

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

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

## **REPRESENTATION LETTER**

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

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

---

Su, Tun-Li  
Chairman of the board

March 26, 2019

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

#### Recoverability of Accounts Receivable

As discussed in Note 10 to the consolidated financial statements, as of December 31, 2018, the Group's net consolidated accounts receivable amounted to NT\$1,083,129 thousand, and accounted for 18% of the Group's total assets. The Group's net consolidated accounts receivable were material and involved significant judgement on the estimation of the recoverable amount by management. As a result, the recoverability of accounts

receivable was considered as a key audit matter.

Accounts receivable are assessed for impairment on a collective basis. The Group focused on assessment of delayed collections or irrecoverable receivables individually, then recognized the allowance for impairment loss based on aging analysis.

To audit the recoverability of accounts receivable, procedures we performed included:

1. Obtained an understanding of the Group's internal control activities for monitoring customers' credit lines and the quality management of accounts receivable.
2. Audited the balance of accounts receivable to obtain assurance for its occurrence, including obtaining confirmation letters from the selected customers, examining collections subsequent reporting year, shipping orders, declaration forms and evidence or documentation of goods received.
3. Acquired aging analysis that management compiled. For accounts receivable that were overdue, evaluated the adequacy of the allowance for impairment loss by understanding and weighing reasons for the overdue and taking historical collectability into consideration.

#### Impairment of Inventories

As discussed in Note 11 to the consolidated financial statements, as of December 31, 2018, the Group's consolidated inventories amounted to NT\$809,566 thousand, and accounted for 14% of the Group's total assets. Impairment loss is the amount by which the carrying amount of inventories exceeds their net realizable value. The estimation of net realizable value was based on current market conditions and the historical experience with product sales of a similar nature. Due to the estimation involves significant judgements, the impairment of inventories was considered as a key audit matter.

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

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

#### **Other Matter**

We have also audited the parent company only financial statements of GEM Terminal Ind. Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2019

Notice to Readers

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

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

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

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

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,501,888	25	\$ 1,430,724	22	Short-term borrowings (Notes 18 and 28)	\$ 884,377	15	\$ 834,920	13
Financial assets at fair value through other comprehensive income - current (Notes 3, 4 and 8)	93,727	2	-	-	Short-term bills payable (Note 18)	100,000	2	100,000	2
Available-for-sale financial assets - current (Notes 3, 4 and 9)	-	-	113,167	2	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	832	-	-	-
Notes receivable (Notes 4 and 10)	86,222	1	150,463	2	Notes payable (Note 16)	185,096	3	148,970	2
Accounts receivable, net (Notes 4, 5 and 10)	1,083,129	18	1,216,725	19	Accounts payable (Note 16)	493,159	8	590,422	9
Other receivables (Note 4)	8,745	-	1,774	-	Other payables (Notes 17 and 19)	178,335	3	185,507	3
Current tax assets (Notes 4 and 23)	2,502	-	1,250	-	Current tax liabilities (Notes 4 and 23)	5,480	-	7,636	-
Inventories (Notes 4, 5 and 11)	809,566	14	973,975	15	Long-term borrowings - current portion (Notes 18 and 28)	613,128	10	716,111	11
Other financial assets - current (Notes 4, 12 and 28)	176,980	3	269,963	4	Other current liabilities	7,649	-	3,528	-
Other current assets (Notes 15 and 28)	140,197	2	169,358	3					
Total current assets	3,902,956	65	4,327,399	67	Total current liabilities	2,468,056	41	2,587,094	40
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>				
Property, plant and equipment (Notes 4, 14, 28 and 29)	1,861,249	31	1,933,646	30	Long-term borrowings (Notes 18 and 28)	899,451	15	1,057,653	16
Deferred tax assets (Notes 4 and 23)	129,798	2	116,795	2	Deferred tax liabilities (Notes 4 and 23)	78,732	1	89,965	1
Prepayments for equipment (Note 29)	20,411	-	22,753	-	Net defined benefit liabilities (Notes 4 and 19)	26,221	1	37,722	1
Other financial assets - noncurrent (Notes 4 and 12)	1,696	-	1,727	-					
Long-term prepayment for lease (Notes 15 and 28)	90,040	2	92,706	1	Total noncurrent liabilities	1,004,404	17	1,185,340	18
Other noncurrent assets	5,616	-	6,192	-					
Total noncurrent assets	2,108,810	35	2,173,819	33	Total liabilities	3,472,460	58	3,772,434	58
<b>TOTAL</b>	<b>\$ 6,011,766</b>	<b>100</b>	<b>\$ 6,501,218</b>	<b>100</b>	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
					(Note 20)				
					Ordinary shares	1,692,000	28	1,692,000	26
					Capital surplus	271,315	5	271,315	4
					Retained earnings				
					Legal reserve	343,170	6	343,170	5
					Unappropriated earnings	273,586	4	386,197	6
					Total retained earnings	616,756	10	729,367	11
					Other equity	(40,765)	(1)	36,102	1
					Total equity	2,539,306	42	2,728,784	42
					<b>TOTAL</b>	<b>\$ 6,011,766</b>	<b>100</b>	<b>\$ 6,501,218</b>	<b>100</b>

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

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

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 21)	\$ 3,950,854	100	\$ 3,862,576	100
OPERATING COSTS (Notes 11, 22 and 27)	<u>3,672,842</u>	<u>93</u>	<u>3,436,653</u>	<u>89</u>
GROSS PROFIT	<u>278,012</u>	<u>7</u>	<u>425,923</u>	<u>11</u>
OPERATING EXPENSES (Notes 22 and 27)				
Marketing	150,256	4	149,843	4
General and administrative	209,034	5	196,091	5
Research and development	21,424	1	33,433	1
Expected credit loss reversed (Note 10)	<u>(2,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>377,967</u>	<u>10</u>	<u>379,367</u>	<u>10</u>
GAIN (LOSS) FROM OPERATIONS	<u>(99,955)</u>	<u>(3)</u>	<u>46,556</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	25,777	1	22,078	-
Other gains and losses	16,895	-	(14,311)	-
Finance costs	<u>(55,943)</u>	<u>(1)</u>	<u>(49,655)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(13,271)</u>	<u>-</u>	<u>(41,888)</u>	<u>(1)</u>
CONSOLIDATED PROFIT (LOSS) BEFORE INCOME TAX	(113,226)	(3)	4,668	-
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 23)	<u>(23,979)</u>	<u>(1)</u>	<u>5,528</u>	<u>-</u>
CONSOLIDATED NET LOSS	<u>(89,247)</u>	<u>(2)</u>	<u>(860)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(535)	-	(1,034)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(36,362)	(1)	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,065	-	176	-

(Continued)

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

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

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ (59,626)	(2)	\$ (68,709)	(2)
Unrealized loss on available-for-sale financial assets	-	-	(3,203)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(10,773)</u>	<u>-</u>	<u>4,637</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>\$ (100,231)</u>	<u>(3)</u>	<u>(68,133)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>\$ (189,478)</u>	<u>(5)</u>	<u>\$ (68,993)</u>	<u>(2)</u>
<b>NET LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ (89,247)</u>	<u>(2)</u>	<u>\$ (860)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ (189,478)</u>	<u>(5)</u>	<u>\$ (68,993)</u>	<u>(2)</u>
<b>NET LOSS PER SHARE (Note 24)</b>				
Basic	<u>\$ (0.53)</u>		<u>\$ (0.01)</u>	
Diluted	<u>\$ (0.53)</u>		<u>\$ (0.01)</u>	

