

**King Slide Works Co., Ltd.**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
King Slide Works Co., Ltd.

### **Opinion**

We have audited the accompanying financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### Recoverability of accounts receivable

As of December 31, 2019, the net amount of accounts receivable of the Company was NT\$238,209 thousand, representing 2% of the Company's total assets. Management estimated the recoverability of accounts receivable based on the International Financial Reporting Standards and considered the customers' past default records and their current financial position to estimate the allowance for impairment loss. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of internal control activities relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We examined the existence of the accounts receivable, which included samples of letter confirmation, collection records after the balance sheets date, and the verification of goods receipts by customers or shipping records.
2. We tested the aging schedule prepared by the Company against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts and also reviewed the reasonableness of the impairment loss based on the historical experience of collection and other available information.

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

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

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

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

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

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

on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Lee -Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

#### Notice to Readers

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

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

**KING SLIDE WORKS CO., LTD.****DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

<b>ASSETS</b>	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,894,097	26	\$ 3,302,150	31
Notes receivable (Notes 4, 7 and 16)	40,477	-	38,767	-
Notes receivable - related parties (Notes 7, 16 and 22)	92,527	1	88,543	1
Accounts receivable, net (Notes 4, 5, 7 and 16)	238,209	2	261,563	3
Accounts receivable - related parties (Notes 7, 16 and 22)	55,617	1	43,533	-
Other receivables (Note 21)	3,760	-	6,812	-
Other receivables - related parties (Note 22)	3,279	-	1,182	-
Inventories (Notes 4 and 8)	164,319	1	184,585	2
Other current assets	<u>21,224</u>	<u>-</u>	<u>24,800</u>	<u>-</u>
Total current assets	<u>3,513,509</u>	<u>31</u>	<u>3,951,935</u>	<u>37</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 9)	7,379,944	65	6,301,925	59
Property, plant and equipment (Notes 4, 10 and 23)	373,866	3	375,915	4
Other intangible assets (Note 4)	2,654	-	-	-
Deferred tax assets (Notes 4 and 18)	37,606	-	26,437	-
Prepayments for equipment	39,254	1	34,558	-
Refundable deposits	<u>281</u>	<u>-</u>	<u>284</u>	<u>-</u>
Total non-current assets	<u>7,833,605</u>	<u>69</u>	<u>6,739,119</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 11,347,114</u>	<u>100</u>	<u>\$ 10,691,054</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable (Note 11)	\$ 99,390	1	\$ 107,241	1
Notes payable - related parties (Notes 11 and 22)	26,282	-	24,866	-
Accounts payable (Note 11)	33,008	1	33,448	-
Accounts payable - related parties (Note 11 and 22)	24,281	-	9,584	-
Other payables (Note 12)	258,001	2	254,542	3
Other payable - related parties (Note 22)	14	-	4	-
Current tax liabilities (Notes 4 and 18)	81,408	1	82,280	1
Refund liability - current (Note 13)	3,092	-	5,470	-
Other current liabilities	<u>10,669</u>	<u>-</u>	<u>10,727</u>	<u>-</u>
Total current liabilities	<u>536,145</u>	<u>5</u>	<u>528,162</u>	<u>5</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 18)	48,431	1	48,926	1
Net defined benefit liabilities (Notes 4 and 14)	<u>42,001</u>	<u>-</u>	<u>39,415</u>	<u>-</u>
Total non-current liabilities	<u>90,432</u>	<u>1</u>	<u>88,341</u>	<u>1</u>
Total liabilities	<u>626,577</u>	<u>6</u>	<u>616,503</u>	<u>6</u>
<b>EQUITY (Note 15)</b>				
Ordinary shares	<u>952,971</u>	<u>8</u>	<u>952,971</u>	<u>9</u>
Capital surplus	<u>796,691</u>	<u>7</u>	<u>796,691</u>	<u>7</u>
Retained earnings				
Legal reserve	1,163,619	10	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	<u>7,808,705</u>	<u>69</u>	<u>7,336,894</u>	<u>69</u>
Total retained earnings	<u>8,978,545</u>	<u>79</u>	<u>8,329,138</u>	<u>78</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	<u>(7,670)</u>	<u>-</u>	<u>(4,249)</u>	<u>-</u>
Total equity	<u>10,720,537</u>	<u>94</u>	<u>10,074,551</u>	<u>94</u>
<b>TOTAL</b>	<u>\$ 11,347,114</u>	<u>100</u>	<u>\$ 10,691,054</u>	<u>100</u>

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

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13, 16 and 22)	\$ 1,981,482	100	\$ 1,932,513	100
OPERATING COSTS (Notes 8, 17 and 22)	<u>1,282,886</u>	<u>65</u>	<u>1,269,770</u>	<u>66</u>
GROSS PROFIT	698,596	35	662,743	34
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,513)	-	(1,661)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>1,661</u>	<u>-</u>	<u>2,311</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>698,744</u>	<u>35</u>	<u>663,393</u>	<u>34</u>
OPERATING EXPENSES (Notes 7, 17 and 22)				
Selling and marketing	94,947	5	95,401	5
General and administrative	91,279	5	90,698	5
Research and development	109,072	5	107,643	5
Expected credit loss	<u>54</u>	<u>-</u>	<u>218</u>	<u>-</u>
Total operating expenses	<u>295,352</u>	<u>15</u>	<u>293,960</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>403,392</u>	<u>20</u>	<u>369,433</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 17 and 22)				
Other gains and losses	(36,718)	(2)	102,663	5
Interest income	57,747	3	61,004	3
Share of profit of subsidiaries	<u>1,252,716</u>	<u>63</u>	<u>1,386,302</u>	<u>72</u>
Total non-operating income and expenses	<u>1,273,745</u>	<u>64</u>	<u>1,549,969</u>	<u>80</u>
PROFIT BEFORE INCOME TAX	1,677,137	84	1,919,402	99
INCOME TAX EXPENSE (Notes 4 and 18)	<u>118,887</u>	<u>6</u>	<u>143,438</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>78</u>	<u>1,775,964</u>	<u>92</u>

