

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

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

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

Very truly yours,

King Slide Works Co., Ltd.

By

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Tsung-Chi Lin  
Chairman of the Board

February 26, 2020

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries 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.

### **Emphasis of Matter**

As disclosed in Note 3 to the consolidated financial statements, the Company and its subsidiaries have applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

The key audit matters identified in the Company and its subsidiaries' consolidated 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 and its subsidiaries was NT\$1,079,725 thousand, representing 9% of the Company and its subsidiaries' total assets. Management estimated the recoverability of accounts receivable based on the IFRS 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 and its subsidiaries 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.

#### Other Matter

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' 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 and its subsidiaries' 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 and its subsidiaries' financial reporting process.

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2020

Notice to Readers

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

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

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,789,207	69	\$ 8,042,135	72
Notes receivable (Notes 4, 7 and 17)	47,743	-	45,006	1
Accounts receivable, net (Notes 4, 5, 7 and 17)	1,079,725	9	1,005,838	9
Other receivables	14,590	-	17,914	-
Inventories (Notes 4 and 8)	464,684	4	466,015	4
Other current assets	<u>39,154</u>	<u>-</u>	<u>38,341</u>	<u>-</u>
Total current assets	<u>10,435,103</u>	<u>82</u>	<u>9,615,249</u>	<u>86</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 10 and 24)	1,368,900	11	1,353,349	12
Right-of-use assets (Notes 3, 4 and 11)	670,105	5	-	-
Other intangible assets (Note 4)	3,090	-	269	-
Deferred tax assets (Notes 4 and 19)	69,760	1	32,797	-
Prepayments for equipment	166,463	1	204,590	2
Refundable deposits	<u>396</u>	<u>-</u>	<u>401</u>	<u>-</u>
Total non-current assets	<u>2,278,714</u>	<u>18</u>	<u>1,591,406</u>	<u>14</u>
TOTAL	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 12)	\$ 251,012	2	\$ 239,089	2
Accounts payable (Note 12)	100,013	1	73,254	1
Other payables (Note 13)	482,870	4	439,882	4
Current tax liabilities (Notes 4 and 19)	355,704	3	252,781	2
Lease liabilities - current (Notes 3, 4 and 11)	30,913	-	-	-
Refund liability - current (Note 14)	17,901	-	18,243	-
Other current liabilities	<u>20,061</u>	<u>-</u>	<u>14,761</u>	<u>-</u>
Total current liabilities	<u>1,258,474</u>	<u>10</u>	<u>1,038,010</u>	<u>9</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	48,431	1	54,679	1
Lease liabilities - non-current (Notes 3, 4 and 11)	644,374	5	-	-
Net defined benefit liabilities (Notes 4 and 15)	<u>42,001</u>	<u>-</u>	<u>39,415</u>	<u>-</u>
Total non-current liabilities	<u>734,806</u>	<u>6</u>	<u>94,094</u>	<u>1</u>
Total liabilities	<u>1,993,280</u>	<u>16</u>	<u>1,132,104</u>	<u>10</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)				
Ordinary shares	<u>952,971</u>	<u>7</u>	<u>952,971</u>	<u>9</u>
Capital surplus	<u>796,691</u>	<u>6</u>	<u>796,691</u>	<u>7</u>
Retained earnings				
Legal reserve	1,163,619	9	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	<u>7,808,705</u>	<u>62</u>	<u>7,336,894</u>	<u>65</u>
Total retained earnings	<u>8,978,545</u>	<u>71</u>	<u>8,329,138</u>	<u>74</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>84</u>	<u>10,074,551</u>	<u>90</u>
TOTAL	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED 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, 14 and 17)	\$ 4,868,807	100	\$ 4,435,607	100
OPERATING COSTS (Notes 8 and 18)	<u>2,251,850</u>	<u>46</u>	<u>2,108,995</u>	<u>48</u>
GROSS PROFIT	<u>2,616,957</u>	<u>54</u>	<u>2,326,612</u>	<u>52</u>
OPERATING EXPENSES (Notes 7 and 18)				
Selling and marketing	185,139	4	182,007	4
General and administrative	188,643	4	194,708	4
Research and development	231,418	4	206,605	5
Expected credit loss (gain)	<u>(3,394)</u>	<u>-</u>	<u>5,096</u>	<u>-</u>
Total operating expenses	<u>601,806</u>	<u>12</u>	<u>588,416</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>2,015,151</u>	<u>42</u>	<u>1,738,196</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Interest income	170,739	3	141,008	3
Other gains and losses	(149,874)	(3)	292,674	7
Finance costs	<u>(11,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>9,502</u>	<u>-</u>	<u>433,682</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,024,653	42	2,171,878	49
INCOME TAX (Notes 4 and 19)	<u>466,403</u>	<u>10</u>	<u>395,914</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>32</u>	<u>1,775,964</u>	<u>40</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 15, 16 and 19)				
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)	-

(Continued)



# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED 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	%
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ <u>855</u> <u>(3,421)</u>	<u>-</u> <u>-</u>	\$ <u>459</u> <u>(1,307)</u>	<u>-</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>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
NET PROFIT ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,558,250</u>	<u>32</u>	<u>\$ 1,775,964</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,551,308</u>	<u>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
EARNINGS PER SHARE (Note 20)				
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 consolidated financial statements.

