

GEM Terminal Ind. Co., Ltd.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of GEM Terminal Ind. Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is as follows:

Occurrence of revenue from specific customers

The operating revenue from specific customers of the Company for the year ended December 31, 2021 shows significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

Refer to Note 4 to the consolidated financial statements for the related accounting policy on revenue recognition.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

1. We obtained an understanding and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We selected samples and verified the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked and confirmed that the payer is the same as the buyer.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

Notice to Readers

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

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

GEM TERMINAL IND. CO., LTD.

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

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 438,911	11	\$ 432,992	12
Financial assets at fair value through other comprehensive income-current (Notes 4 and 8)	11,690	-	2,178	-
Notes receivable (Notes 4 and 9)	46,386	1	41,298	1
Accounts receivable, net (Notes 4 and 9)	110,466	3	93,061	3
Accounts receivable - related parties (Notes 4, 9 and 25)	35,874	1	44,197	1
Other receivables	2,441	-	3,769	-
Other receivables - related parties (Note 25)	364,042	9	308,197	8
Current tax assets (Note 21)	-	-	57	-
Inventories (Notes 4, 5 and 10)	98,067	3	65,163	2
Other financial assets - current	16,471	-	56,427	2
Other current assets	5,090	-	16,663	-
Total current assets	<u>1,129,438</u>	<u>28</u>	<u>1,064,002</u>	<u>29</u>
NONCURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 11)	2,634,883	65	2,319,789	62
Property, plant and equipment (Notes 4, 12, 25, 26 and 27)	243,502	6	258,495	7
Right-of-use assets (Notes 4, 13 and 25)	2,054	-	696	-
Deferred tax assets (Notes 4 and 21)	59,748	1	64,260	2
Prepayments for equipment	-	-	71	-
Other financial assets - noncurrent	1,320	-	170	-
Other noncurrent assets	4,769	-	5,609	-
Total noncurrent assets	<u>2,946,276</u>	<u>72</u>	<u>2,649,090</u>	<u>71</u>
TOTAL	<u>\$ 4,075,714</u>	<u>100</u>	<u>\$ 3,713,092</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 486,955	12	\$ 210,000	6
Short-term bills payable (Note 16)	50,000	1	50,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	14	-	-	-
Notes payable (Note 14)	15,303	-	23,865	1
Accounts payable (Note 14)	42,502	1	24,674	1
Accounts payable - related parties (Notes 14 and 25)	106,183	3	84,874	2
Other payables (Notes 15 and 17)	62,237	2	60,040	2
Other payables - related parties (Note 25)	14,765	-	14,581	-
Current tax liabilities (Note 21)	-	-	10,735	-
Lease liabilities - current (Notes 4, 13 and 25)	1,333	-	720	-
Long-term borrowings - current portion (Note 16)	400,807	10	374,778	10
Other current liabilities	7,701	-	679	-
Total current liabilities	<u>1,187,800</u>	<u>29</u>	<u>854,946</u>	<u>23</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Note 16)	439,998	11	680,805	18
Deferred tax liabilities (Notes 4 and 21)	38,544	1	14,058	1
Lease liabilities - noncurrent (Notes 4, 13 and 25)	1,470	-	709	-
Net defined benefit liabilities (Notes 4 and 17)	2,076	-	9,668	-
Total noncurrent liabilities	<u>482,088</u>	<u>12</u>	<u>705,240</u>	<u>19</u>
Total liabilities	<u>1,669,888</u>	<u>41</u>	<u>1,560,186</u>	<u>42</u>
EQUITY (Note 18)				
Ordinary shares	1,692,000	41	1,692,000	46
Capital surplus	271,315	7	271,315	7
Retained earnings				
Legal reserve	343,170	9	343,170	9
Special reserve	85,432	2	85,432	3
Unappropriated earnings (accumulated deficit)	216,553	5	(27,126)	(1)
Total retained earnings	645,155	16	401,476	11
Other equity	(159,585)	(4)	(168,826)	(5)
Treasury shares	(43,059)	(1)	(43,059)	(1)
Total equity	<u>2,405,826</u>	<u>59</u>	<u>2,152,906</u>	<u>58</u>
TOTAL	<u>\$ 4,075,714</u>	<u>100</u>	<u>\$ 3,713,092</u>	<u>100</u>

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

GEM TERMINAL IND. CO., LTD.