(Continued)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 14, 15 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (4,401)	-	\$ (4,632)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>880</u>	<u>-</u>	<u>1,686</u>	<u>-</u>
	<u>(3,521)</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(4,276)	-	(1,766)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>855</u>	<u>-</u>	<u>459</u>	<u>-</u>
	<u>(3,421)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(6,942)</u>	<u>-</u>	<u>(4,253)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,551,308</u>	<u>78</u>	<u>\$ 1,771,711</u>	<u>92</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 16.35</u>		<u>\$ 18.64</u>	
Diluted	<u>\$ 16.32</u>		<u>\$ 18.59</u>	

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

(Concluded)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

			Retained Earnings		Unappropriated Earnings	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2018	\$ 952,971	\$ 796,691	\$ 986,023	\$ 6,221	\$ 6,040,361	\$ (2,942)	\$ 8,779,325
Appropriation of 2017 earnings (Note 15)							
Cash dividends distributed by the Company	-	-	-	-	(476,485)	-	(476,485)
Net profit for the year ended December 31, 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE AT DECEMBER 31, 2018	952,971	796,691	986,023	6,221	7,336,894	(4,249)	10,074,551
Appropriation of 2018 earnings (Note 15)							
Legal Reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
	-	-	177,596	-	(1,082,918)	-	(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE AT DECEMBER 31, 2019	\$ 952,971	\$ 796,691	\$ 1,163,619	\$ 6,221	\$ 7,808,705	\$ (7,670)	\$ 10,720,537

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



# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,677,137	\$ 1,919,402
Adjustments for:		
Depreciation expenses	34,726	32,138
Amortization expenses	813	278
Expected credit loss	54	218
Gain on disposal of property, plant and equipment, net	(1,181)	(231)
Interest income	(57,747)	(61,004)
Share of profit of subsidiaries	(1,252,716)	(1,386,302)
Write-downs of inventories	3,406	478
Unrealized gain on transactions with subsidiaries	1,513	1,661
Realized gain on transactions with subsidiaries	(1,661)	(2,311)
Others	864	1,934
Changes in operating assets and liabilities		
Notes receivable	(1,710)	(1,656)
Notes receivable - related parties	(3,984)	(7,506)
Accounts receivable	20,058	32,321
Accounts receivable - related parties	(12,084)	(2,520)
Other receivables	1,101	(108)
Other receivables - related parties	(2,097)	889
Inventories	16,860	(3,363)
Other current assets	2,049	(829)
Notes payable	(2,514)	2,395
Notes payable - related parties	1,416	(952)
Accounts payable	(440)	(10,970)
Accounts payable - related parties	14,697	(2,134)
Other payables	4,001	20,414
Other payable - related parties	10	(5)
Other current liabilities	(58)	4,031
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	440,698	530,776
Interest received	59,698	58,810
Dividend income	200,000	200,000
Income tax paid	(129,688)	(144,339)
Net cash generated from operating activities	570,708	645,247
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment accounted for using the equity method	(29,431)	-
Payments for property, plant and equipment	(43,252)	(26,755)
Proceeds from disposal of property, plant and equipment	1,181	843
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	3	-
Payments for intangible assets	(1,940)	-
Net cash used in investing activities	(73,439)	(25,997)

(Continued)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	\$ -	\$ 38
Cash dividends	<u>(905,322)</u>	<u>(476,485)</u>
Net cash used in financing activities	<u>(905,322)</u>	<u>(476,447)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(408,053)	142,803
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,302,150</u>	<u>3,159,347</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,894,097</u>	<u>\$ 3,302,150</u>

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

(Concluded)

# **KING SLIDE WORKS CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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#### **1. GENERAL INFORMATION**

King Slide Works Co., Ltd. (the “Company”) was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.
- Furniture accessories, slides and molds.

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

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

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

The financial statements were approved by the board of directors on February 26, 2020.

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

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

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

##### IFRS 16 “Leases”

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

##### **1) Definition of a lease**

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

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

3) The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

There is no impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16.

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Company assessed that there was no impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance.

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

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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note )
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Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” January 1, 2022

(Concluded)

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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.

The subsidiaries are incorporated in the financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the financial statements equal to those attributed to owners of the Company on the consolidated financial statements. The differences between the consolidated financial statements are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and the related equity.

##### 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; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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 (i.e., not retranslated).

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss, other comprehensive income of the subsidiary, and attributable distribution received. The Company also recognized its share in the changes

in equity of subsidiaries.

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

g. Property, plant and equipment

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

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in 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. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 categories

Financial assets are classified into 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 refundable deposits) 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i Significant financial difficulty of the issuer or the borrower;
- ii Breach of contract, such as a default;
- iii It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

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 and contract assets

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

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

Revenue from the sale of goods comes from sales of rail kits. Sales of rail kits are recognized as revenue when the goods are 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.

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.

l. Leases - the Company as lease

2019

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

2018

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

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

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 service entitling them to the contributions.

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

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit 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 of unappropriated earnings is provided for as income tax in the year the shareholders 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 tax credits for purchase of equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

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

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience

and other factors that are considered relevant. Actual results may differ from these estimates.

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

#### Key Sources of Estimation Uncertainty

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, refer to Note 7.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 171	\$ 60
Checking accounts and demand deposits	876,939	542,474
Cash equivalents (investments with original maturities less than 3 months)		
Commercial paper	227,565	402,528
Time deposits	<u>1,789,422</u>	<u>2,357,088</u>
	<u>\$ 2,894,097</u>	<u>\$ 3,302,150</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial paper (%)	0.42	0.42
Time deposits (%)	0.60-2.20	0.6-3.25

## 7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable - non-related parties</u>		
At amortized cost		
Operating	\$ 40,470	\$ 38,767
Non-operating	<u>7</u>	<u>-</u>
	<u>\$ 40,477</u>	<u>\$ 38,767</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
Notes receivable - related parties (Note 22)		
<hr/>		
At amortized cost		
Operating	\$ 91,193	\$ 87,922
Non-operating	<u>1,334</u>	<u>621</u>
	<u>\$ 92,527</u>	<u>\$ 88,543</u>
<hr/>		
Accounts receivable - non-related parties		
<hr/>		
At amortized cost		
Gross carrying amount	\$ 239,317	\$ 262,617
Less: Allowance for impairment loss	<u>1,108</u>	<u>1,054</u>
	<u>\$ 238,209</u>	<u>\$ 261,563</u>
<hr/>		
Accounts receivable - related parties (Note 22)		
<hr/>		
At amortized cost		
Operating	<u>\$ 55,617</u>	<u>\$ 43,533</u>
<hr/>		
Overdue receivable (under non-current assets)		
<hr/>		
Non-accrual loan	\$ 1,213	\$ 1,213
Less: Allowance for impairment loss	<u>1,213</u>	<u>1,213</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

#### In 2019

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable.

