	<u>(3,827)</u>	<u>3,827</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 68,293</u>	<u>\$ (45,048)</u>	<u>\$ 23,245</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 shall 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 using 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 purpose of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Discount rate (%)	1.0	1.0
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 will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (1,133)</u>	<u>\$ (1,332)</u>
0.25% decrease	<u>\$ 1,169</u>	<u>\$ 1,378</u>
Expected rate of salary increase		
1% increase	<u>\$ 4,838</u>	<u>\$ 5,771</u>
1% decrease	<u>\$ (4,370)</u>	<u>\$ (5,143)</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 will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 6,335</u>	<u>\$ 10,801</u>
The average duration of the defined benefit obligation	9.6 years	10.5 years

## 20. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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>
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>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares		
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

The stockholders held their regular meeting on June 25, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According the dividend policy in the amended 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 legal reserve 10% of the remaining profit (except when legal reserve equals to the Company's paid-in capital, may also set aside or not), 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 stock dividends and bonuses to stockholders.

The Articles explicitly stipulate that according to the article 240 of the Company Art, the board of directors is authorized to resolve to distribute dividends and bonuses, legal reserve and capital reserve provided by the article 241 of the Company Art in cash, in whole or in part; and in addition there to a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is in line with the Company's operating scale and research and development needs in order to maintain sound management and promote stockholders' long-term interests. Thus, the Company adopted Residual dividend policy as its stockholder dividends' policy. The Company's profit may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividends. 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.

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 2018 and 2017 were approved in the stockholders' meeting on June 25, 2019 and June 13, 2018, respectively. A special reserve of \$40,765 thousand was approved in the stockholder's meeting on June 25, 2019.

The deficit compensation for 2019 and a special reserve of \$44,667 thousand were proposed by the board of directors on March 25, 2020.

d. Other Equity Items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (37,167)	\$ 33,232
Effect of change in tax rate	-	2,914
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(110,825)</u>	<u>(73,313)</u>
Balance at December 31	<u>\$ (147,992)</u>	<u>\$ (37,167)</u>

2) Unrealized loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (8,988)	\$ (3,166)
Recognized for the year		
Unrealized gain (loss) - equity instruments	8,685	(29,186)
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal	<u>(3,422)</u>	<u>23,364</u>
Balance at December 31	<u>\$ (3,725)</u>	<u>\$ (8,988)</u>

3) Remeasurement of defined benefit plans

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 5,390	\$ 6,036
Effect of change in tax rate	-	(218)
Remeasurement	<u>1,671</u>	<u>(428)</u>
Balance at December 31	<u>\$ 7,061</u>	<u>\$ 5,390</u>

**21. OPERATING REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 3,443,022</u>	<u>\$ 3,950,854</u>

a. Contract balances (Note 9)

	<b>December 31</b>		<b>January 1</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
Notes receivable	\$ 189,678	\$ 86,222	\$ 150,463
Accounts receivable, net	<u>944,206</u>	<u>1,083,129</u>	<u>1,216,725</u>
	<u>\$ 1,133,884</u>	<u>\$ 1,169,351</u>	<u>\$ 1,367,188</u>

b. Disaggregation of revenue

Refer to Note 33 for the disaggregation of revenue and revenue of segment information.

**22. LOSS BEFORE INCOME TAX**

Loss before income tax included following items:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 7,571	\$ 9,815
Fire damage insurance claims income	17,055	8,721
Dividends	3,428	3,680
Others	<u>7,308</u>	<u>3,561</u>
	<u>\$ 35,362</u>	<u>\$ 25,777</u>

In January 2019, a fire accident occurred in a certain area of Subsidiary GEM VN, which damaged some inventories and property, plant and equipment, which were recognized as operating costs and non-operating losses, respectively. According to the investigation report from the claim adjuster, GEM VN estimated insurance claim was \$17,055 thousand, which was recognized as non-operating income. However, GEM VN received \$6,470 thousand in February 2020, and the remaining insurance claim was still under negotiation with the insurance company as of March 25, 2020.

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains, net	\$ 7,903	\$ 21,468
Loss on disposal of property, plant and equipment, net	(4,925)	(4,073)
Loss on disposal of right-of-use assets (Note 14)	(2,262)	-
Fire damage (Note 13)	(24,147)	-
Gain on financial instruments at FVTPL, net	5,821	1,351
Others	<u>(2,528)</u>	<u>(1,851)</u>
	<u>\$ (20,138)</u>	<u>\$ 16,895</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense of borrowings	\$ 54,893	\$ 58,854
Interest on lease liabilities	118	-
Less: Amounts included in the cost of qualifying assets	<u>1,945</u>	<u>2,911</u>
	<u>\$ 53,066</u>	<u>\$ 55,943</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 1,945	\$ 2,911
Capitalization rate (%)	1.54-5.16	1.33-5.16

