

GEM Terminal Ind. Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

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

As discussed in Note 11 and Table 6, as of December 31, 2019, through Global Electronics Terminal (Cayman) Co., Ltd., the Company's investments in Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM Suzhou) amounted to NT\$1,909,535 thousand, which accounted for 44% of the Company's total assets. As a result, GEM Suzhou's financial performance significantly impacts the Company's share of profit (loss) of subsidiaries.

The balance of inventories of GEM Suzhou was NT\$409,379 thousand. The impairment loss was measured at the lower of cost and net realizable value. The estimation of the net realizable value was based on current market conditions and the historical sales experience of products of a similar nature. Because the estimation involves significant judgements, and it will impact GEM Suzhou's financial performance, we considered GEM

Suzhou's valuation of inventories impairment as a key audit matter.

Aside from obtaining an understanding of internal 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.

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

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the 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 parent company only 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 parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

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

GEM TERMINAL IND. CO., LTD.

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

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 534,697	12	\$ 430,582	10
Financial assets at fair value through other comprehensive income-current (Notes 4 and 8)	22,263	1	26,234	1
Notes receivable (Notes 4 and 9)	37,144	1	45,800	1
Accounts receivable, net (Notes 4 and 9)	74,981	2	92,022	2
Accounts receivable - related parties (Notes 4, 9 and 25)	120,381	3	101,646	2
Other receivables (Note 4)	2,268	-	2,121	-
Other receivables - related parties (Notes 4 and 25)	70,859	2	172,222	4
Current tax assets (Notes 4 and 21)	169	-	112	-
Inventories (Notes 4, 5 and 10)	56,203	1	55,776	1
Other financial assets - current (Note 4)	14,548	-	11,390	-
Other current assets	17,436	-	19,491	-
Total current assets	<u>950,949</u>	<u>22</u>	<u>957,396</u>	<u>21</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 11)	2,993,194	69	3,200,998	71
Property, plant and equipment (Notes 4, 12, 25 and 26)	280,747	6	285,438	6
Right-of-use assets (Notes 3, 4, 13 and 25)	5,344	-	-	-
Deferred tax assets (Notes 4, 5 and 21)	110,733	3	100,269	2
Prepayments for equipment	55	-	6,416	-
Other financial assets - non-current (Note 4)	170	-	170	-
Other non-current assets	3,858	-	2,190	-
Total non-current assets	<u>3,394,101</u>	<u>78</u>	<u>3,595,481</u>	<u>79</u>
TOTAL	<u>\$ 4,345,050</u>	<u>100</u>	<u>\$ 4,552,877</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 420,000	10	\$ 220,000	5
Short-term bills payable (Note 16)	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 14)	12,865	-	17,093	-
Accounts payable (Note 14)	37,295	1	35,736	1
Accounts payable - related parties (Notes 14 and 25)	80,818	2	71,019	2
Other payables (Notes 15 and 17)	52,609	1	49,385	1
Other payables - related parties (Note 25)	20,869	1	18,164	-
Lease liabilities - current (Notes 3, 4, 13 and 25)	1,658	-	-	-
Long-term borrowings - current portion (Note 16)	753,917	17	573,167	13
Other current liabilities	611	-	896	-
Total current liabilities	<u>1,481,172</u>	<u>34</u>	<u>1,086,292</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	498,500	12	860,750	19
Deferred tax liabilities (Notes 4, 5 and 21)	94,200	2	40,308	1
Lease liabilities - non-current (Notes 3, 4, 13 and 25)	5,389	-	-	-
Net defined benefit liabilities (Notes 4 and 17)	18,528	-	26,221	-
Total non-current liabilities	<u>616,617</u>	<u>14</u>	<u>927,279</u>	<u>20</u>
Total liabilities	<u>2,097,789</u>	<u>48</u>	<u>2,013,571</u>	<u>44</u>
EQUITY (Note 18)				
Ordinary shares	<u>1,692,000</u>	<u>39</u>	<u>1,692,000</u>	<u>37</u>
Capital surplus	<u>271,315</u>	<u>6</u>	<u>271,315</u>	<u>6</u>
Retained earnings				
Legal reserve	343,170	8	343,170	8
Special reserve	40,765	1	-	-
Unappropriated earnings	44,667	1	273,586	6
Total retained earnings	<u>428,602</u>	<u>10</u>	<u>616,756</u>	<u>14</u>
Other equity	<u>(144,656)</u>	<u>(3)</u>	<u>(40,765)</u>	<u>(1)</u>
Total equity	<u>2,247,261</u>	<u>52</u>	<u>2,539,306</u>	<u>56</u>
TOTAL	<u>\$ 4,345,050</u>	<u>100</u>	<u>\$ 4,552,877</u>	<u>100</u>

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

GEM TERMINAL IND. CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 19 and 25)	\$ 1,015,776	100	\$ 695,469	100
OPERATING COSTS (Notes 10, 20 and 25)	<u>952,241</u>	<u>94</u>	<u>639,978</u>	<u>92</u>
GROSS PROFIT	63,535	6	55,491	8
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	(8,998)	(1)	(7,260)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	<u>7,260</u>	<u>1</u>	<u>6,210</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>61,797</u>	<u>6</u>	<u>54,441</u>	<u>8</u>
OPERATING EXPENSES (Notes 20 and 25)				
Marketing	18,004	2	17,923	3
General and administrative	68,567	7	67,298	10
Research and development	17,009	1	21,424	3
Expected credit loss	<u>800</u>	<u>-</u>	<u>126</u>	<u>-</u>
Total operating expenses	<u>104,380</u>	<u>10</u>	<u>106,771</u>	<u>16</u>
LOSS FROM OPERATIONS	<u>(42,583)</u>	<u>(4)</u>	<u>(52,330)</u>	<u>(8)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 25)				
Other income	31,958	3	29,876	4
Other gains and losses	(869)	-	14,413	2
Finance costs	(28,447)	(3)	(30,016)	(4)
Share of profit or loss of subsidiaries	<u>(107,152)</u>	<u>(11)</u>	<u>(43,965)</u>	<u>(6)</u>
Total non-operating income and expenses	<u>(104,510)</u>	<u>(11)</u>	<u>(29,692)</u>	<u>(4)</u>
LOSS BEFORE INCOME TAX	(147,093)	(15)	(82,022)	(12)
INCOME TAX EXPENSE (Notes 4 and 21)	<u>44,483</u>	<u>4</u>	<u>7,225</u>	<u>1</u>
NET LOSS	<u>(191,576)</u>	<u>(19)</u>	<u>(89,247)</u>	<u>(13)</u>