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

(Concluded)

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

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

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

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

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

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated income (loss) before income tax	\$ (113,226)	\$ 4,668
Adjustments for:		
Depreciation expense	257,245	247,122
Amortization expense	4,977	5,092
Allowance for doubtful accounts	-	3,905
Expected credit loss reversed	(2,747)	-
Finance costs	55,943	49,655
Interest income	(9,815)	(11,386)
Dividend income	(3,680)	(781)
Loss on disposal of property, plant and equipment, net	4,073	7,917
Gain on disposal of investments, net	-	(16,846)
Write-down (reversal) of inventories	5,176	(9,344)
Other non-cash items	(5,156)	3,768
Changes in operating assets and liabilities		
Financial assets held for trading	-	(199)
Financial assets mandatorily classified as at fair value through profit or loss	2,183	-
Notes receivable	64,241	(4,481)
Accounts receivable	136,330	(101,749)
Other receivables	(7,605)	-
Inventories	159,696	(220,185)
Other current assets	29,233	(55,424)
Financial liabilities held for trading	-	136
Notes payable	36,126	(49,250)
Accounts payable	(97,263)	59,506
Other payables	969	3,676
Other current liabilities	3,055	(571)
Net defined benefit liabilities	(10,102)	(2,953)
Cash generated from (used in) operations	509,653	(87,724)
Interest received	10,449	11,404
Income tax paid	(10,340)	(19,080)
Net cash generated from (used in) operating activities	<u>509,762</u>	<u>(95,400)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,524,661)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,512,544	-
Acquisition of available-for-sale financial assets	-	(574,906)
Proceeds from disposal of available-for-sale financial assets	-	475,556
Acquisition of property, plant and equipment	(248,183)	(268,295)
Proceeds from disposal of property, plant and equipment	3,543	785
Decrease in other financial assets	93,014	44,580
Increase in other noncurrent assets	(2,029)	(1,612)

(Continued)

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

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

	2018	2017
Dividend received	\$ 3,680	\$ 781
Net cash used in investing activities	<u>(162,092)</u>	<u>(323,111)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	886,423	1,174,100
Decrease in short-term borrowings	(836,564)	(1,148,216)
Increase in short-term bills payable	100,000	150,000
Decrease in short-term bills payable	(100,000)	(100,000)
Increase in long-term borrowings	523,983	770,000
Repayment of long-term borrowings	(780,823)	(623,259)
Interest paid	<u>(59,019)</u>	<u>(53,362)</u>
Net cash generated from (used in) financing activities	<u>(266,000)</u>	<u>169,263</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(10,506)</u>	<u>(38,414)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,164	(287,662)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,430,724</u>	<u>1,718,386</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,501,888</u>	<u>\$ 1,430,724</u>

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

(Concluded)

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

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

---

### **1. GENERAL INFORMATION**

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

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

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

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

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

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

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

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

#### IFRS 9 “Financial Instruments” and related amendment

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

## Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,430,724	\$ 1,430,724	2)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	113,167	113,167	1)
Notes receivable and accounts receivable	Loans and receivables	Amortized cost	1,367,188	1,367,188	2)
Other receivables	Loans and receivables	Amortized cost	1,774	1,774	2)
Other financial assets (current and noncurrent)	Loans and receivables	Amortized cost	271,690	271,690	2)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Remark
FVTOCI				
Reclassification from available-for-sale (IAS 39)	\$ -	\$ 113,167	\$ 113,167	1)
Amortized cost				
Reclassification from loans and receivables (IAS 39)	-	3,071,376	3,071,376	2)
	<u>\$ -</u>	<u>\$ 3,184,543</u>	<u>\$ 3,184,543</u>	

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

<b>New, Amended or Revised Standards and Interpretations (the "New IFRSs")</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019

(Continued)

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

(Concluded)

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

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

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

#### IFRS 16 “Leases”

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

#### Definition of a lease

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

#### The Group as lessee

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

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

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

The Group expects to apply the following practical expedients:

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

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

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Right-of-use assets	\$ -	\$ 96,742	\$ 96,742
Other current assets	2,355	(2,355)	-
Long-term prepayments for lease	<u>90,040</u>	<u>(90,040)</u>	<u>-</u>
Total effect on assets	<u>\$ 92,395</u>	<u>\$ 4,347</u>	<u>\$ 96,742</u>
Lease liabilities - current	\$ -	\$ 694	\$ 694
Lease liabilities - noncurrent	<u>-</u>	<u>3,653</u>	<u>3,653</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 4,347</u>	<u>\$ 4,347</u>
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

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

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

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

##### **a. Statement of Compliance**

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

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined 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 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 an asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

See Note 13, Table 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (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.

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

f. Inventories

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

g. Property, plant, and equipment

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

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

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

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

#### h. Impairment of tangible assets

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

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

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

#### i. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

##### 1) Financial assets

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

##### a) Measurement category

##### 2018

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

##### i Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

ii Financial assets at amortized cost

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

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

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

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

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

iii Investments in equity instruments at FVTOCI

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

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

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

2017

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

i Available-for-sale financial assets

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

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

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

ii Loans and receivables

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

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

b) Impairment of financial assets

2018

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

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

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

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

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of

one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

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

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

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

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

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

#### c) Derecognition of financial assets

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

#### 2018

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

#### 2017

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

### 2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

j. Revenue recognition

1) 2018

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

Revenue from sale of goods

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

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

2) 2017

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

a) Sale of goods

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

- i The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- iii The amount of revenue can be measured reliably;
- iv It is probable that the economic benefits associated with the transaction will flow to the Group; and
- vi The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

b) Dividend and interest income

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

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

k. Leasing

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

When the Group is lessee, the 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 rereasurement) 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. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

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

n. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### a. Estimated impairment of accounts receivable

#### 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting year. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

#### 2017

When there is objective evidence of impairment loss of accounts receivable, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to Note 10 for information relating to accounts receivable and allowed for doubtful account.

### b. 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.

### c. Income tax

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place. The taxable temporary differences associated with investment in foreign subsidiaries will not utilize in the foreseeable future, thus no deferred tax liabilities have been recognized, and tax expenses will be recognized in the year the foreign subsidiaries distribute the earnings. As of December 31, 2018 and 2017, the tax of taxable temporary differences associated with investment in foreign subsidiaries for which no deferred tax liabilities have been recognized were \$282,648 thousand and \$91,044 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 2,204	\$ 2,677
Checking accounts and demand deposits	1,144,415	929,940
Cash equivalent		
Time deposits with original maturities less than 3 months	<u>355,269</u>	<u>498,107</u>
	<u>\$ 1,501,888</u>	<u>\$ 1,430,724</u>

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

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Time deposits (%)	0.55-2.58	0.55-1.98

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

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

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

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

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

	<b>December 31, 2018</b>
Investments in equity instruments at FVTOCI	
Domestic listed shares	\$ 26,234
Overseas listed shares	<u>67,493</u>
	<u>\$ 93,727</u>

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

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

In the year ended December 31, 2018, the Group sold its domestic and overseas listed shares in order to manage credit concentration risk. The sold shares had a fair value of \$1,512,544 thousand and the Group transferred a loss of \$23,364 thousand from other equity to retained earnings.