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 257,875	\$ 257,245
Prepayments for lease (including current/non-current portion)	-	2,437
Right-of-use assets	3,635	-
Other assets	<u>2,715</u>	<u>2,540</u>
	<u>\$ 264,225</u>	<u>\$ 262,222</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 222,957	\$ 221,242
Operating expenses	<u>38,553</u>	<u>36,003</u>
	<u>\$ 261,510</u>	<u>\$ 257,245</u>
An analysis of amortization by function		
Operating costs	\$ 114	\$ 220
Operating expenses	<u>2,601</u>	<u>4,757</u>
	<u>\$ 2,715</u>	<u>\$ 4,977</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 516,399	\$ 506,296
Post-employment benefits (Note 19)		
Defined contribution plans	31,529	31,086
Defined benefit plans	<u>916</u>	<u>1,213</u>
	<u>32,445</u>	<u>32,299</u>
	<u>\$ 548,844</u>	<u>\$ 538,595</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 408,080	\$ 383,379
Operating expenses	<u>140,764</u>	<u>155,216</u>
	<u>\$ 548,844</u>	<u>\$ 538,595</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 years ended December 31, 2019 and 2018, the Company incurred a net loss; hence, no employees' compensation and remuneration of directors and supervisors were

accrued for the years.

If there is a change in the amounts after the annual consolidated 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 consolidated financial statements for the year ended December 31, 2017.

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.

## 23. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 334	\$ 12,399
Adjustments for prior years	<u>2,692</u>	<u>1,201</u>
	<u>3,026</u>	<u>13,600</u>
Deferred tax		
In respect of the current year	87,563	(25,161)
Effect of change in tax rate	-	(12,418)
Adjustments for prior years	<u>10,781</u>	<u>-</u>
	<u>98,344</u>	<u>(37,579)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 101,370</u>	<u>\$ (23,979)</u>

A reconciliation of accounting loss and income tax expense (benefit) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss before income tax	<u>\$ (90,206)</u>	<u>\$ (113,226)</u>
Income tax benefit calculated at the statutory rate	\$ (21,603)	\$ (6,020)
Nondeductible expenses in determining taxable income	76	112
Deferred tax effect of earnings of subsidiaries	102,343	(6,475)
Tax-exempt income	(803)	(435)
Unrecognized loss carryforwards	7,550	-
Effect of change in tax rate	-	(12,418)
Adjustments for prior years	13,473	1,201
Nondeductible withholding tax	<u>334</u>	<u>56</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 101,370</u>	<u>\$ (23,979)</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%, and the applicable tax rate used by subsidiaries in Vietnam is 20%. Genius, Global Cayman and GEM Cayman are exempted from income tax based on the tax laws in each jurisdiction. The subsidiaries in Hong Kong, including Genius HK, Vibo and Global HK, without operations in the local area, are exempted from income tax in accordance with Hong Kong's laws. If these subsidiaries have any separate tax on interest income or withholding tax on dividends, the amount of this tax is recorded as current year's tax provision.

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
Disposal of investments in equity instruments designated as at FVTOCI	\$ 1,545	\$ 6,668
Deferred tax		
Disposal of investments in equity instruments designated as at FVTOCI	<u>(1,545)</u>	<u>-</u>
Income tax benefit recognized directly in equity	<u>\$ -</u>	<u>\$ 6,668</u>

c. Income tax recognized in other comprehensive loss

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of change in tax rate	\$ -	\$ 2,696
In respect of the current year		
Translation of foreign operations	1,138	(13,687)
Remeasurement of defined benefit plans	(417)	107
Fair value changes of financial assets at FVTOCI	<u>(2,136)</u>	<u>7,176</u>
Income tax expense recognized in other comprehensive loss	<u>\$ (1,415)</u>	<u>\$ (3,708)</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets		
Tax refund receivable	<u>\$ 1,051</u>	<u>\$ 2,502</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 5,480</u>

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>						
Temporary differences						
Unrealized deferred profits	\$ 33,678	\$ (1,092)	\$ -	\$ -	\$ -	\$ 32,586
Defined benefit obligations	7,049	(1,983)	(417)	-	-	4,649
Earnings and translation of foreign operations	(45,803)	(102,232)	1,138	-	1,217	(145,680)
Property, plant and equipment	5,454	2,692	-	-	(280)	7,866
Unrealized loss on inventories	5,066	205	-	-	(271)	5,000
Land value increment tax	(7,398)	-	-	-	-	(7,398)
Others	<u>2,872</u>	<u>456</u>	<u>(2,136)</u>	<u>1,545</u>	<u>109</u>	<u>2,846</u>
	918	(101,954)	(1,415)	1,545	775	(100,131)
Loss carryforwards	<u>50,148</u>	<u>3,610</u>	<u>-</u>	<u>(1,545)</u>	<u>9</u>	<u>52,222</u>
	<u>\$ 51,066</u>	<u>(\$ 98,344)</u>	<u>(\$ 1,415)</u>	<u>\$ -</u>	<u>\$ 784</u>	<u>\$ (47,909)</u>

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>						
Temporary differences						
Unrealized deferred profits	\$ 27,663	\$ 6,015	\$ -	\$ -	\$ -	\$ 33,678
Defined benefit obligations	7,618	(458)	(111)	-	-	7,049
Earnings and translation of foreign operations	(45,606)	13,398	(10,773)	-	(2,822)	(45,803)
Property, plant and equipment	2,828	2,722	-	-	(96)	5,454
Unrealized loss on inventories	4,221	963	-	-	(118)	5,066
Land value increment tax	(7,398)	-	-	-	-	(7,398)
Others	<u>4,690</u>	<u>(2,319)</u>	<u>7,176</u>	<u>(6,668)</u>	<u>(7)</u>	<u>2,872</u>
	(5,984)	20,321	(3,708)	(6,668)	(3,043)	918
Loss carryforwards	<u>32,814</u>	<u>17,258</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>50,148</u>
	<u>\$ 26,830</u>	<u>\$ 37,579</u>	<u>\$ (3,708)</u>	<u>\$ (6,668)</u>	<u>\$ (2,967)</u>	<u>\$ 51,066</u>

- f. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets - only as of December 31, 2019.