(Continued)

GEM TERMINAL IND. CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 17, 18 and 21)				
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	2,281	-	(7,656)	(1)
Share of other comprehensive gain (loss) of subsidiaries accounted for using the equity method	6,404	1	(21,530)	(3)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(417)	-	(111)	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(111,963)	(11)	(59,626)	(9)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,138</u>	<u>-</u>	<u>(10,773)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(100,469)</u>	<u>(10)</u>	<u>(100,231)</u>	<u>(14)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (292,045)</u>	<u>(29)</u>	<u>\$ (189,478)</u>	<u>(27)</u>
NET LOSS PER SHARE (Note 22)				
Basic	<u>\$ (1.13)</u>		<u>\$ (0.53)</u>	
Diluted	<u>\$ (1.13)</u>		<u>\$ (0.53)</u>	

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

GEM TERMINAL IND. CO., LTD.

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

	Ordinary Shares	Capital Surplus	Retained Earnings				Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	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
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)
Appropriation of 2018 earnings Special reserve	-	-	-	40,765	(40,765)	-	-	-	-	-	-
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 parent company only financial statements.

GEM TERMINAL IND. CO., LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (147,093)	\$ (82,022)
Adjustments for:		
Depreciation expense	24,242	22,002
Amortization expense	1,831	1,702
Expected credit loss	800	126
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(3,940)	(1,351)
Finance costs	28,447	30,016
Interest income	(6,147)	(5,927)
Dividend income	(185)	(823)
Share of loss of subsidiaries	107,152	43,965
Gain on disposal of property, plant and equipment, net	(2,453)	(4,105)
Write-down of inventories	1,509	3,022
Unrealized gain on transactions with subsidiaries	26,876	25,995
Realized gain on transactions with subsidiaries	(30,941)	(28,285)
Other non-cash items	(131)	158
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	3,638	2,183
Notes receivable	8,656	(785)
Accounts receivable	16,241	17,819
Accounts receivable - related parties	(18,735)	(68,046)
Other receivables	(173)	(2,066)
Other receivables - related parties	(9,325)	8,357
Inventories	(1,936)	29,044
Other current assets	2,055	2,025
Notes payable	(4,228)	(15,789)
Accounts payable	1,559	(10,095)
Accounts payable - related parties	9,799	(6,123)
Other payables	9,937	6,976
Other payables - related parties	2,705	1,414
Other current liabilities	(154)	126
Net defined benefit liabilities	(9,912)	(10,102)
Cash generated from (used in) operations	10,094	(40,589)
Interest received	8,011	3,655
Income tax paid	(391)	(3,589)
Net cash generated from (used in) operating activities	<u>17,714</u>	<u>(40,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,528)	(39,882)
Proceeds from sale of financial assets at fair value through other comprehensive income	9,780	35,722
Payments for property, plant and equipment	(15,532)	(12,704)

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GEM TERMINAL IND. CO., LTD.

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

	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 3,244	\$ 8,422
Increase (Decrease) in other receivables - related parties	108,850	(109,250)
Increase in other financial assets	(3,158)	(8,352)
Increase in other non-current assets	(3,499)	(1,660)
Dividend received	<u>185</u>	<u>823</u>
Net cash generated from (used in) investing activities	<u>96,342</u>	<u>(126,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	518,549	220,000
Decrease in short-term borrowings	(318,549)	(90,000)
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	450,000
Repayment of long-term borrowings	(581,500)	(746,167)
Interest paid	<u>(28,441)</u>	<u>(30,533)</u>
Net cash used in financing activities	<u>(9,941)</u>	<u>(196,700)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,115	(364,104)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>430,582</u>	<u>794,686</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 534,697</u>	<u>\$ 430,582</u>

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

GEM TERMINAL IND. CO., LTD.

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

1. GENERAL INFORMATION

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China. The Company mainly manufactures and sells 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 parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only 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 Company’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 Company 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 Company as lessee

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

statements of comprehensive income, the Company 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 parent company only 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. Cash flows for operating leases were classified within operating activities on the parent company only statements of cash flows.

The Company 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. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company 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:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Adjusted Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 4,347	\$ 4,347
Total effect on assets	<u>\$ -</u>	<u>\$ 4,347</u>	<u>\$ 4,347</u>
Lease liabilities - current	\$ -	\$ 694	\$ 694
Lease liabilities - 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

New IFRSs	Effective Date Announced by IASB
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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

Note 3: The Company 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 parent company only financial statements were authorized for issue, the Company assessed that the application of other standards and interpretations will not have material impact on the Company’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 Company 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 Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company 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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other

comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profit or loss of subsidiaries”, “share of other comprehensive loss of subsidiaries accounted for using the equity method” in the parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company’s functional currency (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 parent company only financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan 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.

e. Inventories

Inventories consist of merchandise, raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. 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.

f. Investments in subsidiaries

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

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

Unrealized profit or loss resulting from downstream transactions is eliminated in full in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

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

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

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

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

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

cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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 24.

ii Financial assets at amortized cost

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash

and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- 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 Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and

rewards of ownership of the asset to another party.

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

Subsequent measurement

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

Derecognition of financial liabilities

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

j. Revenue recognition

The Company 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 Company 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 Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company 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 parent company only 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 Company 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 Company 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 parent company only 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 Company 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 Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, 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 investment in foreign subsidiaries for which no deferred tax liabilities have been recognized were \$146,849 thousand and \$210,339 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 290	\$ 300
Checking accounts and demand deposits	434,407	179,782
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>100,000</u>	<u>250,500</u>
	<u>\$ 534,697</u>	<u>\$ 430,582</u>

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

	<u>December 31</u>	
	2019	2018
Time deposits (%)	0.55-0.66	0.55-0.66

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

7. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

As of December 31, 2019 and 2018, the financial liabilities at FVTPL were copper futures held for trading. The copper futures did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting. Outstanding copper futures were as follows:

	Futures Month	Lots	Contract Amount (In thousands)
<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>	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed shares	<u>\$ 22,263</u>	<u>\$ 26,234</u>

These investments in equity instruments are not held for trading. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

For the years ended December 31, 2019 and 2018, the Company acquired \$3,528 thousand and \$39,882 thousand of domestic 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 Company sold its domestic listed shares in order to manage credit concentration risk. The sold shares had a fair value of \$9,780 thousand and \$35,722 thousand and the Company transferred losses of \$1,214 thousand and \$3,358 thousand from other equity to retained earnings.

