

GIGA-BYTE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018
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GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

GIGA-BYTE TECHNOLOGY CO., LTD.

Dandy Yeh

March 13, 2020

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Giga-Byte Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Giga-Byte Technology Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are as follows:

Revenue from significant new counterparties

Description

Please refer to Note 4(32) for the accounting policies on revenue recognition. For the year ended December 31, 2019, the consolidated operating revenue amounted to NT\$61,781,254 thousand.

Giga-Byte Technology Group's revenue is derived from numerous customers from different countries and there was no revenue from a single customer that exceeded 10% of the consolidated operating revenue. Given that the verification of the existence of the transaction counterparty is critical to the revenue recognition, the occurrence of revenue from significant new counterparties was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained an understanding of the revenue recognition policy, and the consistency of the policy application during the financial reporting periods.
2. Obtained an understanding and tested credit check procedures for significant new counterparties. Verified that the transactions with significant new counterparties have been properly approved and agreed with supporting documentation, which include searching transaction counterparty's related information.
3. Obtained an understanding and tested the selling price and credit term of significant new counterparties.
4. Interviewed with management and obtained an understanding for the reason of accounts receivable overdue from significant new counterparties in order to evaluate the reasonableness.
5. Sampled and tested detailed revenue schedules of significant new counterparties and verified the original supporting documentation.
6. Sent accounts receivable confirmation letters to significant new counterparties. Investigated the reason and tested reconciling items made by the Group if the result in confirmation reply did not correspond to records, or tested collections after the balance sheet date if no confirmation reply was received.

Assessment of allowance for valuation of inventory loss

Description

Please refer to Note 4(14) for the accounting policies on evaluation of inventories; Note 5(2) for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(6) for the details of the inventories. As of December 31, 2019, the inventories and allowance for valuation loss amounted to NT\$11,828,947 thousand and NT\$484,655 thousand, respectively.

Giga-Byte Technology Group is primarily engaged in manufacturing and selling of computer hardware equipment and related components. Due to the short life cycle of electronic products and the price is highly subject to market fluctuation, the risk of incurring inventory valuation losses or having obsolete inventory are relatively high. Inventories held for sale in the ordinary course of business are stated at the lower of cost and net realisable value; Valuation loss are recognized for those inventories which exceed certain aging period or individually identified as obsolete inventories based on its net realisable value.

Given that the amount of inventories is significant and that the individually identified net realizable value of obsolete inventories has uncertainty based on prior industry experience, the evaluation of the allowance for valuation loss was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained an understanding of the policy and process on evaluation of the allowance for valuation loss, and the consistency of the policy and process application during the financial reporting periods.
2. Obtained an understanding of the warehouse management procedures, reviewed annual physical inventory count plan and participated in the annual inventory count. Evaluated the effectiveness of management controls on identifying and managing obsolete inventories.
3. Tested the appropriateness of system logic in inventory aging report which management adopted for inventories valuation purpose, and verified that obsolete inventories which exceeded a certain aging period were included in the report.
4. Evaluated the reasonableness of obsolete or damaged inventory items which were identified by management, reviewed related supporting documentation, and compared to the results obtained from the observation of physical inventory count.
5. For inventories which exceeded a certain aging period of aging and individually identified as obsolete and damaged, discussed with management and obtained supporting documentation of the evaluation on net realisable value, and performed recalculation.

Other matter – Report of other auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, in so far as it relates to the amounts included in the financial statements was based solely on the reports of the other auditors. The aforementioned equity investments were \$21,193 thousand and \$48,519 thousand, representing 0.06% and 0.14% of total consolidated assets as of December 31, 2019 and 2018, respectively, and total net comprehensive loss were \$27,326 thousand and \$28,382 thousand, representing (1.29%) and (1.13%) of total consolidated comprehensive loss for the years then ended, respectively.

Other matter – Parent company only financial statements

We have audited and expressed an unmodified opinion with Other matter paragraph on the parent company only financial statements of Giga-Byte Technology Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Se-Kai Lin

Fang-Yu Wang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,907,845	26	\$ 8,610,907	24
1110	Financial assets at fair value through profit or loss - current	6(2)	729,427	2	891,231	3
1136	Financial assets at amortised cost - current	6(4) and 8	705,762	2	1,162,817	3
1150	Notes receivable, net	6(5)	2,996	-	3,047	-
1170	Accounts receivable, net	6(5)	6,619,142	18	5,813,268	16
1200	Other receivables		129,617	-	105,666	-
1220	Current income tax assets		44,613	-	-	-
130X	Inventories, net	6(6)	11,344,292	30	11,520,153	32
1410	Prepayments		604,762	2	680,974	2
1470	Other current assets	6(7) and 8	20,704	-	171,356	1
11XX	Total current assets		<u>30,109,160</u>	<u>80</u>	<u>28,959,419</u>	<u>81</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income–non-current	6(3)	2,223,790	6	1,714,344	5
1535	Financial assets at amortized cost-non-current	6(4) and 8	211,075	1	-	-
1550	Investments accounted for using the equity method	6(8)	21,193	-	48,519	-
1600	Property, plant and equipment, net	6(9)	4,085,922	11	4,131,468	12
1755	Right-of-use assets	6(10)	182,698	-	-	-
1760	Investment property, net	6(12)	50,991	-	57,315	-
1780	Intangible assets		30,789	-	51,998	-
1840	Deferred income tax assets	6(30)	542,738	1	522,362	1
1900	Other non-current assets	6(13) and 8	253,185	1	249,170	1
15XX	Total non-current assets		<u>7,602,381</u>	<u>20</u>	<u>6,775,176</u>	<u>19</u>
1XXX	Total assets		<u>\$ 37,711,541</u>	<u>100</u>	<u>\$ 35,734,595</u>	<u>100</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(14)	\$ 289,088	1	\$ 309,722	1
2130	Contract liabilities-current	6(24)	247,156	1	335,964	1
2150	Notes payable		58,116	-	11,465	-
2170	Accounts payable		7,230,678	19	5,272,720	15
2200	Other payables	6(15)	3,934,910	10	3,834,550	10
2230	Current income tax liabilities		27,662	-	446,037	1
2250	Provisions for liabilities - current	6(16)	556,798	1	433,059	1
2280	Lease liabilities-current		84,216	-	-	-
2300	Other current liabilities	6(17)	236,661	1	312,121	1
21XX	Total current liabilities		<u>12,665,285</u>	<u>33</u>	<u>10,955,638</u>	<u>30</u>
Non-current liabilities						
2540	Long-term borrowings	6(18)	3,000	-	10,833	-
2570	Deferred income tax liabilities	6(30)	-	-	77	-
2580	Lease liabilities-non-current		57,696	-	-	-
2600	Other non-current liabilities		632,449	2	599,381	2
25XX	Total non-current liabilities		<u>693,145</u>	<u>2</u>	<u>610,291</u>	<u>2</u>
2XXX	Total liabilities		<u>13,358,430</u>	<u>35</u>	<u>11,565,929</u>	<u>32</u>
Equity						
Equity attributable to owners of the parent						
Capital stock						
		6(21)				
3110	Common stock		6,356,889	17	6,356,889	18
Capital surplus						
		6(22)				
3200	Capital surplus		3,896,889	11	3,924,357	11
Retained earnings						
		6(23)				
3310	Legal reserve		4,381,896	12	4,125,245	12
3320	Special reserve		426,354	1	426,354	1
3350	Unappropriated retained earnings		8,618,094	23	8,865,838	25
Other equity						
3400	Other equity		617,689	1	384,792	1
31XX	Total equity attributable to owners of the parent		<u>24,297,811</u>	<u>65</u>	<u>24,083,475</u>	<u>68</u>
36XX	Non-controlling interest		<u>55,300</u>	<u>-</u>	<u>85,191</u>	<u>-</u>
3XXX	Total equity		<u>24,353,111</u>	<u>65</u>	<u>24,168,666</u>	<u>68</u>
3X2X	Total liabilities and equity		<u>\$ 37,711,541</u>	<u>100</u>	<u>\$ 35,734,595</u>	<u>100</u>

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2019		2018	
			Amount	%	Amount	%
4000	Operating revenue	6(24)	\$ 61,781,254	100	\$ 60,923,590	100
5000	Operating costs	6(6)(28)(29)	(52,190,385)	(84)	(50,800,376)	(83)
5900	Gross profit		<u>9,590,869</u>	<u>16</u>	<u>10,123,214</u>	<u>17</u>
	Operating expenses	6(28)(29)				
6100	Selling expenses		(4,280,298)	(7)	(4,339,520)	(7)
6200	General and administrative expenses		(1,814,616)	(3)	(1,649,904)	(3)
6300	Research and development expenses		(2,020,307)	(3)	(1,868,136)	(3)
6450	Expected credit gains	6(28) and 12(2)	(28,415)	-	9,934	-
6000	Total operating expenses		<u>(8,143,636)</u>	<u>(13)</u>	<u>(7,847,626)</u>	<u>(13)</u>
6900	Operating profit		<u>1,447,233</u>	<u>3</u>	<u>2,275,588</u>	<u>4</u>
	Non-operating revenue and expenses					
7010	Other income	6(12)(25)	796,183	1	825,045	1
7020	Other gains and losses	6(26)	56,445	-	(117,450)	-
7050	Finance costs	6(14)(27)	(10,845)	-	(4,229)	-
7060	Share of loss of associates and joint ventures accounted for using the equity method	6(8)	(25,768)	-	(26,183)	-
7000	Total non-operating revenue and expenses		<u>816,015</u>	<u>1</u>	<u>677,183</u>	<u>1</u>
7900	Profit before income tax		2,263,248	4	2,952,771	5
7950	Income tax expense	6(30)	(355,705)	(1)	(456,646)	(1)
8200	Profit for the year		<u>\$ 1,907,543</u>	<u>3</u>	<u>\$ 2,496,125</u>	<u>4</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	2019		2018		
		Amount	%	Amount	%	
Other comprehensive income-net						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Remeasurements of defined benefit plans	6(19)	(\$ 29,084)	-	\$ 17,336	-
8316	Unrealised gain on valuation of investment in equity instruments measured at fair value through other comprehensive income	6(3)	509,446	1	127,094	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	5,817	-	256	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		<u>486,179</u>	<u>1</u>	<u>144,686</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss						
8361	Exchange differences arising from translation of foreign operations		(276,549)	(1)	(129,559)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		<u>(276,549)</u>	<u>(1)</u>	<u>(129,559)</u>	<u>-</u>
8300	Other comprehensive income, net		<u>\$ 209,630</u>	<u>-</u>	<u>\$ 15,127</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 2,117,173</u>	<u>3</u>	<u>\$ 2,511,252</u>	<u>4</u>
Profit attributable to:						
8610	Owners of parent		\$ 1,939,241	3	\$ 2,566,512	4
8620	Non-controlling interest		(31,698)	-	(70,387)	-
	Total		<u>\$ 1,907,543</u>	<u>3</u>	<u>\$ 2,496,125</u>	<u>4</u>
Comprehensive income attributable to:						
8710	Owners of parent		\$ 2,148,871	3	\$ 2,581,642	4
8720	Non-controlling interest		(31,698)	-	(70,390)	-
	Total		<u>\$ 2,117,173</u>	<u>3</u>	<u>\$ 2,511,252</u>	<u>4</u>
9750	Basic earnings per share	6(31)	<u>\$</u>	<u>3.05</u>	<u>\$</u>	<u>4.04</u>
9850	Diluted earnings per share		<u>\$</u>	<u>3.02</u>	<u>\$</u>	<u>3.98</u>