**Amount**

Loss carryforwards  
Expiry in 2024

\$ 7,550

- g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised of:

**Unused Amount**

**Expiry Year**

\$ 32,465	2024
55,604	2025
55,845	2026
20,415	2027
55,413	2028
<u>45,309</u>	2029
<u>\$ 265,051</u>	

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

As of December 31, 2019 and 2018, the tax of taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$166,991 thousand and \$282,648 thousand, respectively.

- i. Income tax assessments

The tax returns of the Company through 2017 have been assessed by the tax authorities.

GEM Dongguan, GEM Suzhou and GEM VN had completed the filing of their income tax returns through 2018 with the tax authorities.

## 24. NET LOSS PER SHARE (EPS)

There's no diluted effect for the years ended December 31, 2019 and 2018 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 - attributable to owners of the Company

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Net loss used in the computation of basic/diluted EPS	\$ (191,576)	\$ (89,247)

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in computation of basic/diluted EPS	<u>169,200</u>	<u>169,200</u>

## 25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements. (Refer to Note 18)

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

## 26. FINANCIAL INSTRUMENTS

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

The Group'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, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative instruments				
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>  1,891</u>	\$ <u>          -</u>	\$ <u>  1,891</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 22,263	\$ -	\$ -	\$ 22,263
Overseas listed shares	<u>  25,676</u>	<u>          -</u>	<u>          -</u>	<u>  25,676</u>
	<u>\$ 47,939</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 47,939</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	\$ <u>  530</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  530</u>

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
Overseas listed shares	<u>  67,493</u>	<u>          -</u>	<u>          -</u>	<u>  67,493</u>
	<u>\$ 93,727</u>	<u>\$          -</u>	<u>\$          -</u>	<u>\$ 93,727</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	\$ <u>  832</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  832</u>

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

The derivatives - foreign exchange forward contracts above have been determined in accordance with discounted cash flow approach, which are estimated based on observable forward exchange rates at the end of the reporting year and contract forward rates, discounted at a rate that reflects the credit risk of

various counterparties.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$ 2,506,023	\$ 2,858,660
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	1,891	-
Financial assets at FVTOCI		
Equity instruments	47,939	93,727
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,163,762	3,353,546
Financial liabilities at FVTPL		
Held for trading	530	832

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, net of accounts receivable, other receivables and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, short-term bills payable, notes payable, accounts payable and lease liabilities. The Group'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 Group through analyzing exposures to risks. These risks include market risk, credit risk and liquidity risk.

The corporate treasury function reports monthly to the Group's management personnel.

1) Market risk

The Group'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 Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposed to foreign currency risk at the end of the reporting year are set out in Note 30.

### Sensitivity analysis

The Group was mainly exposed to the USD and HKD.

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 foreign exchange forward contracts at the end of the reporting year. A positive (negative) number below indicates an increase (decrease) in pre-tax profit for a 1% weakening of the functional currency against the relevant currency.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
USD	\$ (2,676)	\$ 2,555
HKD	1,429	1,658

#### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 270,892	\$ 520,716
Financial liabilities	888,650	942,286
Cash flow interest rate risk		
Financial assets	1,062,671	1,144,284
Financial liabilities	1,599,536	1,554,670

### Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by \$5,369 thousand and \$4,104 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

#### c) Other price risk

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

## Sensitivity analysis

The sensitivity analysis below was determined based on the Group's 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, 2019 and 2018 would increase/decrease by \$479 thousand and \$937 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

### 2) Credit risk

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

The Group's receivables are significantly concentrated in certain individuals. Accounts receivable from customers with significant carrying amounts were disclosed in Note 9.

### 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 Group's funding and liquidity management requirements.

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

#### a) Liquidity risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include 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 upon 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.

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<hr/>					
December 31, 2019					
Fixed interest rate liabilities	\$ 287,652	\$ 192,652	\$ 360,333	\$ 51,434	\$ -
Variable interest rate liabilities	176,929	183,139	802,957	462,608	-
Lease liabilities	-	1,658	-	4,852	768
Financial guarantee contracts	4,087	19,551	1,120	-	-
Non-interest bearing	<u>411,645</u>	<u>177,775</u>	<u>91,577</u>	<u>-</u>	<u>-</u>
	<u>\$ 880,313</u>	<u>\$ 574,775</u>	<u>\$1,255,987</u>	<u>\$ 518,894</u>	<u>\$ 768</u>

(Continued)

December 31, 2018	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
Fixed interest rate liabilities	\$ 51,497	\$ 248,071	\$ 483,257	\$ 175,930	\$ -
Variable interest rate liabilities	152,530	127,791	572,462	733,934	-
Non-interest bearing	<u>500,833</u>	<u>253,821</u>	<u>99,990</u>	<u>-</u>	<u>-</u>
	<u>\$ 704,860</u>	<u>\$ 629,683</u>	<u>\$1,155,709</u>	<u>\$ 909,864</u>	<u>\$ -</u>

(Concluded)

Taking into account the Group'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

The following table details the Group'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.