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

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<b>December 31, 2017</b>
Domestic listed shares	\$ 29,730
Overseas listed shares	<u>83,437</u>
	<u>\$ 113,167</u>

## 10. NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 86,222</u>	<u>\$ 150,463</u>
<u>Accounts receivable</u>		
Accounts receivable		
Gross carrying amount	\$ 1,093,995	\$ 1,232,198
Less: Allowance for impairment loss	<u>10,866</u>	<u>15,473</u>
	<u>\$ 1,083,129</u>	<u>\$ 1,216,725</u>

### a. Notes and accounts receivable

#### 2018

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default

experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2018

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

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

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, IAS 39	\$ 15,473
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, IFRS 9	15,473
Loss allowance reversed	(2,747)
Amounts written off	(1,873)
Foreign exchange gains and losses	<u>13</u>
Balance at December 31, 2018	<u>\$ 10,866</u>

2017

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

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

Aging analysis of notes and accounts receivable was as follows:

	<b>December 31, 2017</b>
Not past due	\$ 1,279,977
Past due 1-60 days	90,972
Past due 61-90 days	4,000
Past due 91-180 days	4,414
Past due over 181 days	<u>3,298</u>
	<u>\$ 1,382,661</u>

The movement of the allowance for impairment loss in 2017 was as follows:

	<b>Collectively Assessed for Impairment</b>
Balance, beginning of year	\$ 12,988
Impairment losses recognized	3,905
Amounts written off as uncollectible	(1,137)
Foreign exchange translation gains and losses	<u>(283)</u>
Balance, end of year	<u>\$ 15,473</u>

b. Credit risk of notes and accounts receivable

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

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Group A	<u>\$ 146,965</u>	<u>\$ 197,695</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Finished goods	\$ 217,798	\$ 288,951
Work in process	161,590	222,672
Raw materials	367,997	373,110
Supplies	<u>62,181</u>	<u>89,242</u>
	<u>\$ 809,566</u>	<u>\$ 973,975</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Write-down (reversal of write-down) of inventories	\$ 5,176	\$ (9,344)
Write-off obsolete inventories	2,865	-
Fire damage	-	330
Others	<u>2,421</u>	<u>3,022</u>
	<u>\$ 10,462</u>	<u>\$ (5,992)</u>

In October 2017, the premises of subsidiary Gem Suzhou were damaged by fire which caused loss of inventories. The actual claim amount for insurance compensation of \$8,721 thousand (included in other income) was settled in October 2018.

## 12. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Time deposits with original maturities more than 3 months	\$ 155,815	\$ 242,176
Pledge time deposits	9,632	23,459
Refundable deposits	<u>13,229</u>	<u>6,055</u>
	<u>\$ 178,676</u>	<u>\$ 271,690</u>
Current	\$ 176,980	\$ 269,963
Noncurrent	<u>1,696</u>	<u>1,727</u>
	<u>\$ 178,676</u>	<u>\$ 271,690</u>

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

	<b>December 31, 2017</b>	
	<b>2018</b>	<b>2017</b>
Time deposits (%)	0.30-1.55	1.10-1.55

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

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

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%)	
			December 31, 2018	December 31, 2017
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	Note 1	100	100
	Genius Terminal Co., Ltd. (Genius)	Notes 1 and 2	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	Note 1	100	100
Global Cayman	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Note 2	100	100
Genius	Genius Terminal (HK) Ltd. (Genius HK)	Note 2	100	100
GEM Cayman	Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Note 3	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM Suzhou)	Note 3	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM Dongguan)	Note 3	100	100

Note 1: International investment.

Note 2: International trading.

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

#### 14. PROPERTY, PLANT, AND EQUIPMENT

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

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

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

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

For the Year ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2017	\$ 146,218	\$ 1,049,205	\$ 1,676,636	\$ 56,535	\$ 731,408	\$ 137,008	\$ 3,797,010
Additions	-	8,381	54,089	3,377	60,938	145,892	272,677
Disposal	-	(4,379)	(56,190)	(1,194)	(101,853)	-	(163,616)
Reclassification	-	29,316	34,964	-	28,278	(106,926)	(14,368)
Effect of foreign currency exchange differences	-	(35,573)	(80,107)	(1,282)	(28,678)	394	(145,246)
Balance at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 1,046,950</u>	<u>\$ 1,629,392</u>	<u>\$ 57,436</u>	<u>\$ 690,093</u>	<u>\$ 176,368</u>	<u>\$ 3,746,457</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ (405,473)	\$ (956,901)	\$ (47,939)	\$ (397,720)	\$ -	\$ (1,808,033)
Depreciation expenses	-	(44,313)	(114,618)	(2,720)	(85,471)	-	(247,122)
Disposal	-	4,301	51,291	1,120	98,202	-	154,914
Effect of foreign currency exchange differences	-	14,950	48,056	1,113	23,311	-	87,430
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ (430,535)</u>	<u>\$ (972,172)</u>	<u>\$ (48,426)</u>	<u>\$ (361,678)</u>	<u>\$ -</u>	<u>\$ (1,812,811)</u>
Carrying amounts at December 31, 2017	<u>\$ 146,218</u>	<u>\$ 616,415</u>	<u>\$ 657,220</u>	<u>\$ 9,010</u>	<u>\$ 328,415</u>	<u>\$ 176,368</u>	<u>\$ 1,933,646</u>

b. Estimated useful lives

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

Buildings

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

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

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Acquisition of property, plant and equipment	\$ 243,526	\$ 272,677
Capitalized interest	(2,911)	(3,647)
Decrease in prepayments for equipment	(2,342)	(16,787)
Decrease in payable for purchase of equipment	<u>9,910</u>	<u>16,052</u>
Cash paid	<u>\$ 248,183</u>	<u>\$ 268,295</u>

## 15. PREPAYMENT FOR LEASE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current (included in other current assets)	\$ 2,355	\$ 2,283
Noncurrent (included in long-term prepayments for lease)	<u>90,040</u>	<u>92,706</u>
	<u>\$ 92,395</u>	<u>\$ 94,989</u>

Prepayments for lease are for land use rights and property use rights in China and Vietnam, of which \$5,364 thousand are in the process of obtaining the land use right certificate. The years of use for land use rights in China is 50 years, which will expire from December 2046 to September 2061 in a row. The years of use for land and property use rights in Vietnam are 40-50 years, which will expire from October 2054 to December 2066 in a row.