(Concluded)

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

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

			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
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 16)							
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 16)							
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 consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED 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	\$ 2,024,653	\$ 2,171,878
Adjustments for:		
Depreciation expenses	175,173	140,720
Amortization expenses	1,214	1,005
Expected credit loss (gain)	(3,394)	5,096
Finance costs	11,363	-
Gain on disposal of property, plant and equipment, net	(1,337)	(241)
Interest income	(170,739)	(141,008)
Write-downs of inventories	4,299	3,052
Other non-cash items	6,397	5,470
Changes in operating assets and liabilities		
Notes receivable	(2,737)	(12)
Accounts receivable	(77,232)	(106,001)
Other receivables	240	(579)
Inventories	(2,968)	(37,452)
Other current assets	(2,340)	(2,534)
Notes payable	18,221	22,227
Accounts payable	26,759	(10,311)
Other payables	42,716	32,173
Other current liabilities	5,300	(6,427)
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	2,053,773	2,071,564
Interest received	173,823	134,860
Interest paid	(11,363)	-
Income tax paid	(404,956)	(369,444)
Net cash generated from operating activities	<u>1,811,277</u>	<u>1,836,980</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(127,064)	(143,024)
Proceeds from disposal of property, plant and equipment	1,503	853
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	5	-
Payments for intangible assets	(2,508)	-
Net cash used in investing activities	<u>(128,064)</u>	<u>(142,256)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of guarantee deposits received	-	38
Repayment of the principal portion of lease liabilities	(30,420)	-
Cash dividends	(905,322)	(476,485)
Net cash used in financing activities	<u>(935,742)</u>	<u>(476,447)</u>

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# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED 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
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ (399)	\$ (443)
NET INCREASE IN CASH AND CASH EQUIVALENTS	747,072	1,217,834
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,042,135</u>	<u>6,824,301</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,789,207</u>	<u>\$ 8,042,135</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated February 26, 2020)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved 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 accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”):

#### IFRS 16 “Leases”

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

#### 1) Definition of a lease

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

## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal 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 consolidated statements of cash flows.

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

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

The Group also applies the following practical expedients:

- a) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- b) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.64%. The difference between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	<u>\$ 486,406</u>
Undiscounted amounts on January 1, 2019	\$ 441,711
Add: Adjustments as a result of a different treatment of extending the building's useful lives	<u>263,996</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 705,707</u>

## 3) The Group as lessor

The Group 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.

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Total effect on assets (right-of-use assets)	\$ -	\$ 705,707	\$ 705,707
Lease liabilities - current	\$ -	\$ 30,420	\$ 30,420
Lease liabilities - non-current	-	675,287	675,287
Total effect on liabilities	\$ -	\$ 705,707	\$ 705,707

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

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

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

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

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

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

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

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

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

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

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

##### **a. Statement of compliance**

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

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

The consolidated financial statements have been prepared on the historical cost basis except for 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.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### **d. Basis of Consolidation**

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.



See Note 9 and Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the Group functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items 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 consolidated financial statements, the functional currencies of the Group's foreign operations 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.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and 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.

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 year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. 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 Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to 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 less depreciation 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 Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.

- ii When a financial asset is more than 120 days past due unless the Group 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 Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

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 Group 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 Group as lessee

2019

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

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct

costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

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

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

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

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

#### Key Sources of Estimation Uncertainty

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. 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	\$ 205	\$ 91
Checking accounts and demand deposits	1,778,260	1,019,978
Cash equivalents (investments with original maturities less than 3 months)		
Commercial paper	289,438	950,958
Time deposits	<u>6,721,304</u>	<u>6,071,108</u>
	<u>\$ 8,789,207</u>	<u>\$ 8,042,135</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	0.60-3.25

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
At amortized cost		
Operating	\$ 47,736	\$ 45,006
Non-operating	<u>7</u>	<u>-</u>
Operating	<u>\$ 47,743</u>	<u>\$ 45,006</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<hr/> <b>Accounts receivable</b> <hr/>		
At amortized cost		
Gross carrying amount	\$ 1,084,287	\$ 1,013,794
Less: Allowance for impairment loss	<u>4,562</u>	<u>7,956</u>
	<u><b>\$ 1,079,725</b></u>	<u><b>\$ 1,005,838</b></u>
<hr/> <b>Overdue receivable (under non-current assets)</b> <hr/>		
Non-accrual loan	\$ 1,213	\$ 1,213
Less: Allowance for impairment loss	<u>1,213</u>	<u>1,213</u>
	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
		(Concluded)

#### Accounts receivable

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

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

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 Group's provision matrix.