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 19 and 25)	\$ 797,016	100	\$ 573,719	100
OPERATING COSTS (Notes 10, 20 and 25)	<u>680,113</u>	<u>85</u>	<u>513,291</u>	<u>90</u>
GROSS PROFIT	116,903	15	60,428	10
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	(11,465)	(2)	(6,980)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 25)	<u>6,980</u>	<u>1</u>	<u>8,998</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>112,418</u>	<u>14</u>	<u>62,446</u>	<u>11</u>
OPERATING EXPENSES (Notes 9, 20 and 25)				
Marketing	19,725	2	16,727	3
General and administrative	85,665	11	66,666	12
Research and development	21,189	3	22,360	4
Expected credit loss	<u>276</u>	<u>-</u>	<u>360</u>	<u>-</u>
Total operating expenses	<u>126,855</u>	<u>16</u>	<u>106,113</u>	<u>19</u>
LOSS FROM OPERATIONS	<u>(14,437)</u>	<u>(2)</u>	<u>(43,667)</u>	<u>(8)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20 and 25)				
Interest income	6,637	1	4,935	1
Other income	24,758	3	25,726	4
Other gains and losses	(16,878)	(2)	(40,110)	(7)
Finance costs	(20,959)	(3)	(23,177)	(4)
Share of profit of subsidiaries	<u>293,373</u>	<u>37</u>	<u>14,283</u>	<u>3</u>
Total non-operating income and expenses	<u>286,931</u>	<u>36</u>	<u>(18,343)</u>	<u>(3)</u>
PROFIT (LOSS) BEFORE INCOME TAX	272,494	34	(62,010)	(11)
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 21)	<u>29,368</u>	<u>3</u>	<u>(19,514)</u>	<u>(4)</u>
NET PROFIT (LOSS)	<u>243,126</u>	<u>31</u>	<u>(42,496)</u>	<u>(7)</u>

(Continued)

GEM TERMINAL IND. CO., LTD.

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

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (2,191)	-	\$ (1,439)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,575	-	3,186	-
Share of other comprehensive gain of subsidiaries accounted for using the equity method	305	-	15,885	3
Income tax relating to items that will not be reclassified subsequently to profit or loss	438	-	288	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	9,391	1	(29,768)	(5)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>276</u>	<u>-</u>	<u>3,048</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>9,794</u>	<u>1</u>	<u>(8,800)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 252,920</u>	<u>32</u>	<u>\$ (51,296)</u>	<u>(9)</u>
NET PROFIT (LOSS) PER SHARE (Note 22)				
Basic	<u>\$ 1.47</u>		<u>\$ (0.25)</u>	
Diluted	<u>\$ 1.46</u>		<u>\$ (0.25)</u>	

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

GEM TERMINAL IND. CO., LTD.

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

	Retained Earnings						Other Equity			Treasury Shares	Total Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Operations	Remeasurement of Defined Benefit Plans			
					(Accumulated Deficit)				Total			Total
BALANCE AT JANUARY 1, 2020	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 40,765	\$ 44,667	\$ 428,602	\$ (3,725)	\$ (147,992)	\$ 7,061	\$ (144,656)	\$ -	\$ 2,247,261
Appropriation of 2019 earnings Special reserve	-	-	-	44,667	(44,667)	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	(42,496)	(42,496)	-	-	-	-	-	(42,496)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	19,071	(26,720)	(1,151)	(8,800)	-	(8,800)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(42,496)	(42,496)	19,071	(26,720)	(1,151)	(8,800)	-	(51,296)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	15,370	15,370	(15,370)	-	-	(15,370)	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	(43,059)	(43,059)
BALANCE AT DECEMBER 31, 2020	1,692,000	271,315	343,170	85,432	(27,126)	401,476	(24)	(174,712)	5,910	(168,826)	(43,059)	2,152,906
Net profit for the year ended December 31, 2021	-	-	-	-	243,126	243,126	-	-	-	-	-	243,126
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	1,880	9,667	(1,753)	9,794	-	9,794
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	243,126	243,126	1,880	9,667	(1,753)	9,794	-	252,920
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	553	553	(553)	-	-	(553)	-	-
BALANCE AT DECEMBER 31, 2021	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 85,432	\$ 216,553	\$ 645,155	\$ 1,303	\$ (165,045)	\$ 4,157	\$ (159,585)	\$ (43,059)	\$ 2,405,826