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to equity holders of the company												
	Notes	Retained earnings					Other equity interest				Total	Non-controlling interest	Total equity
		Capital stock- Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising from translation of foreign operations	Unrealised gain or loss on valuation of financial assets at fair value through other comprehensive income	Unrealised gain (loss) on valuation of available-for- sale financial assets				
Year 2018													
Balance at January 1, 2018		\$ 6,356,889	\$ 3,962,314	\$ 3,846,604	\$ 426,354	\$ 9,567,977	(\$ 267,365)	\$ -	\$ 197,128	\$ 24,089,901	\$ 142,423	\$ 24,232,324	
Adjustments under new standards		-	-	-	-	(464,366)	-	654,619	(197,128)	(6,875)	(1,582)	(8,457)	
Adjusted beginning balance		6,356,889	3,962,314	3,846,604	426,354	9,103,611	(267,365)	654,619	-	24,083,026	140,841	24,223,867	
Profit (loss) for the year		-	-	-	-	2,566,512	-	-	-	2,566,512	(70,387)	2,496,125	
Other comprehensive income (loss) for the year		-	-	-	-	17,592	(129,556)	127,094	-	15,130	(3)	15,127	
Total comprehensive income (loss)		-	-	-	-	2,584,104	(129,556)	127,094	-	2,581,642	(70,390)	2,511,252	
Appropriations of 2017 earnings:	6(23)												
Legal reserve		-	-	278,641	-	(278,641)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(2,542,756)	-	-	-	(2,542,756)	(3,329)	(2,546,085)	
Recognition of share-based payments of subsidiaries	6(20)	-	1,196	-	-	-	-	-	-	1,196	397	1,593	
Disposal of equity instruments at fair value through other comprehensive income	6(3)	-	-	-	-	(480)	-	-	-	(480)	-	(480)	
Changes in equity of subsidiaries accounted for using equity method		-	(39,153)	-	-	-	-	-	-	(39,153)	-	(39,153)	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	17,672	17,672	
Balance at December 31, 2018		\$ 6,356,889	\$ 3,924,357	\$ 4,125,245	\$ 426,354	\$ 8,865,838	(\$ 396,921)	\$ 781,713	\$ -	\$ 24,083,475	\$ 85,191	\$ 24,168,666	
Year 2019													
Balance at January 1, 2019		\$ 6,356,889	\$ 3,924,357	\$ 4,125,245	\$ 426,354	\$ 8,865,838	(\$ 396,921)	\$ 781,713	\$ -	\$ 24,083,475	\$ 85,191	\$ 24,168,666	
Profit (loss) for the year		-	-	-	-	1,939,241	-	-	-	1,939,241	(31,698)	1,907,543	
Other comprehensive (loss) income for the year		-	-	-	-	(23,267)	(276,549)	509,446	-	209,630	-	209,630	
Total comprehensive income (loss)		-	-	-	-	1,915,974	(276,549)	509,446	-	2,148,871	(31,698)	2,117,173	
Appropriations of 2018 earnings:	6(23)												
Legal reserve		-	-	256,651	-	(256,651)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(1,907,067)	-	-	-	(1,907,067)	(1,743)	(1,908,810)	
Changes in equity of subsidiaries accounted for using equity method	6(32)	-	(27,468)	-	-	-	-	-	-	(27,468)	-	(27,468)	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	3,550	3,550	
Balance at December 31, 2019		\$ 6,356,889	\$ 3,896,889	\$ 4,381,896	\$ 426,354	\$ 8,618,094	(\$ 673,470)	\$ 1,291,159	\$ -	\$ 24,297,811	\$ 55,300	\$ 24,353,111	

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>Cash flows from operating activities:</u>			
Profit before income tax		\$ 2,263,248	\$ 2,952,771
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	6(9)(10)(28)	598,733	438,400
Depreciation charge on investment property	6(12)	4,350	5,026
Amortisation	6(28)	102,148	158,118
Profit from lease modification	6(26)	(13)	-
Expected credit loss (gain)	6(28) and 12(2)	28,415	(9,934)
(Gain) loss on valuation of financial assets at fair value through profit or loss	6(2)(26)	(63,616)	36,277
Interest expense	6(27)	10,845	4,229
Interest income	6(25)	(109,497)	(107,387)
Dividends income	6(25)	(135,974)	(58,430)
Share of loss of associates and joint ventures accounted for using equity method	6(8)	25,768	26,183
Gain on disposal of investments accounted for using equity method	6(26)	-	(707)
Loss on disposal of property, plant and equipment	6(26)	6,723	12,103
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		225,420	(12,241)
Notes receivable		51	1,110
Accounts receivable		(832,441)	875,535
Other receivables		(23,223)	105,495
Inventories		174,539	(2,965,921)
Prepayments		75,330	(566,025)
Other current assets		44,630	249,727
Net changes in liabilities relating to operating activities			
Contract liabilities		(88,808)	9,010
Notes payable		46,651	(11,316)
Accounts payable		1,957,958	(3,310,679)
Other payables		98,927	107,452
Provisions for liabilities		123,739	(118,862)
Other current liabilities		(75,127)	39,973
Other non-current liabilities		32,727	46,547
Cash generated from (used in) operations		4,491,503	(2,093,546)
Interest received		108,769	109,144
Dividend received		135,974	58,430
Interest paid		(10,845)	(4,229)
Income tax paid		(839,146)	(404,216)
Net cash generated from (used in) operating activities, net		3,886,255	(2,334,417)

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>Cash flows from investing activities:</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 656,395)
Proceeds from disposal of financial assets at amoritised cost		418,198	-
Acquisition of property, plant and equipment	6(33)	(565,650)	(610,408)
Proceeds from disposal of property, plant and equipment		4,520	9,356
Acquisition of intangible assets		(51,164)	(80,421)
Increase in refundable deposits		(3,315)	(3,065)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6(3)	-	9,010
Acquisition of financial assets at fair value through other comprehensive income		-	(599,979)
Increase in other non-current assets		(87,436)	(15,448)
Net cash used in investing activities		(284,847)	(1,947,350)
<u>Cash flows from financing activities:</u>			
Decrease in short-term borrowings	6(34)	(20,634)	(19,967)
Repayments of long-term debt	6(34)	(8,166)	(2,001)
Proceeds from long-term debt		-	15,000
Increase (decrease) in deposits received	6(34)	341	(560)
Cash dividends	6(23)	(1,907,067)	(2,542,756)
Repayments of principal portion of lease liabilities	6(34)	(91,030)	-
Cash dividends paid to non-controlling interest		(1,743)	(3,329)
Changes in non-controlling interest		3,550	38,737
Net cash used in financing activities		(2,024,749)	(2,514,876)
Effect of exchange rate changes on cash and cash equivalents		(279,721)	(44,048)
Net increase (decrease) in cash and cash equivalents		1,296,938	(6,840,691)
Cash and cash equivalents at beginning of year		8,610,907	15,451,598
Cash and cash equivalents at end of year		\$ 9,907,845	\$ 8,610,907

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Giga-Byte Technology Co., Ltd. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The address of the Company’s registered office is No.6, Baoqiang Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacturing, processing and trading of computer peripheral and component parts. The Company’s shares have been traded on the Taiwan Stock Exchange since September 24, 1998.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$233,085, increased ‘lease liability’ by \$190,460, decreased other non-current assets by \$41,743 and decreased prepayments by \$882 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$88,479 was recognised in the 2019.
 - The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.65% ~8.17%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 345,157
Less: Short-term leases	(65,923)
Less: Low-value assets	(857)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	278,377
Incremental borrowing interest rate at the date of initial application	0.65%~8.17%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 190,460</u>

(2)Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement

or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2019	2018	
The Company	Freedom International Group Ltd.	Holding company	100.00	100.00	
"	G.B.T., Inc.	Sales of computer information products	48.63	48.63	
"	G.B.T. Technology Trading GmbH	Promotion of computer information products	100.00	100.00	
"	Nippon Giga-Byte Corp.	Promotion of computer information products	100.00	100.00	
"	GBT Tech. Co., Ltd.	Promotion of computer information products	100.00	100.00	
"	Giga-Byte Technology B.V.	Sales of computer information products	100.00	100.00	
"	Gigabyte Technology Pty. Ltd.	Promotion of computer information products	100.00	100.00	
"	Chi-Ga Investment Corp.	Holding company	100.00	100.00	
"	Gigabyte Technology (India) Private Limited	Promotion and repairing of computer information products	100.00	100.00	
"	G-Style Co., Ltd.	Selling of notebooks	100.00	100.00	
"	BYTE International Co., Ltd.	Repairing of computer information products	100.00	100.00	
"	Giga-Byte Communications Inc.	Selling of communications	99.86	99.86	
"	Gigabyte Technology ESPANA S.L.U.	Promotion of computer information products	100.00	100.00	
"	Gigabyte Global Business Corporation	Selling of ODM products	-	100.00	Note 1
"	Gigabyte Information Technology Commerce Limited Company	Promotion of computer information products	100.00	100.00	
"	Gigabyte Technology LLC	Promotion of computer information products	100.00	100.00	
Freedom International Group Ltd.	Charleston Investments Limited	Holding company	100.00	100.00	
"	Giga Future Limited	Holding company	100.00	100.00	
"	G.B.T. LBN Inc.	Sales of computer information products	100.00	100.00	
"	G.B.T. Inc.	Sales of computer information products	51.37	51.37	
"	Gigabyte Trading Inc.	Selling of ODM products	100.00	100.00	
"	Giga Advance (Labuan) Limited	Sales of computer information products	100.00	100.00	
"	Aorus Pte. Ltd.	Promotion of computer information products	100.00	100.00	

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2019	2018	
G.B.T. Technology Trading GmbH	Gigabyte Technology Poland SP Z O.O.	Promotion and repairing of computer information products	100.00	100.00	
Charleston Investments Limited	Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
"	Ningbo Giga-Byte International Trade Co., Ltd.	Sales of computer information products	100.00	100.00	
"	Ningbo Best Yield Technology Services Co., Ltd.	Repairing of computer information products	100.00	100.00	
Giga Future Limited	Ningbo Giga-Byte Technology Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
Ningbo Giga-Byte International Trade Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	100.00	100.00	
Chi-Ga Investment Corp.	Gigatrend International Investment Group Ltd.	Holding company	100.00	100.00	
"	Giga-Trend International Management Group Ltd.	Venture capital management and consulting business	60.00	60.00	
"	Gigazone Holdings Limited	Holding company	100.00	100.00	Note 2
"	Selita Precision Co., Ltd.	Manufacturing of bicycle and parts	100.00	100.00	
"	Green Share Co., Ltd.	Wholesale of information system	-	51.00	Note 3
"	Senyun Precise Optical Co., Ltd	Manufacturing and selling of mold and industrial plastic products	86.24	76.86	Note 4
"	GIGAIPC CO., LTD.	Selling of computer information products	100.00	100.00	
Gigazone Holdings Limited	Gigazone International (Shenzhen)	Selling of PC peripherals	-	52.27	Note 5
Ningbo Zhongjia Technology Co., Ltd.	Gigazone International (Shenzhen)	Selling of PC peripherals	-	47.73	Note 5
Ningbo BestYield Tech. Services Co., Ltd.	Shenzhen BestYield Tech. Services Co., Ltd.	Repairing of computer information products	100.00	100.00	
"	OGS Europe B.V.	Selling of communication products	100.00	100.00	
"	Zaozhuang Bestyield Resources Recycling Co., Ltd.	Recycling and selling of renewable resources	100.00	-	Note 6
Senyun Precise Optical Co., Ltd	Dongguan Senyun Precise Optical Co., Ltd	Selling of mold and industrial plastic products	100.00	100.00	

Note 1: This company has completed the liquidation process on April 17, 2019.