#### December 31, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	\$ 777,056	\$ 300,741	\$ 6,380	\$ 2	\$ 108	\$ 1,084,287
Loss allowance (Lifetime ECL)	<u>(808)</u>	<u>(3,007)</u>	<u>(638)</u>	<u>(1)</u>	<u>(108)</u>	<u>(4,562)</u>
Amortized cost	<u><b>\$ 776,248</b></u>	<u><b>\$ 297,734</b></u>	<u><b>\$ 5,742</b></u>	<u><b>\$ 1</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,079,725</b></u>



## 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	\$ 696,677	\$ 301,625	\$ 11,777	\$ 1,331	\$ 2,384	\$ 1,013,794
Loss allowance (Lifetime ECL)	<u>(712)</u>	<u>(3,016)</u>	<u>(1,178)</u>	<u>(666)</u>	<u>(2,384)</u>	<u>(7,956)</u>
Amortized cost	<u>\$ 695,965</u>	<u>\$ 298,609</u>	<u>\$ 10,599</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 1,005,838</u>

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

	<b>Collectively Assessed for Impairment</b>	<b>Individually Assessed for Impairment</b>	
	<b>Accounts Receivable</b>	<b>Overdue Receivable</b>	<b>Total</b>
Balance at January 1, 2019	\$ 7,956	\$ 1,213	\$ 9,169
Add: Impairment losses reversed on receivables	<u>(3,394)</u>	<u>-</u>	<u>(3,394)</u>
Balance at December 31, 2019	<u>\$ 4,562</u>	<u>\$ 1,213</u>	<u>\$ 5,775</u>
Balance at January 1, 2018	\$ 2,888	\$ 1,185	\$ 4,073
Add: Impairment losses recognized on receivables	<u>5,068</u>	<u>28</u>	<u>5,096</u>
Balance at December 31, 2018	<u>\$ 7,956</u>	<u>\$ 1,213</u>	<u>\$ 9,169</u>

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Finished goods	\$ 191,059	\$ 190,290
Work-in-process	93,006	90,586
Raw materials	171,316	175,478
Supplies	9,269	9,591
Merchandise	<u>34</u>	<u>70</u>
	<u>\$ 464,684</u>	<u>\$ 466,015</u>

The cost of inventories recognized as costs of goods sold was \$2,251,850 thousand and \$2,108,995 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	\$ 4,299	\$ 3,052
Income from sale of scraps	<u>(40,155)</u>	<u>(46,045)</u>
	<u>\$ (35,856)</u>	<u>\$ (42,933)</u>

## 9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership	
			December 31, 2019	December 31, 2018
The Company	King Slide Technology Co., Ltd.	Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.	100	100
	King Slide (Samoa) Co., Ltd.	International investment	100	100
	King Slide USA Co., Ltd.	Trade of rail kits, slides and accessories	100	100
King Slide (Samoa) Co., Ltd.	King Slide (Hong Kong) Co., Ltd.	International investment	100	100
King Slide (Hong Kong) Co., Ltd.	King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	100	100
King Slide Technology (China) Co., Ltd.	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.	100	-

Note 1: In 2019, the Group increased additional investment of \$29,431 thousand in King Slide USA Co., Ltd. As of December 31, 2019, the accumulated amount of investment was \$62,019 thousand.

Note 2: In December 2019, King Slide Technology (China) Co., Ltd. invested \$4,306 thousand in King Slide Technology (Shenzhen) Co., Ltd.