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

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

There were no notes receivable that were past due and not impaired at the end of the reporting year.

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

a. December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate (%)	0-0.1	0-1	10	50	100	-
Gross carrying amount	\$ 227,405	\$ 64,239	\$ 3,288	\$ 2	\$ -	\$ 294,934
Loss allowance (Lifetime ECL)	<u>(179)</u>	<u>(599)</u>	<u>(329)</u>	<u>(1)</u>	<u>-</u>	<u>(1,108)</u>
Amortized cost	<u>\$ 227,226</u>	<u>\$ 63,640</u>	<u>\$ 2,959</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 293,826</u>

b. December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	\$ 217,547	\$ 88,603	\$ -	\$ -	\$ -	\$ 306,150
Loss allowance (Lifetime ECL)	<u>(178)</u>	<u>(876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,054)</u>
Amortized cost	<u>\$ 217,369</u>	<u>\$ 87,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,096</u>

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

	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivable	Total
Balance at January 1, 2019	\$ 1,054	\$ 1,213	\$ 2,267
Add: Impairment losses recognized on receivables	<u>54</u>	<u>-</u>	<u>54</u>
Balance at December 31, 2019	<u>\$ 1,108</u>	<u>\$ 1,213</u>	<u>\$ 2,321</u>
Balance at January 1, 2018	\$ 864	\$ 1,185	\$ 2,049
Add: Impairment losses recognized on receivables	<u>190</u>	<u>28</u>	<u>218</u>
Balance at December 31, 2018	<u>\$ 1,054</u>	<u>\$ 1,213</u>	<u>\$ 2,267</u>

## 8. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 45,615	\$ 43,340
Work-in-process	29,504	32,908
Raw materials	86,074	105,386
Supplies	3,092	2,881
Merchandise	<u>34</u>	<u>70</u>
	<u>\$ 164,319</u>	<u>\$ 184,585</u>

The cost of inventories recognized as costs of goods sold was \$1,282,886 thousand and \$1,269,770 thousand for the years ended December 31, 2019 and 2018, respectively, which included the following items:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Write-downs	\$ 3,406	\$ 478
Income from sale of scraps	<u>(21,550)</u>	<u>(26,998)</u>
	<u>\$ (18,144)</u>	<u>\$ (26,520)</u>

## 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Not listed (cabinet) company		
King Slide Technology Co., Ltd.	\$ 7,222,849	\$ 6,168,098
King Slide (Samoa) Co., Ltd.	117,414	121,704
King Slide USA, Inc.	<u>39,681</u>	<u>12,123</u>
	<u>\$ 7,379,944</u>	<u>\$ 6,301,925</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
King Slide Technology Co., Ltd.	100%	100%
King Slide (Samoa) Co., Ltd.	100%	100%
King Slide USA, Inc.	100%	100%

In 2019, the Company increased additional investment of \$29,431 thousand in King Slide USA Co., Ltd. and the accumulated amount of investment was \$62,019 thousand as of December 31, 2019. Refer to Table 3 on “Information on Investees”.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were recognized based on the subsidiaries’ financial statements which have been audited.

## 10. PROPERTY, PLANT AND EQUIPMENT

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

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 226,670	\$ 197,920	\$ 766,003	\$ 4,715	\$ 36,289	\$ 85,222	\$ 1,316,819
Additions	-	647	23,818	3,260	1,053	3,899	32,677
Disposals	-	-	(14,466)	(1,804)	(116)	(556)	(16,942)
Balance at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 198,567</u>	<u>\$ 775,355</u>	<u>\$ 6,171</u>	<u>\$ 37,226</u>	<u>\$ 88,565</u>	<u>\$ 1,332,554</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ (134,196)	\$ (701,944)	\$ (3,367)	\$ (32,207)	\$ (69,190)	\$ (940,904)
Depreciation expense	-	(5,770)	(22,844)	(588)	(1,936)	(3,588)	(34,726)
Disposals	-	-	14,466	1,804	116	556	16,942
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (139,966)</u>	<u>\$ (710,322)</u>	<u>\$ (2,151)</u>	<u>\$ (34,027)</u>	<u>\$ (72,222)</u>	<u>\$ (958,688)</u>
Carrying amounts at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 58,601</u>	<u>\$ 65,033</u>	<u>\$ 4,020</u>	<u>\$ 3,199</u>	<u>\$ 16,343</u>	<u>\$ 373,866</u>

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 226,670	\$ 197,481	\$ 756,150	\$ 4,715	\$ 35,742	\$ 81,519	\$ 1,302,277
Additions	-	439	19,091	-	984	4,343	24,857
Disposals	-	-	(9,238)	-	(437)	(640)	(10,315)
Balance at December 31, 2018	<u>\$ 226,670</u>	<u>\$ 197,920</u>	<u>\$ 766,003</u>	<u>\$ 4,715</u>	<u>\$ 36,289</u>	<u>\$ 85,222</u>	<u>\$ 1,316,819</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ (128,195)	\$ (689,782)	\$ (2,917)	\$ (30,834)	\$ (66,741)	\$ (918,469)
Depreciation expense	-	(6,001)	(20,788)	(450)	(1,810)	(3,089)	(32,138)
Disposals	-	-	8,626	-	437	640	9,703
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (134,196)</u>	<u>\$ (701,944)</u>	<u>\$ (3,367)</u>	<u>\$ (32,207)</u>	<u>\$ (69,190)</u>	<u>\$ (940,904)</u>
Carrying amounts at December 31, 2018	<u>\$ 226,670</u>	<u>\$ 63,724</u>	<u>\$ 64,059</u>	<u>\$ 1,348</u>	<u>\$ 4,082</u>	<u>\$ 16,032</u>	<u>\$ 375,915</u>

b. Estimated useful lives

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

Buildings	
Plant	10 years
Office	50 years
Others	2-35 years
Machinery and equipment	
Molding	8 years
Electroplating	8 years
Others	2-11 years
Transportation equipment	5 years
Office equipment	2-15 years
Others	
Crane	10 years
ASRS	10 years
Others	3-20 years



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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Acquisition of property, plant and equipment	\$ 32,677	\$ 24,857
Increase in prepayments for equipment	4,696	7,342
Decrease (Increase) in payable for purchased equipment	<u>5,879</u>	<u>(5,444)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 43,252</u>	<u>\$ 26,755</u>

## 11. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/> Notes payable - non-related parties <hr/>		
Operating	\$ 98,818	\$ 101,332
Non-operating	<u>572</u>	<u>5,909</u>
	<u>\$ 99,390</u>	<u>\$ 107,241</u>
<hr/> Notes payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 26,282</u>	<u>\$ 24,866</u>
<hr/> Accounts payable - non-related parties <hr/>		
Operating	<u>\$ 33,008</u>	<u>\$ 33,448</u>
<hr/> Accounts payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 24,281</u>	<u>\$ 9,584</u>

- a. Notes payable

The Company's notes payable from non-operating activities were used for acquisition of property, plant and equipment.