Note 2: This company resolved to liquidate on December 25, 2019.

Note 3: This company has completed the liquidation process on December 24, 2019.

Note 4: On January 5, 2018 and December 25, 2018, Chi-Ga Investment Corp. increased its capital investment in Senyun Precise Optical Co., Ltd. by cash in the amount of \$248,091 and \$102,275, respectively. After the acquisition, the total share interest ratio was 76.86%. On December 20, 2019, Chi-Ga Investment Corp. increased its capital investment in Senyun Precise Optical Co., Ltd. by cash in the amount of \$262,878. After the acquisition, the total share interest ratio was 86.24%.

Note 5: This company has completed the liquidation process on November 5, 2019.

Note 6: This company was newly established in 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4)Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign joint arrangement after losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents, or shall be classified as financial assets at amortised cost – current or financial assets at amortised cost – non-current based on its maturity date if the maturity is longer than three months.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the

transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Investment accounted for using equity method – joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~55 years
Machinery and equipment	3~10 years
Research and development equipment	3~ 8 years
Office equipment	2~20 years
Other tangible operating assets	1~15 years

(18) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following: Fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(19) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(20) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(21) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 years.

B. Trademark right (indefinite useful life)

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(22) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(23) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(24) Notes and account payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(25) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured

at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. The aforementioned grant date represents the grant date resolved by the Board of Directors.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(32) Revenue recognition

Sales of goods

A. The Group manufactures and sells computer peripheral and component parts products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from sales is recognised based on the price specified in the contract, net of the estimated business tax, volume discounts, sales returns and allowances. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(33) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination,

the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

Inventories are stated at the lower of cost and net realizable value. For inventory which is saleable and obsolete inventory that is checked item by item, the net realizable value are determined based on past experience on industry. Management's judgement on determining net realizable value involves material judgement.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 4,149	\$ 4,395
Checking accounts and demand deposits	4,974,316	6,638,664
Time deposits	<u>4,929,380</u>	<u>1,967,848</u>
	<u>\$ 9,907,845</u>	<u>\$ 8,610,907</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group reclassified the pledged bank deposits and time deposits with more than three months maturity to “Financial assets at amortised cost”, please refer to Notes 6(4) and 8 for the details.

(2) Financial assets at fair value through profit or loss-current

<u>Financial assets mandatorily measured at fair value through profit or loss</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Listed stocks	\$ 48,979	\$ 165,138
Emerging stocks	-	53,478
Unlisted stocks	67,715	154,273
Beneficiary certificates	579,020	343,447
Government bonds	16,298	125,586
Corporate bond	<u>50,127</u>	<u>104,373</u>
	762,139	946,295
Valuation adjustment (including allowance for uncollectible accounts)	<u>(32,712)</u>	<u>(55,064)</u>
	<u>\$ 729,427</u>	<u>\$ 891,231</u>

- A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 48,483	(\$ 34,281)
Debt instrument	10,414	(2,353)
Beneficiary certificates	<u>4,719</u>	<u>357</u>
	<u>\$ 63,616</u>	<u>(\$ 36,277)</u>

- B. The Group has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income - non-current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments		
Listed stocks	\$ 888,387	\$ 888,387
Unlisted stocks	<u>44,364</u>	<u>44,364</u>
	932,751	932,751
Valuation adjustment (including allowance for uncollectible accounts)	<u>1,291,039</u>	<u>781,593</u>
	<u>\$ 2,223,790</u>	<u>\$ 1,714,344</u>

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,223,790 and \$1,714,344 as at December 31, 2019 and 2018, respectively.
- B. In June 2018, the Group sold the investments on Ningbo Minth Automotive Electronic Technology Co., Ltd., whose fair value was \$9,010 to adjust the stock position, resulting in an accumulated loss on disposal of \$480.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>509,446</u>	\$ <u>127,094</u>
Cumulative losses reclassified to retained earnings due to derecognition	\$ <u>-</u>	(\$ <u>480</u>)
Dividend income recognised in profit or loss held at end of year	\$ <u>132,013</u>	\$ <u>49,888</u>

- D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$2,223,790 and \$1,714,344, respectively.
- E. The Group has no financial assets at fair value through other comprehensive income pledged to others.
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits with more than three months maturity	\$ 701,246	\$ 1,162,817
Pledged bank deposits	<u>4,516</u>	<u>-</u>
	<u>\$ 705,762</u>	<u>\$ 1,162,817</u>
Non-current items:		
Pledged bank deposits	<u>\$ 211,075</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ <u>23,464</u>	\$ <u>13,868</u>

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$916,837 and \$1,162,817, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ <u>2,996</u>	\$ <u>3,047</u>
Accounts receivable	\$ 6,799,600	\$ 5,971,900
Less: Allowance for uncollectible accounts	(<u>180,458</u>)	(<u>158,632</u>)
	<u>\$ 6,619,142</u>	<u>\$ 5,813,268</u>

A. Details of notes receivable of the Group that were not yet past due and ageing analysis of accounts receivable are provided in Note 12(2).

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$6,802,596, \$5,974,947 and \$6,858,790, respectively.

C. The Group has no notes and accounts receivable pledged to others.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$2,996 and \$3,047, \$6,619,142 and \$5,813,268, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 3,029,112	(\$ 137,118)	\$ 2,891,994
Work in progress	2,018,892	(29,251)	1,989,641
Finished goods and merchandise inventories	<u>6,780,943</u>	<u>(318,286)</u>	<u>6,462,657</u>
	<u>\$ 11,828,947</u>	<u>(\$ 484,655)</u>	<u>\$ 11,344,292</u>

	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 3,921,139	(\$ 115,790)	\$ 3,805,349
Work in progress	1,068,007	(28,751)	1,039,256
Finished goods and merchandise inventories	<u>7,504,775</u>	<u>(829,227)</u>	<u>6,675,548</u>
	<u>\$ 12,493,921</u>	<u>(\$ 973,768)</u>	<u>\$ 11,520,153</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 51,845,122	\$ 49,571,351
Cost of warranty	835,699	557,134
(Gain on reversal of valuation) loss on valuation	(490,436)	664,529
Others	<u>-</u>	<u>7,362</u>
	<u>\$ 52,190,385</u>	<u>\$ 50,800,376</u>

For the year ended December 31, 2019, the Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because of the sale of part of its inventories which were declining in market value.

(7) Other current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Pledged assets	\$ -	\$ 106,022
Others	<u>20,704</u>	<u>65,334</u>
	<u>\$ 20,704</u>	<u>\$ 171,356</u>

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(8) Investments accounted for using the equity method

	<u>2019</u>	<u>2018</u>
At January 1	\$ 48,519	\$ 76,901
Share of loss of investments accounted for using equity method	(25,768)	(26,183)
Changes in other equity items	(1,558)	(2,199)
At December 31	<u>\$ 21,193</u>	<u>\$ 48,519</u>

December 31, 2019 December 31, 2018

Joint ventures

LCKT Yuan Chang Technology Co., Ltd. (Cayman) \$ 21,193 \$ 48,519

A. Abovementioned investments accounted for using equity method are based on investee companies' financial statements audited by other auditors.

B. The Group has no material joint venture investment. The Group's share of the operating results of the aforementioned investments are summarized below:

The Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Comprehensive loss	(<u>\$ 27,326</u>)	(<u>\$ 28,382</u>)

(9) Property, plant and equipment

	2019								
	Land			Buildings			Machinery	Others	Total
	Owner-occupied	Lease	Subtotal	Owner-occupied	Lease	Subtotal	Owner-occupied	Owner-occupied	
<u>At January 1</u>									
Cost	\$ 1,068,918	\$ 75,067	\$ 1,143,985	\$ 3,083,104	\$ 43,200	\$ 3,126,304	\$ 2,992,888	\$ 1,495,421	\$ 8,758,598
Accumulated depreciation	-	-	-	(1,532,526)	(6,744)	(1,539,270)	(2,035,044)	(1,052,816)	(4,627,130)
	<u>\$ 1,068,918</u>	<u>\$ 75,067</u>	<u>\$ 1,143,985</u>	<u>\$ 1,550,578</u>	<u>\$ 36,456</u>	<u>\$ 1,587,034</u>	<u>\$ 957,844</u>	<u>\$ 442,605</u>	<u>\$ 4,131,468</u>
At January 1	\$ 1,068,918	\$ 75,067	\$ 1,143,985	\$ 1,550,578	\$ 36,456	\$ 1,587,034	\$ 957,844	\$ 442,605	\$ 4,131,468
Additions	-	-	-	10,574	-	10,574	68,352	488,157	567,083
Disposals	-	-	-	(296)	-	(296)	(5,773)	(5,174)	(11,243)
Reclassifications	6,899	-	6,899	(6,446)	-	(6,446)	90,142	(141,573)	(50,978)
Depreciation charge	-	-	-	(110,541)	(845)	(111,386)	(218,131)	(176,888)	(506,405)
Net exchange differences	(3,579)	-	(3,579)	(15,893)	-	(15,893)	(16,587)	(7,944)	(44,003)
At December 31	<u>\$ 1,072,238</u>	<u>\$ 75,067</u>	<u>\$ 1,147,305</u>	<u>\$ 1,427,976</u>	<u>\$ 35,611</u>	<u>\$ 1,463,587</u>	<u>\$ 875,847</u>	<u>\$ 599,183</u>	<u>\$ 4,085,922</u>
<u>At December 31</u>									
Cost	\$ 1,072,238	\$ 75,067	\$ 1,147,305	\$ 2,997,915	\$ 43,200	\$ 3,041,115	\$ 2,950,401	\$ 1,729,090	\$ 8,867,911
Accumulated depreciation	-	-	-	(1,569,939)	(7,589)	(1,577,528)	(2,074,554)	(1,129,907)	(4,781,989)
	<u>\$ 1,072,238</u>	<u>\$ 75,067</u>	<u>\$ 1,147,305</u>	<u>\$ 1,427,976</u>	<u>\$ 35,611</u>	<u>\$ 1,463,587</u>	<u>\$ 875,847</u>	<u>\$ 599,183</u>	<u>\$ 4,085,922</u>

	2018								
	Land			Buildings			Machinery	Others	Total
	Owner-occupied	Lease	Subtotal	Owner-occupied	Lease	Subtotal	Owner-occupied	Owner-occupied	
<u>At January 1</u>									
Cost	\$ 932,628	\$ 72,563	\$ 1,005,191	\$ 3,080,678	\$ 41,799	\$ 3,122,477	\$ 3,076,783	\$ 1,250,780	\$ 8,455,231
Accumulated depreciation	-	-	-	(1,479,856)	(5,723)	(1,485,579)	(2,110,995)	(982,640)	(4,579,214)
	<u>\$ 932,628</u>	<u>\$ 72,563</u>	<u>\$ 1,005,191</u>	<u>\$ 1,600,822</u>	<u>\$ 36,076</u>	<u>\$ 1,636,898</u>	<u>\$ 965,788</u>	<u>\$ 268,140</u>	<u>\$ 3,876,017</u>
<u>At January 1</u>	\$ 932,628	\$ 72,563	\$ 1,005,191	\$ 1,600,822	\$ 36,076	\$ 1,636,898	\$ 965,788	\$ 268,140	\$ 3,876,017
Additions	55,641	-	55,641	30,917	-	30,917	101,207	437,264	625,029
Disposals	-	-	-	(3,646)	-	(3,646)	(15,643)	(2,170)	(21,459)
Reclassifications	79,771	2,504	82,275	40,274	1,401	41,675	116,356	(120,907)	119,399
Depreciation charge	-	-	-	(104,820)	(1,021)	(105,841)	(198,260)	(134,299)	(438,400)
Net exchange differences	878	-	878	(12,969)	-	(12,969)	(11,604)	(5,423)	(29,118)
<u>At December 31</u>	<u>\$ 1,068,918</u>	<u>\$ 75,067</u>	<u>\$ 1,143,985</u>	<u>\$ 1,550,578</u>	<u>\$ 36,456</u>	<u>\$ 1,587,034</u>	<u>\$ 957,844</u>	<u>\$ 442,605</u>	<u>\$ 4,131,468</u>
<u>At December 31</u>									
Cost	\$ 1,068,918	\$ 75,067	\$ 1,143,985	\$ 3,083,104	\$ 43,200	\$ 3,126,304	\$ 2,992,888	\$ 1,495,421	\$ 8,758,598
Accumulated depreciation	-	-	-	(1,532,526)	(6,744)	(1,539,270)	(2,035,044)	(1,052,816)	(4,627,130)
	<u>\$ 1,068,918</u>	<u>\$ 75,067</u>	<u>\$ 1,143,985</u>	<u>\$ 1,550,578</u>	<u>\$ 36,456</u>	<u>\$ 1,587,034</u>	<u>\$ 957,844</u>	<u>\$ 442,605</u>	<u>\$ 4,131,468</u>

- A. The significant components of buildings include main plants and renovation projects, which are depreciated over 55 and 10 years, respectively.
- B. The Group has no property, plant and equipment pledged to others.