The dividends for the years ended December 31, 2019 and 2018 were \$185 and \$823 thousand, which were all related to investments held at the end of the reporting year.

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 37,144</u>	<u>\$ 45,800</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 75,901	\$ 92,758
Less: Allowance for impairment loss	<u>920</u>	<u>736</u>
	<u>\$ 74,981</u>	<u>\$ 92,022</u>
<u>Accounts receivable - related parties</u>		
At amortized cost		
Gross carrying amount	<u>\$ 120,381</u>	<u>\$ 101,646</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 Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company 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 Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2019

	Not Past Due	Past Due 1to 60 Days	Past Due 361 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	100	
Gross carrying amount	\$ 230,764	\$ 2,203	\$ 459	\$ 233,426
Loss allowance (Lifetime ECL)	<u>(363)</u>	<u>(98)</u>	<u>(459)</u>	<u>(920)</u>
Amortized cost	<u>\$ 230,401</u>	<u>\$ 2,105</u>	<u>\$ -</u>	<u>\$ 232,506</u>

December 31, 2018

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 736	\$ 610
Loss allowance	<u>800</u>	<u>126</u>
Balance at December 31	<u>\$ 1,536</u>	<u>\$ 736</u>

b. Credit risk of notes and accounts receivable

The Company's receivables are significantly concentrated on certain individuals, most of which have similar business operations and economic features. Therefore, concentration of 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:

	December 31	
	2019	2018
Group A	<u>\$ 34,023</u>	<u>\$ 40,612</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Merchandise	\$ 17,610	\$ 17,663
Raw materials	10,424	12,859
Supplies	16,437	13,770
Finished goods	7,344	6,179
Work in process	<u>4,388</u>	<u>5,305</u>
	<u>\$ 56,203</u>	<u>\$ 55,776</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Write-down of inventories	\$ 1,509	\$ 3,022
Others	<u>(131)</u>	<u>66</u>
	<u>\$ 1,378</u>	<u>\$ 3,088</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>			
	<u>2019</u>		<u>2018</u>	
	Amount	% of Owner - ship	Amount	% of Owner - ship
<u>Investments in subsidiaries</u>				
Unlisted companies				
Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	\$ 2,654,575	100	\$ 2,849,795	100
GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	251,354	100	270,830	100
Genius Terminal Co., Ltd. (Genius)	<u>87,265</u>	100	<u>80,373</u>	100
	<u>\$ 2,993,194</u>		<u>\$ 3,200,998</u>	

The Company's share of profit or loss and other comprehensive income of subsidiaries for the years ended December 31, 2019 and 2018 were based on the subsidiaries' audited financial statements.

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

12. 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 were as follows:

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 146,218	\$ 161,223	\$ 202,932	\$ 58,433	\$ 7,549	\$ 576,355
Additions	-	-	12,478	6,267	854	19,599
Disposal	-	(103)	(1,277)	(3,792)	-	(5,172)
Balance at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 161,120</u>	<u>\$ 214,133</u>	<u>\$ 60,908</u>	<u>\$ 8,403</u>	<u>\$ 590,782</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ (129,575)	\$ (138,706)	\$ (22,636)	\$ -	\$ (290,917)
Depreciation expenses	-	(3,074)	(13,326)	(6,257)	-	(22,657)
Disposal	-	94	960	2,485	-	3,539
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (132,555)</u>	<u>\$ (151,072)</u>	<u>\$ (26,408)</u>	<u>\$ -</u>	<u>\$ (310,035)</u>
Carrying amounts at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 28,565</u>	<u>\$ 63,061</u>	<u>\$ 34,500</u>	<u>\$ 8,403</u>	<u>\$ 280,747</u>

For the year ended December 31, 2018

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

b. Estimated useful lives

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

Buildings

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

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

	For the Year Ended December 31	
	2019	2018
Payments for property, plant and equipment	\$ 19,599	\$ 15,239
Capitalized interest	(153)	(314)
Increase (decrease) in prepayments for equipment	(6,361)	531
Decrease (increase) in payable for purchase of equipment	<u>2,447</u>	<u>(2,752)</u>
Cash paid	<u>\$ 15,532</u>	<u>\$ 12,704</u>

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	<u>\$ 5,344</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 2,582</u>
Depreciation charge for right-of-use assets	
Buildings	<u>\$ 1,585</u>

b. Lease liabilities - 2019

	December 31, 2019
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 Company leases buildings for the use as warehouses and office spaces with lease term of 1 to 6 years. The Company does not have bargain purchase options to acquire the leasehold buildings but have extension options at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

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

15. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries and bonuses	\$ 11,158	\$ 11,898
Payable for purchase on behalf of subsidiaries	8,557	4,059
Payable for pension	5,536	9,830
Payable for service fees	4,363	3,757
Payable for purchase of equipment	1,647	4,094
Payable for labor and health insurance	1,454	1,424
Payable for interests	1,105	1,064
Others	<u>18,789</u>	<u>13,259</u>
	<u>\$ 52,609</u>	<u>\$ 49,385</u>

Other payables - others were payables for utilities expense and purchase of parts, etc.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings	\$ 420,000	\$ 220,000
Annual interest rates (%)	1.20-1.50	1.25-1.50

b. Short-term bills payable

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

	December 31	
	2019	2018
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

	<u>December 31</u>	
	2019	2018
Unsecured borrowings	\$ 1,252,417	\$ 1,433,917
Less: Current portion	<u>753,917</u>	<u>573,167</u>
	<u>\$ 498,500</u>	<u>\$ 860,750</u>

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

	<u>December 31</u>	
	2019	2018
Annual interest rates (%)	1.49-2.06	1.49-2.06
Maturity date	February 2020- December 2022	February 2019- November 2022

Under the loan agreements with certain banks, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2019, the Company 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 Company was in compliance with the requirements stated in the loan agreements.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2019	2018
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Benefits paid	\$ (3,827)	\$ 3,827	\$ _____ -
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 purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
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:

	December 31	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (1,133)</u>	<u>\$ (1,332)</u>
0.25% decrease	<u>\$ 1,169</u>	<u>\$ 1,378</u>

(Continued)

	<u>December 31</u>	
	2019	2018
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>
		(Concluded)

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.