- b. Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Company has a financial risk management policy to ensure all payment based on the agreed terms.

## 12. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payables for employees' compensation and remuneration of directors and supervisors	\$ 143,555	\$ 123,446
Payables for bonuses	43,457	62,654
		(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payables for annual leave	\$ 13,546	\$ 12,167
Payables for salaries	11,370	10,422
Others	<u>46,073</u>	<u>45,853</u>
	<u>\$ 258,001</u>	<u>\$ 254,542</u> (Concluded)

### 13. REFUND LIABILITY

The refund liability was based on historical experience, management's judgments and other known reasons to estimate sales allowances. The refund liability was recognized as a reduction of operating revenue in the year of the related goods sold. The movements of refund liability was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 5,470	\$ 3,536
Recognized	864	1,934
Reversed	<u>(3,242)</u>	<u>-</u>
Balance at December 31, 2018, per IAS 37	<u>\$ 3,092</u>	<u>\$ 5,470</u>

### 14. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

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

#### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.4% 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 balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 84,980	\$ 78,139
Fair value of plan assets	<u>(42,979)</u>	<u>(38,724)</u>
Net defined benefit liability	<u>\$ 42,001</u>	<u>\$ 39,415</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 72,121</u>	<u>\$ (31,846)</u>	<u>\$ 40,275</u>
Service cost			
Current service cost	267	-	267
Net interest expense (income)	<u>901</u>	<u>(404)</u>	<u>497</u>
Recognized in profit or loss	<u>1,168</u>	<u>(404)</u>	<u>764</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(848)	(848)
Actuarial loss - changes in demographic assumptions	1,337	-	1,337
Actuarial loss - changes in financial assumptions	1,059	-	1,059
Actuarial loss - experience adjustments	<u>3,084</u>	<u>-</u>	<u>3,084</u>
Recognized in other comprehensive income	<u>5,480</u>	<u>(848)</u>	<u>4,632</u>
Contributions from the employer	<u>-</u>	<u>(6,256)</u>	<u>(6,256)</u>
Benefits paid	<u>(630)</u>	<u>630</u>	<u>-</u>
Balance at December 31, 2018	<u>78,139</u>	<u>(38,724)</u>	<u>39,415</u>
Service cost			
Current service cost	278	-	278
Net interest expense (income)	<u>880</u>	<u>(442)</u>	<u>438</u>
Recognized in profit or loss	<u>1,158</u>	<u>(442)</u>	<u>716</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,282)	(1,282)
Actuarial loss - changes in demographic assumptions	837	-	837
Actuarial loss - changes in financial assumptions	3,339	-	3,339
Actuarial loss - experience adjustments	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Recognized in other comprehensive income	<u>5,683</u>	<u>(1,282)</u>	<u>4,401</u>
Contributions from the employer	<u>-</u>	<u>(2,531)</u>	<u>(2,531)</u>
Balance at December 31, 2019	<u>\$ 84,980</u>	<u>\$ (42,979)</u>	<u>\$ 42,001</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 356	\$ 390
Selling and marketing expenses	78	80
General and administrative expenses	188	192
Research and development expenses	<u>94</u>	<u>102</u>
	<u>\$ 716</u>	<u>\$ 764</u>

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate (%)	0.750	1.125
Expected rate of salary increase (%)	2.00	2.00
Mortality rate (%)	The 5th life insurance mortality table in Taiwan	The 5th life insurance mortality table in Taiwan
Turnover rate (%)	0-14	0-17
The average duration of the defined benefit obligation	10.7 years	11.1 years

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (2,256)</u>	<u>\$ (2,141)</u>
0.25% decrease	<u>\$ 2,344</u>	<u>\$ 2,226</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,274</u>	<u>\$ 2,167</u>
0.25% decrease	<u>\$ (2,201)</u>	<u>\$ (2,095)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ 7,009</u>	<u>\$ 2,542</u>
Average duration of the defined benefit obligation	10.7 years	11.1 years

## 15. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>138,000</u>	<u>138,000</u>
Shares authorized	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>
Number of shares issued and fully paid (in thousands)	<u>95,297</u>	<u>95,297</u>
Shares issued	<u>\$ 952,971</u>	<u>\$ 952,971</u>

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

Number of shares authorized, which granted for employee shares options retained 2,500 thousands options.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Arising from issuance of ordinary shares	\$ 794,341	\$ 794,341
Arising from treasury share transactions	<u>2,350</u>	<u>2,350</u>
	<u>\$ 796,691</u>	<u>\$ 796,691</u>

The above-mentioned 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 share capital

(limited to a certain percentage of the Company's capital surplus and once a year).

c. Appropriation of earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing 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 shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors.

The Company's dividends policy is also in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of total dividends.

Legal reserve may be used to offset a deficit. 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meeting on June 26, 2019 and 2018, respectively. The appropriations of earnings for 2018 and 2017 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	<u>\$ 177,596</u>	<u>\$ -</u>		
Cash dividends	<u>\$ 905,322</u>	<u>\$ 476,485</u>	<u>\$ 9.5</u>	<u>\$ 5.0</u>

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on February 26, 2020. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 155,825	
Special reserve	1,449	
Cash dividends	<u>762,377</u>	<u>\$ 8</u>
	<u>\$ 919,651</u>	

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 30, 2020.