## 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	Others	Property under Construction	Total
<b>Cost</b>								
Balance at January 1, 2019	\$ 228,514	\$ 1,073,693	\$ 1,414,083	\$ 9,371	\$ 86,096	\$ 285,565	\$ -	\$ 3,097,322
Reclassified	-	-	-	-	-	-	160	160
Additions	-	745	140,256	3,260	2,167	11,527	1,050	159,005
Disposals	-	-	(20,451)	(1,804)	(116)	(556)	-	(22,927)
Effect of foreign currency exchange differences	(41)	(4,689)	-	(95)	(310)	(22)	-	(5,157)
Balance at December 31, 2019	<u>\$ 228,473</u>	<u>\$ 1,069,749</u>	<u>\$ 1,533,888</u>	<u>\$ 10,732</u>	<u>\$ 87,837</u>	<u>\$ 296,514</u>	<u>\$ 1,210</u>	<u>\$ 3,228,403</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2019	\$ -	\$ (334,290)	\$(1,120,125)	\$ (6,036)	\$ (72,557)	\$ (210,965)	\$ -	\$(1,743,973)
Depreciation expense	-	(28,903)	(83,042)	(899)	(5,375)	(21,352)	-	(139,571)
Disposals	-	-	20,286	1,804	116	555	-	22,761
Effect of foreign currency exchange differences	-	892	-	87	279	22	-	1,280
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (362,301)</u>	<u>\$(1,182,881)</u>	<u>\$ (5,044)</u>	<u>\$ (77,537)</u>	<u>\$ (231,740)</u>	<u>\$ -</u>	<u>\$(1,859,503)</u>
Carrying amounts at December 31, 2019	<u>\$ 228,473</u>	<u>\$ 707,448</u>	<u>\$ 351,007</u>	<u>\$ 5,688</u>	<u>\$ 10,300</u>	<u>\$ 64,774</u>	<u>\$ 1,210</u>	<u>\$ 1,368,900</u>

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 228,461	\$ 1,074,828	\$ 1,372,948	\$ 7,736	\$ 81,059	\$ 274,236	\$ 3,039,268
Additions	-	439	50,819	1,650	5,620	11,948	70,476
Disposals	-	-	(9,684)	-	(437)	(647)	(10,768)
Effect of foreign currency exchange differences	53	(1,574)	-	(15)	(146)	28	(1,654)
Balance at December 31, 2018	<u>\$ 228,514</u>	<u>\$ 1,073,693</u>	<u>\$ 1,414,083</u>	<u>\$ 9,371</u>	<u>\$ 86,096</u>	<u>\$ 285,565</u>	<u>\$ 3,097,322</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ (303,605)	\$ (1,046,381)	\$ (5,516)	\$ (67,777)	\$ (190,461)	\$ (1,613,740)
Depreciation expense	-	(30,901)	(82,816)	(532)	(5,348)	(21,123)	(140,720)
Disposals	-	-	9,072	-	437	647	10,156
Effect of foreign currency exchange differences	-	216	-	12	131	(28)	331
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (334,290)</u>	<u>\$ (1,120,125)</u>	<u>\$ (6,036)</u>	<u>\$ (72,557)</u>	<u>\$ (210,965)</u>	<u>\$ (1,743,973)</u>
Carrying amounts at December 31, 2018	<u>\$ 228,514</u>	<u>\$ 739,403</u>	<u>\$ 293,958</u>	<u>\$ 3,335</u>	<u>\$ 13,539</u>	<u>\$ 74,600</u>	<u>\$ 1,353,349</u>

b. Estimated useful lives

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

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

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	\$ 159,005	\$ 70,476
Increase (decrease) in prepayments for equipment	(37,967)	59,636
Decrease in payables for purchased equipment	<u>6,026</u>	<u>12,912</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 127,064</u>	<u>\$ 143,024</u>

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts - land	<u>\$ 670,105</u>
	<b>For the Year Ended December 31, 2019</b>
Depreciation charge for right-of-use assets - land	<u>\$ 35,602</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Current	<u>\$ 30,913</u>
Non-current	<u>\$ 644,374</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land (%)	1.55-1.71

### c. Material lease-in activities and terms

Operating leases between King Slide Technology Co., Ltd. and the government are related to leases of land with 20 years lease terms, which will expire in May 2027 and January 2033, respectively. When the value of land is re-assessed by the government according to the law, the rent shall be adjusted. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

### d. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 385</u>
Total cash outflow for leases	<u>\$ 41,398</u>

2018

The future minimum lease payments of non-cancellable operating lease commitments in 2018 are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 41,783
Later than 1 year and not later than 5 years	167,132
Later than 5 years	<u>277,491</u>
	<u>\$ 486,406</u>

## 12. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes payable</u>		
Operating	\$ 244,152	\$ 225,931
Non-operating	<u>6,860</u>	<u>13,158</u>
	<u>\$ 251,012</u>	<u>\$ 239,089</u>
<u>Accounts payable - non-related parties</u>		
Operating	<u>\$ 100,013</u>	<u>\$ 73,254</u>

### Notes payable

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

### Accounts payable

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

## 13. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for employees' compensation and remuneration of directors and supervisors	\$ 237,440	\$ 193,614
Payable for bonuses	88,496	100,858
Payable for salaries	27,870	23,816
Payable for purchase of equipment	16,138	15,866
Others	<u>112,926</u>	<u>105,728</u>
	<u>\$ 482,870</u>	<u>\$ 439,882</u>

#### 14. REFUND LIABILITY

The refund liability was based on historical experience, management's judgments and other known reasons to estimate sales returns. 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	\$ 18,243	\$ 19,520
Recognized	6,397	5,470
Usage	<u>(6,739)</u>	<u>(6,747)</u>
Balance at December 31	<u>\$ 17,901</u>	<u>\$ 18,243</u>