	<u>December 31</u>	
	2019	2018
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

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2019	2018
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

	<u>December 31</u>	
	2019	2018
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 share dividends and bonuses to stockholders.

The Articles explicitly stipulate that according to the article 240 of the Company, 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 in cash, in whole or in part; and in addition a report of such distribution shall be submitted to the stockholders' 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 shares. However, distribution of profit 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 share 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 shareholder'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

	<u>For the Year Ended December 31</u>	
	2019	2018
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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (8,988)	\$ (3,166)
Recognized for the year		
Unrealized gain (loss) - equity instruments	2,281	(7,656)
Share of profit (loss) of subsidiaries accounted for using the equity method	6,404	(21,530)
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal		
Equity instruments	1,214	3,358
Share of profit (loss) of subsidiaries accounted for using the equity method	<u>(4,636)</u>	<u>20,006</u>
Balance at December 31	<u>\$ (3,725)</u>	<u>\$ (8,988)</u>

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2019	2018
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>

19. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,015,776</u>	<u>\$ 695,469</u>

a. Contract balances (Note 9)

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	\$ 37,144	\$ 45,800	\$ 45,015
Accounts receivable, net (including those from related parties)	<u>195,362</u>	<u>193,668</u>	<u>143,567</u>
	<u>\$ 232,506</u>	<u>\$ 239,468</u>	<u>\$ 188,582</u>

b. Disaggregation of revenue

Refer to Statement 11 for the disaggregation of revenue information.

20. LOSS BEFORE INCOME TAX

Loss before income tax included following items:

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	\$ 6,147	\$ 5,927
Dividends	185	823
Income from purchased equipment on behalf of subsidiaries (Note 25)	23,681	22,075
Others	<u>1,945</u>	<u>1,051</u>
	<u>\$ 31,958</u>	<u>\$ 29,876</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains (losses), net	\$ (7,258)	\$ 8,957
Gain on disposal of property, plant and equipment, net	2,453	4,105
Gain on financial instruments at FVTPL, net	3,940	1,351
Others	<u>(4)</u>	<u>-</u>
	<u>\$ (869)</u>	<u>\$ 14,413</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest expense of borrowings	\$ 28,482	\$ 30,330
Interest on lease liabilities	118	-
Less: Amounts included in the cost of qualifying assets	<u>153</u>	<u>314</u>
	<u>\$ 28,447</u>	<u>\$ 30,016</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 153	\$ 314
Capitalization rate (%)	1.54-1.79	1.65-1.84

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 22,657	\$ 22,002
Right-of-use assets	1,585	-
Other assets	<u>1,831</u>	<u>1,702</u>
	<u>\$ 26,073</u>	<u>\$ 23,704</u>

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

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 10,767	\$ 9,842
Operating expenses	<u>13,475</u>	<u>12,160</u>
	<u>\$ 24,242</u>	<u>\$ 22,002</u>
An analysis of amortization by function		
Operating costs	\$ 4	\$ 8
Operating expenses	<u>1,827</u>	<u>1,694</u>
	<u>\$ 1,831</u>	<u>\$ 1,702</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ <u>86,451</u>	\$ <u>92,388</u>
Post-employment benefits (Note 17)		
Defined contribution plans	3,311	3,216
Defined benefit plans	<u>916</u>	<u>1,213</u>
	<u>4,227</u>	<u>4,429</u>
	<u>\$ 90,678</u>	<u>\$ 96,817</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 25,038	\$ 26,936
Operating expenses	<u>65,640</u>	<u>69,881</u>
	<u>\$ 90,678</u>	<u>\$ 96,817</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 had incurred a net loss; hence, no employees' compensation and remuneration of directors and supervisors were

accrued for the years then ended.

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the parent company only financial statements for the 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.

21. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 334	\$ 56
Adjustments for prior years	<u>-</u>	<u>(234)</u>
	<u>334</u>	<u>(178)</u>
Deferred tax		
In respect of the current year	43,004	19,821
Effect of change in tax rate	-	(12,418)
Adjustments for prior years	<u>1,145</u>	<u>-</u>
	<u>44,149</u>	<u>7,403</u>
Income tax expense recognized in profit or loss	<u>\$ 44,483</u>	<u>\$ 7,225</u>

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

	For the Year Ended December 31	
	2019	2018
Loss before income tax	<u>\$ (147,093)</u>	<u>\$ (82,022)</u>
Income tax benefit calculated at the statutory rate	\$ (29,419)	\$ (16,404)
Nondeductible expenses in determining taxable income	3	2
Tax-exempt income	(802)	(435)
Deferred tax effect of earnings of subsidiaries	73,222	36,658
Effect of change in tax rate	-	(12,418)
Adjustments for prior years	1,145	(234)
Nondeductible withholding tax	<u>334</u>	<u>56</u>
Income tax expense recognized in profit or loss	<u>\$ 44,483</u>	<u>\$ 7,225</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%.

b. Income tax recognized in other comprehensive loss

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
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	<u>(417)</u>	<u>107</u>
Income tax benefit (expense) recognized in other comprehensive loss	<u>\$ 721</u>	<u>\$ (10,884)</u>

c. Current tax assets

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	<u>\$ 169</u>	<u>\$ 112</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>				
Temporary differences				
Defined benefit obligations	\$ 7,049	\$ (1,983)	\$ (417)	\$ 4,649
Unrealized deferred profit	28,147	(814)	-	27,333
Subsidiaries accounted for using the equity method	(9,114)	(51,812)	1,138	(59,788)
Land value increment tax	(7,398)	-	-	(7,398)
Others	<u>582</u>	<u>2,544</u>	<u>-</u>	<u>3,126</u>
	19,266	(52,065)	721	(32,078)
Loss carryforwards	<u>40,695</u>	<u>7,916</u>	<u>-</u>	<u>48,611</u>
	<u>\$ 59,961</u>	<u>\$ (44,149)</u>	<u>\$ 721</u>	<u>\$ 16,533</u>