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

## 16. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

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

## 17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Payable for salaries and bonuses	\$ 45,430	\$ 44,315
Payable for purchase of equipment	37,367	47,277
Payable for freight	18,091	14,019
Payable for utilities expense	6,250	8,579
Payable for professional service fees	13,385	8,129
Payable for tax	1,619	3,298
Payable for pension	9,830	7,906
Payable for employees' compensation and remuneration of directors and supervisors	-	2,539
Others	<u>46,363</u>	<u>49,445</u>
	<u>\$ 178,335</u>	<u>\$ 185,507</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Unsecured borrowings	\$ 387,051	\$ 274,774
Secured borrowings	<u>497,326</u>	<u>560,146</u>
	<u>\$ 884,377</u>	<u>\$ 834,920</u>

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

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Unsecured borrowings (%)	1.25-3.60	1.23-2.26
Secured borrowings (%)	3.48-4.57	2.42-4.35

### b. Short-term bills payable

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

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

As of December 31, 2018 and 2017, 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>	
	<b>2018</b>	<b>2017</b>
Unsecured borrowings	\$ 1,433,917	\$ 1,730,084
Secured borrowings	<u>78,662</u>	<u>43,680</u>
	1,512,579	1,773,764
Less: Current portion	<u>613,128</u>	<u>716,111</u>
	<u>\$ 899,451</u>	<u>\$ 1,057,653</u>

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

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Unsecured borrowings (%)	1.49-2.06	1.49-2.09
Secured borrowings (%)	3.75-4.00	2.85

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

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

(Continued)

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

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

1) Investment risk

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

2) Interest risk

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

### 3) Salary risk

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

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

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

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

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

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

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

## 20. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>169,200</u>	<u>169,200</u>
Shares issued	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u>

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

b. Capital Surplus

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

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

c. Retained Earnings and Dividend Policy

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

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

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

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

	<b>Appropriation of Earnings</b>
Legal reserve	<u>\$ 4,508</u>

d. Other Equity Items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 33,232	\$ 97,341
Effect of change in tax rate	2,914	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(73,313)</u>	<u>(64,109)</u>
Balance at December 31	<u>\$ (37,167)</u>	<u>\$ 33,232</u>

2) Unrealized loss on available-for-sale financial assets

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1, 2018 per IAS 39	\$ (3,166)
Adjustment on initial application of IFRS 9	<u>3,166</u>
Balance at December 31, 2018 per IFRS 9	<u>\$ -</u>

	<b>For the Year Ended December 31, 2017</b>
Balance at January 1, 2017	\$ -
Recognized for the year	
Unrealized gain on available-for-sale financial assets	9,454
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(12,620)</u>
Balance at December 31, 2017	<u>\$ (3,166)</u>

3) Unrealized loss on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>(3,166)</u>
Balance at January 1 per IFRS 9	(3,166)
Recognized for the year	
Unrealized loss - equity instruments	(29,186)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>23,364</u>
Balance at December 31	<u>\$ (8,988)</u>

4) Remeasurement of defined benefit plans

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

**21. OPERATING REVENUE**

For the years ended December 31, 2018 and 2017, operating revenues arose from contracts with customer mainly by selling terminals products. Refer to Note 33 for the revenue information. The contract balances as of December 31, 2018 and 2017 were all notes receivable and accounts receivable.

**22. CONSOLIDATED PROFIT (LOSS) BEFORE INCOME TAX**

Consolidated profit (loss) before income tax included following items:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest income	\$ 9,815	\$ 11,386
Fire damage insurance claims income	8,721	-
Dividends	3,680	781
Others	<u>3,561</u>	<u>9,911</u>
	<u>\$ 25,777</u>	<u>\$ 22,078</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gains (losses), net	\$ 21,468	\$ (20,099)
Loss on disposal of property, plant and equipment, net	(4,073)	(7,917)
Gain on sale of investments, net	-	16,846
Others	<u>(500)</u>	<u>(3,141)</u>
	<u>\$ 16,895</u>	<u>\$ (14,311)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest expense of borrowings	\$ 58,854	\$ 53,302
Less: Amounts included in the cost of qualifying assets	<u>2,911</u>	<u>3,647</u>
	<u>\$ 55,943</u>	<u>\$ 49,655</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 2,911	\$ 3,647
Capitalization rate (%)	1.33-5.16	1.63-6.46

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 257,245	\$ 247,122
Prepayments for lease (current/noncurrent)	2,437	2,296
Other assets	<u>2,540</u>	<u>2,796</u>
	<u>\$ 262,222</u>	<u>\$ 252,214</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
An analysis of depreciation by function		
Operating costs	\$ 221,242	\$ 207,485
Operating expenses	<u>36,003</u>	<u>39,637</u>
	<u>\$ 257,245</u>	<u>\$ 247,122</u>
An analysis of amortization by function		
Operating costs	\$ 220	\$ 289
Operating expenses	<u>4,757</u>	<u>4,803</u>
	<u>\$ 4,977</u>	<u>\$ 5,092</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits	<u>\$ 506,296</u>	<u>\$ 557,862</u>
Post-employment benefits (Note 19)		
Defined contribution plans	31,086	33,888
Defined benefit plans	<u>1,213</u>	<u>1,484</u>
	<u>32,299</u>	<u>35,372</u>
	<u>\$ 538,595</u>	<u>\$ 593,234</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 383,379	\$ 446,716
Operating expenses	<u>155,216</u>	<u>146,518</u>
	<u>\$ 538,595</u>	<u>\$ 593,234</u>
		(Concluded)

f. Employees' compensation and remuneration of directors and supervisors

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

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

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

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

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

## 23. INCOME TAX

a. The major components of income tax expense (benefit) recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 12,399	\$ 7,836
Income tax on unappropriated earnings	-	3,841
Adjustments for prior years	<u>1,201</u>	<u>730</u>
	<u>13,600</u>	<u>12,407</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax		
In respect of the current year	\$ (25,161)	\$ (5,092)
Effect of change in tax rate	(12,418)	-
Adjustments for prior years	<u>-</u>	<u>(1,787)</u>
	<u>(37,579)</u>	<u>(6,879)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (23,979)</u>	<u>\$ 5,528</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit (loss) before income tax	<u>\$ (113,226)</u>	<u>\$ 4,668</u>
Income tax benefit calculated at the statutory rate	\$ (6,020)	\$ (2,164)
Nondeductible expenses in determining taxable income	112	190
Deferred tax effect of earnings of subsidiaries	(6,475)	4,378
Tax-exempt income	(435)	(32)
Income tax on unappropriated earnings	-	3,841
Unrecognized investment credits	-	216
Effect of change in tax rate	(12,418)	-
Adjustments for prior years	1,201	(1,057)
Nondeductible withholding tax	<u>56</u>	<u>156</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (23,979)</u>	<u>\$ 5,528</u>

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%, and the applicable tax rate used by subsidiaries in Vietnam is 20%. Genius, Global Cayman and GEM Cayman are exempt from income tax based on the tax laws in each jurisdiction. The subsidiaries in Hong Kong, including Genius HK, Vibo and Global HK, without operations in local area, are exempt from income tax in accordance with Hong Kong's laws. If these subsidiaries have any separate tax on interest income or withholding tax on dividends, the amount of this tax is recorded as current year's tax provision.