(10) Leasing arrangements – lessee

Effective 2019

- A. The Group leases various assets including land, buildings and transportation equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings and business vehicles. Low-value assets comprise multifunction printers. As at December 31, 2019, payments of lease commitments for short-term leases amounted to \$3,331.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings	\$ 113,417	\$ 65,801
Land-use right	38,880	1,503
Transportation equipment	<u>30,401</u>	<u>25,024</u>
	<u>\$ 182,698</u>	<u>\$ 92,328</u>

D. For the year ended December 31, 2019, the additions to right-of-use assets was \$45,939.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 3,307
Expense on short-term lease contracts	88,479
Expense on leases of low-value assets	6,204

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$189,020.

(11) Leasing arrangements – lessor

Effective 2019

- A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 and 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. For the year ended December 31, 2019, the Group recognised rent income in the amount of \$18,199, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2019</u>
2020	\$ 8,860
2021	6,324
2022	5,993
2023	<u>2,781</u>
	<u>\$ 23,958</u>

(12) Investment property

	<u>2019</u>
	<u>Buildings</u>
<u>At January 1</u>	
Cost	\$ 109,285
Accumulated depreciation	<u>(51,970)</u>
	<u>\$ 57,315</u>
Opening net book amount	\$ 57,315
Depreciation charge	<u>(4,530)</u>
Net exchange differences	<u>(1,794)</u>
Closing net book amount	<u>\$ 50,991</u>
<u>At December 31</u>	
Cost	\$ 105,549
Accumulated depreciation	<u>(54,558)</u>
	<u>\$ 50,991</u>

	2018		
	Land	Buildings	Total
<u>At January 1</u>			
Cost	\$ 82,275	\$ 150,144	\$ 232,419
Accumulated depreciation	-	(49,427)	(49,427)
	<u>\$ 82,275</u>	<u>\$ 100,717</u>	<u>\$ 182,992</u>
At January 1	\$ 82,275	\$ 100,717	\$ 182,992
Reclassifications	(82,275)	(32,124)	(119,399)
Depreciation charge	-	(5,026)	(5,026)
Net exchange differences	-	(1,252)	(1,252)
At December 31	<u>\$ -</u>	<u>\$ 57,315</u>	<u>\$ 57,315</u>
<u>At December 31</u>			
Cost	\$ -	\$ 109,285	\$ 109,285
Accumulated depreciation	-	(51,970)	(51,970)
	<u>\$ -</u>	<u>\$ 57,315</u>	<u>\$ 57,315</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2019	2018
Rental income from investment property	<u>\$ 8,411</u>	<u>\$ 7,859</u>
Direct operating expenses arising from the investment property that generated rental income in the year	<u>\$ 4,530</u>	<u>\$ 5,026</u>

B. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 was \$78,646 and \$85,295, respectively, which was valued with reference to the future rental income and the related discounted cash flows, which was categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2019	December 31, 2018
Discount rate	3.130%	3.250%

C. The Group has no investment property pledged to others.

(13) Other non-current assets

	December 31, 2019	December 31, 2018
Prepayments for purchase of business facilities	\$ 144,001	\$ -
Guarantee deposits paid	62,388	65,703
Pledged assets	-	66,196
Land-use right	-	41,743
Other	46,796	75,528
	<u>\$ 253,185</u>	<u>\$ 249,170</u>

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(14) Short-term borrowings

	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 245,000	1.59%~2.60%	None
Secured borrowings	20,000	1.79%~2.00%	Bank deposits
Loan for purchase of raw material	<u>24,088</u>	2.60%	None
	<u>\$ 289,088</u>		

	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 175,000	1.79%~2.00%	None
Secured borrowings	110,000	1.59%~1.65%	Bank deposits
Loan for purchase of raw material	<u>24,722</u>	1.59%	None
	<u>\$ 309,722</u>		

For the years ended December 31, 2019 and 2018, the Group's interest expense from short-term and long-term borrowings recognised in profit or loss were \$6,740 and \$3,835, respectively.

(15) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salary and bonus payable	\$ 2,594,847	\$ 2,668,600
Employees' compensation and directors' and supervisors' remuneration payable	305,821	376,051
Marketing fee payable	252,697	205,817
Shipping and freight-in payable	158,308	129,375
Royalties payable	75,159	66,776
Others	<u>548,078</u>	<u>387,931</u>
	<u>\$ 3,934,910</u>	<u>\$ 3,834,550</u>

(16) Provisions – current

	<u>2019</u>		
	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
At January 1	\$ 433,059	\$ -	\$ 433,059
Additional provisions	835,699	43,230	878,929
Used during the year	<u>(755,190)</u>	<u>-</u>	<u>(755,190)</u>
At December 31	<u>\$ 513,568</u>	<u>\$ 43,230</u>	<u>\$ 56,798</u>

	2018		
	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
At January 1	\$ 444,706	\$ -	\$ 44,706
Additional provisions	557,134	-	57,134
Used during the year	(568,781)	-	(568,781)
At December 31	<u>\$ 433,059</u>	<u>\$ -</u>	<u>\$ 433,059</u>

Analysis of total provisions:

A. Warranty

The Group gives warranties on the peripherals and accessories of computer hardware sold. Provision for warranty is estimated based on the historical repair records of the product.

B. Legal claims

On October 27, 2019, certain customers filed a lawsuit against the Group with the Court of First Instance for contract damages. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims may potentially result to a loss of \$43,230 to the Group to compensate the customers. Therefore, a provision of \$43,230 is recognised for these legal claims and recorded as other losses.

(17) Other current liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Long-term borrowings, current portion	\$ 7,667	\$ 8,000
Other	228,994	304,121
	<u>\$ 236,661</u>	<u>\$ 312,121</u>

(18) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Unsecured borrowings	Borrowing period is from October 30, 2015 to October 30, 2020; interest is repayable	1.92%	None	\$ 1,667
Secured borrowings	Borrowing period is from December 3, 2018 to May 15, 2021; principal is repayable in installments by 3 months from February 15, 2019.	2.00%	None	9,000
Less: Current portion				(7,667)
				<u>\$ 3,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Unsecured borrowings	Borrowing period is from October 30, 2015 to October 30, 2020; interest is repayable	1.92%	None	\$ 3,833
Secured borrowings	Borrowing period is from December 3, 2018 to May 15, 2021; principal is repayable in installments by 3 months from February 15, 2019.	2.00%	None	15,000
Less: Current portion				(<u>8,000</u>)
				<u>\$ 10,833</u>

(19) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(a) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 800,796)	(\$ 764,063)
Fair value of plan assets	<u>228,540</u>	<u>221,165</u>
Net defined benefit liability	<u>(\$ 572,256)</u>	<u>(\$ 542,898)</u>

(b) Movements in net defined benefit liabilities are as follows:

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 764,063)	\$ 221,165	(\$ 542,898)
Current service cost	(3,570)	-	(3,570)
Interest (expense) income	(7,602)	2,241	(5,361)
Past service cost	4,684	-	4,684
	<u>(770,551)</u>	<u>223,406</u>	<u>(547,145)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	7,863	7,863
Change in demographic assumptions	(6,684)	-	(6,684)
Change in financial assumptions	(24,306)	-	(24,306)
Experience adjustments	(5,957)	-	(5,957)
	<u>(36,947)</u>	<u>7,863</u>	<u>(29,084)</u>
Pension fund contribution	-	3,673	3,673
Paid pension	6,702	(6,702)	-
Balance at December 31	<u>(\$ 800,796)</u>	<u>\$ 228,240</u>	<u>(\$ 572,556)</u>

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 776,787)	\$ 218,767	(\$ 558,020)
Current service cost	(4,735)	-	(4,735)
Interest (expense) income	(9,657)	2,770	(6,887)
Past service cost	4,496	-	4,496
	<u>(786,683)</u>	<u>221,537</u>	<u>(565,146)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,220	6,220
Change in demographic assumptions	(3,099)	-	(3,099)
Change in financial assumptions	(24,054)	-	(24,054)
Experience adjustments	38,269	-	38,269
	<u>11,116</u>	<u>6,220</u>	<u>17,336</u>
Pension fund contribution	-	4,912	4,912
Paid pension	11,504	(11,504)	-
Balance at December 31	<u>(\$ 764,063)</u>	<u>\$ 221,165</u>	<u>(\$ 542,898)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

(d) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	<u>0.75%</u>	<u>1.00%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with 2012 Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ <u>24,434</u>)	<u>\$ 25,504</u>	<u>\$ 24,873</u>	(\$ <u>23,968</u>)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ <u>24,070</u>)	<u>\$ 25,133</u>	<u>\$ 24,574</u>	(\$ <u>23,669</u>)

The sensitivity analysis above is based on one assumption is changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to \$14,199.

(f) As of December 31, 2019, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	8,217
1-2 year(s)		20,917
2-5 years		82,951
Over 5 years		<u>762,521</u>
	<u>\$</u>	<u>874,606</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$97,450 and \$92,133, respectively.

The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018 was both 12%~20%. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2019 and 2018, the Company’s mainland China subsidiaries have recognised pension cost of \$82,296 and \$85,964, respectively.

(20) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options- Senyun Precise Optical Co., Ltd.	2018.1.10	1,670,000 shares	5 years	0~1 years’ service vested immediately

B. Details of the share-based payment arrangements are as follows:

Employee stock options — Senyun Precise Optical Co., Ltd

	2019		2018	
	No. of options (in thousands)	Weighted- average exercise price (in dollars)	No. of options (in thousands)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	1,515	\$ 10.00	-	\$ -
Options granted	-	-	1,670	10.00
Options forfeited	(845)	10.00	(155)	10.00
Options outstanding at December 31	<u>670</u>	10.00	<u>1,515</u>	10.00
Options exercisable at December 31	<u>670</u>		<u>1,515</u>	

C. As of December 31, 2019 and 2018, the range of exercise price of stock options outstanding of Senyun Precise Optical Co., Ltd was both \$10.00, and the weighted-average remaining vesting period was 3.03 years and 4.03 years, respectively.