December 31, 2019	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
Net settled			
Copper Futures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530)</u>
Gross settled			
Foreign Exchange Forward Contracts			
Inflows	\$ -	\$ -	\$ 152,918
Outflows	<u>-</u>	<u>-</u>	<u>(150,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,918</u>
December 31, 2018	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
Net settled			
Copper Futures	<u>\$ -</u>	<u>\$ (702)</u>	<u>\$ (130)</u>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying

amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

As of December 31, 2019, the Group transferred \$88,446 thousand of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the accounts payable to these supplier, and the carrying amount of these banker's acceptance bills that had been transferred but not derecognized was \$63,688 thousand.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2019, the face amounts of these unsettled bills receivable were \$24,758 thousand. The unsettled bills receivable will be due in 1-4 months after the end of the reporting year. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

For the year ended December 31, 2019, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenue and expenses among the Group have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Group and other related parties were as follows:

### a. Related party name and its relationship with the Group

<u>Related Party Name</u>	<u>Relationship with the Group</u>
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

### b. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 11,298	\$ 9,447
Post-employment benefits	<u>275</u>	<u>210</u>
	<u>\$ 11,573</u>	<u>\$ 9,657</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.

### c. Lease arrangements

The Company leased its warehouse and Taipei office from related parties in substance, Su, Tun-Jen, Su, Tun-Li, and Su, Tun-Yi. The rental terms were determined by negotiation. The rental rates were similar to the local market rates and the payment terms were at arm's length.

The relevant information of the lease arrangements were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Payments for right-of-use assets	\$ 2,582	\$ -
Interest expense	118	-
Lease expense	-	1,658

The balance of lease liabilities as of December 31, 2019 was \$7,047 thousand.

d. Guarantees

The Group's related parties in substance provided the guarantees for the loans of the Group. Details were as follows:

<b>Guarantor</b>	<b>Guarantee Amount</b>
Su, Tun-Li	\$ 1,186,113
Su, Chung-Hong	659,422
Su, Bo-Chen	<u>409,000</u>
	<u>\$ 2,254,535</u>

## 28. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The Group provided the following assets as collateral for the borrowings, bank's acceptance and performance guarantees:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 482,021	\$ 550,759
Pledge deposits (under other financial assets - current)	22,190	9,632
Right-of-use assets	22,110	-
Prepayments for lease (including current portion)	<u>-</u>	<u>23,494</u>
	<u>\$ 526,321</u>	<u>\$ 583,885</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant contingent liabilities and unrecognized commitments as of December 31, 2019 were as follows:

- a. The amount of contracts for the Group's purchases of properties and materials was \$109,979 thousand, of which \$8,834 thousand had been paid.
- b. Unused letters of credit for purchases of raw materials and equipment amounted to \$19,341 thousand.

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group's entities 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:

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>NTD (In Thousands)</b>
<u>December 31, 2019</u>				
Financial assets				
Monetary items				
USD	\$ 10,818	30	(USD:NTD)	\$ 324,542
USD	10,426	6.9638	(USD:RMB)	312,777
USD	15,153	7.7882	(USD:HKD)	454,580
USD	3,823	23,220	(USD:VND)	114,691
HKD	547	3.852	(HKD:NTD)	2,108
HKD	51,363	0.8941	(HKD:RMB)	197,850
HKD	948	0.1284	(HKD:USD)	<u>3,653</u>
				<u>\$ 1,410,201</u>
Financial liabilities				
Monetary items				
USD	1,230	30	(USD:NTD)	\$ 36,886
USD	9,184	6.9638	(USD:RMB)	275,522
USD	11,815	7.7882	(USD:HKD)	354,442
USD	26,913	23,220	(USD:VND)	807,383
HKD	15,530	3.852	(HKD:NTD)	59,822
HKD	235	0.8941	(HKD:RMB)	<u>906</u>
				<u>\$ 1,534,961</u>
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	11,821	30.7	(USD:NTD)	\$ 362,897
USD	11,392	6.868	(USD:RMB)	349,729
USD	13,727	7.8276	(USD:HKD)	421,429
USD	2,997	23,222	(USD:VND)	92,010
HKD	2,777	3.922	(HKD:NTD)	10,890
HKD	57,788	0.8774	(HKD:RMB)	226,643
HKD	933	0.1278	(HKD:USD)	<u>3,659</u>
				<u>\$ 1,467,257</u>
Financial liabilities				
Monetary items				
USD	517	30.7	(USD:NTD)	\$ 15,859
USD	3,161	6.868	(USD:RMB)	97,040
USD	5,780	7.8276	(USD:HKD)	177,459