For the year ended December 31, 2018

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

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised of:

Unused Amount	Expiry Year
\$ 10,471	2024
55,604	2025
55,845	2026
20,415	2027
55,413	2028
<u>45,309</u>	2029
<u>\$ 243,057</u>	

f. 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 was \$146,849 thousand and \$210,339 thousand, respectively.

g. Income tax assessments

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

22. NET LOSS PER SHARE (EPS)

There is 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

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

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

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

23. CAPITAL MANAGEMENT

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

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

24. FINANCIAL INSTRUMENTS

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

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

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

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>22,263</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,263</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	<u>\$ 26,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,234</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.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$ 855,048	\$ 855,953
Financial assets at FVTOCI		
Equity instruments	22,263	26,234
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,976,873	1,945,314
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, accounts receivable, net (including related parties), other receivables (including related parties) 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 (including related parties), other payables (including related parties), and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Company was mainly 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 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.

	For the Year Ended December 31	
	2019	2018
USD	\$ 2,877	\$ 3,470
HKD	(577)	(625)

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 160,000	\$ 419,350
Financial liabilities	572,047	510,000
Cash flow interest rate risk		
Financial assets	434,275	179,650
Financial liabilities	1,207,417	1,243,917

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by \$7,731 thousand and \$10,643 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 \$223 thousand and \$262 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 Company. At the end of the reporting year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to counterparties' failure to discharge an obligation, is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company's receivables are significantly concentrated in certain individuals. Accounts receivable from customers with significant carrying amounts were disclosed in Notes 9 and 25.

3) Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and cash flows to finance the Company's operations and capital expenditures. As of December 31, 2019, the Company's current liabilities exceeded current assets; however, the Company will settle the current liabilities by obtaining long-term loan commitments and arranging appropriations of overseas subsidiaries' earnings. The Company has no liquidity risk due to its inability to fulfill the contractual obligations.

a) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed 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 Company

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.

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5-10 Years
<u>December 31, 2019</u>					
Fixed interest rate liabilities	\$ 200,860	\$ 190,586	\$ 125,951	\$ 51,434	\$ -
Variable interest rate liabilities	175,893	135,197	461,775	455,015	-
Lease liabilities	-	1,658	-	4,852	768
Non-interest bearing	<u>59,117</u>	<u>68,596</u>	<u>75,638</u>	<u>-</u>	<u>-</u>
	<u>\$ 435,870</u>	<u>\$ 396,037</u>	<u>\$ 663,364</u>	<u>\$ 511,301</u>	<u>\$ 768</u>
<u>December 31, 2018</u>					
Fixed interest rate liabilities	\$ 50,859	\$ 116,020	\$ 173,067	\$ 175,930	\$ -
Variable interest rate liabilities	128,459	65,533	381,007	694,251	-
Non-interest bearing	<u>69,082</u>	<u>68,424</u>	<u>52,828</u>	<u>-</u>	<u>-</u>
	<u>\$ 248,400</u>	<u>\$ 249,977</u>	<u>\$ 606,902</u>	<u>\$ 870,181</u>	<u>\$ -</u>

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

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

b) Liquidity risk tables for derivative financial instruments

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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>December 31, 2019</u>			
Net settled			
Copper Futures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530)</u>
<u>December 31, 2018</u>			
Net settled			
Copper Futures	<u>\$ -</u>	<u>\$ (702)</u>	<u>\$ (130)</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and its relationship with the Company

<u>Related Party Name</u>	<u>Relationship with the Company</u>
GEM Suzhou	Subsidiary
Dongguan Gem Electronics & Metal Co., Ltd. (GEM Dongguan)	Subsidiary
Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Subsidiary
Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Subsidiary
Genius Terminal (HK) Ltd. (Genius HK)	Subsidiary
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. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
GEM VN	\$ 499,936	\$ 111,718
Others	<u>71,743</u>	<u>63,311</u>
	<u>\$ 571,679</u>	<u>\$ 175,029</u>

The accumulated unrealized gains on the transactions with the subsidiaries as of December 31, 2019 and 2018, were \$8,998 thousand and \$7,260 thousand, respectively.

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

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
Genius HK	\$ 183,269	\$ 231,884
Global HK	101,407	89,863
Others	<u>45,408</u>	<u>45,462</u>
	<u>\$ 330,084</u>	<u>\$ 367,209</u>

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

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

Line Item	Related Party Category/Name	December 31	
		2019	2018
Accounts receivable - related parties	Subsidiaries		
	GEM VN	\$ 106,590	\$ 89,898
	Others	<u>13,791</u>	<u>11,748</u>
		<u>\$ 120,381</u>	<u>\$ 101,646</u>
Other receivables - related parties	Subsidiaries	<u>\$ 10,154</u>	<u>\$ 829</u>

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

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Accounts payable - related parties	Subsidiaries		
	Genius HK	\$ 39,421	\$ 55,252
	Global HK	34,735	10,732
	Others	<u>6,662</u>	<u>5,035</u>
		<u>\$ 80,818</u>	<u>\$ 71,019</u>
Other payables - related parties	Subsidiaries		
	Genius HK	<u>\$ 20,869</u>	<u>\$ 18,164</u>

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

The outstanding payables to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Party Category/Name	Price	
	For the Year Ended December 31	
	2019	2018
Subsidiaries	<u>\$ 2,007</u>	<u>\$ 172</u>

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

g. Disposals of assets

1) Property, plant and equipment

Related Party Category/Name	For the Year Ended December 31			
	2019		2018	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM SUZ	\$ 3,244	\$ 1,954	\$ 4,274	\$ 2,356
GEM VN	<u>-</u>	<u>-</u>	<u>1,498</u>	<u>1,306</u>
	<u>\$ 3,244</u>	<u>\$ 1,954</u>	<u>\$ 5,772</u>	<u>\$ 3,662</u>

As of December 31, 2019 and 2018, the accumulated unrealized gains on the intercompany property transactions with subsidiaries amounted to \$9,854 thousand and \$10,696 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains are amortized by the straight-line method over 10 years and recognized under gain on disposal of property, plant and equipment.