D. Expenses incurred to share-based payment transactions are shown below:

	Years ended December 31,	
	2019	2018
Equity-settled	\$ -	\$ 1,196

E. For the stock options granted by the Company with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Price volatility	Option life	Dividends	Interest rate	Fair value per unit
Employee stock options	2018.1.10	5.2	\$ 10	55.00%	3 years	-	0.50%	\$ 1

(21) Share capital

As of December 31, 2019 the Company's authorized capital was \$9,500,000, consisting of 950,000 thousand shares of ordinary stocks (including 250,000 thousand shares reserved for employee stock options and for convertible bonds issued by the Company), and the paid-in capital was \$6,356,889 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding in the beginning and ending of the year is both 635,688,886 shares.

(22) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(23) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an amount equal to the Company's paid-in capital. And then special reserve shall be set aside or reversed according to the laws or decrees or the regulations of competent authorities. Appropriation (5% ~ 80%) of the remainder plus prior year's accumulated retained earnings shall be proposed by the Board of Directors, and resolved by the stockholders when distributed by issuance of new shares. The Company's dividend policy is as follows: not less than 5% of total distribution amount shall be distributed in the form of cash. If the cash dividend is less than ten cents (NT\$0.1) per share, such dividend shall be distributed in the form of shares.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The amount previously set aside by the Company as special reserve of \$426,354 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The appropriation of 2018 earnings had been proposed by the Board of Directors on June 12, 2019 and the appropriation of 2017 earnings had been resolved at the stockholders' meeting on June 11, 2018. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 256,651		\$ 278,641	
Cash dividends	1,907,067	\$ 3.00	2,542,756	\$ 4.00

E. As of the date of the auditor’s report, the appropriation of retained earnings for 2019 has not been resolved by the Board of Directors. Information about employees’ compensation (bonus) and directors’ and supervisors’ remuneration of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

F. For the information relating to employees’ compensation and directors’ and supervisors’ remuneration, please refer to Note 6(29).

(24) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 61,781,254</u>	<u>\$ 60,923,590</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue at a point in time in the following major product lines and segment information:

<u>Product type</u>	<u>Year ended December 31, 2019</u>		
	<u>Global brand business group</u>	<u>Other business group</u>	<u>Total</u>
Peripheral cards	\$ 23,865,538	\$ 649,640	\$ 24,515,178
Main boards	23,690,414	669,371	24,359,785
Computer servers	-	7,858,228	7,858,228
Peripherals	724,345	-	724,345
Others	<u>2,291,120</u>	<u>2,032,598</u>	<u>4,323,718</u>
	<u>\$ 50,571,417</u>	<u>\$ 11,209,837</u>	<u>\$ 61,781,254</u>

<u>Product type</u>	<u>Year ended December 31, 2018</u>		
	<u>Global brand business group</u>	<u>Other business group</u>	<u>Total</u>
Peripheral cards	\$ 27,382,643	\$ 505,098	\$ 27,887,741
Main boards	20,368,850	1,070,996	21,439,846
Computer servers	-	7,255,517	7,255,517
Peripherals	351,638	-	351,638
Others	<u>2,337,425</u>	<u>1,651,423</u>	<u>3,988,848</u>
	<u>\$ 50,440,556</u>	<u>\$ 10,483,034</u>	<u>\$ 60,923,590</u>

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities – advance sales receipts	\$ <u>247,156</u>	\$ <u>335,964</u>	\$ <u>326,954</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ <u>318,290</u>	\$ <u>326,954</u>

(25) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 79,220	\$ 85,081
Interest income from financial assets measured at amortised cost	23,464	13,868
Interest income from financial assets measured at fair value through profit or loss	4,195	4,358
Other	<u>2,618</u>	<u>4,080</u>
Total interest income	<u>109,497</u>	<u>107,387</u>
Rental revenue	18,199	20,861
Dividend income	135,974	58,430
Other income - others	<u>532,513</u>	<u>638,367</u>
	<u>\$ 796,183</u>	<u>\$ 825,045</u>

(26) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Losses on disposal of property, plant and equipment	(\$ 6,723)	(\$ 12,103)
Gains on disposal of investments	-	707
Foreign exchange gains (losses)	54,824	(62,401)
Gains (losses) on financial assets at fair value through profit or loss	63,616	(36,277)
Compensation losses of litigation	(43,230)	-
Profit from lease modification	13	-
Others	(12,055)	(7,376)
	<u>(\$ 56,445)</u>	<u>(\$ 117,450)</u>

(27) Finance costs

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense		
Interest expense	\$ 6,740	\$ 3,835
Interest expense on lease liabilities	3,307	-
Other interest expense	798	394
	<u>\$ 10,845</u>	<u>\$ 4,229</u>

(28) Expenses by nature

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 49,594,963	\$ 47,371,290
Employee benefit expense	5,344,721	5,598,803
Warranty cost of after-sale service	835,699	557,134
Depreciation and amortisation	700,881	596,518
Import/export expense	492,833	479,981
Transportation expenses	406,366	389,991
Marketing service charge	258,522	196,542
Expected credit gains	28,415	(9,934)
Other costs and expenses	2,671,621	3,467,677
	<u>\$ 60,334,021</u>	<u>\$ 58,648,002</u>

(29) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 4,627,270	\$ 4,915,001
Labor and health insurance fees	271,718	292,353
Pension costs	183,993	185,223
Other personnel expenses	261,740	206,226
	<u>\$ 5,344,721</u>	<u>\$ 5,598,803</u>

A. In accordance with Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3% ~ 10% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$245,385 and \$328,323, respectively; while directors' and supervisors' remuneration was both accrued at \$46,000. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 1.87% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$245,385 and \$46,000, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 388,831	\$ 677,062
Tax on undistributed surplus earnings	548	-
Prior year income tax overestimation	(16,338)	(21,935)
	<u>373,041</u>	<u>655,127</u>
Deferred tax:		
Origination and reversal of temporary differences	(14,636)	(160,631)
Impact of change in tax rate	-	(43,207)
Effect of the exchange rate	(2,700)	5,357
	<u>(17,336)</u>	<u>(198,481)</u>
Income tax expense	<u>\$ 355,705</u>	<u>\$ 456,646</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Remeasurement of defined benefit obligations	(\$ 5,817)	\$ 3,468
Impact of change in tax rate	-	(3,724)
	<u>(\$ 5,817)</u>	<u>(\$ 256)</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 452,650	\$ 590,554
Expenses disallowed by tax regulation	(97,094)	74,633
Tax exempt income by tax regulation	(21,359)	(13,483)
Effect from investment tax credit	(75,735)	(71,184)
Taxable loss not recognised as deferred tax assets	158,337	-
Changes in assessment of realisability of deferred tax assets	(110,724)	(73,493)
Prior year income tax overestimation	(16,338)	(21,935)
Tax on undistributed surplus earnings	548	-
Separate taxation	8,383	-
Impact of change in tax rate	-	(43,207)
Effect of tax from different applicable taxes within the Group	<u>57,037</u>	<u>14,761</u>
Income tax expense	<u>\$ 355,705</u>	<u>\$ 456,646</u>

Note: The basis for computing the applicable tax rate is the rate applicable in the parent company's country.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Provision for warranty expense	\$ 86,612	\$ 16,102	\$ -	\$ 102,714
Loss on inventory	195,677	(92,609)	-	103,068
Amount of allowance for bad debts that exceed the limit for tax purpose	28,715	6,151	-	34,866
Pension expense	46,710	115	-	46,825
Unrealised profit on intercompany sales	59,855	23,794	-	83,649
Unrealised exchange loss	1,457	11,568	-	13,025
Remeasurement of defined benefit obligations	21,360	-	5,817	27,177
Others	<u>81,976</u>	<u>49,438</u>	<u>-</u>	<u>131,414</u>
	<u>522,362</u>	<u>14,559</u>	<u>5,817</u>	<u>542,738</u>
<u>Deferred tax liabilities</u>				
Others	(77)	77	-	-
	<u>\$ 522,285</u>	<u>\$ 14,636</u>	<u>\$ 5,817</u>	<u>\$ 542,738</u>

	Year ended December 31, 2018				
	January 1	Adjustments under new standards	Recognised in profit or loss	Recognised in other comprehensive income	December 31
<u>Deferred tax assets</u>					
Provision for warranty expense	\$ 75,601	\$ -	\$ 11,011	\$ -	\$ 86,612
Loss on inventory	25,963	-	169,714	-	195,677
Amount of allowance for bad debts that exceed the limit for tax purpose	14,092	378	14,245	-	28,715
Pension expense	39,327	-	7,383	-	46,710
Unrealised profit on intercompany sales	17,715	-	42,140	-	59,855
Unrealised exchange loss	3,043	-	(1,586)	-	1,457
Remeasurement of defined benefit obligations	21,104	-	-	256	21,360
Others	<u>128,614</u>	<u>-</u>	<u>(46,638)</u>	<u>-</u>	<u>81,976</u>
	<u>325,459</u>	<u>378</u>	<u>196,269</u>	<u>256</u>	<u>522,362</u>
<u>Deferred tax liabilities</u>					
Others	(7,646)	-	7,569	-	(77)
	<u>\$ 317,813</u>	<u>\$ 378</u>	<u>\$ 203,838</u>	<u>\$ 256</u>	<u>\$ 522,285</u>

D. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2010	\$ 334,750	\$ 316,850	\$ 316,850	2020
2011	125,459	116,913	116,913	2021
2012	155,923	155,923	155,923	2022
2013	120,379	101,551	101,551	2023
2014	164,552	153,966	153,966	2024
2015	298,581	298,581	298,581	2025
2016	384,201	344,635	344,635	2026
2017	339,952	339,952	339,952	2027
2018	307,694	307,694	307,694	2028
2019 (Note)	<u>816,989</u>	<u>816,989</u>	<u>816,989</u>	2029
	<u>\$ 3,048,480</u>	<u>\$ 2,953,054</u>	<u>\$ 2,953,054</u>	

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2009	\$ 423,520	\$ 415,024	\$ 415,024	2019
2010	334,750	316,850	316,850	2020
2011	125,459	118,521	118,521	2021
2012	155,923	155,923	155,923	2022
2013	120,379	120,379	120,379	2023
2014	164,552	164,552	164,552	2024
2015	298,581	298,581	298,581	2025
2016	384,201	344,635	344,635	2026
2017	335,949	335,949	335,949	2027
2018 (Note)	<u>310,567</u>	<u>310,566</u>	<u>310,566</u>	2028
	<u>\$ 2,653,880</u>	<u>\$ 2,580,980</u>	<u>\$ 2,580,980</u>	

Note: These amounts were based on estimates.

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary difference unrecognised as deferred tax liabilities were \$356,093 and \$120,652, respectively.