(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>NTD (In Thousands)</b>
USD	\$ 22,156	23,222	(USD:VND)	\$ 680,189
HKD	18,716	3.922	(HKD:NTD)	73,404
HKD	500	0.8774	(HKD:RMB)	<u>1,961</u>
				<u>\$ 1,045,912</u> (Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$7,903 thousand and \$21,468 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

### 31. ADDITIONAL DISCLOSURES

#### a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held: 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: Note 7. For the year ended December 31, 2019, net gains of futures contracts and foreign exchange forward contracts were \$3,940 thousand and \$1,881 thousand, respectively.
- 10) Inter-company business relationship and material transactions and its amount: Table 8.
- 11) 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: Tables 3 and 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 year and the purposes: None.
- 5) The highest balance, the ending balance, the interest rate 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 receipt of services: Tables 7 and 8.

## **32. SEGMENT INFORMATION**

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the type of goods or services delivered or provided.

Each entity of the Group is considered separate operating segment by the chief operating decision maker (CODM). For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- a. These operating segments have similar production and sales processes;
- b. These operating segments have similar main businesses and products; and
- c. The finance and business of these operating segments as to the consolidated financial statements are not material.

The Group's reportable segments were as follows:

- The Company
  - GEM Dongguan and Genius HK consolidated information
  - GEM Suzhou and Global HK consolidated information
  - Others
- a. Segment revenue and results

The following was an analysis of the Group's revenue, results from operations, segment assets and liabilities by reportable segments:

	The Company	GEM Dongguan & Genius HK	GEM Suzhou & Global HK	Others	Adjustment and Elimination	Consolidated Amount
<u>For the Year ended December 31, 2019</u>						
Revenue from external customers	\$ 444,097	\$ 1,411,015	\$ 1,586,235	\$ 1,675	\$ -	\$ 3,443,022
Inter-segment revenue	<u>571,679</u>	<u>628,367</u>	<u>1,393,677</u>	<u>1,069,310</u>	<u>(3,663,033)</u>	<u>-</u>
Segment revenue	<u>\$ 1,015,776</u>	<u>\$ 2,039,382</u>	<u>\$ 2,979,912</u>	<u>\$ 1,070,985</u>	<u>\$ (3,663,033)</u>	<u>\$ 3,443,022</u>
Segment income (loss)	<u>\$ (42,583)</u>	<u>\$ (34,785)</u>	<u>\$ (23,003)</u>	<u>\$ 7,630</u>	<u>\$ 40,377</u>	<u>\$ (52,364)</u>
Other income						35,362
Other gains and losses						(20,138)
Finance costs						<u>(53,066)</u>
Consolidated loss before income tax						(90,206)
Income tax						<u>(101,370)</u>
Consolidated net loss						<u>\$ (191,576)</u>
<u>December 31, 2019</u>						
Segment assets	<u>\$ 4,345,050</u>	<u>\$ 1,406,620</u>	<u>\$ 2,748,214</u>	<u>\$ 1,456,982</u>	<u>\$ (4,334,714)</u>	<u>\$ 5,622,152</u>
Segment liabilities	<u>\$ 2,097,789</u>	<u>\$ 514,964</u>	<u>\$ 814,887</u>	<u>\$ 1,105,243</u>	<u>\$ (1,157,992)</u>	<u>\$ 3,374,891</u>
<u>For the Year ended December 31, 2018</u>						
Revenue from external customers	\$ 520,441	\$ 1,609,595	\$ 1,820,087	\$ 731	\$ -	\$ 3,950,854
Inter-segment revenue	<u>175,028</u>	<u>530,116</u>	<u>1,590,073</u>	<u>493,492</u>	<u>(2,788,709)</u>	<u>-</u>
Segment revenue	<u>\$ 695,469</u>	<u>\$ 2,139,711</u>	<u>\$ 3,410,160</u>	<u>\$ 494,223</u>	<u>\$ (2,788,709)</u>	<u>\$ 3,950,854</u>
Segment income (loss)	<u>\$ (52,330)</u>	<u>\$ (55,611)</u>	<u>\$ 42,358</u>	<u>\$ (42,267)</u>	<u>\$ 7,895</u>	<u>\$ (99,955)</u>
Other income						25,777
Other gains and losses						16,895
Finance costs						<u>(55,943)</u>
Consolidated loss before income tax						(113,226)
Income tax						<u>23,979</u>
Consolidated net loss						<u>\$ (89,247)</u>
<u>December 31, 2018</u>						
Segment assets	<u>\$ 4,552,877</u>	<u>\$ 1,646,608</u>	<u>\$ 3,071,467</u>	<u>\$ 1,164,298</u>	<u>\$ (4,423,484)</u>	<u>\$ 6,011,766</u>
Segment liabilities	<u>\$ 2,013,571</u>	<u>\$ 685,765</u>	<u>\$ 1,053,946</u>	<u>\$ 742,832</u>	<u>\$ (1,023,654)</u>	<u>\$ 3,472,460</u>

b. Revenue from major products

The following is an analysis of the Group's revenue from its major product:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Terminals	\$ 3,437,209	\$ 3,943,278
Others	<u>5,813</u>	<u>7,576</u>
	<u>\$ 3,443,022</u>	<u>\$ 3,950,854</u>

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 189,799	\$ 242,054	\$ 304,457	\$ 306,379
China	3,081,217	3,535,977	1,015,625	1,120,396
Vietnam	83,230	72,698	549,193	550,541
Others	<u>88,776</u>	<u>100,125</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,443,022</u>	<u>\$ 3,950,854</u>	<u>\$ 1,869,275</u>	<u>\$ 1,977,316</u>

Non-current assets exclude financial assets - non-current and deferred income tax assets.

d. Information about major customers

No single customer contributed over 10% of the Group's consolidated operating revenue for both 2019 and 2018.