- b. Income tax recognized directly in equity - only for the year ended December 31, 2018

	<b>Amount</b>
Current tax	
Disposal of investments in equity instruments designated as at FVTOCI	<u>\$ 6,668</u>
Income tax benefit recognized directly in equity	<u>\$ 6,668</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 2,696	\$ -
In respect of the current year		
Translation of foreign operations	(13,687)	4,600
Remeasurement on defined benefit plans	107	176
Fair value changes of available-for-sale financial assets	-	37
Fair value changes of financial assets at FVTOCI	<u>7,176</u>	<u>-</u>
Income tax recognized in other comprehensive income (loss)	<u>\$ (3,708)</u>	<u>\$ 4,813</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivable	<u>\$ 2,502</u>	<u>\$ 1,250</u>
Current tax liabilities		
Income tax payable	<u>\$ 5,480</u>	<u>\$ 7,636</u>

e. Deferred tax assets and liabilities

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

For the Year ended December 31, 2018

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

For the Year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>					
Temporary differences					
Unrealized deferred profits	\$ 29,386	\$ (1,723)	\$ -	\$ -	\$ 27,663
Defined benefit obligations	7,944	(502)	176	-	7,618
Translation of foreign operations and investment losses	33,927	(12,168)	4,600	-	26,359
Property, plant and equipment	1,138	1,686	-	4	2,828
Unrealized loss on inventories	6,814	(2,522)	-	(71)	4,221
Foreign investment income	(89,328)	10,037	-	7,326	(71,965)
Land value increment tax	(7,398)	-	-	-	(7,398)
Others	<u>3,603</u>	<u>1,037</u>	<u>37</u>	<u>13</u>	<u>4,690</u>
	(13,914)	(4,155)	4,813	7,272	(5,984)
Loss carryforwards	<u>21,567</u>	<u>11,034</u>	<u>-</u>	<u>213</u>	<u>32,814</u>
	<u>\$ 7,653</u>	<u>\$ 6,879</u>	<u>\$ 4,813</u>	<u>\$ 7,485</u>	<u>\$ 26,830</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised of:

Unused Amount	Expiry Year
\$ 37,816	2023
10,471	2024
55,604	2025
55,845	2026
24,415	2027
<u>57,139</u>	2028
<u>\$ 241,290</u>	

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

As of December 31, 2018 and 2017, the tax of taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$282,648 thousand and \$91,044 thousand, respectively.

h. Income tax assessments

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

GEM Dongguan, GEM Suzhou and GEM VN had completed the filing of their income tax returns through 2017 with the tax authorities.

**24. NET LOSS PER SHARE (EPS)**

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

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

Net loss for the year - attributable to owners of the Company

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

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

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

## 25. CAPITAL MANAGEMENT

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

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

## 26. FINANCIAL INSTRUMENTS

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

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

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

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 26,234	\$ -	\$ -	\$ 26,234
Overseas listed shares	<u>67,493</u>	<u>-</u>	<u>-</u>	<u>67,493</u>
	<u>\$ 93,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,727</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 832</u>

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Available-for-sale financial assets</u>				
Domestic listed shares	\$ 29,730	\$ -	\$ -	\$ 29,730
Overseas listed shares	<u>83,437</u>	<u>-</u>	<u>-</u>	<u>83,437</u>
	<u>\$ 113,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,167</u>

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

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ -	\$ 3,071,376
Available-for-sale financial assets	-	113,167
Measured at amortized cost (Note 1)	2,858,660	-
Financial assets at FVTOCI		
Equity instruments	93,727	-
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,353,546	3,633,583
Financial liabilities at FVTPL		
Held for trading	832	-

Note 1: Included cash and cash equivalents, notes receivable, accounts receivable, other receivables and other financial assets.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposed to foreign currency risk at the end of the reporting year are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD and HKD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting year for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit for a 1% weakening of the functional currency against the relevant currency.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
USD	\$ 2,555	\$ 2,011
HKD	1,658	2,047

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 520,716	\$ 763,742
Financial liabilities	942,286	1,540,597
Cash flow interest rate risk		
Financial assets	1,144,284	929,808
Financial liabilities	1,554,670	1,168,087

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$4,104 thousand and \$2,383 thousand, respectively, which was mainly a

result of the changes in the floating interest rate bank deposits and borrowings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting year. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would increase/decrease by \$937 thousand and \$1,132 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI and available-for-sale financial assets, respectively.

2) Credit risk

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

The Group's receivables are significantly concentrated in certain individuals. Accounts receivable from customers with significant carrying amounts were disclosed in Note 10.

3) Liquidity risk

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

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

a) Liquidity risk tables for non-derivative financial liabilities

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

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

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>December 31, 2018</u>				
Fixed interest rate liabilities	\$ 51,497	\$ 248,071	\$ 483,257	\$ 175,930
Variable interest rate liabilities	152,530	127,791	572,462	733,934
Non-interest bearing	<u>500,833</u>	<u>253,821</u>	<u>99,990</u>	<u>-</u>
	<u>\$ 704,860</u>	<u>\$ 629,683</u>	<u>\$ 1,155,709</u>	<u>\$ 909,864</u>
<u>December 31, 2017</u>				
Fixed interest rate liabilities	\$ 346,945	\$ 269,475	\$ 575,877	\$ 375,316
Variable interest rate liabilities	37,255	56,989	403,491	699,845
Non-interest bearing	<u>556,375</u>	<u>303,099</u>	<u>63,314</u>	<u>-</u>
	<u>\$ 940,575</u>	<u>\$ 629,563</u>	<u>\$ 1,042,682</u>	<u>\$ 1,075,161</u>

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

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

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

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

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

## 27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and its relationship with the Group

<u>Related Party Name</u>	<u>Relationship with the Group</u>
Su, Tun-Jen	Related Party in Substance
Su, Tun-Yi	Related Party in Substance
Su, Tun-Li	Related Party in Substance
Su, Chung-Hong	Related Party in Substance
Su, Bo-Chen	Related Party in Substance

b. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 9,447	\$ 7,973
Post-employment benefits	<u>210</u>	<u>272</u>
	<u>\$ 9,657</u>	<u>\$ 8,245</u>

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

c. Property lease

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

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

d. Guarantees

The Group's related party in substance jointly provided the guarantee for the loans of the Group, the information were as follows:

<u>Guarantee</u>	<u>Guarantor</u>
The Company	Su, Tun-Li, Su, Chung-Hong and Su, Bo-Chen
GEM Suzhou	Su, Tun-Li
Genius HK	Su, Chung-Hong
GEM VN	Su, Tun-Li and Su, Chung-Hong

## 28. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Property, plant and equipment	\$ 550,759	\$ 326,890
Pledge deposits (under other financial assets - current)	9,632	23,459

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Prepayments for lease (including current portion)	\$ 23,494	\$ 18,318
	<u>\$ 583,885</u>	<u>\$ 368,667</u> (Concluded)

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant contingent liabilities and unrecognized commitments as of December 31, 2018 were as follows:

- a. The amounts of contracts for the Group's purchases of properties and materials were \$178,378 thousand, of which \$20,355 thousand had been paid.
- b. Unused letters of credit for purchases of raw materials and equipment amounted to \$18,844 thousand.

## 30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2019, some of inventories and equipment in premises of subsidiary GEM VN were damaged by fire. Estimated damages were approximately \$26,739 thousands. Until March 26, 2019, GEM VN had applied for insurance, while the actual claims should be confirmed by insurance company.