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (4,249)	\$ (2,942)
Effect of change in tax rate	-	106
Exchange differences on translating the financial statements of foreign operations, net	(4,276)	(1,766)
Related income tax	<u>855</u>	<u>353</u>
Balance at December 31	<u>\$ (7,670)</u>	<u>\$ (4,249)</u>

**16. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,973,699	\$ 1,925,851
Processing	<u>7,783</u>	<u>6,662</u>
	<u>\$ 1,981,482</u>	<u>\$ 1,932,513</u>

a. Contract balances

	<b>December 31</b>		<b>January 1</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
Notes and accounts receivable (Note 7)	<u>\$ 425,489</u>	<u>\$ 431,785</u>	<u>\$ 453,263</u>

b. Disaggregation of revenue

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Type of goods		
Rail kits	\$ 1,515,582	\$ 1,476,855
Others	<u>465,900</u>	<u>455,658</u>
	<u>\$ 1,981,482</u>	<u>\$ 1,932,513</u>

**17. NET PROFIT**

a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gain (losses), net	\$ (47,910)	\$ 92,337
Sample income	1,674	2,360
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Mold income	\$ 3,809	\$ 2,988
Others	<u>5,709</u>	<u>4,978</u>
	<u>\$ (36,718)</u>	<u>\$ 102,663</u>
		(Concluded)

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 34,726	\$ 32,138
Intangible assets	<u>813</u>	<u>278</u>
	<u>\$ 35,539</u>	<u>\$ 32,416</u>
Analysis of depreciation by function		
Operating costs	\$ 31,633	\$ 29,037
Operating expenses	<u>3,093</u>	<u>3,101</u>
	<u>\$ 34,726</u>	<u>\$ 32,138</u>
Analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>813</u>	<u>278</u>
	<u>\$ 813</u>	<u>\$ 278</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits		
Salaries	\$ 335,558	\$ 339,143
Others	<u>60,539</u>	<u>59,949</u>
	<u>396,097</u>	<u>399,092</u>
Post-employment benefits		
Defined contribution plans	10,861	10,595
Defined benefit plans (Note 14)	<u>716</u>	<u>764</u>
	<u>11,577</u>	<u>11,359</u>
	<u>\$ 407,674</u>	<u>\$ 410,451</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 248,410	\$ 247,538
Operating expenses	<u>159,264</u>	<u>162,913</u>
	<u>\$ 407,674</u>	<u>\$ 410,451</u>



d. Employees' compensation and remuneration of directors and supervisors

According to the Article of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on February 26, 2020 and February 27, 2019, respectively, were as follows:

Accrual rate and amount

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Cash</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Employees' compensation	\$ 62,329	3.6	\$ 74,726	3.7
Remuneration of directors and supervisors	6,500	0.4	6,500	0.3

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2018 and 2017.

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

e. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 111,154	\$ 208,545
Foreign exchange losses	<u>(159,064)</u>	<u>(116,208)</u>
Foreign exchange gains (losses), net	<u>\$ (47,910)</u>	<u>\$ 92,337</u>

## 18. INCOME TAX

a. The major components of income tax expense recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 95,744	\$ 85,370
Income tax on unappropriated earnings	33,782	43,144
Adjustments for prior years	<u>(710)</u>	<u>(166)</u>
	<u>128,816</u>	<u>128,348</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of tax rate changes	\$ (9,929)	\$ 20,849
In respect of the current year' tax	<u>-</u>	<u>(5,759)</u>
	<u>(9,929)</u>	<u>15,090</u>
Income tax expense recognized in profit or loss	<u>\$ 118,887</u>	<u>\$ 143,438</u>
		(Concluded)

A reconciliation of accounting profit and income tax expense and the applicable tax rate is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 1,677,137</u>	<u>\$ 1,919,402</u>
Income tax expense calculated at the statutory rate	\$ 335,427	\$ 383,881
Domestic investment income using equity method	(250,950)	(277,666)
Others	1,338	4
Income tax on unappropriated earnings	33,782	43,144
Effect of change in tax rate	-	(5,759)
Adjustments for prior years	<u>(710)</u>	<u>(166)</u>
Income tax expense recognized in profit	<u>\$ 118,887</u>	<u>\$ 143,438</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of change in tax rate	\$ -	\$ 866
In respect of the current year		
Remeasurement on defined benefit plans	880	926
Translation of foreign operations	<u>855</u>	<u>353</u>
Total income tax recognized in other comprehensive income	<u>\$ 1,735</u>	<u>\$ 2,145</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 81,408</u>	<u>\$ 82,280</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Share of profit using equity method	\$ 9,982	\$ 407	\$ -	\$ 10,389
Unrealized exchange losses	1,147	9,799	-	10,946
Defined benefit liabilities	10,817	-	880	11,697
Others	<u>4,491</u>	<u>83</u>	<u>-</u>	<u>4,574</u>
	<u>\$ 26,437</u>	<u>\$ 10,289</u>	<u>\$ 880</u>	<u>\$ 37,606</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Defined benefit liabilities	2,901	360	-	3,261
Exchange differences on translating the financial statements of foreign operations	<u>(1,065)</u>	<u>-</u>	<u>(855)</u>	<u>(1,920)</u>
	<u>\$ 48,926</u>	<u>\$ 360</u>	<u>\$ (855)</u>	<u>\$ 48,431</u>

For the year ended December 31, 2018

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Share of profit using equity method	\$ 8,140	\$ 1,842	\$ -	\$ 9,982
Unrealized exchange losses	19,421	(18,274)	-	1,147
Defined benefit liabilities	8,412	719	1,686	10,817
Others	<u>2,500</u>	<u>1,991</u>	<u>-</u>	<u>4,491</u>
	<u>\$ 38,473</u>	<u>\$ (13,722)</u>	<u>\$ 1,686</u>	<u>\$ 26,437</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Defined benefit liabilities	1,533	1,368	-	2,901
Exchange differences on translating the financial statements of foreign operations	(606)	-	(459)	(1,065)
	<u>\$ 48,017</u>	<u>\$ 1,368</u>	<u>\$ (459)</u>	<u>\$ 48,926</u> (Concluded)

e. Income tax assessments

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

## 19. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year

	<u>For the Year Ended December 31</u>	
	2019	2018
Net profit used in the computation of earnings per share	<u>\$ 1,558,250</u>	<u>\$ 1,775,964</u>

Weighted average number of ordinary shares outstanding

	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	95,297	95,297
Effect of diluted potential ordinary shares Employees' compensation	<u>207</u>	<u>249</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>95,504</u>	<u>95,546</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will to be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 20. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

## 21. FINANCIAL INSTRUMENTS

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

The management believes that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

### b. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
Financial assets		
<hr/>		
Measured at amortized cost (Note 1)	\$ 3,328,247	\$ 3,742,834
<hr/>		
Financial liabilities		
<hr/>		
Measured at amortized cost (Note 2)	441,014	429,723

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes payable (including related parties), refundable deposits (including in other current liability), accounts payable (including related parties), and other payables (including related parties).