**TABLE 1****GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	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	Note
													Item	Value			
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 360,438	\$ 150,000	\$ 60,000	3.2	Short-term financing	\$ -	Business development	\$ -	-	\$ -	\$ 449,452	\$ 898,904	Note 1
0	The Company	GEM Suzhou	Other receivables - related parties	Yes	92,295	-	-	-	Short-term financing	-	Business development	-	-	-	449,452	898,904	Note 1
1	Vibo	GEM Dongguan	Other receivables - related parties	Yes	30,820	-	-	-	Short-term financing	-	Business development	-	-	-	548,459	1,096,918	Note 1
1	Vibo	GEM Suzhou	Other receivables - related parties	Yes	31,595	-	-	-	Short-term financing	-	Business development	-	-	-	548,459	1,096,918	Note 1
1	Vibo	GEM VN	Other receivables - related parties	Yes	183,915	180,000	180,000	2.8	Short-term financing	-	Business development	-	-	-	548,459	1,096,918	Note 1
2	Global Cayman	Global HK	Other receivables - related parties	Yes	24,944	12,000	-	-	Short-term financing	-	Business development	-	-	-	553,234	1,106,468	Note 1
3	GEM Suzhou	Vibo	Other receivables - related parties	Yes	155,200	150,000	150,000	2.8	Short-term financing	-	Business development	-	-	-	384,827	769,654	Note 1

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

Note 2: The exchange rate was US\$1: NT\$30.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
 DECEMBER 31, 2019  
 (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, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ESON Precision Engineering Co., Ltd.	-	Financial assets at FVTOCI - current	42,000	\$ 1,554	-	\$ 1,554	
	Tai Tung Communication Co., Ltd.	-	Financial assets at FVTOCI - current	258,000	4,683	-	4,683	
	Innolux Corporation	-	Financial assets at FVTOCI - current	595,000	4,956	-	4,956	
	Microelectronics Technology Inc.	-	Financial assets at FVTOCI - current	184,000	4,536	-	4,536	
	Asia Pacific Telecom Co., Ltd.	-	Financial assets at FVTOCI - current	541,000	4,074	-	4,074	
	Shin Kong Financial Holding	-	Financial assets at FVTOCI - current	237,737	2,460	-	2,460	
					<u>22,263</u>		<u>22,263</u>	
GEM Suzhou	<u>Stock</u>							
	Yantai Changya Pioneer Wine Co., Ltd.	-	Financial assets at FVTOCI - current	71,968	8,898	-	8,898	
	Huarun Dong's Ejiao Co., Ltd.	-	Financial assets at FVTOCI - current	73,457	11,194	-	11,194	
	Luzhou Laojiao Group Co., Ltd.	-	Financial assets at FVTOCI - current	5,000	1,867	-	1,867	
	China Minsheng Banking Corp., Ltd.	-	Financial assets at FVTOCI - current	5,000	136	-	136	
	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	-	Financial assets at FVTOCI - current	5,000	2,380	-	2,380	
	Shede Spirits Co., Ltd.	-	Financial assets at FVTOCI - current	9,292	1,201	-	1,201	
					<u>25,676</u>		<u>25,676</u>	
					<u>\$ 47,939</u>		<u>\$ 47,939</u>	

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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, 2019  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	GEM VN	Subsidiary	Sales	\$ 499,936	49	120 days after monthly closing	Note 1	Note 2	\$ 106,590	46	Note 3
GEM Dongguan	Genius HK	Affiliate	Sales	591,160	31	120 days after monthly closing	Note 1	Note 2	150,791	28	Note 3
	GEM Suzhou	Affiliate	Sales	326,914	17	120 days after monthly closing	Note 1	Note 2	46,270	9	Note 3
GEM VN	Genius HK	Affiliate	Sales	636,965	70	120 days after monthly closing	Note 1	Note 2	-	-	Note 3
	Vibo	Affiliate	Sales	156,466	17	120 days after monthly closing	Note 1	Note 2	33,636	87	Note 3
GEM Suzhou	GEM Dongguan	Affiliate	Sales	1,119,598	38	120 days after monthly closing	Note 1	Note 2	235,424	27	Note 3
	Global HK	Affiliate	Sales	208,347	7	120 days after monthly closing	Note 1	Note 2	54,443	6	Note 3
Genius HK	The Company	Parent	Sales	182,577	13	120 days after monthly closing	Note 1	Note 2	39,421	16	Note 3
	GEM Dongguan	Affiliate	Sales	663,247	48	120 days after monthly closing	Note 1	Note 2	73,661	29	Note 3
	GEM VN	Affiliate	Sales	118,091	9	120 days after monthly closing	Note 1	Note 2	20,369	8	Note 3
Global HK	The Company	Parent	Sales	102,695	30	120 days after monthly closing	Note 1	Note 2	34,735	53	Note 3
	GEM Suzhou	Affiliate	Sales	103,058	30	120 days after monthly closing	Note 1	Note 2	5,079	8	Note 3
Vibo	GEM Suzhou	Subsidiary	Sales	157,135	100	120 days after monthly closing	Note 1	Note 2	33,697	100	Note 3

Note 1: The sales price of finished goods was not significantly different from those to third parties, except for the stated sales price of finished goods, there were no comparable transactions with third parties.