#### 15. RETIREMENT BENEFIT PLANS

##### a. Defined contribution plans

The Company and King Slide Technology Co., Ltd. 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 Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

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 changes 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	\$ 7,009	\$ 2,542
Average duration of the defined benefit obligation	10.7 years	11.1 years

## 16. EQUITY

### a. Ordinary shares

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

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	2,350	2,350
	\$ 796,691	\$ 796,691

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</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 2018 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>
	<b>2019</b>	<b>2019</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 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 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>

**17. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,868,807</u>	<u>\$ 4,435,607</u>

a. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes and accounts receivable (Note 7)	<u>\$ 1,127,461</u>	<u>\$ 1,050,844</u>	<u>\$ 956,646</u>

b. Disaggregation of revenue

For the year ended December 31, 2019

	<b>Reportable Segments</b>			
	<b>The Company</b>	<b>King Slide Technology Co., Ltd.</b>	<b>Others</b>	<b>Total</b>
<u>Type of goods</u>				
Rail kits	\$ 1,476,310	\$ 3,113,689	\$ 44,498	\$ 4,634,497
Others	<u>171,082</u>	<u>58,126</u>	<u>5,102</u>	<u>234,310</u>
	<u>\$ 1,647,392</u>	<u>\$ 3,171,815</u>	<u>\$ 49,600</u>	<u>\$ 4,868,807</u>

For the year ended December 31, 2018

	<b>Reportable Segments</b>			
	<b>The Company</b>	<b>King Slide Technology Co., Ltd.</b>	<b>Others</b>	<b>Total</b>
<u>Type of goods</u>				
Rail kits	\$ 1,440,302	\$ 2,707,304	\$ 47,466	\$ 4,195,072
Others	<u>178,133</u>	<u>54,923</u>	<u>7,479</u>	<u>240,535</u>
	<u>\$ 1,618,435</u>	<u>\$ 2,762,227</u>	<u>\$ 54,945</u>	<u>\$ 4,435,607</u>

## 18. NET PROFIT

### a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains (losses), net	\$ (198,978)	\$ 235,089
Sample income	25,376	19,633
Mold income	16,503	29,378
Others	<u>7,225</u>	<u>8,574</u>
	<u>\$ (149,874)</u>	<u>\$ 292,674</u>

### b. Finance cost - only 2019

	<b>For the Year Ended December 31, 2019</b>
Interest on lease liabilities	<u>\$ 11,363</u>

### c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 139,571	\$ 140,720
Right-of-use-assets	35,602	-
Intangible assets	<u>1,214</u>	<u>1,005</u>
	<u>\$ 176,387</u>	<u>\$ 141,725</u>
Analysis of depreciation by function		
Operating costs	\$ 129,370	\$ 124,788
Operating expenses	<u>45,803</u>	<u>15,932</u>
	<u>\$ 175,173</u>	<u>\$ 140,720</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Analysis of amortization by function		
Operating costs	\$ -	\$ 26
Operating expenses	<u>1,214</u>	<u>979</u>
	<u>\$ 1,214</u>	<u>\$ 1,005</u>
		(Concluded)

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits		
Salaries	\$ 681,888	\$ 634,105
Others	<u>117,860</u>	<u>110,335</u>
	<u>799,748</u>	<u>744,440</u>
Post-employment benefits		
Defined contribution plans	22,687	21,104
Defined benefit plans (Note 14)	<u>716</u>	<u>764</u>
	<u>23,403</u>	<u>21,868</u>
	<u>\$ 823,151</u>	<u>\$ 766,308</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 547,416	\$ 497,973
Operating expenses	<u>275,735</u>	<u>268,335</u>
	<u>\$ 823,151</u>	<u>\$ 766,308</u>

e. 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 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>Cash</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 consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

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

f. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 339,703	\$ 529,444
Foreign exchange losses	<u>(538,681)</u>	<u>(294,355)</u>
Foreign exchange gains (losses), net	<u>\$ (198,978)</u>	<u>\$ 235,089</u>

## 19. 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	\$ 424,782	\$ 274,010
Income tax on unappropriated earnings	84,395	91,850
Adjustments for prior years	<u>(1,298)</u>	<u>(339)</u>
	<u>507,879</u>	<u>365,521</u>
Deferred tax		
Effect of change in tax rate	-	(5,759)
In respect of the current year	<u>(41,476)</u>	<u>36,152</u>
	<u>(41,476)</u>	<u>30,393</u>
Income tax expense recognized in profit or loss	<u>\$ 466,403</u>	<u>\$ 395,914</u>

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>\$ 2,024,653</u>	<u>\$ 2,171,878</u>
Income tax expense calculated at the statutory rate	\$ 404,930	\$ 434,375
Tax-exempt income	(24,116)	(113,611)
Others	-	4
Income tax on unappropriated earnings	84,395	91,850
Unrecognized deductible temporary differences	2,492	(10,606)
Effect of tax rate changes	-	(5,759)
Adjustments for prior years' tax	<u>(1,298)</u>	<u>(339)</u>
Income tax expense recognized in profit	<u>\$ 466,403</u>	<u>\$ 395,914</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%.