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

GEM TERMINAL IND. CO., LTD.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 272,494	\$ (62,010)
Adjustments for:		
Depreciation expense	20,166	23,410
Amortization expense	3,110	2,358
Expected credit loss recognized	276	360
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	10,989	6,527
Finance costs	20,959	23,177
Interest income	(6,637)	(4,935)
Dividend income	(240)	(212)
Share of profit of subsidiaries	(293,373)	(14,283)
Net gain on disposal of property, plant and equipment	(1,601)	(2,210)
Write-down of inventories	2,991	898
Unrealized gain on transactions with subsidiaries	19,686	19,087
Realized gain on transactions with subsidiaries	(31,411)	(33,388)
Other non-cash items	50	(93)
Changes in operating assets and liabilities		
Notes receivable	(5,088)	(4,154)
Accounts receivable	(17,681)	(18,440)
Accounts receivable - related parties	8,323	76,184
Other receivables - related parties	8,612	965
Other receivables	1,304	(1,506)
Inventories	(35,895)	(9,858)
Other current assets	11,573	773
Financial liabilities held for trading	(10,975)	(7,057)
Notes payable	(8,562)	11,000
Accounts payable	17,828	(12,621)
Accounts payable - related parties	21,309	4,056
Other payables	1,706	3,825
Other payables - related parties	184	(6,288)
Other current liabilities	6,972	131
Net defined benefit liabilities	(10,627)	(5,836)
Cash generated from (used in) operations	6,442	(10,140)
Interest received	6,994	1,687
Income tax return (paid)	(10,334)	28
Net cash generated from (used in) operating activities	<u>3,102</u>	<u>(8,425)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(45,601)	(17,193)
Proceeds from sale of financial assets at fair value through other comprehensive income	37,664	40,464
Payments for property, plant and equipment	(9,158)	(2,167)
Proceeds from disposal of property, plant and equipment	7,748	2,027

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GEM TERMINAL IND. CO., LTD.

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

	2021	2020
Increase in other receivables - related parties	\$ (64,790)	\$ (235,050)
Increase in other financial assets	38,806	(41,879)
Increase in other noncurrent assets	(2,270)	(4,109)
Dividend received	<u>240</u>	<u>689,768</u>
Net cash generated from (used in) investing activities	<u>(37,361)</u>	<u>431,861</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,874,673	193,519
Decrease in short-term borrowings	(1,597,718)	(403,519)
Increase in short-term bills payable	600,000	50,000
Decrease in short-term bills payable	(600,000)	(100,000)
Increase in long-term borrowings	110,000	480,000
Repayment of long-term borrowings	(324,778)	(676,834)
Repayment of the principal portion of lease liabilities	(789)	(1,541)
Payments for buy back of treasury shares	-	(43,059)
Interest paid	<u>(21,210)</u>	<u>(23,707)</u>
Net cash generated from (used in) financing activities	<u>40,178</u>	<u>(525,141)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,919	(101,705)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>432,992</u>	<u>534,697</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 438,911</u>	<u>\$ 432,992</u>

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

GEM TERMINAL IND. CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China. The Company mainly manufactures and sells series terminals, plug inserts, housing and electronic connectors for AC and DC power cords; electric and motor parts terminal; electric and communication terminal; copper smelting.

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

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the board of directors on March 23, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company assessed that the application of the above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17-Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the parent company only financial statements, the functional currencies of the foreign operations (including subsidiaries operating in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

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

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

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

g. Property, plant, and equipment

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

Freehold land is not depreciated.

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

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

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

h. Impairment of property, plant and equipment

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

ii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 360 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

Subsequent measurement

Except for the following situation, the financial liabilities held by the Company are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. Fair value is determined in the manner described in Note 24.

Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

k. Leasing

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

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

Right-of-use assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method over the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plan.

n. Taxation

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

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Key sources of estimation uncertainty - Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience of product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 325	\$ 288
Checking accounts and demand deposits	438,586	382,704
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>-</u>	<u>50,000</u>
	<u>\$ 438,911</u>	<u>\$ 432,992</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Time deposits (%)	-	0.30

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

7. FINANCIAL LIABILITIES AT FVTPL - CURRENT

As of December 31, 2021, the financial liabilities at FVTPL were copper futures held for trading. The copper futures which did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting were as follows:

	Futures Month	Lots	Contract Amount (In thousands)
Copper futures			
Refined copper - Sell	2022.03	2	US\$ 223

8. FINANCIAL ASSETS AT FVTOCI - CURRENT

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic listed shares	<u>\$ 11,690</u>	<u>\$ 2,178</u>

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

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 46,386</u>	<u>\$ 41,298</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 111,553	\$ 94,341
Less: Allowance for impairment loss	<u>1,087</u>	<u>1,280</u>
	<u>\$ 110,466</u>	<u>\$ 93,061</u>
<u>Accounts receivable - related parties</u>		
At amortized cost		
Gross carrying amount	<u>\$ 35,874</u>	<u>\$ 44,197</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 616
Less: Allowance for impairment loss	<u>-</u>	<u>616</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Notes and accounts receivable

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

The Company measures the loss allowance for the notes receivable and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses are estimated using a provision matrix prepared by reference to the past default experience of the customers, the customer's current financial position as well as the industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2021

	Not Past Due	Past Due 1 to 60 Days	Past Due Over 360 Days	Total
Expected credit loss rate (%)	0-0.6	2-6	100	
Gross carrying amount	\$ 183,304	\$ 10,519	\$ (10)	\$ 193,813
Loss allowance (Lifetime ECLs)	<u>(554)</u>	<u>(543)</u>	<u>10</u>	<u>(1,087)</u>
Amortized cost	<u>\$ 182,750</u>	<u>\$ 9,976</u>	<u>\$ -</u>	<u>\$ 192,726</u>

December 31, 2020

	Not Past Due	Past Due 1 to 60 Days	Past Due Over 360 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	100	
Gross carrying amount	\$ 174,181	\$ 5,195	\$ 460	\$ 179,836
Loss allowance (Lifetime ECLs)	<u>(469)</u>	<u>(351)</u>	<u>(460)</u>	<u>(1,280)</u>
Amortized cost	<u>\$ 173,712</u>	<u>\$ 4,844</u>	<u>\$ -</u>	<u>\$ 178,556</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,896	\$ 1,536
Loss allowance recognized	276	360
Amounts written off	<u>(1,085)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,087</u>	<u>\$ 1,896</u>

b. Credit risk of notes and accounts receivable

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

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

	December 31	
	2021	2020
Group A	<u>\$ 53,807</u>	<u>\$ 40,415</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 36,659	\$ 24,898
Raw materials	29,280	15,171
Supplies	11,730	14,571
Finished goods	12,962	5,867
Work in process	<u>7,436</u>	<u>4,656</u>
	<u>\$ 98,067</u>	<u>\$ 65,163</u>

All operating costs recognized in 2021 and 2020 were the cost of inventories, which included the following items:

	For the Year Ended December 31	
	2021	2020
Write-down of inventories	\$ 2,991	\$ 898
Recognition (reversal) of provisions	50	(63)
Others	<u>(2)</u>	<u>-</u>
	<u>\$ 3,039</u>	<u>\$ 835</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2021		2020	
	Amount	% of Owner - ship	Amount	% of Owner - ship
<u>Investments in subsidiaries</u>				
Unlisted companies				
Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	\$ 2,264,002	100	\$ 2,003,468	100
GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	271,647	100	226,257	100
Genius Terminal Co., Ltd. (Genius)	<u>99,234</u>	100	<u>90,064</u>	100
	<u>\$ 2,634,883</u>		<u>\$ 2,319,789</u>	