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(31) Earnings per share

	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,939,241	635,689	\$ <u>3.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
– Employees' compensation	-	<u>6,386</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,939,241</u>	<u>642,075</u>	\$ <u>3.02</u>
	<u>Year ended December 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,566,512	635,689	\$ <u>4.04</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
– Employees' compensation	-	<u>9,202</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,566,512</u>	<u>644,891</u>	\$ <u>3.98</u>

(32) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

On December 20, 2019, the Group's subsidiary, Senyun Precise Optical Co., Ltd has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio was increased by 9.38%. This transaction resulted in an increase in the non-controlling interest by \$27,468 and a decrease in the equity attributable to owners of the parent by \$27,468. The effects on equity attributable to owners of the parent of aforementioned capital increase are shown as follows:

	Year ended <u>December 31, 2019</u>
Cash amount for acquiring 9.38% share interest	\$ 59,506
Carrying amount of non-controlling interest	<u>32,038</u>
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 27,468</u>

On January 5, 2018 and December 25, 2018, the Group's subsidiary, Senyun Precise Optical Co., Ltd has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio was increased by 6.52% and 2.24%, respectively. This transaction resulted in an increase in the non-controlling interest by \$24,561 and \$14,744 and a decrease in the equity attributable to owners of the parent by \$24,561 and \$14,744, respectively. The effects on equity attributable to owners of the parent of aforementioned capital increase are shown as follows:

	Year ended <u>December 31, 2018</u>
Cash amount for acquiring 8.76% share interest	\$ 77,938
Carrying amount of non-controlling interest	<u>38,633</u>
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 39,305</u>

B. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On December 25, 2018, the Group disposed of 0.43% of shares of its subsidiary-Senyun Precise Optical Co., Ltd, for a total cash consideration of \$1,184. The carrying amount of non-controlling interest in Senyun Precise Optical Co., Ltd was \$26,395 at the disposal date. This transaction resulted in a decrease in the non-controlling interest by \$307 and an increase in the equity attributable to owners of the parent by \$307. The effect of changes in interests in Senyun Precise Optical Co., Ltd on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Carrying amount of non-controlling interest disposed	\$ 877
Consideration received from non-controlling interest	<u>1,184</u>
Capital surplus - difference between proceeds on disposal of equity interest in a subsidiary and its carrying amount	<u>\$ 307</u>

(33) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 567,083	\$ 625,029
Add: Opening balance of payable on equipment	14,621	-
Less: Ending balance of payable on equipment	(16,054)	(14,621)
Cash paid during the year	<u>\$ 565,650</u>	<u>\$ 610,408</u>

(34) Changes in liabilities from financing activities

	<u>Year ended December 31, 2019</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liability</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 309,722	\$ 18,833	\$ 190,460	\$ 8,567	\$ 527,582
Changes in cash flow from financing activities	(20,634)	(8,166)	(91,030)	341	(119,489)
Interest paid (Note)			(3,307)	-	(3,307)
Impact of changes in foreign exchange rate	-	-	(1,453)	-	(1,453)
Changes in other non-cash items	<u>-</u>	<u>-</u>	<u>47,242</u>	<u>-</u>	<u>47,242</u>
At December 31	<u>\$ 289,088</u>	<u>\$ 10,667</u>	<u>\$ 141,912</u>	<u>\$ 8,908</u>	<u>\$ 450,575</u>

Note: Listed under cash flows from operating activities.

	<u>Year ended December 31, 2018</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>	
At January 1	\$ 329,689	\$ 5,834	\$ 9,127	\$ 344,650	
Changes in cash flow from financing activities	(19,967)	12,999	(560)	(7,528)	
At December 31	<u>\$ 309,722</u>	<u>\$ 18,833</u>	<u>\$ 8,567</u>	<u>\$ 337,122</u>	

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

The related parties are included in the consolidated financial statements, and the related transactions are all eliminated.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 398,539</u>	<u>\$ 448,488</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Pledged asset -current (accounted for as "Other current assets")			
-Demand deposits	\$ -	\$ 49,798	Project grants and collateral loan
-Time deposits	-	56,224	Guarantee for the customs duties
Pledged assets -current (accounted for as "Financial assets at amortised cost - current")			
-Demand deposits	<u>4,516</u>	-	Collateral loan
	<u>\$ 4,516</u>	<u>\$ 106,022</u>	
Pledged asset-non-current (account for as "Other non- current assets")			
-Demand deposits	\$ -	\$ 4,218	Guarantee for the customs duties and security deposit for office leasing
-Time deposits	-	61,978	Guarantee for the customs duties
Pledged assets - non-current (accounted for as "Financial assets at amortised cost - non- current")			
-Demand deposits	101,091	-	Security deposit for office leasing and offshore funds repatriated account
-Time deposits	<u>109,984</u>	-	Guarantee for the customs duties
	<u>\$ 211,075</u>	<u>\$ 66,196</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue employee stock option or buyback and retire treasury stock.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 729,427	\$ 891,231
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	2,223,790	1,714,344
Financial assets at amortised cost		
Cash and cash equivalents	9,907,845	8,610,907
Financial assets at amortised cost	916,837	1,162,817
Notes receivable	2,996	3,047
Accounts receivable	6,619,142	5,813,268
Other receivables	129,617	105,666
Guarantee deposits paid	62,388	65,703
Other financial assets	-	172,218
	<u>\$ 20,592,042</u>	<u>\$ 18,539,201</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 289,088	\$ 309,722
Notes payable	58,116	11,465
Accounts payable	7,230,678	5,272,720
Other payables	3,934,910	3,834,550
Long-term borrowings (including current portion)	10,667	18,833
Guarantee deposits received	8,908	8,567
Lease liabilities	141,912	-
	<u>\$ 11,674,279</u>	<u>\$ 9,455,857</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and

hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2019</u>		
	Foreign currency amount <u>(In Thousands)</u>	Exchange rate	Book value <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 466,270	30.106	\$ 14,037,525
RMB:NTD	64,910	4.323	280,606
<u>Non-monetary items</u>			
USD:NTD	\$ 5,663	30.106	\$ 170,483
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 360,065	30.106	\$ 10,840,117
RMB:NTD	266,111	4.323	1,150,398

				December 31, 2018		
				Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	333,542	30.733	\$	10,250,746	
RMB:NTD		105,479	4.476		472,124	
<u>Non-monetary items</u>						
USD:NTD	\$	837	30.733	\$	25,724	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	228,787	30.733	\$	7,031,311	
RMB:NTD		492,495	4.476		2,204,408	

- iv. The total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to gain of \$54,824 and loss of (\$62,401), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				Year ended December 31, 2019		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	140,375	\$	-	
RMB:NTD	1%		2,806		-	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	108,401	\$	-	
RMB:NTD	1%		11,504		-	

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 102,507	\$ -
RMB:NTD	1%	4,721	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 70,313	\$ -
RMB:NTD	1%	22,044	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and beneficiary certificates issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$6,625 and \$6,751, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss and beneficiary certificates. Other components of equity would have increased/decreased by \$22,238 and \$17,143 respectively, as a result of gains/losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The domestic/overseas bond funds investment and bond products with fixed interest rate by the Group was held mainly for trading purposes, the effective interest rate of this fund is affected by the market interest rate.
- ii. For fixed interest rate bond investments held by the Group classified as financial assets at fair value through profit or loss, changes in market interest rates would affect their fair values. At December 31, 2019 and 2018, if market interest rates had been 1% higher/lower with all other variables held constant, pre-tax profit for the years ended December 31, 2019 and 2018 would have been \$669 and \$2,161 lower/higher, respectively.
- iii. At December 31, 2019 and 2018, if interest rates on borrowings had been 0.1% higher/lower with all other variables held constant, profit for the years ended December 31, 2019 and 2018 would have been \$220 and \$229 higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.
- ii. The bond fund held by the Group was issued by well-known foreign banks and securities investment trust companies owned by or affiliated with domestic financial holding companies with good credit standing. Since the Group trades with several securities investment trust companies, credit risk is low.
- iii. The Group has lower significant concentrations of credit risk, due to investment in corporate bonds or financial bonds. The maximum loss to the Group is the total amount of all book value.
- iv. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are not expected to be recovered.
- vi. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- vii. The Group classifies customers' accounts receivable in accordance with credit rating of customer, insurance coverage and characteristics of collateral. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- viii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- ix. The Group used the forecastability of macroeconomic growth by the International Monetary Fund to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>Up to 30 past due</u>	<u>31 to 60 days past due</u>
December 31, 2019			
Expected loss rate	0.09%~3.79%	0.09%~21.54%	0.09%~37.14%
Total book value	\$ 5,421,276	\$ 760,772	\$ 61,628
Loss allowance	<u>\$ 33,404</u>	<u>\$ 7,275</u>	<u>\$ 3,494</u>
	<u>61 to 90 days past due</u>	<u>Over 90 days</u>	<u>Total</u>
Expected loss rate	0.09%~65.05%	10%~100%	
Total book value	\$ 14,376	\$ 131,870	\$ 6,389,922
Loss allowance	<u>\$ 5,675</u>	<u>\$ 130,610</u>	<u>\$ 180,458</u>

	<u>Not past due</u>	<u>Up to 30 past due</u>	<u>31 to 60 days past due</u>
December 31, 2018			
Expected loss rate	0.11%~6.18%	0.11%~64.37%	0.11%~73.51%
Total book value	\$ 4,598,495	\$ 1,126,406	\$ 45,366
Loss allowance	<u>\$ 21,936</u>	<u>\$ 12,428</u>	<u>\$ 5,084</u>
	<u>61 to 90 days past due</u>	<u>Over 90 days</u>	<u>Total</u>
Expected loss rate	0.11%~80.23%	10%~100%	
Total book value	\$ 72,032	\$ 129,601	\$ 5,971,900
Loss allowance	<u>\$ 11,276</u>	<u>\$ 107,908</u>	<u>\$ 158,632</u>

- x. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes receivable and accounts receivable are as follows:

	<u>2019</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Total</u>
At January 1	\$ -	\$ 158,632	\$ 158,632
Reversal of impairment loss	-	28,415	28,415
Write-offs	-	(4,741)	(4,741)
Effect of exchange rate changes	-	(1,848)	(1,848)
At December 31	<u>\$ -</u>	<u>\$ 180,458</u>	<u>\$ 180,458</u>

	2018		
	Notes receivable	Accounts receivable	Total
At January 1	\$ -	\$ 168,863	\$ 168,863
Adjustments for retrospective application of IFRS 9	-	8,835	8,835
Reversal of impairment loss	-	(9,934)	(9,934)
Write-offs	-	(7,198)	(7,198)
Effect of exchange rate changes	-	(1,934)	(1,934)
At December 31	<u>\$ -</u>	<u>\$ 158,632</u>	<u>\$ 158,632</u>

Considering the credit insurance on accounts receivable, the abovementioned amounts were not recognised as allowance for uncollectible accounts amounting to \$60,469 and \$115,794 as at December 31, 2019 and 2018, respectively. For provisioned loss in 2019 and 2018, the impairment losses and the reversal of impairment losses arising from customers' contracts amounted to (\$28,415) and \$9,934, respectively.

- xi. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2019			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 701,246	\$ -	\$ -	\$ 701,246
Group 2	<u>215,591</u>	<u>-</u>	<u>-</u>	<u>215,591</u>
	<u>\$ 916,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,837</u>

	December 31, 2018			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost				
Group 1	\$ 1,162,817	\$ -	\$ -	\$ 1,162,817

Group 1: Refers to the time deposits maturing in excess of three months.

Group 2: Pledged time deposits.

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. The Group does not have any undrawn amount of long-term borrowing facilities at fixed interest rate.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. Except for the contractual undiscounted cash flows of short-term borrowings, notes and accounts payable, other payables as well as guarantee deposits received were equivalent to their carrying amounts and were expiring within one year, the amounts disclosed in the table are the contractual undiscounted cash flows of other financial liabilities:

Non-derivative financial liabilities:

December 31, 2019	<u>Less than 1 year</u>	Between 1 and		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Lease liability	\$ 89,538	\$ 37,920	\$ 22,467	\$ 149,925
Long-term borrowings (including current portion)	7,801	3,015	-	10,816

Non-derivative financial liabilities:

December 31, 2018	<u>Less than 1 year</u>	Between 1 and		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Long-term borrowings (including current portion)	\$ 8,292	\$ 7,801	\$ 3,015	\$ 19,108

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed and emerging stocks, beneficiary certificates, corporate bonds and government bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(12).

C. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost (bank deposits), notes receivable, accounts receivable, other receivables, guarantee deposits paid, pledged assets, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits received) are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2019 and 2018 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements-assets</u>				
Financial assets at fair value through profit or loss				
Equity instrument	\$ 63,077	\$ -	\$ 19,089	\$ 82,166
Debt instrument	66,922	-	-	66,922
Beneficiary certificates	580,339	-	-	580,339
Financial assets at fair value through other comprehensive income				
Equity instrument	<u>2,194,972</u>	<u>-</u>	<u>28,818</u>	<u>2,223,790</u>
Total	<u>\$ 2,905,310</u>	<u>\$ -</u>	<u>\$ 47,907</u>	<u>\$ 2,953,217</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements - assets</u>				
Financial assets at fair value through profit or loss				
Equity instrument	\$ 250,098	\$ -	\$ 81,086	\$ 331,184
Debt instrument	216,127	-	-	216,127
Beneficiary certificates	343,920	-	-	343,920
Financial assets at fair value through other comprehensive income				
Equity instrument	<u>1,684,761</u>	<u>-</u>	<u>29,583</u>	<u>1,714,344</u>
Total	<u>\$ 2,494,906</u>	<u>\$ -</u>	<u>\$ 110,669</u>	<u>\$ 2,605,575</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Government bond and corporate bond</u>
Market quoted price	Closing price	Net asset value	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
At January 1,	\$ 110,669	\$ 352,667
Gains (losses) recognized in profit or loss	26,712 (54,688)
Losses recognised in other comprehensive income	(765)(23,300)
Acquired in the year	190,175	35,402
Sold in the year	(278,884)(21,010)
Transfers out from level 3	-	(178,455)
Effects of changes exchange rate	<u>-</u>	<u>53</u>
At December 31,	<u>\$ 47,907</u>	<u>\$ 110,669</u>

G. For the year ended December 31, 2019, there was no transfer into or out from Level 3. Emerging stocks held by the Group have quoted market prices and sufficient liquidity. Therefore, for the year ended December 31, 2018, the Group transferred emerging stocks measured at fair value from Level 3 into Level 1.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Unlisted shares	\$ 21,182	Market comparable companies	Price-to-book ratio, enterprise value to operating income ratio multiple, discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares Private equity fund investment	\$ 26,725	Net asset value	Not applicable	Not applicable
	<u>Fair value at December 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Unlisted shares	\$ 83,179	Market comparable companies	Price-to-book ratio, enterprise value to operating income ratio multiple, discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares Private equity fund investment	\$ 27,490	Net asset value	Not applicable	Not applicable

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				December 31, 2019			
				<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
		<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets							
Equity instruments	Market comparable companies		±1%	\$ 191	(\$ 191)	\$ 21	(\$ 21)
Equity instruments	Net asset value		±1%	-	-	267	(267)
				\$ 191	(\$ 191)	\$ 288	(\$ 288)
				December 31, 2018			
				<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
		<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets							
Equity instruments	Market comparable companies		±1%	\$ 811	(\$ 811)	\$ 21	(\$ 21)
Equity instruments	Net asset value		±1%	-	-	275	(275)
				\$ 811	(\$ 811)	\$ 296	(\$ 296)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group's operating segments are segregated into the global brand business group and other business group based on the revenues from all sources.

Global brand business group: in-charge of the development and sale of main boards, interface cards, notebooks and computer peripherals.

Other business group: in-charge of the development and sale of network & communication products and cell phones.

The Group's company organisation, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

The Board of Directors assesses the performance of the operating segments based on the operating income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2019

	<u>Global brand business group</u>	<u>Other business group</u>	<u>Total</u>
Total segment revenue	\$ 50,571,417	\$ 11,209,837	\$ 61,781,254
Operating income (loss)	\$ 2,188,278	(\$ 741,045)	\$ 1,447,233
Depreciation and amortization	\$ 7,322	\$ 693,559	\$ 700,881
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Year ended December 31, 2018

	<u>Global brand business group</u>	<u>Other business group</u>	<u>Total</u>
Total segment revenue	\$ 50,440,556	\$ 10,483,034	\$ 60,923,590
Operating income (loss)	\$ 2,990,459	(\$ 714,871)	\$ 2,275,588
Depreciation and amortization	\$ 6,628	\$ 589,890	\$ 596,518
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Note: As the Group's assets and liabilities are not the measurement items used by the Chief Operating Decision-Maker in evaluating segments, the measurement amount of the assets and liabilities that shall be disclosed is zero.

(4) Reconciliation for segment income (loss)

The revenue from external parties and segment profit (loss) reported to the Chief Operating Decision-Maker are measured in a manner consistent with those in the statement of comprehensive income. Therefore, such reconciliation is not required.

(5) Information on products and services

The revenue from external parties was derived primarily from the development and sale of interface cards, main boards, notebooks, computer peripherals, network & communication products and cell phones.

Details of revenue is as follows:

Items	Years ended December 31,	
	2019	2018
Peripheral cards	\$ 24,515,178	\$ 27,887,741
Main boards	24,359,785	21,439,846
Computer servers	7,858,228	7,255,517
Peripherals	724,345	351,638
Others	4,323,718	3,988,848
	<u>\$ 61,781,254</u>	<u>\$ 60,923,590</u>

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

A. Revenue by geographic area:

	Years ended December 31,	
	2019	2018
Europe	\$ 21,018,146	\$ 21,073,660
USA and Canada	12,903,626	11,421,629
China	12,326,203	13,348,786
Taiwan	1,648,723	1,884,277
Others	13,884,556	13,195,238
Total	<u>\$ 61,781,254</u>	<u>\$ 60,923,590</u>

B. Non-current assets:

	2019	2018
Taiwan	\$ 2,935,166	\$ 2,679,216
China	1,128,065	1,236,980
Others	540,354	573,755
Total	<u>\$ 4,603,585</u>	<u>\$ 4,489,951</u>

(7) Major customer information

There was no customer accounting for more than 10% of the Group's operating revenue for the years ended December 31, 2019 and 2018.

GIGA-BYTE TECHNOLOGY CO., LTD.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Giga-Byte Technology Co., Ltd.	Beneficiary certificates-CTBC Hwa-Win Money Market Fund	None	Financial assets at fair value through profit or loss-current	4,572,748	50,000	-	50,585	
	Manulife Asia Pacific Bond Fund	"	"	4,313,752	50,000	-	53,814	
	Prudential Fiancial Money Market Fund	"	"	5,099,428	80,000	-	80,987	
	JIN SUN Fiancial Money Market Fund	"	"	6,800,935	100,000	-	101,181	
	Beneficiary certificates—Morgan Stanley Opportunistic Mortgage Income Fund LP	"	"	413,263	13,493	-	12,442	
	AB FCP I-AMER INC-A2 USD (LUX LISTING) Income Fund LP			65,232	62,765	-	61,037	
	PIMCO INVESTMENT GRADE CREDIT FUND (IRE LISTING)			43,459	31,197	-	30,381	
	MSIM GLOBAL FIXED INC OPP-A (LUX LISTING) Income Fund LP			27,337	31,567	-	30,320	
	JPM USD LIQUIDITY LVNAV C (ACC.) (LUX LISTING)			118	37,527	-	36,305	
	Government bond- Indonesia Government International Bond 4.125%	"	"	500,000	16,298	-	16,165	
					472,847		\$ 473,217	
			Valuation adjustment of financial assets at fair value through profit or loss		370			
					\$ 473,217			
Giga Future Limited	Beneficiary certificate—JPM USD LIQUIDITY LANAV C (ACC) (LUX LISTING)	None	Financial assets at fair value through profit or loss-current	190	USD 1,930 thousand	-	USD 1,943 thousand	
			Valuation adjustment of financial assets at fair value through profit or loss		USD 13 thousand			
					USD 1,943 thousand			
Giga-Trend International Investment Group Ltd.	Listed stocks - Sintrones Technology Corp.	None	Financial assets at fair value through profit or loss-current	Omitted	\$ 48,979	-	\$ 63,077	
			Valuation adjustment of financial assets at fair value through profit or loss		14,098			
					\$ 63,077			
	Unlisted stocks - Castec International Corp etc.	"	Financial assets at fair value through profit or loss-current	Omitted	\$ 67,715	-	\$ 19,089	
			Valuation adjustment of financial assets at fair value through profit or loss		(48,626)			
					\$ 19,089			

GIGA-BYTE TECHNOLOGY CO., LTD.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Giga-Trend International Investment Group Ltd.	Corporate bond-Anji Technology Co., Ltd. etc.	"	Financial assets at fair value through profit or loss-current	Omitted	\$ 50,127	-	<u>\$ 50,757</u>	
			Valuation adjustment of financial assets at fair value through profit or loss		630			
Freedom International Group Ltd.	Beneficiary certificate-JPM USD LIQUIDITY LANAV C (ACC) (LUX LISTING)	None	Financial assets at fair value through profit or loss-current	3,000	USD 2,138 thousand	-	USD 2,153 thousand	
			Valuation adjustment of financial assets at fair value through profit or loss		USD 15 thousand			
					USD 2,153 thousand			
Chi-Ga Investments Corp.	Listed stocks - Walsin Technology Corporation etc.	None	Financial assets at fair value through other comprehensive income – Non current	Omitted	\$ 888,387		<u>\$ 2,194,972</u>	
			Valuation adjustment of financial assets at fair value through other comprehensive income		1,306,585			
G-Style Co., Ltd.	Unlisted stocks - Hui Yang Venture Capital Co., Ltd. etc.	"	Financial assets at fair value through other comprehensive income – Non current	Omitted	\$ 24,365	0.11%~ 16.25%	<u>\$ 26,725</u>	
			Valuation adjustment of financial assets at fair value through other comprehensive income		2,360			
					\$ 26,725			
G-Style Co., Ltd.	Unlisted stocks - JM Material Technology Inc.	None	Financial assets at fair value through other comprehensive income – Non current	160,000	\$ 20,000	10.00%	<u>\$ 2,093</u>	
			Valuation adjustment of financial assets at fair value through other comprehensive income		(17,907)			
					\$ 2,093			

GIGA-BYTE TECHNOLOGY CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Giga-Byte Technology Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Parent-subsidiary company	(Sales)	\$ 12,236,148	(20%)	90 days upon receipt of goods	The price was based on the contract price	Normal	\$ 1,439,651	15%	
	G.B.T. Inc.	"	"	12,624,549	(20%)	60 days upon receipt of goods	"	"	3,640,567	38%	
	G-Style Co., Ltd.	"	"	1,749,018	(3%)	90 days upon receipt of goods	"	"	454,517	5%	
	Giga-Byte Technology B.V.	"	"	666,503	(1%)	60 days upon receipt of goods	"	"	63,402	1%	
	Gigaipc Co., Ltd.	"	"	228,921	-	60 days after billing	"	"	137,820	1%	
	G.B.T. LBN Inc.	"	"	Processing cost Purchases	1,579,568	73%	"	"	"	-	-
G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	Sister companies	Purchases	USD 23,060	thousand 44%	60 days upon receipt of goods	The price was based on the contract price	Normal	-	-	
	Dongguan Gigabyte Electronics Co., Ltd.	"	"	USD 29,454	thousand 56%	"	"	"	-	-	
G.B.T. Inc.	G-Style Co., Ltd.	Sister companies	Purchases	USD 17,747	thousand 5%	60 days upon receipt of goods	The price was based on the contract price	Normal	(USD 588 thousand)	1%	
G-Style Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Sister companies	(Sales)	252,528	(13%)	60 days after billing	The price was based on the contract price	Normal	10,983	6%	