The applicable tax rate used by subsidiaries in China is 25%.

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 Group 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>
<hr/>		
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>
<hr/>		
Current tax liabilities		
Income tax payable	<u>\$ 355,704</u>	<u>\$ 252,781</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>
<hr/>				
Deferred Tax Assets				
Temporary differences				
Share of profit using equity method	\$ 9,982	\$ 407	\$ -	\$ 10,389
Unrealized exchange losses	-	33,403	-	33,403
Defined benefit liabilities	10,817	-	880	11,697
Others	<u>11,998</u>	<u>2,273</u>	<u>-</u>	<u>14,271</u>
	<u>\$ 32,797</u>	<u>\$ 36,083</u>	<u>\$ 880</u>	<u>\$ 69,760</u>

(Continued)

	<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>
<hr/> <b>Deferred Tax liabilities</b> <hr/>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Unrealized exchange gains	5,753	(5,753)	-	-
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>\$ 54,679</u>	<u>\$ (5,393)</u>	<u>\$ (855)</u>	<u>\$ 48,431</u> (Concluded)

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>
<hr/> <b>Deferred Tax Assets</b> <hr/>				
Temporary differences				
Share of profit using equity method	\$ 8,140	\$ 1,842	\$ -	\$ 9,982
Unrealized exchange losses	32,442	(32,442)	-	-
Defined benefit liabilities	8,412	719	1,686	10,817
Others	<u>5,389</u>	<u>6,609</u>	<u>-</u>	<u>11,998</u>
	<u>\$ 54,383</u>	<u>\$ (23,272)</u>	<u>\$ 1,686</u>	<u>\$ 32,797</u>
<hr/> <b>Deferred Tax liabilities</b> <hr/>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Unrealized exchange gains	-	5,753	-	5,753
Defined benefit liabilities	1,533	1,368	-	2,901
Exchange differences on translating the financial statements of foreign operations	<u>(606)</u>	<u>-</u>	<u>(459)</u>	<u>(1,065)</u>
	<u>\$ 48,017</u>	<u>\$ 7,121</u>	<u>\$ (459)</u>	<u>\$ 54,679</u>

e. Information about tax-exemptions

As of December 31, 2019, profit attributable to the following expansion projects is exempted from income tax for a 5-year period:

<b>Expansion of Construction Project</b>	<b>Tax-exemption Period</b>
Five-year tax exemption for manufacturing and related technology services	2014.03.04-2019.03.03



f. Income tax assessments

The income tax returns of the Company and King Slide Technology Co., Ltd. through 2017 have been assessed by the tax authorities, respectively.

## 20. 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 - attributable to owner of the Company

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
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 Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation 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.

## 21. CAPITAL MANAGEMENT

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

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

## 22. 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 consolidated financial statements approximate their fair values.

b. Categories of financial instruments

	December 31	
	2019	2018
<hr/>		
Financial assets		
Measured at amortized cost (Note 1)	\$ 9,931,661	\$ 9,111,294
<hr/>		
Financial liabilities		
Measured at amortized cost (Note 2)	833,933	752,263

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

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

c. Financial risk management objectives and policies

The Group'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 Group 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 Group's management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 25.

Sensitivity analysis

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

The following table details the Group'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	\$ 87,668	\$ 73,778

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 Group'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	\$ 6,947,952	\$ 6,931,933
Financial liabilities	675,287	-
Cash flow interest rate risk		
Financial assets	1,838,276	1,108,015

#### Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. A 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 Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have been higher/lower by \$18,383 thousand and by \$11,080 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Group, could be the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group 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 Group uses other publicly available financial information and its own trading records to rate its major customers. The Group 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 Group annually.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group's current assets or cash and cash equivalents are much more than current liabilities, the Group have no liquidity risk.

## 23. TRANSACTIONS WITH RELATED PARTIES

### Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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.