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

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

	<b>Foreign Currencies (In Thousand)</b>	<b>Exchange Rate</b>	<b>Carrying Amounts (In Thousand)</b>
<u>December 31, 2018</u>			
Financial assets			
Monetary items			
USD	\$ 11,821	30.7 (USD:NTD)	\$ 362,897
USD	11,392	6.868 (USD:RMB)	349,729
USD	13,727	7.8276 (USD:HKD)	421,429
USD	2,997	23,222 (USD:VND)	92,010
HKD	2,777	3.922 (HKD:NTD)	10,890
HKD	57,788	0.8774 (HKD:RMB)	226,643
HKD	933	0.1278 (HKD:USD)	<u>3,659</u>
			<u>\$ 1,467,257</u>

(Continued)

	<b>Foreign Currencies (In Thousand)</b>	<b>Exchange Rate</b>		<b>Carrying Amounts (In Thousand)</b>
Financial liabilities				
Monetary items				
USD	\$ 517	30.7	(USD:NTD)	\$ 15,859
USD	3,161	6.868	(USD:RMB)	97,040
USD	5,780	7.8276	(USD:HKD)	177,459
USD	22,156	23,222	(USD:VND)	680,189
HKD	18,716	3.922	(HKD:NTD)	73,404
HKD	500	0.8774	(HKD:RMB)	<u>1,961</u>
				<u>\$ 1,045,912</u>
<hr/> December 31, 2017 <hr/>				
Financial assets				
Monetary items				
USD	8,068	29.8	(USD:NTD)	\$ 240,433
USD	7,604	6.518	(USD:RMB)	226,620
USD	15,669	7.811	(USD:HKD)	466,937
USD	2,835	22,713	(USD:VND)	84,480
HKD	7,350	3.815	(HKD:NTD)	28,041
HKD	62,060	0.834	(HKD:RMB)	236,760
HKD	950	0.128	(HKD:USD)	<u>3,622</u>
				<u>\$ 1,286,893</u>
Financial liabilities				
Monetary items				
USD	1,032	29.8	(USD:NTD)	\$ 30,750
USD	4,809	6.518	(USD:RMB)	143,303
USD	6,237	7.811	(USD:HKD)	185,863
USD	15,351	22,713	(USD:VND)	457,467
HKD	16,550	3.815	(HKD:NTD)	63,137
HKD	154	0.834	(HKD:RMB)	<u>588</u>
				<u>\$ 881,108</u>
				(Concluded)

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were net gains \$21,468 thousand and net losses \$20,099 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

## 32. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1.
- 2) Endorsement/guarantee provided: None.

- 3) Marketable securities held: Table 2.
  - 4) Marketable securities acquired and disposed at cost or price at least NT\$300 million or 20% of the paid-in capital: None.
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
  - 9) Trading in derivative instruments: Note 7. For the year end December 31, 2018, net gains of futures contracts were \$1,351 thousands. The transaction amount was not significant.
  - 10) Inter - Company business relationship and material transactions and its amount: Table 8.
  - 11) Information on investees: Table 5.
- b. Information on investments in Mainland China

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

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

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 7.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 3 and 7.
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
- 5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.
- 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: Table 7 and 8.

### 33. SEGMENT INFORMATION

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

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

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

The Group's reportable segments were as follows:

- The Company
- GEM Dongguan and Genius HK consolidated information
- GEM Suzhou and Global HK consolidated information
- Others

#### a. Segment revenues and results

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

	The Company	GEM Dongguan & Genius HK	GEM Suzhou & Global HK	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2018						
Revenues from external customers	\$ 520,441	\$ 1,609,595	\$ 1,820,087	\$ 731	\$ -	\$ 3,950,854
Inter-segment revenues	<u>175,028</u>	<u>530,116</u>	<u>1,590,073</u>	<u>493,492</u>	<u>(2,788,709)</u>	<u>-</u>
Segment revenues	<u>\$ 695,469</u>	<u>\$ 2,139,711</u>	<u>\$ 3,410,160</u>	<u>\$ 494,223</u>	<u>\$ (2,788,709)</u>	<u>\$ 3,950,854</u>
Segment income (loss)	<u>\$ (52,330)</u>	<u>\$ (55,611)</u>	<u>\$ 42,358</u>	<u>\$ (42,267)</u>	<u>\$ 7,895</u>	\$ (99,955)
Other income						25,777
Other gains and losses						16,895
Finance costs						<u>(55,943)</u>
Consolidated loss before income tax						(113,226)
Income tax						<u>23,979</u>
Consolidated net loss						<u>\$ (89,247)</u>
December 31, 2018						
Segment assets	<u>\$ 4,552,877</u>	<u>\$ 1,646,608</u>	<u>\$ 3,071,467</u>	<u>\$ 1,164,298</u>	<u>\$ (4,423,484)</u>	<u>\$ 6,011,766</u>
Segment liabilities	<u>\$ 2,013,571</u>	<u>\$ 685,765</u>	<u>\$ 1,053,946</u>	<u>\$ 742,832</u>	<u>\$ (1,023,654)</u>	<u>\$ 3,472,460</u>

(Continued)

	The Company	GEM Dongguan & Genius HK	GEM Suzhou & Global HK	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2017						
Revenues from external customers	\$ 510,093	\$ 1,554,232	\$ 1,797,525	\$ 726	\$ -	\$ 3,862,576
Inter-segment revenues	<u>153,373</u>	<u>550,033</u>	<u>1,622,884</u>	<u>418,546</u>	<u>(2,744,836)</u>	<u>-</u>
Segment revenues	<u>\$ 663,466</u>	<u>\$ 2,104,265</u>	<u>\$ 3,420,409</u>	<u>\$ 419,272</u>	<u>\$ (2,744,836)</u>	<u>\$ 3,862,576</u>
Segment income (loss)	<u>\$ (12,963)</u>	<u>\$ (12,144)</u>	<u>\$ 25,892</u>	<u>\$ 8,873</u>	<u>\$ 36,898</u>	\$ 46,556
Other income						22,078
Other gains and losses						(14,311)
Finance costs						(49,655)
Consolidated income before income tax						4,668
Income tax						(5,528)
Consolidated net loss						<u>\$ (860)</u>
December 31, 2017						
Segment assets	<u>\$ 4,909,003</u>	<u>\$ 1,860,455</u>	<u>\$ 3,301,588</u>	<u>\$ 998,242</u>	<u>\$ (4,568,070)</u>	<u>\$ 6,501,218</u>
Segment liabilities	<u>\$ 2,180,219</u>	<u>\$ 845,120</u>	<u>\$ 1,251,211</u>	<u>\$ 555,022</u>	<u>\$ (1,059,138)</u>	<u>\$ 3,772,434</u>

(Concluded)

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Terminals	\$ 3,943,278	\$ 3,852,193
Others	<u>7,576</u>	<u>10,383</u>
	<u>\$ 3,950,854</u>	<u>\$ 3,862,576</u>

c. Geographical information

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

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Taiwan	\$ 242,054	\$ 221,665	\$ 306,379	\$ 321,241
China	3,535,977	3,498,292	1,120,396	1,208,912
Vietnam	72,698	38,825	550,541	525,144
Others	<u>100,125</u>	<u>103,794</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,950,854</u>	<u>\$ 3,862,576</u>	<u>\$ 1,977,316</u>	<u>\$ 2,055,297</u>