Note 2: The sales payment terms of intercompany sales are not significantly different from those to third parties.

Note 3: It was eliminated on consolidation.

**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

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

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate (Note 2)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	GEM VN	Subsidiary	\$ 171,382	5.09	\$ -	-	\$ 113,268	\$ -
GEM Suzhou	GEM Dongguan	Affiliate	235,424	4.06	-	-	235,424	-
	Vibo	Parent	151,272	-	-	-	-	-
GEM Dongguan	Genius HK	Affiliate	151,592	3.6	-	-	98,911	-
Vibo	GEM VN	Affiliate	181,146	-	-	-	-	-

Note 1: It included accounts receivable and other receivables.

Note 2: The computation of turnover rate did not include other receivables.

Note 3: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares/ Unit	%	Carrying Amount			
The Company	Global Cayman	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,654,575	\$ (98,981)	\$ (99,233)	Notes 1 and 2
	GEM Cayman	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	251,354	(14,646)	(14,504)	Notes 1 and 2
	Genius	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	87,265	6,585	6,585	Note 1
Genius	Genius HK	Hong Kong	International trading	90,134	90,134	21,999,998	100	86,660	6,266	6,353	Notes 1 and 2
Global Cayman	Vibo	Hong Kong	International investment and trading, etc.	1,541,063	1,541,063	359,972,616	100	2,742,297	(99,916)	(99,916)	Note 1
	Global HK	Hong Kong	International trading	3,747	3,747	1,000,000	100	8,463	205	720	Notes 1 and 2
GEM Cayman	GEM VN	Vietnam	Production of hardware; machine processing; electroplating for hardware processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	386,780	386,780	386,780	100	254,679	(8,943)	(14,484)	Notes 1 and 2

Note 1: It was eliminated on consolidation.

Note 2: Net of unrealized profits.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investee Company	Main Business and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Fund		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Loss of the Investee	% of Ownership of Direct or Indirect Investment	Investment Loss (Notes 1 and 3)	Carrying Amount as of December 31, 2019 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of December 31, 2019	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.	\$ 730,071	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (42,570)	100	\$ (33,851)	\$ 767,409	\$ -	
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.	1,079,937	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	741,320	-	-	741,320	(18,162)	100	(12,728)	1,909,535	-	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	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	\$1,701,000 (US\$56,700 thousand)	\$1,348,357

Note 1: The amount was recognized based on the audited financial statements.

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.

Note 3: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Type	Price	Transaction Detail		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM Suzhou	Sales	\$ 56,356	120 days after monthly closing	No significant difference with those to third parties	\$ 11,947	5	\$ 8,098	
		Purchase	21,229	120 days after monthly closing	No significant difference with those to third parties	(2,516)	2	266	
		Disposal of property, plant and equipment	28,412	120 days after monthly closing	No comparable transactions with those in the market	988	1	14,506	
	GEM Dongguan	Sales	7,257	120 days after monthly closing	No significant difference with those to third parties	906	-	992	
		Purchase	785	120 days after monthly closing	No significant difference with those to third parties	-	-	(97)	
		Purchase of equipment on behalf of the subsidiary	4,659	120 days after monthly closing	No comparable transactions with those in the market	-	-	620	
Genius HK	GEM Dongguan	Sales	663,247	120 days after monthly closing	No significant difference with those to third parties	73,661	29	6,429	
		Purchase	591,160	120 days after monthly closing	No comparable transactions with those in the market	(150,791)	90	-	
		Purchase of property, plant and equipment	7,039	120 days after monthly closing	No comparable transactions with those in the market	(801)	-	836	
Global HK	GEM Suzhou	Sales	103,058	120 days after monthly closing	No significant difference with those to third parties	5,079	8	-	
		Purchase	208,347	120 days after monthly closing	No comparable transactions with those in the market	(54,443)	91	-	
		Purchase of property, plant and equipment	25,617	120 days after monthly closing	No comparable transactions with those in the market	(83)	-	2,776	
Vibo	GEM Suzhou	Sales	157,135	120 days after monthly closing	No comparable transactions with those in the market	33,697	100	7,268	
GEM VN	GEM Suzhou	Purchase	78,476	120 days after monthly closing	No comparable transactions with those in the market	(37,199)	22	490	
		Purchase of property, plant and equipment	11,180	120 days after monthly closing	No comparable transactions with those in the market	(4,620)	2	-	