## 24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 11 ,unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
a. Unused letters of credit for purchases of raw materials and machinery and equipment	\$ 150,148	\$ 256,358
b. Unrecognized commitments of acquisition of property, plant and equipment	40,672	23,389
c. Contracts for purchases of raw materials		
Total amount	122,448	118,394
Issued promissory notes	29,741	29,741

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

The Group'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	\$ 292,348	30.046 (USD:NTD)	\$ 8,783,900
Financial liabilities			
Monetary items			
USD	568	30.046 (USD:NTD)	17,078
<hr/> December 31, 2018 <hr/>			
Financial assets			
Monetary items			
USD	240,998	30.73 (USD:NTD)	7,405,879
Financial liabilities			
Monetary items			
USD	915	30.73 (USD:NTD)	28,124

The Group is mainly exposed to US dollar. For the year ended December 31, 2019, net foreign exchange loss was (\$198,978) thousand and for the year ended December 31, 2018, net foreign exchange gain was \$235,089 thousand.

## 26. 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) Inter-company business relationship and material transactions and its amount: Table 3 (attached).

11) Information on investees: Table 4 (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 mainland China areas: Table 5 (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 related payables at the end of the year:

	<b>Amount</b>
a) Purchases	
King Slide Technology (China). Co., Ltd.	<u>\$ 24,235</u>
b) Accounts payables	
King Slide Technology (China). Co., Ltd.	<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	
King Slide Technology (China). Co., Ltd.	<u>\$ 34,808</u>
b) Accounts receivable	
King Slide Technology (China). Co., Ltd.	<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.

## 27. SEGMENT INFORMATION

Information is provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance, focusing on types of goods or services that are delivered or provided.

The Group's reporting segments are as follows:

- a. King Slide Works Co., Ltd. mainly manufactures, processes and sells the rail kits for computer and network communication equipment, furniture accessories, slides and molds.
- b. King Slide Technology Co., Ltd. mainly R&D, designs and sells the rail kits for servers and network communication equipment.

The following is an analysis of the Group's revenue and results from operations by the reporting segments:

	<b>The Company</b>	<b>King Slide Technology Co., Ltd.</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
<u>For the year ended December 31, 2019</u>					
Revenue from external customers	\$ 1,647,392	\$ 3,171,815	\$ 49,600	\$ -	\$ 4,868,807
Inter-segment revenue	<u>334,090</u>	<u>100,449</u>	<u>24,235</u>	<u>(458,774)</u>	<u>-</u>
Segment revenue	<u>\$ 1,981,482</u>	<u>\$ 3,272,264</u>	<u>\$ 73,835</u>	<u>\$ (458,774)</u>	<u>\$ 4,868,807</u>
Segment profit (loss)	<u>\$ 403,392</u>	<u>\$ 1,611,965</u>	<u>\$ (7,954)</u>	<u>\$ 7,748</u>	\$ 2,015,151
Interest income					170,739
Other gains and losses					(149,874)
Financial cost					<u>(11,363)</u>
Consolidated profit before income tax					2,024,653
Income tax					<u>(466,403)</u>
Consolidated net profit					<u>\$ 1,558,250</u>
<u>December 31, 2019</u>					
Total segment assets	<u>\$ 3,967,170</u>	<u>\$ 8,755,066</u>	<u>\$ 196,893</u>	<u>\$ (205,312)</u>	<u>\$ 12,713,817</u>
Total segment liabilities	<u>\$ 626,577</u>	<u>\$ 1,532,217</u>	<u>\$ 38,284</u>	<u>\$ (203,798)</u>	<u>\$ 1,993,280</u>
<u>For the year ended December 31, 2018</u>					
Revenue from external customers	\$ 1,618,435	\$ 2,762,227	\$ 54,945	\$ -	\$ 4,435,607
Inter-segment revenue	<u>314,078</u>	<u>86,445</u>	<u>-</u>	<u>(400,523)</u>	<u>-</u>
Segment revenue	<u>\$ 1,932,513</u>	<u>\$ 2,848,672</u>	<u>\$ 54,945</u>	<u>\$ (400,523)</u>	<u>\$ 4,435,607</u>
Segment profit (loss)	<u>\$ 369,433</u>	<u>\$ 1,368,994</u>	<u>\$ (6,781)</u>	<u>\$ 6,550</u>	\$ 1,738,196
Interest income					141,008
Other gains and losses					<u>292,674</u>
Consolidated profit before income tax					2,171,878
Income tax					<u>(395,914)</u>
Consolidated net profit					<u>\$ 1,775,964</u>
<u>December 31, 2018</u>					
Total segment assets	<u>\$ 4,389,129</u>	<u>\$ 6,836,520</u>	<u>\$ 150,835</u>	<u>\$ (169,829)</u>	<u>\$ 11,206,655</u>
Total segment liabilities	<u>\$ 616,503</u>	<u>\$ 668,422</u>	<u>\$ 15,347</u>	<u>\$ (168,168)</u>	<u>\$ 1,132,104</u>

Segment profit represented the profit before tax earned by each segment without allocation of interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

- a. Revenue from major products refer to Note 17 (b)
- b. Other segment information