2) Equipment purchased on behalf of subsidiaries

Related Party Category/Name	For the Year Ended December 31			
	2019		2018	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM Suzhou	\$ 25,168	\$ 13,476	\$ 39,077	\$ 17,455
GEM VN	21,400	1,509	16,150	708
Genius HK	9,576	1,464	6,897	572
Others	<u>9,842</u>	<u>1,429</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,986</u>	<u>\$ 17,878</u>	<u>\$ 62,124</u>	<u>\$ 18,735</u>

As of December 31, 2019 and 2018, the accumulative unrealized gains on the intercompany property transactions for purchases on behalf of subsidiaries amounted to \$116,872 thousand and \$122,675 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains amortized by the straight-line method over 10 years and recognized under other income.

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

h. Property lease

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:

	For the Year Ended December 31	
	2019	2018
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.

i. Loans to related parties

As of December 31, 2019 and 2018, the unsecured loans provided to GEM VN amounted to \$60,000 thousand (US\$2,000 thousand) and \$168,850 thousand (US\$5,500 thousand) which were recorded as other receivables - related parties, respectively. The annual interest rates for the aforementioned loans were 3.2% and 2.1%-2.8%, which approximated market interest rates. For the years ended December 31, 2019 and 2018, the interest income were \$4,864 thousand and \$3,438 thousand, respectively, of which interest receivables were \$705 thousand and \$2,543 thousand, which were recorded as other receivables - related parties as of December 31, 2019 and 2018, respectively.

j. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 3,872	\$ 4,866
Post-employment benefits	<u>275</u>	<u>210</u>
	<u>\$ 4,147</u>	<u>\$ 5,076</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.

k. Guarantees

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

Guarantor	Guarantee Amount
Su, Tun-Li	\$ 956,209
Su, Chung-Hong	407,208
Su, Bo-Chen	<u>409,000</u>
	<u>\$ 1,772,417</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2019, significant contingent liabilities and unrecognized commitments of the Company were as follows:

- a. The amount of contracts for the Company's purchases of properties (including on behalf of subsidiaries) and materials was \$9,158 thousand, of which all had not been paid.

b. Unused letters of credit for purchases of raw materials and equipment amounted to \$19,341 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)		Exchange Rate	NTD (In Thousands)
<u>December 31, 2019</u>				
Financial assets				
Monetary items				
USD	\$ 10,818	30	(USD:NTD)	\$ 324,542
HKD	547	3.852	(HKD:NTD)	<u>2,108</u>
				<u>\$ 326,650</u>
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	104,116	30	(USD:NTD)	<u>\$ 3,123,477</u>
Financial liabilities				
Monetary items				
USD	1,230	30	(USD:NTD)	\$ 36,886
HKD	15,530	3.852	(HKD:NTD)	<u>59,822</u>
				<u>\$ 96,708</u>
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	11,821	30.7	(USD:NTD)	\$ 362,897
HKD	2,777	3.922	(HKD:NTD)	<u>10,890</u>
				<u>\$ 373,787</u>
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	108,667	30.7	(USD:NTD)	<u>\$ 3,336,077</u>

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		NTD (In Thousands)
Financial liabilities				
Monetary items				
USD	\$ 517	30.7	(USD:NTD)	\$ 15,859
HKD	18,716	3.922	(HKD:NTD)	<u>73,404</u>
				<u>\$ 89,263</u>
				(Concluded)

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

For the Year Ended December 31				
2019			2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain
USD	30 (USD:NTD)	\$ (5,798)	30.7 (USD:NTD)	\$ 3,884
HKD	3.852 (HKD:NTD)	<u>1,246</u>	3.922 (HKD:NTD)	<u>599</u>
		<u>\$ (4,552)</u>		<u>\$ 4,483</u>

28. 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 (excluding investment in subsidiaries): Table 2.
- 4) Marketable securities acquired and disposed of 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 were \$3,940 thousands. The transaction amounts were not significant.
- 10) Information on investees: Table 5.

b. Information on investments in Mainland China

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

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

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 7.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 7.
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the 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: Table 7.

GEM TERMINAL IND. CO., LTD.

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 (Note 2)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 360,438	\$ 150,000	\$ 60,000	3.2	Short-term financing	\$ -	Business development	\$ -	\$ -	\$ -	\$ 449,452	\$ 898,904
0	The Company	GEM Suzhou	Other receivables - related parties	Yes	92,295	-	-	2.8	Short-term financing	-	Business development	-	-	-	449,452	898,904

Note 1: Under the Company's "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 shareholders' equity, and individual financing shall not exceed 20% of the Company's shareholders' equity.

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

GEM TERMINAL IND. CO., LTD.

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>Shares</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	<u>2,460</u>	-	<u>2,460</u>	
					<u>\$ 22,263</u>		<u>\$ 22,263</u>	

GEM TERMINAL IND. CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail			Abnormal Transaction		Note/Account (Payable) Receivable		Note	
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance		% to Total
The Company	Genius HK	Subsidiary	Purchases	\$ (181,968)	(21)	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	\$ (39,421)	(30)	
	GEM VN	Subsidiary	Sales	499,936	49	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	106,590	46	
	Global HK	Subsidiary	Purchases	(101,297)	(12)	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	(34,735)	(27)	

GEM TERMINAL IND. CO., LTD.

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	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	\$ -

Note 1: It included accounts receivable and other receivables.

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

GEM TERMINAL IND. CO., LTD.

**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/Units	%	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)	Note
The Company	GEM Cayman	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	251,354	(14,646)	(14,504)	Note
The Company	Genius	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	87,265	6,585	6,585	Note
								<u>\$ 2,993,194</u>		<u>\$ (107,152)</u>	

Note: Net of unrealized profits.

GEM TERMINAL IND. CO., LTD.

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 (Note 1)	Carrying Amount as of December 31, 2019 (Notes 1)	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.