### c. Financial risk management objectives and policies

The Company's Treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Treasury function reports quarterly to the Company's management.

#### 1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk.

##### a) Foreign currency risk

The Company have foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting year are set out in Note 24.

#### Sensitivity analysis

The Company is mainly exposed to the risk from the fluctuation of USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	<b>USD impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ 25,529	\$ 26,719

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Range of sensitivity analysis included outstanding deposits, receivables and payables.

#### b) Interest rate risk

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 1,996,157	\$ 2,708,786
Cash flow interest rate risk		
Financial assets	926,822	592,642

#### Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would have been higher/lower by \$9,268 thousand and by \$5,926 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation due to the financial guarantees provided by the Company, could be the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Because the Company's current assets or cash and cash equivalents are much more than current liabilities, the Company have no liquidity risk.

## 22. TRANSACTIONS WITH RELATED PARTIES

### a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
King Slide Technology Co., Ltd. (KSTC)	Subsidiaries
King Slide USA, Inc. (KSUSA)	Subsidiaries
King Slide Technology (China) Co., Ltd. (KSCC)	Subsidiaries

### b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
KSTC	\$ 291,313	\$ 273,335
Others	<u>34,994</u>	<u>34,081</u>
	<u>\$ 326,307</u>	<u>\$ 307,416</u>

The sales of goods to KSTC were at cost. However, the sales of goods to KSCC, KSUSA and general customers were at cost plus gross profit. The term of collection was the same as those of unrelated parties with a 90-day term of collection.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
KSTC	\$ 96,964	\$ 86,445
Other	<u>24,235</u>	<u>-</u>
	<u>\$ 121,199</u>	<u>\$ 86,445</u>

The purchase price was based on cost of KSTC (general customers were priced at cost plus gross profit), and KSCC's purchase price was at cost plus gross profit and the payment term was the same as those of unrelated parties with a 90-day term.

d. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Notes receivable		
KSTC	<u>\$ 92,527</u>	<u>\$ 88,543</u>
Accounts receivable		
KSTC	\$ 38,586	\$ 30,315
Others	<u>17,031</u>	<u>13,218</u>
	<u>\$ 55,617</u>	<u>\$ 43,533</u>
Other receivables		
KSTC	<u>\$ 3,279</u>	<u>\$ 1,182</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Related Party Category/Name	December 31	
	2019	2018
Notes payable		
KSTC	<u>\$ 26,282</u>	<u>\$ 24,866</u>
Accounts payable		
KSTC	\$ 10,771	\$ 9,584
Others	<u>13,510</u>	<u>-</u>
	<u>\$ 24,281</u>	<u>\$ 9,584</u>
Other payables		
Others	<u>\$ 14</u>	<u>\$ 4</u>

The outstanding payables from related parties were unsecured.



f. Processing revenue

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
KSTC	\$ 7,783	\$ 6,662

Processing income was based on cost prices, and the receivable term is 90 days.

g. Technical and service revenue

The Company entered into a technical and service contract with the subsidiary, KSTC. The service revenue was based on the ratio of net sales of specific products from KSTC. The original contract is valid on December 31, 1999. However, if the parties have no expression to terminate the contract by its due date, it is deemed to be automatically extended for one year until December 31, 2019. The service revenue was \$2,020 thousand and \$1,942 thousand (included in other gains and losses) for the years ended December 31, 2019 and 2018, respectively.

h. Commission

Marketing support and post-sales services were provided by KSUSA to the Company, and the commission based on the ratio of the sales amount of a specific customer was \$69 thousand and \$107 thousand (included in selling and marketing expenses) for the years ended December 31, 2019 and 2018, respectively.

The terms of the commission and payment were the same as unrelated parties.

i. Manpower services

The manpower services between the Company and KSTC were recognized as revenue amounting to \$4,179 thousand and \$2,607 thousand (included in the manufacturing expenses – deduction of salary expense) for the years ended December 31, 2019 and 2018, respectively. In addition, the Company recognized cost amounting to \$496 thousand (included in service expense ) in 2019. The charges were based on the actual manpower and number of hours provided.

j. Other expenses

The Company paid service expenses to KSUSA amounting \$1,766 thousand and \$607 thousand (included in selling and marketing expenses - other expenses), which were based on the actual cost of services provided for the years ended December 31, 2019 and 2018, respectively.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term benefits (including salaries, compensation or bonuses)	\$ 17,693	\$ 20,879
Post-employment benefits	<u>148</u>	<u>155</u>
	<u>\$ 17,841</u>	<u>\$ 21,034</u>

The remuneration of directors and other key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2019	2018
a. Unused letters of credit for purchases of raw materials and machinery and equipment	\$ 95,030	\$ 197,248
b. Unrecognized commitments of acquisition of property, plant and equipment	1,038	4,025
c. Contracts for purchases of raw materials		
Total amount	110,885	107,400
Issued promissory notes	20,191	20,191

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

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies		Exchange Rate		Carrying Amount
<hr/> December 31, 2019 <hr/>					
Financial assets					
Monetary items					
USD	\$	85,131	30.046	(USD:NTD)	\$ 2,557,836
Financial liabilities					
Monetary items					
USD		165	30.046	(USD:NTD)	4,982
<hr/> December 31, 2018 <hr/>					
Financial assets					
Monetary items					
USD		87,424	30.73	(USD:NTD)	2,686,531
Financial liabilities					
Monetary items					
USD		477	30.73	(USD:NTD)	14,666

The Company is mainly exposed to US dollar. For the year ended December 31, 2019, net foreign exchange loss was (\$47,910) thousand and for the year ended December 31, 2018, net foreign exchange gain was \$92,337 thousand.

## 25. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees

- 1) Financing provided to others: None.
- 2) Endorsement and guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.
- 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 1 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached).
- 9) Trading in derivative instruments: None.
- 10) Information on investees: Table 3 (attached).

### 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 limited amount of investment in the mainland China areas: Table 4 (attached).