	<b>Depreciation and Amortization</b>	
	<b>2019</b>	<b>2018</b>
The Company	\$ 35,539	\$ 32,416
King Slide Technology Co., Ltd.	138,016	104,699
Others	<u>2,832</u>	<u>4,610</u>
	<u>\$ 176,387</u>	<u>\$ 141,725</u>

- c. Geographical information

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

	<b>Revenue from External Customers For the Year Ended December 31</b>		<b>Non-current Assets December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 1,356,722	\$ 1,145,461	\$ 2,106,468	\$ 1,449,480
USA	1,294,693	1,114,376	-	-
China	949,191	890,718	-	-
Others	<u>1,268,201</u>	<u>1,285,052</u>	<u>102,090</u>	<u>108,728</u>
	<u>\$ 4,868,807</u>	<u>\$ 4,435,607</u>	<u>\$ 2,208,558</u>	<u>\$ 1,558,208</u>

Non-current assets exclude deferred income tax assets and refundable deposits.

- d. Information about major customers

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

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>% to Operating Revenue, Net</b>	<b>Amount</b>	<b>% to Operating Revenue, Net</b>
Group A	\$ 789,956	16	\$ 641,514	14
Group B	<u>516,221</u>	<u>11</u>	<u>422,917</u>	<u>10</u>
	<u>\$ 1,306,177</u>	<u>27</u>	<u>\$ 1,064,431</u>	<u>24</u>



**TABLE 1**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars, 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 1	-	\$ 131,113	31	Note 2

Note 1: The sales price is based on cost.

Note 2: It was eliminated on consolidation.

**TABLE 2**

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, 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	\$ -	Notes 1 and 2
			<u>3,279</u>				-		Notes 1 and 3
			<u>\$ 134,392</u>				<u>\$ 61,744</u>		

Note 1: It was eliminated on consolidation.

Note 2: The computation of turnover rate was not included in the non-operating receivables which were not from sales of goods.

Note 3: The ending balance was other receivables.

**TABLE 3****KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES****INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company	Counterparty	Nature of Relationship (Note 8)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	The Company	King Slide Technology Co., Ltd.	1	Sales	\$ 291,313	Note 1	6
0	The Company	King Slide Technology Co., Ltd.	1	Processing income	7,783	Note 2	-
0	The Company	King Slide Technology Co., Ltd.	1	Notes receivable	92,527	Note 4	1
0	The Company	King Slide Technology Co., Ltd.	1	Accounts receivable	38,586	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Other receivables	3,279	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Service revenue	4,179	Note 3	-
0	The Company	King Slide Technology Co., Ltd.	1	Technology and service income	2,020	Note 6	-
0	The Company	King Slide Technology (China) Co., Ltd.	1	Sales	34,808	Note 7	1
0	The Company	King Slide Technology (China) Co., Ltd.	1	Accounts receivable	17,031	Note 4	-
0	The Company	King Slide USA, Inc.	1	Sales	186	Note 7	-
1	King Slide Technology Co., Ltd.	The Company	2	Sales	96,964	Note 1	2
1	King Slide Technology Co., Ltd.	The Company	2	Notes receivable	26,282	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Accounts receivable	10,771	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Service revenue	496	Note 3	-
1	King Slide Technology Co., Ltd.	King Slide USA, Inc.	3	Sales	3,479	Note 7	-
1	King Slide Technology Co., Ltd.	King Slide USA, Inc.	3	Accounts receivable	1,411	Note 4	-
2	King Slide Technology (China) Co., Ltd.	The Company	2	Sales	24,235	Note 7	-
2	King Slide Technology (China) Co., Ltd.	The Company	2	Accounts receivable	13,510	Note 4	-
4	King Slide USA, Inc.	The Company	2	Other income	1,766	Note 2	-
5	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Commissions	3,892	Note 5	-
5	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Other receivables	365	Note 4	-

(Continued)

Note 1: The price is based on cost.

Note 2: It is based on cost.

Note 3: The revenue is based on the number of hours provided in King Slide Technology Co., Ltd.

Note 4: Expect for the commissions is paid in 10 days between parent company and subsidiary. The payment term is the same as the average customers' payment term of 90 days.

Note 5: Commission is based on the ratio of the sales amount of a specific customer.

Note 6: The price is based on the ratio of the net sales of a specific product.

Note 7: The sales price is based on cost plus gross profit.

Note 8: 1) Represents the transactions from parent company to subsidiary.

2) Represents the transactions from subsidiary to parent company.

3) Represents the transactions between subsidiaries.

(Concluded)

**TABLE 4**

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

## INFORMATION ON INVESTEES

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

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

[illegible]

Note: It was eliminated on consolidation.

**TABLE 5**

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

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

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

Investee Company	Main 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	\$ 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	(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 invested in 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.