GEM TERMINAL IND. CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Type	Price	Transaction Detail		Note/Account 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 in the market	\$ 11,947	5	\$ 8,098	
		Purchase	21,229	120 days after monthly closing	No significant difference with those in the market	(2,516)	2	266	
		Disposal of property, plant, and equipment	28,412	120 days after monthly closing	No comparable transactions with those to third parties	988	1	14,506	
	GEM Dongguan	Sales	7,257	120 days after monthly closing	No significant difference with those in the market	906	-	992	
		Purchase	785	120 days after monthly closing	No significant difference with those in the market	-	-	(97)	
		Purchase of equipment on behalf of the subsidiary	4,659	120 days after monthly closing	No comparable transactions with those to third parties	-	-	620	

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT	Table 2
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF ACCOUNTS RECEIVABLE	3
STATEMENT OF OTHER RECEIVABLES	4
STATEMENT OF INVENTORIES	5
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	6
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS	Note 13
STATEMENT OF DEFERRED TAX ASSETS	Note 21
STATEMENT OF SHORT-TERM BORROWINGS	7
STATEMENT OF SHORT-TERM BILLS PAYABLE	Note 16
STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT	Note 7
STATEMENT OF NOTES PAYABLE	8
STATEMENT OF ACCOUNTS PAYABLE	9
STATEMENT OF OTHER PAYABLES	Notes 15 And 25
STATEMENT OF LONG-TERM BORROWINGS	10
STATEMENT OF LEASE LIABILITIES	Note 13
STATEMENT OF DEFERRED TAX LIABILITIES	Note 21
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUES	11
STATEMENT OF OPERATING COSTS	12
STATEMENT OF OPERATING EXPENSES	13
STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION	14
STATEMENT OF OTHER GAINS AND LOSSES	Note 20
STATEMENT OF FINANCE COSTS	Note 20

STATEMENT 1

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

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

Item	Description	Amount
Cash on hand		\$ 290
Cash in banks		
New Taiwan dollars deposits		
Demand deposits		193,279
Checking accounts		132
Foreign currency deposits		
Demand deposits	Including USD7,979 thousand, HKD59 thousand, JPY51 thousand, GBP17 thousand and CAD29 thousand (Note)	240,996
Cash equivalents		
Time deposits with original maturities of less than 3 months		
New Taiwan dollars deposits	Interest rate at 0.55%-0.66%; maturity date at 2020.02	100,000
		<hr/>
		<u>\$ 534,697</u>

Note: Exchange rate: USD1=NTD30, HKD1=NTD3.852, JPY1=NTD0.2762,
GBP1=NTD39.399 and CAD1=NTD22.999.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Company A	Sale of goods	\$ 3,992	Not overdue
Company B	Sale of goods	3,022	Not overdue
Company C	Sale of goods	2,891	Not overdue
Company D	Sale of goods	2,226	Not overdue
Company E	Sale of goods	6,535	Not overdue
Others (Note)	Sale of goods	<u>18,478</u>	
		<u>\$ 37,144</u>	

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

STATEMENT 3

GEM TERMINAL IND. CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Due Over a Year	Remark
Non-related parties			
Group A	\$ 33,515	\$ -	Sale of goods
Others (Note)	<u>42,386</u>	<u>-</u>	Sale of goods
	75,901	-	
Less: Allowance for impairment loss	920	-	
	<u>74,981</u>	<u>-</u>	
Related parties			
GEM VN	106,590	-	Sale of goods
GEM Suzhou	11,947	-	Sale of goods
Others (Note)	<u>1,844</u>	<u>-</u>	Sale of goods
	<u>120,381</u>	<u>-</u>	
	<u>\$ 195,362</u>	<u>\$ -</u>	

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

STATEMENT 4

GEM TERMINAL IND. CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Remark
Related parties		
GEM VN	\$ 64,792	Mainly includes financing provided
Global HK	5,079	
Others (Note)	<u>988</u>	
	70,859	
Non-related parties (Note)	2,268	Mainly includes tax refund receivable
	<u> </u>	
	<u>\$ 73,127</u>	

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

STATEMENT 5

GEM TERMINAL IND. CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value (Note)
Merchandise	\$ 17,610	\$ 21,025
Raw materials	10,424	10,617
Supplies	16,437	16,438
Finished goods	7,344	7,895
Work in process	<u>4,388</u>	<u>4,559</u>
	<u>\$ 56,203</u>	<u>\$ 60,534</u>

Note: Refer to Note 4 and accounting policies, for information on the net realizable value.

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, DECEMBER 31, 2019			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	
Global Cayman	40,137,184	\$ 2,849,795	-	\$ -	-	\$ 195,220	40,137,184	100	\$ 2,654,575	\$ 68.92	\$ 2,766,168	None
GEM Cayman	12,598,333	270,830	-	-	-	19,476	12,598,333	100	251,354	20.45	257,603	None
Genius	750,000	<u>80,373</u>	-	<u>6,892</u>	-	-	750,000	100	<u>87,265</u>	132.94	<u>99,706</u>	None
		<u>\$ 3,200,998</u>		<u>\$ 6,892</u> (Note)		<u>\$ 214,696</u> (Note)			<u>\$ 2,993,194</u>		<u>\$ 3,123,477</u>	

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

GEM TERMINAL IND. CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Type/Bank Name	Balance, December 31,2019	Contract Period	Interest Rate (%)	Loan Commitments	collateral
Unsecured Borrowings					
Taiwan Cooperative Bank	\$ 50,000	108.08.05-109.08.05	1.35	\$ 50,000	None
Bangkok Bank	40,000	108.08.20-109.02.14	1.45	90,000	None
Mega Bank	50,000	108.07.11-109.01.07	1.30	100,000	None
Cathay United Bank	80,000	108.01.15-109.01.12	1.50	80,000	None
Taishin Bank	100,000	108.11.07-109.02.05	1.30	100,000	None
Shin Kong Bank	<u>100,000</u>	108.12.13-109.01.14	1.20	<u>100,000</u>	None
	<u>\$ 420,000</u>			<u>\$ 520,000</u>	

STATEMENT 8

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	\$ 4,243
Company B	2,799
Others (Note)	<u>5,823</u>
	<u>\$ 12,865</u>

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

STATEMENT 9

GEM TERMINAL IND. CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Genius HK	\$ 39,421
Global HK	34,735
Others (Note)	<u>6,662</u>
	<u>80,818</u>
Non-related parties	
Company A	28,840
Others (Note)	<u>8,455</u>
	<u>37,295</u>
	<u>\$ 118,113</u>