Noncurrent assets exclude financial assets - noncurrent and deferred income tax assets.

d. Information about major customers

The customer from which sales revenue accounted for over 10% of the Group’s consolidated operating revenue is shown below:

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>% to Operating Revenue, Net</b>	<b>Amount</b>	<b>% to Operating Revenue, Net</b>
Group A	<u>\$ 347,979</u>	<u>9</u>	<u>\$ 385,190</u>	<u>10</u>

**TABLE 1****GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES****FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 278,010	\$ 276,300	\$ 168,850	2.1-3.2	Short-term financing	\$ -	Business development	\$ -	-	\$ -	\$ 507,861	\$ 1,015,722	Note 1
0	The Company	GEM Suzhou	Other receivables - related parties	Yes	146,050	92,100	-	2.1-2.8	Short-term financing	-	Business development	-	-	-	507,861	1,015,722	Note 1
1	Vibo	GEM Dongguan	Other receivables - related parties	Yes	60,560	30,700	-	2.0-2.8	Short-term financing	-	Business development	-	-	-	587,933	1,175,866	Note 1
1	Vibo	GEM Suzhou	Other receivables - related parties	Yes	30,955	30,700	30,700	2.8	Short-term financing	-	Business development	-	-	-	587,933	1,175,866	Note 1
2	Global Cayman	Global HK	Other receivables - related parties	Yes	24,066	12,280	12,280	2.0-2.8	Short-term financing	-	Business development	-	-	-	592,623	1,185,246	Note 1

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

Note 2: The exchange rate was US\$1: NT\$30.7.

Note 3: It was eliminated on consolidation.

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

## MARKETABLE SECURITIES HELD

December 31, 2018

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	ESON Precision Engineering Co., Ltd.	-	Financial assets at FVTOCI - current	118,000	\$ 3,617	-	\$ 3,617	
	Tai Tung Communication Co., Ltd.	-	Financial assets at FVTOCI - current	273,000	4,914	-	4,914	
	Innolux Corporation	-	Financial assets at FVTOCI - current	495,000	4,811	-	4,811	
	Microelectronics Technology Inc.	-	Financial assets at FVTOCI - current	259,000	5,297	-	5,297	
	Asia Pacific Telecom Co., Ltd.	-	Financial assets at FVTOCI - current	811,000	5,596	-	5,596	
GEM Suzhou	Shin Kong Financial Holding	-	Financial assets at FVTOCI - current	222,880	1,999	-	1,999	
					<u>26,234</u>		<u>26,234</u>	
	<u>Stock</u>							
	Tsingtao Brewery Co., Ltd.	-	Financial assets at FVTOCI - current	1,000	156	-	156	
	Yantai Changya Pioneer Wine Co., Ltd.	-	Financial assets at FVTOCI - current	110,400	12,831	-	12,831	
	Ningbo Boway Alloy Material	-	Financial assets at FVTOCI - current	315,782	9,627	-	9,627	
	Huarun Dong's Ejiao Co., Ltd.	-	Financial assets at FVTOCI - current	56,216	9,938	-	9,938	
	Luzhou Laojiao Group Co., Ltd.	-	Financial assets at FVTOCI - current	3,000	545	-	545	
	China Minsheng Banking Corp., Ltd.	-	Financial assets at FVTOCI - current	656,000	16,802	-	16,802	
	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	-	Financial assets at FVTOCI - current	1,000	423	-	423	
	Jiugui Liquor Co., Ltd.	-	Financial assets at FVTOCI - current	35,201	2,514	-	2,514	
	Jiangxi Copper Corp., Ltd.	-	Financial assets at FVTOCI - current	2,300	135	-	135	
	Shede Spirits Co., Ltd.	-	Financial assets at FVTOCI - current	7,000	714	-	714	
Shanxi Xinghuacun Fen Wine Factory Co., Ltd.	-	Financial assets at FVTOCI - current	71,200	11,155	-	11,155		
Anhui Gujing Distillery Co., Ltd.	-	Financial assets at FVTOCI - current	11,000	2,653	-	2,653		
				<u>67,493</u>		<u>67,493</u>		
					<u>\$ 93,727</u>		<u>\$ 93,727</u>	

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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	GEM VN	Subsidiary	Sales	\$ 111,718	16	120 days after monthly closing	Note 1	Note 2	\$ 89,898	38	Note 3
GEM Dongguan	Genius HK	Affiliate	Sales	781,872	41	120 days after monthly closing	Note 1	Note 2	177,488	34	Note 3
GEM VN	Genius HK	Affiliate	Sales	262,236	53	120 days after monthly closing	Note 1	Note 2	25,655	42	Note 3
	Global HK	Affiliate	Sales	212,427	43	120 days after monthly closing	Note 1	Note 2	29,483	49	Note 3
GEM Suzhou	GEM Dongguan	Affiliate	Sales	1,305,351	39	120 days after monthly closing	Note 1	Note 2	316,727	36	Note 3
	Global HK	Affiliate	Sales	304,762	9	120 days after monthly closing	Note 1	Note 2	72,428	8	Note 3
Genius HK	The Company	Parent	Sales	230,535	18	120 days after monthly closing	Note 1	Note 2	55,252	17	Note 3
	GEM Dongguan	Affiliate	Sales	281,074	21	120 days after monthly closing	Note 1	Note 2	27,646	9	Note 3
	GEM VN	Affiliate	Sales	252,817	19	120 days after monthly closing	Note 1	Note 2	80,909	25	Note 3
Global HK	GEM VN	Affiliate	Sales	168,307	31	120 days after monthly closing	Note 1	Note 2	33,297	30	Note 3
	GEM Suzhou	Affiliate	Sales	212,533	39	120 days after monthly closing	Note 1	Note 2	32,945	29	Note 3

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

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

Note 3: It was eliminated on consolidation.

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

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

**DECEMBER 31, 2018**

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

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate (Note 2)	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	GEM VN	Subsidiary	\$ 261,502	1.89	\$ -	-	\$ 161,313	\$ -
GEM Suzhou	GEM Dongguan	Fellow subsidiary	317,412	3.81	-	-	311,034	-
GEM Dongguan	Genius HK	Fellow subsidiary	201,516	4.21	-	-	172,636	-

Note 1: It included accounts receivable and other receivables

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

Note3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares/ Units	%	Carrying Amount			
The Company	Global Cayman	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,849,795	\$ 21,837	\$ 24,637	Notes 1 and 2
	GEM Cayman	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	270,830	(67,638)	(68,434)	Notes 1 and 2
	Genius	British Virgin Islands	International investment and trading, etc.	23,282	23,282	750,000	100	80,373	(168)	(168)	Note 1
Genius	Genius HK	Hong Kong	International trading	90,134	90,134	21,999,998	100	81,902	(438)	(360)	Notes 1 and 2
Global Cayman	Vibo	Hong Kong	International investment and trading, etc.	1,541,063	1,541,063	359,972,616	100	2,939,665	21,843	21,843	Note 1
	Global HK	Hong Kong	International trading	3,747	3,747	1,000,000	100	7,894	(270)	(142)	Notes 1 and 2
GEM Cayman	GEM VN	Vietnam	Production of hardware; machine processing; electroplating for hardware processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	386,780	386,780	386,780	100	274,787	(58,441)	(67,467)	Notes 1 and 2

Note 1: It was eliminated on consolidation.