Suzhou Gem Opto Electronics Terminal Co., Ltd. (“GEM Suzhou”) and Dongguan Gem Electronic & Metal Co., Ltd. (“GEM Dongguan”), the two subsidiaries of the Company, have distributed dividends of US\$20,700 thousand and HK\$18,889 thousand, respectively, to the Company through Vibo Gem International Co., Ltd. (“Vibo”) and Global Cayman in 2020.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

For the year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 146,218	\$ 160,128	\$ 214,397	\$ 60,928	\$ 6,424	\$ 588,095
Additions	-	1,605	1,966	3,858	3,374	10,803
Disposal	-	(2,959)	(9,538)	(9,045)	-	(21,542)
Balance at December 31, 2021	<u>\$ 146,218</u>	<u>\$ 158,774</u>	<u>\$ 206,825</u>	<u>\$ 55,741</u>	<u>\$ 9,798</u>	<u>\$ 577,356</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ (134,718)	\$ (163,762)	\$ (31,120)	\$ -	\$ (329,600)
Depreciation expenses	-	(2,721)	(10,666)	(5,962)	-	(19,349)
Disposal	-	2,774	6,027	6,294	-	15,095
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (134,665)</u>	<u>\$ (168,401)</u>	<u>\$ (30,788)</u>	<u>\$ -</u>	<u>\$ (333,854)</u>
Carrying amounts at December 31, 2021	<u>\$ 146,218</u>	<u>\$ 24,109</u>	<u>\$ 38,424</u>	<u>\$ 24,953</u>	<u>\$ 9,798</u>	<u>\$ 243,502</u>

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 146,218	\$ 161,120	\$ 214,133	\$ 60,908	\$ 8,403	\$ 590,782
Additions	-	93	701	2,914	(1,979)	1,792
Disposal	-	(1,085)	(437)	(2,894)	-	(4,416)
Balance at December 31, 2020	<u>\$ 146,218</u>	<u>\$ 160,128</u>	<u>\$ 214,397</u>	<u>\$ 60,928</u>	<u>\$ 6,424</u>	<u>\$ 588,095</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ (132,555)	\$ (151,072)	\$ (26,408)	\$ -	\$ (310,035)
Depreciation expenses	-	(3,026)	(13,081)	(6,607)	-	(22,714)
Disposal	-	863	391	1,895	-	3,149
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (134,718)</u>	<u>\$ (163,762)</u>	<u>\$ (31,120)</u>	<u>\$ -</u>	<u>\$ (329,600)</u>
Carrying amounts at December 31, 2020	<u>\$ 146,218</u>	<u>\$ 25,410</u>	<u>\$ 50,635</u>	<u>\$ 29,808</u>	<u>\$ 6,424</u>	<u>\$ 258,495</u>

- b. Depreciation expenses were recognized on a straight-line basis over the following useful lives:

Buildings

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

- c. Refer to Note 26 for the carrying amount of property, plant and equipment pledged as collateral for bank borrowings.
- d. Reconciliations of the additions and the cash paid stated in the statements of cash flows were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to property, plant and equipment	\$ 10,803	\$ 1,729
Capitalized interest	(137)	(111)
Increase (decrease) in prepayments for equipment	(71)	16
Decrease (increase) in payables for purchase of equipment	<u>(1,437)</u>	<u>533</u>
Cash paid	<u>\$ 9,158</u>	<u>\$ 2,167</u>

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	Building	Transportation Equipment	Total
<u>2021</u>			
Cost			
Balance at January 1, 2021	\$ 2,252	\$ -	\$ 2,252
Additions	-	2,175	2,175
Derecognized	<u>(2,252)</u>	<u>-</u>	<u>(2,252)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,175</u>	<u>\$ 2,175</u>
Accumulated depreciation			
Balance at January 1, 2021	\$ (1,556)	\$ -	\$ (1,556)
Depreciation expenses	(696)	(121)	(817)
Derecognized	<u>2,252</u>	<u>-</u>	<u>2,252</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (121)</u>	<u>\$ (121)</u>
Carrying amounts at December 31, 2021	<u>\$ -</u>	<u>\$ 2,054</u>	<u>\$ 2,054</u>
<u>2020</u>			
Cost			
Balance at January 1, 2020	\$ 6,929	\$ -	\$ 6,929
Lease modification	<u>(4,677)</u>	<u>-</u>	<u>(4,677)</u>
Balance at December 31, 2020	<u>\$ 2,252</u>	<u>\$ -</u>	<u>\$ 2,252</u>
Accumulated depreciation			
Balance at January 1, 2020	\$ (1,585)	\$ -	\$ (1,585)
Depreciation expenses	(696)	-	(696)
Lease modification	<u>725</u>	<u>-</u>	<u>725</u>
Balance at December 31, 2020	<u>\$ (1,556)</u>	<u>\$ -</u>	<u>\$ (1,556)</u>
Carrying amounts at December 31, 2020	<u>\$ 696</u>	<u>\$ -</u>	<u>\$ 696</u>