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

GEM TERMINAL IND. CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, December 31, 2019			Collateral
			Current	Non-current	Total	
Unsecured Borrowing						
The Export-Import Bank of the Republic of China	Repayable semiannually from January 2018 to July 2021	1.73	\$ 9,500	\$ 9,500	\$ 19,000	None
Taishin Bank	Repayable semiannually from August 2019 to February 2020	1.76	50,000	-	50,000	None
Bangkok Bank	Repayable in May 2020	1.63	100,000	-	100,000	None
Bank of Taiwan	Repayable semiannually from November 2018 to May 2020	1.97	25,000	-	25,000	None
First Bank	Repayable quarterly from October 2018 to July 2020	1.75	26,250	-	26,250	None
O-Bank	Repayable quarterly from November 2018 to August 2020	1.69	37,500	-	37,500	None
Yuanta Commercial Bank	Repayable semiannually from February 2020 to August 2020	1.74	200,000	-	200,000	None
The Export-Import Bank of the Republic of China	Repayable semiannually from May 2019 to November 2022	1.57	25,000	50,000	75,000	None
Bank SinoPac	Repayable semiannually from July 2019 to January 2021	1.81	60,000	30,000	90,000	None
EnTie Bank	Repayable semiannually from March 2019 to March 2021	1.80	35,000	15,000	50,000	None
Hua Nan Bank	Repayable semiannually from October 2019 to April 2021	1.70	35,000	17,500	52,500	None
Chang Hwa Bank	Repayable semiannually from November 2019 to May 2021	2.06	25,000	12,500	37,500	None
Taiwan Cooperative Bank	Repayable quarterly from August 2020 to August 2021	1.49	20,000	30,000	50,000	None
The Shanghai Commercial & Scuing Bank	Repayable semiannually from December 2019 to December 2021	1.68	24,000	24,000	48,000	None
Chang Hwa Bank	Repayable semiannually from October 2019 to April 2022	2.06	16,667	25,000	41,667	None
Bank of Taiwan	Repayable semiannually from November 2020 to May 2022	1.88	25,000	75,000	100,000	None
Mega Bank	Repayable semiannually from June 2020 to June 2022	1.80	40,000	60,000	100,000	None
Taishin Bank	Repayable semiannually from May 2022 to November 2022	1.80	-	50,000	50,000	None
Taichung Bank	Repayable semiannually from June 2021 to December 2022	1.75	-	100,000	100,000	None
			<u>\$ 753,917</u>	<u>\$ 498,500</u>	<u>\$ 1,252,417</u>	

GEM TERMINAL IND. CO., LTD.

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Quantities (In Thousands)	Amount
Terminals	697,754	\$ 475,642
Raw materials and supplies		536,110
Others (Note)		<u>4,024</u>
		<u>\$ 1,015,776</u>

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

GEM TERMINAL IND CO., LTD.

**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Production cost	
Direct materials	
Raw materials, beginning of year	\$ 12,859
Raw materials purchased	174,215
Raw materials, end of year	(10,424)
Raw materials sold	(128,300)
Others	<u>(4,487)</u>
Raw materials used	43,863
Direct labor	9,621
Manufacturing expenses	<u>52,339</u>
Manufacturing cost	105,823
Add: Work in process, beginning of year	5,305
Work in process purchased	9,677
Less: Work in process, end of year	(4,388)
Others	<u>(328)</u>
Cost of finished goods	116,089
Add: Finished goods, beginning of year	6,179
Finished goods purchased	539
Less: Finished goods, end of year	(7,344)
Others	<u>(1,142)</u>
	<u>114,321</u>
 Cost of merchandise	 17,663
Merchandise, beginning of year	673,380
Merchandise purchased	(17,610)
Less: Merchandise, end of year	<u>(886)</u>
Others	<u>672,547</u>
	786,868
Raw materials and supplies sold	163,995
Other operating costs	<u>1,378</u>
	 <u>\$ 952,241</u>

GEM TERMINAL IND CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Marketing Expense	General and Administrative Expense	Research and Development Expense	Total
Employee benefits	\$ 6,689	\$ 34,273	\$ 24,678	\$ 65,640
Professional service fees	1,856	13,433	451	15,740
Depreciation	1,882	2,452	9,141	13,475
Others (Note)	<u>7,577</u>	<u>18,409</u>	<u>(17,261)</u>	<u>8,725</u>
	<u>\$ 18,004</u>	<u>\$ 68,567</u>	<u>\$ 17,009</u>	103,580
Expected credit loss				<u>800</u>
				<u>\$ 104,380</u>

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

GEM TERMINAL IND CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2019			2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit						
Salaries	\$ 20,058	\$ 52,176	\$ 72,234	\$ 22,015	\$ 56,174	\$ 78,189
Labor and health insurance	2,276	6,106	8,382	2,228	6,111	8,339
Pension	1,022	3,205	4,227	1,081	3,348	4,429
Remuneration of directors	-	611	611	-	888	888
Others	<u>1,682</u>	<u>3,542</u>	<u>5,224</u>	<u>1,612</u>	<u>3,360</u>	<u>4,972</u>
	<u>\$ 25,038</u>	<u>\$ 65,640</u>	<u>\$ 90,678</u>	<u>\$ 26,936</u>	<u>\$ 69,881</u>	<u>\$ 96,817</u>
Depreciation	<u>\$ 10,767</u>	<u>\$ 13,475</u>	<u>\$ 24,242</u>	<u>\$ 9,842</u>	<u>\$ 12,160</u>	<u>\$ 22,002</u>
Amortization	<u>\$ 4</u>	<u>\$ 1,827</u>	<u>\$ 1,831</u>	<u>\$ 8</u>	<u>\$ 1,694</u>	<u>\$ 1,702</u>

Note 1: The average numbers of the Company's employees were 146 and 153, including 5 and 4 non-employee directors in 2019 and 2018, respectively, of which calculation basis was consistent with employee benefits.

Note 2: The average employee benefits and salaries information of the Company were as follows:

a. The average employee benefits for the year ended December 31, 2019 was \$639 thousand.

The average employee benefits for the year ended December 31, 2018 was \$644 thousand.

b. The average salaries for the year ended December 31, 2019 was \$512 thousand.

The average salaries for the year ended December 31, 2018 was \$525 thousand.

c. The average salaries decreased by 2.48%.