GIGA-BYTE TECHNOLOGY CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Giga-Byte Technology Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Parent-subsidiary	\$ 1,439,651	12.04	\$ -	-	\$ 1,439,651	\$ -
	G.B.T. Inc.	"	3,640,567	4.33	-	-	2,169,163	-
	G-Style Co., Ltd.	"	454,517	3.20	-	-	296,600	-
	Gigaipc Co., Ltd.	"	137,820	3.27	-	-	137,820	-
Ningbo Gigabyte Technology Co., Ltd.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary	RMB 192,750 thousand	2.96	-	-	RMB 192,734 thousand	-
Dongguan Gigabyte Electronics Co., Ltd.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary	RMB 238,062 thousand	2.60	-	-	RMB 238,062 thousand	-

GIGA-BYTE TECHNOLOGY CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Counterparty	Relationship	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets
				Amount	Transaction terms	
Giga-Byte Technology Co., Ltd.	Giga-Byte Technology B.V.	Parent company to subsidiary	Sales	\$ 666,503	Note 5	1%
	"	"	Service expense	134,911	Note 3	-
	"	"	Service charge	139,621	"	-
	"	"	Accounts receivable	63,402	Note 5	-
	G.B.T. Inc.	"	Sales	12,624,549	"	20%
	"	"	Accounts receivable	3,640,567	"	10%
	"	"	Warranty cost	74,265	Note 3	-
	Ningbo Zhongjia Technology Co., Ltd.	Parent company to indirect subsidiary	Sales	12,236,148	Note 1	20%
	"	"	Accounts receivable	1,439,651	"	4%
	G-Style Co., Ltd.	Parent company to subsidiary	Sales	1,749,018	"	3%
	"	"	Accounts receivable	454,517	"	1%
	G.B.T. LBN Inc.	Parent company to indirect subsidiary	Processing cost	1,579,568	Note 2	3%
	"	"	Purchases	402,042	"	1%
	Gigaipc Co., Ltd.	"	Sales	228,921	"	-
	"	"	Accounts receivable	137,820	"	-
	Ningbo Gigabyte Technology Co., Ltd.	"	Accounts payable	948,464	"	3%
	Dongguan Gigabyte Electronics Co.,Ltd.	"	Accounts receivable	197,192	Note 3	1%
	"	"	Accounts payable	1,027,137	Note 2	3%
	Ningbo BestYield Tech. Services Co.,Ltd.	"	Warranty cost	310,324	Note 3	1%
G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	Indirect subsidiary to indirect subsidiary	Processing cost	689,799	"	1%
	Dongguan Gigabyte Electronics Co.,Ltd.	"	"	889,769	"	1%
Giga-Byte Technology B.V.	G.B.T. Technology Trading GmbH,etc	Subsidiary to subsidiary	Service expense	137,518	Note 4	-
G-Style Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Subsidiary to indirect subsidiary	Sales	252,528	Note 2	-
	"	"	Accounts receivable	10,983	"	-
	G.B.T. Inc.	Subsidiary to subsidiary	Sales	548,949	Note 5	1%

Note 1 : Credit terms were 90 days upon receipt of goods.

Note 2 : Credit terms were 60 days after billing.

Note 3 : Credit terms were 30 days after billing.

Note 4 : Credit terms were 180 days upon receipt of goods.

Note 5 : Credit terms were 60 days upon receipt of goods.

GIGA-BYTE TECHNOLOGY CO., LTD.

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019					Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	
Giga-Byte Technology Co., Ltd.	Freedom International Group Ltd.	British Virgin Islands	Holding company	\$ 4,617,682	\$ 4,617,682	142,671,692	100.00	\$ 5,944,077	\$ 473,641	\$ 223,952	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Chi-Ga Investments Corp.	Taiwan	Holding company	2,575,000	2,575,000	293,756,500	100.00	3,635,838	(29,279)	(29,475)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G-Style Co., Ltd.	Taiwan	Manufacturing and selling of notebooks	910,000	910,000	72,000,000	100.00	311,878	(14,536)	(30,075)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Giga-Byte Communication Inc.	Taiwan	Manufacturing and selling of communications	1,647,508	1,647,508	2,145,880	99.86	22,898	(258)	(258)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	BYTE International Co., Ltd.	Taiwan	Selling of PC peripherals	303,709	303,709	3,000,000	100.00	87,874	30,663	30,663	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Giga-Byte Technology B.V.	Netherlands	Sales of computer information products	25,984	25,984	8,500	100.00	63,713	23,676	23,592	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	GBT Tech. Co. Ltd	U.K.	Marketing of computer information products	47,488	47,488	800,000	100.00	13,483	1,892	1,892	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Nippon Giga-Byte Corp.	Japan	Marketing of computer information products	3,495	3,495	1,000	100.00	10,436	1,144	1,144	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G.B.T. Technology Trading GmbH	Germany	Marketing of computer information products	272,959	272,959	-	100.00	299,218	4,688	4,688	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology Pty. Ltd.	AUS	Marketing of computer information products	55,664	55,664	2,400,000	100.00	54,880	1,953	1,953	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology (India) Private Limited	India	Marketing and maintenance of computer information products	182,868	182,868	4,600,000	100.00	14,206	3,438	3,438	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Global Business Corporation	U.S.A.	ODM Business	-	322	-	-	-	228	228	The Company's subsidiary

GIGA-BYTE TECHNOLOGY CO., LTD.

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Giga-Byte Technology Co., Ltd.	Gigabyte Technology ESPANA S.L.U.	Spain	Marketing of computer information products	\$ 241	\$ 241	5,000	100.00	\$ 4,263	\$ 208	\$ 208	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G.B.T. Inc.	U.S.A.	Sales of computer information products	90,660	90,660	54,116	48.63	44,294	144,436	(31,410)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Information Technology Commerce Limited Company	Turkey	Marketing of computer information products	3,541	3,541	8,000	100.00	2,327	168	168	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology LLC	South Korea	Marketing of computer information products	22,534	22,534	168,000	100.00	34,158	642	642	The Company's subsidiary
G.B.T. Technology Trading GmbH	Gigabyte Technology Poland SP Z O.O.	Poland	Marketing and maintenance of computer information products	500	500	100	100.00	1,741	32	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Charleston Investments Limited	Cayman Islands	Holding company	1,844,922	1,844,922	57,032,142	100.00	2,793,876	346,687	-	The Company's indirect subsidiary
Freedom International Group Ltd.	G.B.T. LBN Inc.	Malaysia	Sales of computer information products	-	-	-	100.00	(404,998)	214,629	-	The Company's indirect subsidiary
Freedom International Group Ltd.	G.B.T. Inc.	U.S.A.	Sales of computer information products	109,459	109,459	57,169	51.37	154,166	144,436	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Gigabyte Trading Inc.	U.S.A.	ODM Business	1,623	1,623	50,000	100.00	1,530	(81)	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Giga Future Limited	British Virgin Islands	Holding company	2,689,068	2,689,068	82,819,550	100.00	3,241,114	293,263	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Giga Advance (Labuan)Limited	Malaysia	Sales of computer information products	5,648	5,648	10,000	100.00	11,160	(234)	-	The Company's indirect subsidiary
Freedom International Group Ltd.	LCKT Yuan Chan Technology Co., Ltd.(Cayman)	Cayman Islands	Holding company	92,775	92,775	3,000,000	30.00	21,193	(85,892)	-	Subsidiary's investee company accounted for under the equity method
Freedom International Group Ltd.	Aorus Pte. Ltd.	Singapore	Sales of computer information products	60,757	60,757	3,073,000	100.00	20,155	(2,836)	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Giga-Trend International Investment Group Ltd.	Taiwan	Holding company	600,000	600,000	65,290,000	100.00	703,462	28,571	-	The Company's indirect subsidiary

GIGA-BYTE TECHNOLOGY CO., LTD.

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)					
Chi-Ga Investments Corp.	Giga-Trend International Management Group Ltd.	Taiwan	Venture capital management and consulting company	\$ 6,000	\$ 5,483	600,000	60.00	\$ 18,363	\$ 9,853	\$ -	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Senyun Precise Optical Co.,Ltd	Taiwan	Manufacturing and selling of optical lens	588,441	786,990	54,727,814	86.24	268,124	(261,151)	-	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Gigazone Holdings Limited	British Virgin Islands	Holding company	173,928	173,928	34,500	100.00	-	(3,436)	-	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Selita Precision Co., Ltd.	Taiwan	Manufacturing, wholesale and retail of bicycle and parts	50,000	50,000	5,000,000	100.00	37,422	(187)	-	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Green Share Co., Ltd.	Taiwan	Wholesale of information software	-	9,424	-	-	-	29	-	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	GIGAIPC Co., Ltd.	Taiwan	Sales of computer information products	200,000	200,000	20,000,000	100.00	170,764	(7,814)	-	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co.,Ltd.	OGS Europe B.V.	Netherlands	Selling of communications	12,443	12,443	3,000	100.00	13,881	3,796	-	-	The Company's indirect subsidiary

GIGA-BYTE TECHNOLOGY CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	\$ 1,180,938	Note 1	\$ 1,180,938	\$ -	\$ -	\$ 1,180,938	\$ 198,131	100.00	\$ 198,131	\$ 1,484,248	-	The Company's indirect subsidiary
Ningbo Giga-Byte International Trade Co., Ltd.	Sales of computer information products	259,752	Note 1	259,752	-	-	259,752	118,359	100.00	118,359	1,128,174	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co., Ltd.	Maintenance of computer information products	181,923	Note 1	165,515	-	-	165,515	24,186	100.00	24,186	163,402	-	The Company's indirect subsidiary
Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	109,853	Note 3	-	-	-	-	122,167	100.00	122,167	995,126	-	The Company's indirect subsidiary
Ningbo Gigabyte Technology Co., Ltd.	Manufacturing of computer information products	2,780,313	Note 1	2,780,313	-	-	2,780,313	288,573	100.00	288,573	3,148,655	-	The Company's indirect subsidiary
Gigazone International (Shenzhen)	Selling of PC peripherals	-	Note 3	203,761	-	-	203,761	(107)	100.00	(107)	-	-	The Company's indirect subsidiary
Shenzhen BestYield Tech. Services Co., Ltd.	Maintenance of computer information products	15,841	Note 3	-	-	-	-	(451)	100.00	(451)	3,414	-	The Company's indirect subsidiary
Dongguan Senyun Precise Optical Co., Ltd	Selling of mold and industrial plastic products	1,609	Note 2	1,609	-	-	1,609	(902)	86.24	(778)	(185)	-	The Company's indirect subsidiary
Zaozhuang Bestyield Resources Recycling Co., Ltd.	Recycling and selling of renewable resources	5,507	Note 3	-	-	-	-	1,778	100.00	1,778	6,914	-	

Note 1: Invested by Charleston Investments Limited and Giga Future Limited., which are subsidiaries of Freedom International Group Ltd.

Note 2: Directly invest in a company in Mainland China.

Note 3: Others.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Chi-Ga Investments Corp.	203,761	203,761	2,181,515
Senyun Precise Optical Co., Ltd.	1,609	9,974	186,538

GIGA-BYTE TECHNOLOGY CO., LTD.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated))

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2019	Others	
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate			
Ningbo Gigabyte Technology Co., Ltd.	\$ 32,705	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-	Processing cost paid at \$689,799
"	(45,570)	-	-	-	(948,464)	(11)	-	-	-	-	-	-	-	-
Ningbo Zhongjia Technology Co., Dongguan Gigabyte Electronics Co., Ltd.	12,236,148 29,832	20 -	- -	- -	1,439,651 197,192	9 -	- -	- -	- -	- -	- -	- -	- -	Processing cost paid at \$889,769
" Ningbo BestYield Tech. Services Co.,Ltd.	(80,242) 35,043	- -	- -	- -	(1,027,137) 4,415	(11) -	- -	- -	- -	- -	- -	- -	- -	After-sales service costs paid at \$320,875