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: None.

	Amount
a) Purchases KSCC	<u>\$ 24,235</u>
b) Accounts payables KSCC	<u>\$ 13,510</u>

- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year:

	<b>Amount</b>
a) Sales of goods KSCC	<u>\$ 34,808</u>
b) Accounts receivable KSCC	<u>\$ 17,031</u>

- 3) The amount of property transactions and the amount of gains or losses generated: None.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and 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: None.
- 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: None.

## **26. SEGMENT INFORMATION**

The Company has provided the operating segments disclosure in the consolidated financial statements, and the segment information is waived.

**TABLE 1**

**KING SLIDE WORKS CO., LTD.**

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

Buyer	Related Party	Relationship	Transaction Details				Non-arm’s Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	King Slide Technology Co., Ltd.	Subsidiary	Sales	\$ 291,313	15	90 days after monthly closing	Note	-	\$ 131,113	31	

Note: The sales price is based on cost.

**TABLE 2**

**KING SLIDE WORKS CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
The Company	King Slide Technology Co., Ltd.	Subsidiary	\$ 131,113	2.41	\$ -		\$ 61,744		Note 1
			<u>3,279</u>				<u>-</u>		Note 2
			<u>\$ 134,392</u>				<u>\$ 61,744</u>		

Note 1: The computation of turnover rate was not included in the non-operating receivables which were not from sales of goods.

Note 2: The ending balance was other receivables.

**TABLE 3**

**KING SLIDE WORKS CO., LTD.**

## INFORMATION ON INVESTEES

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

[illegible]

**TABLE 4**

**KING SLIDE WORKS CO., LTD.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 4)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	\$ 157,282	Note 1	\$ 157,282	\$ -	\$ -	\$ 157,282	\$ 232	100.00	\$ 232	\$ 117,414	\$ -	
King Slide Technology (Shenzhen) Co., Ltd.	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.	4,306	Note 2	-	-	-	-	(4)	100.00	(4)	4,302	-	

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 3)
The company	\$157,282	\$157,282	\$6,432,322

Note 1: Set King Slide (Hong Kong) Co., Limited in Hong Kong to invest in King Slide Technology (China) Co. Ltd.

Note 2: King Slide Technology (China) Co., Ltd. set up the company in December 2019.

Note 3: Upper limit on the amount of investment in mainland China:  $\$10,720,537 \times 60\% = \$6,432,322$ .

Note 4: The amount was recognized based on the audited financial statements.



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**STATEMENT 1****KING SLIDE WORKS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Item</b>	<b>Rate (%)</b>	<b>Duration</b>	<b>Amount</b>
Petty cash			\$ 60
Cash on hand			111
Cash in banks			
Checking accounts			947
Demand deposits			107,473
Foreign currency deposits -			768,519
US\$25,439 thousand, RMB\$929			
thousand, EUR\$3 thousand and			
GBP\$2 thousand (Note 1)			
Cash equivalents			
Commercial paper	0.42		227,565
Time deposits (Note 2)	0.60	2019.12.15-	50,830
		2020.01.15	
Foreign currency time deposits -	1.93-2.20	2019.10.09-	1,738,592
US\$54,000 thousand and		2020.03.14	
RMB\$27,000 thousand (Notes 1			
and 2)			
			<u>\$ 2,894,097</u>

Note 1: Exchange rate: USD1=NTD30.0460, RMB\$1=NTD4.3003, EUR\$1=NTD33.5732 and GBP\$1=NTD39.2851.

Note 2: Time deposits with original maturity of less than 3 months.

**STATEMENT 2**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2019**

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

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<b>Client Name</b>	<b>Amount</b>	<b>Remark</b>
Related parties		
King Slide Technology Co., Ltd.	\$ 92,527	Sale of goods and equipment
Non-related parties		
Others (Note)	<u>40,477</u>	Sale of goods
	<u>\$ 133,004</u>	

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

**STATEMENT 3****KING SLIDE WORKS CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

<b>Client Name</b>	<b>Amount</b>	<b>Over a Year</b>	<b>Remark</b>
Related parties			
King Slide Technology Co., Ltd.	\$ 38,586	\$ -	Sale of goods
King Slide Technology (China) Co., Ltd.	17,031	-	Sale of goods
	<u>55,617</u>	<u>-</u>	
Non-related parties			
A Company	42,853	-	Sale of goods
B Company	17,055	-	Sale of goods
C Company	15,982	-	Sale of goods
Others (Note)	<u>163,427</u>	<u>-</u>	Sale of goods
	239,317	<u>\$ -</u>	
Less: Allowance for impairment loss	1,108		
	<u>238,209</u>		
	<u>\$ 293,826</u>		

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

**STATEMENT 4****KING SLIDE WORKS CO., LTD.****STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd. (service revenue)	<u>\$ 3,279</u>
Non-related parties	
Interest on time deposits	3,157
Sample and mold	222
Others (Note)	<u>381</u>
	<u>3,760</u>
	<u>\$ 7,039</u>

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

**STATEMENT 5****KING SLIDE WORKS CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market value (Note)</b>
Finished goods	\$ 45,615	\$ 73,548
Work-in-process	29,504	41,147
Raw materials	86,074	87,518
Supplies	3,092	3,279
Merchandise	<u>34</u>	<u>34</u>
	<u>\$ 164,319</u>	<u>\$ 205,526</u>

Note: The market value is the net realizable value as their best estimation. The net realizable value of raw material and supplies are determined at replacement cost.

**STATEMENT 6**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF OTHER CURRENT ASSETS**

**DECEMBER 31, 2019**

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

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<b>Item</b>	<b>Amount</b>
Prepaid expenses	\$ 13,244
Office supplies	5,588
Tax refund receivable	1,153
Temporary debits	<u>1,239</u>
	<u><u>\$ 21,224</u></u>

**KING SLIDE WORKS CO., LTD.****STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investees	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Market Value or Net Assets Value		Collateral	Remark
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	% of Ownership	Amount	Unit Price	Total Amount		
King Slide USA, Inc.	100,000	\$ 12,123	100,000	\$ 29,825	-	\$ 2,267	200,000	100	\$ 39,681	\$198.41	\$ 39,681	NA	-
King Slide Technology Co., Ltd.	112,600,000	6,168,098	-	1,254,751	-	200,000	112,600,000	100	7,222,849	64.15	7,222,849	NA	-
King Slide (Samoa) Co., Ltd.	5,000,000	<u>121,704</u>	-	<u>380</u>	-	<u>4,670</u>	5,000,000	100	<u>117,414</u>	23.48	<u>117,414</u>	NA	-
		<u>\$6,301,925</u>		<u>\$ 1,284,956</u>	(Note 1)	<u>\$ 206,937</u>			<u>\$7,379,944</u>		<u>\$ 7,379,944</u>		

Note 1: Share of profits using the equity method, realized gain on transactions, unrealized gain on transactions exchange differences on translating the financial statements of foreign operations and investment increment amounted to \$1,254,983 thousand, \$1,661 thousand, \$1,513 thousand, 394 thousand and 29,431 thousand.