Note 2: Net of unrealized profits.

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

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

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 1 and 3)	Carrying Amount as of December 31, 2018 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
GEM Dongguan	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	\$ 757,503	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130	\$ -	\$ -	\$ 452,130	\$ (36,503)	100	\$ (30,055)	\$ 831,596	\$ -	
GEM Suzhou	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	1,120,515	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320	-	-	741,320	33,955	100	19,997	1,987,964	-	

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

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

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

Note 3: It was eliminated on consolidation.

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

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

Company Name	Counterparty	Transaction Type	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM Suzhou	Sales	\$ 52,661	120 days after monthly closing	No significant difference with those to third parties	\$ 6,454	3	\$ 4,769	
		Purchase	26,435	120 days after monthly closing	No significant difference with those to third parties	(3)	-	965	
		Disposal of property, plant, and equipment	43,351	120 days after monthly closing	No comparable transactions with those in the market	618	-	18,842	
	GEM Dongguan	Sales	2,462	120 days after monthly closing	No significant difference with those to third parties	318	-	1,007	
Genius HK	GEM Dongguan	Sales	281,074	120 days after monthly closing	No significant difference with those to third parties	27,646	9	3,298	
		Purchase	781,872	120 days after monthly closing	No comparable transactions with those in the market	(177,488)	(70)	-	
Global HK	GEM Suzhou	Sales	212,533	120 days after monthly closing	No significant difference with those to third parties	32,945	29	5,154	
		Purchase	304,762	120 days after monthly closing	No comparable transactions with those in the market	(72,428)	(66)	709	

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

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
0	The Company	Genius HK	1	Sales	\$ 8,188	Payment terms are four months	-
		Genius HK	1	Accounts receivable	4,976	Payment terms are four months	-
		Genius HK	1	Disposal of property, plant and equipment	6,897	Payment terms are four months	-
		GEM Suzhou	1	Sales	52,661	Payment terms are four months	1
		GEM Suzhou	1	Accounts receivable	6,454	Payment terms are four months	-
		GEM Suzhou	1	Disposal of property, plant and equipment	43,351	Payment terms are four months	1
		GEM Suzhou	1	Other receivables	618	Payment terms are four months	-
		GEM VN	1	Sales	111,718	Payment terms are four months	3
		GEM VN	1	Accounts receivable	89,898	Payment terms are four months	1
		GEM VN	1	Disposal of property, plant and equipment	17,648	Payment terms are four months	-
		GEM VN	1	Other receivables	211	Payment terms are four months	-
		GEM VN	1	Other receivables	171,393	According to working capital conditions to change payment deeding	3
		GEM VN	1	Interest income	3,438	Annual interest rate is 2.1%-2.8%	-
		GEM Dongguan	1	Sales	2,462	Payment terms are four months	-
GEM Dongguan	1	Accounts receivable	318	Payment terms are four months	-		
1	GEM Dongguan	The Company	2	Sales	20	Payment terms are four months	-
		The Company	2	Accounts receivable	20	Payment terms are four months	-
		Genius HK	3	Sales	781,872	Payment terms are four months	20
		Genius HK	3	Accounts receivable	177,488	Payment terms are four months	3
		Genius HK	3	Disposal of property, plant and equipment	27,091	Payment terms are four months	1
		Genius HK	3	Other receivables	24,028	Payment terms are four months	-
		GEM Suzhou	3	Sales	46,744	Payment terms are four months	1
		GEM Suzhou	3	Accounts receivable	6,259	Payment terms are four months	-
		GEM Suzhou	3	Disposal of property, plant and equipment	8,161	Payment terms are four months	-
		GEM Suzhou	3	Other receivables	2,005	Payment terms are four months	-
		GEM Suzhou	3	Other income	1,272	Payment terms are four months	-
		2	Genius HK	The Company	2	Sales	230,535
The Company	2			Accounts receivable	55,252	Payment terms are four months	1
The Company	2			Other receivables	18,164	Payment terms are four months	-
GEM Dongguan	3			Sales	281,074	Payment terms are four months	7
GEM Dongguan	3			Accounts receivable	27,646	Payment terms are four months	-
GEM Dongguan	3			Other receivable	403	Payment terms are four months	-
GEM VN	3			Sales	252,816	Payment terms are four months	6
GEM VN	3			Accounts receivable	89,909	Payment terms are four months	1

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
3	Global HK	The Company	2	Sales	\$ 89,981	Payment terms are four months	2
		The Company	2	Accounts receivable	10,732	Payment terms are four months	-
		GEM Suzhou	3	Sales	212,533	Payment terms are four months	5
		GEM Suzhou	3	Accounts receivable	32,945	Payment terms are four months	1
		GEM VN	3	Sales	168,307	Payment terms are four months	4
		GEM VN	3	Accounts receivable	33,297	Payment terms are four months	1
4	GEM Suzhou	The Company	2	Sales	26,435	Payment terms are four months	1
		The Company	2	Accounts receivable	3	Payment terms are four months	-
		Global HK	3	Sales	304,762	Payment terms are four months	8
		Global HK	3	Accounts receivable	72,428	Payment terms are four months	1
		Global HK	3	Disposal of property, plant and equipment	27,595	Payment terms are four months	1
		Global HK	3	Other receivables	7,271	Payment terms are four months	-
		Global HK	3	Other income	186	Payment terms are four months	-
		GEM Dongguan	3	Sales	1,305,351	Payment terms are four months	33
		GEM Dongguan	3	Accounts receivable	316,727	Payment terms are four months	5
		GEM Dongguan	3	Disposal of property, plant and equipment	3,272	Payment terms are four months	-
		GEM Dongguan	3	Other receivables	684	Payment terms are four months	-
5	Vibo	GEM Dongguan	1	Other receivables	31,016	According to working capital conditions to change payment deeding	1
		GEM Dongguan	1	Interest income	369	Annual interest rate is 2.0%-2.8%	-
		GEM Suzhou	1	Interest income	316	Annual interest rate is 2.8%	-
6	Global Cayman	Global HK	1	Other receivables	12,548	According to working capital conditions to change payment deeding	-
		Global HK	1	Interest income	316	Annual interest rate is 2.0%-2.8%	-
7	GEM VN	Genius HK	3	Sales	262,236	Payment terms are four months	7
		Genius HK	3	Accounts receivables	25,655	Payment terms are four months	-
		Global HK	3	Sales	212,427	Payment terms are four months	5
		Global HK	3	Accounts receivables	29,483	Payment terms are four months	-
		The Company	2	Sales	18,829	Payment terms are four months	-
		The Company	2	Accounts receivables	5,013	Payment terms are four months	-

(Concluded)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary

2) Subsidiary to parent

3) Subsidiary to subsidiary