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
0	The Company	Genius HK	1	Sales	\$ 6,072	Payment term of four months	-
		Genius HK	1	Accounts receivable	938	Payment term of four months	-
		Genius HK	1	Disposal of property, plant and equipment	9,576	Payment term of four months	-
		GEM Suzhou	1	Sales	56,356	Payment term of four months	2
		GEM Suzhou	1	Accounts receivable	11,947	Payment term of four months	-
		GEM Suzhou	1	Disposal of property, plant and equipment	28,412	Payment term of four months	1
		GEM Suzhou	1	Other receivables	988	Payment term of four months	-
		GEM VN	1	Sales	499,936	Payment term of four months	15
		GEM VN	1	Accounts receivable	106,590	Payment term of four months	2
		GEM VN	1	Purchasing equipment on behalf of the subsidiary	21,400	Payment term of four months	1
		GEM VN	1	Other receivables	4,087	Payment term of four months	-
		GEM VN	1	Interest income	4,864	Annual interest rate of 2.1%-3.2%	-
		GEM VN	1	Other receivables	60,705	According to working capital conditions to change payment deeding	1
		GEM Dongguan	1	Sales	7,257	Payment term of four months	-
		GEM Dongguan	1	Accounts receivable	906	Payment term of four months	-
		GEM Dongguan	1	Purchasing equipment on behalf of the subsidiary	4,659	Payment term of four months	-
		Global HK	1	Sales	2,058	Payment term of four months	-
Global HK	1	Purchasing equipment on behalf of the subsidiary	5,183	Payment term of four months	-		
Global HK	1	Other receivables	5,079	Payment term of four months	-		
1	GEM Dongguan	The Company	2	Sales	785	Payment term of four months	-
		Genius HK	3	Sales	591,160	Payment term of four months	17
		Genius HK	3	Accounts receivable	150,791	Payment term of four months	3
		Genius HK	3	Disposal of property, plant and equipment	7,039	Payment term of four months	-
		Genius HK	3	Other income	23	Payment term of four months	-
		Genius HK	3	Other receivables	801	Payment term of four months	-
		GEM Suzhou	3	Sales	326,914	Payment term of four months	9
		GEM Suzhou	3	Accounts receivable	46,270	Payment term of four months	1
		GEM Suzhou	3	Disposal of property, plant and equipment	5,197	Payment term of four months	-
		GEM Suzhou	3	Other income	72	Payment term of four months	-
GEM Suzhou	3	Other receivables	3,237	Payment term of four months	-		
2	Genius HK	The Company	2	Sales	182,577	Payment term of four months	5
		The Company	2	Accounts receivable	39,421	Payment term of four months	1
		The Company	2	Other receivables	20,869	Payment term of four months	-
		GEM Dongguan	3	Sales	663,247	Payment term of four months	19
		GEM Dongguan	3	Accounts receivable	73,661	Payment term of four months	1
GEM Dongguan	3	Other receivables	388	Payment term of four months	-		

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
		GEM VN GEM VN	3 3	Sales Accounts receivable	\$ 118,091 20,369	Payment term of four months Payment term of four months	3 -
3	Global HK	The Company The Company GEM Suzhou GEM Suzhou GEM Suzhou GEM VN GEM VN	2 2 3 3 3 3 3	Sales Accounts receivable Sales Accounts receivable Other income Sales Accounts receivable	102,695 34,735 103,058 5,079 331 71,679 87	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months	3 1 3 - - 2 -
4	GEM Suzhou	The Company The Company The Company Global HK Global HK Global HK Global HK Global HK Global HK GEM Dongguan GEM Dongguan GEM Dongguan GEM VN GEM VN GEM VN GEM VN GEM VN Vibo Vibo	2 2 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 2 2	Sales Accounts receivable Disposal of property, plant and equipment Sales Accounts receivable Disposal of property, plant and equipment Other receivables Other income Sales Accounts receivable Disposal of property, plant and equipment Sales Accounts receivable Disposal of property, plant and equipment Other income Other receivables Interest income Other receivables	21,229 2,516 21 208,347 54,443 25,617 83 385 1,119,598 235,424 1,439 78,476 37,199 11,180 457 4,620 1,020 151,272	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Annual interest rate of 2.8% According to working capital conditions to change payment deeding	1 - - 6 1 1 - - - 33 4 - 2 1 - - - - 3
5	Vibo	GEM Suzhou GEM Suzhou GEM Suzhou GEM VN GEM VN	1 1 1 3 3	Sales Accounts receivable Interest income Interest income Other receivables	157,135 33,697 202 1,164 181,146	Payment term of four months Payment term of four months Annual interest rate of 2.8% Annual interest rate of 2.8% According to working capital conditions to change payment deeding	5 1 - - 3
6	Global Cayman	Global HK	1	Interest income	140	Annual interest rate of 2.8%-3.2%	-
7	GEM VN	The Company The Company Genius HK Global HK Vibo Vibo	2 2 3 3 3 3	Sales Accounts receivable Sales Sales Sales Accounts receivable	23,111 4,143 636,965 95,633 156,466 33,636	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months	1 - 19 3 5 1

(Continued)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary.

2) Subsidiary to parent.

3) Subsidiary to subsidiary.

(Concluded)