Note 2: Share of losses using the equity method, exchange differences on translating the financial statements of foreign operations and cash dividends amounted to \$2,267 thousand, \$4,670 thousand and \$200,000 thousand.



**STATEMENT 8****KING SLIDE WORKS CO., LTD.****STATEMENT OF CHANGES IN OTHER INTANGIBLE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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Item	Balance, January 1, 2019	For the Year Ended December 31, 2019			Balance, December 31,2019	Remark
		Increase	Decrease	Reclassified		
Computer software	\$ <u>      -</u>	\$ <u>1,940</u>	\$ <u>(813 )</u>	\$ <u>1,527</u>	\$ <u>2,654</u>	Amortization is on a straight-line basis for 3 years.

**STATEMENT 9**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF NOTES PAYABLES**

**DECEMBER 31, 2019**

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

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<b>Vendor Name</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd.	<u>\$ 26,282</u>
Non-related parties	
A Company	7,852
Others (Note)	<u>91,538</u>
	<u>99,390</u>
	<u>\$ 125,672</u>

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

**STATEMENT 10**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLES**

**DECEMBER 31, 2019**

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

---

<b>Vendor Name</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd.	\$ 10,771
King Slide Technology (China) Co., Ltd.	<u>13,510</u>
	<u>24,281</u>
Non-related parties	
A Company	3,634
Others (Note)	<u>29,374</u>
	<u>33,008</u>
	<u>\$ 57,289</u>

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

**STATEMENT 11****KING SLIDE WORKS CO., LTD.****STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Shipments (Group) (In Thousands)</b>	<b>Amount</b>
Rail kits	6,301	\$ 1,515,582
Hinges	3,549	133,594
Slides	835	27,225
Others (Note)		<u>297,298</u>
Net revenue		1,973,699
Processing		<u>7,783</u>
		<u>\$ 1,981,482</u>

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

**STATEMENT 12****KING SLIDE WORKS CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Production cost	
Raw materials, beginning for year	\$ 105,386
Raw materials purchased	497,193
Less: Raw materials, end of year	(86,074)
Others	<u>(2,246)</u>
Raw materials used	<u>514,259</u>
Supplies, beginning of year	2,881
Supplies purchased	84,860
Less: Supplies, end of year	(3,092)
Others	<u>(1,562)</u>
Supplies used	<u>83,087</u>
Direct labor	<u>133,469</u>
Manufacturing expenses	<u>272,264</u>
Manufacturing cost	1,003,079
Work-in-process, beginning of year	32,908
Add: Work-in-process purchased	235,173
Less: Work-in-process, end of year	(29,504)
Others	<u>(759)</u>
Cost of finished goods	1,240,897
Add: Finished goods, beginning of year	43,340
Finished goods purchased	72,485
Less: Finished goods, end of year	(45,615)
Others	<u>(6,853)</u>
Production cost	<u>1,304,254</u>
Cost of merchandise	
Merchandise, beginning of year	70
Add: Merchandise purchased	146
Less: Merchandise, end of year	<u>(34)</u>
Cost of merchandise	<u>182</u>
Income from sale of scraps	<u>(21,550)</u>
	<u>\$ 1,282,886</u>

**STATEMENT 13****KING SLIDE WORKS CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salaries	\$ 23,846	\$ 51,735	\$ 57,361	\$ 132,942
Advertisement	19,752	46	-	19,798
Freight	16,669	5	-	16,674
Export expense	8,763	-	-	8,763
Sample	8,097	-	-	8,097
Traveling expense	5,093	228	63	5,384
Insurance	3,103	8,576	4,151	15,830
Miscellaneous expense	1,674	14,057	22,076	37,807
Service expense	1,520	3,985	16,328	21,833
Pension	784	1,633	1,742	4,159
Research expense	-	-	4,400	4,400
Others	<u>5,646</u>	<u>11,014</u>	<u>2,951</u>	<u>19,611</u>
	<u>\$ 94,947</u>	<u>\$ 91,279</u>	<u>\$ 109,072</u>	295,298
Expected credit loss				<u>54</u>
				<u>\$ 295,352</u>

## KING SLIDE WORKS CO., LTD.

**STATEMENT OF LABOR, DEPRECLATION AND AMORTIZATION BY FUNCTION**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salaries	\$ 202,616	\$ 132,942	\$ 335,558	\$ 202,101	\$ 137,042	\$ 339,143
Labor and health insurance	20,654	8,535	29,189	19,322	8,378	27,700
Pension	7,418	4,159	11,577	7,295	4,064	11,359
Remuneration of directors	-	7,280	7,280	-	6,653	6,653
Other	<u>17,722</u>	<u>6,348</u>	<u>24,070</u>	<u>18,820</u>	<u>6,776</u>	<u>25,596</u>
	<u>\$ 248,410</u>	<u>\$ 159,264</u>	<u>\$ 407,674</u>	<u>\$ 247,538</u>	<u>\$ 162,913</u>	<u>\$ 410,451</u>
Depreciation	\$ 31,633	\$ 3,093	\$ 34,726	\$ 29,037	\$ 3,101	\$ 32,138
Amortization	-	813	813	-	278	278

Note 1: For the years ended December 31, 2019 and 2018, the average number of employees amounted to 579 and 572, respectively. Among them, 5 directors did not serve as employees.

Note 2: 1. The average employee benefits for the year ended December 31, 2019 was \$698 thousand and for the year ended December 31, 2018 was \$712 thousand.

2. The average salary for the year ended December 31, 2019 was \$585 thousand and for the year ended December 31, 2018 was \$599 thousand.

3. The changes in the average salary decreased by 2%.