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
Carrying amount		
Current	<u>\$ 1,333</u>	<u>\$ 720</u>
Noncurrent	<u>\$ 1,470</u>	<u>\$ 709</u>
Range of discount rate for lease liabilities (%)		
Buildings	1.59	1.59
Transportation equipment	1.57	-

c. Material leasing activities and terms

The Company leases buildings for the use as office with lease term of 1 year, and also leases transportation equipment with lease terms of 3 years. The Company does not have bargain purchase options to acquire the leasehold buildings but have extension options at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to low-value asset leases	<u>\$ 171</u>	<u>\$ 176</u>
Total cash outflow for leases	<u>\$ 983</u>	<u>\$ 1,835</u>

The Company has elected to apply the recognition exemption for the leases of certain office equipment qualifying as low-value asset lease, and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

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

15. OTHER PAYABLES

	December 31	
	2021	2020
Payable for salaries and bonuses	\$ 18,671	\$ 11,844
Payable for employees' compensation and remuneration to directors	12,914	-
Payable for pension	9,254	10,025
Payable for service fees	5,418	3,867
Payable for purchase of equipment	2,551	1,114
Payable for purchase on behalf of subsidiaries	2,202	15,605
Payable for labor and health insurance	1,997	1,466
Payable for interests	679	781
Others	<u>8,551</u>	<u>15,338</u>
	<u>\$ 62,237</u>	<u>\$ 60,040</u>

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

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank loans	<u>\$ 486,955</u>	<u>\$ 210,000</u>
Unsecured bank loans annual interest rates (%)	1.15-1.35	1.10-1.30

b. Short-term bills payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Commercial papers China Bills Finance Corporation	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Annual interest rates (%)	1.34	1.40

c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank loans	\$ 485,250	\$ 655,583
Secured bank loans (Note 26)	<u>355,555</u>	<u>400,000</u>
	840,805	1,055,583
Less: Current portion	<u>400,807</u>	<u>374,778</u>
	<u>\$ 439,998</u>	<u>\$ 680,805</u>
Unsecured bank loans annual interest rates (%)	1.34-1.85	1.34-1.81
Secured bank loans annual interest rates (%)	1.85	1.85-2.2
Unsecured bank loans expiration period	2022.05-2024.11	2021.07-2023.10
Secured bank loans expiration period	2025.07	2025.07

Under the loan agreements with certain banks, the Company should maintain certain financial ratios based on their reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2021 and 2020, the financial ratios of the Company were in compliance with the requirements stated in the loan agreements.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 70,206	\$ 72,217
Fair value of plan assets	<u>(59,794)</u>	<u>(53,369)</u>
Deficit	10,412	18,848
Classified under other payables	<u>(8,336)</u>	<u>(9,180)</u>
Net defined benefit liabilities	<u>\$ 2,076</u>	<u>\$ 9,668</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 68,293</u>	<u>\$ (45,048)</u>	<u>\$ 23,245</u>
Service cost			
Current service cost	427	-	427
Net interest expense (income)	<u>692</u>	<u>(459)</u>	<u>233</u>
Recognized in profit or loss	<u>1,119</u>	<u>(459)</u>	<u>660</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,366)	(1,366)
Actuarial loss - change in financial assumptions	2,867	-	2,867
Actuarial gain - experience adjustments	<u>(62)</u>	<u>-</u>	<u>(62)</u>
Recognized in other comprehensive income	<u>2,805</u>	<u>(1,366)</u>	<u>1,439</u>
Contributions from the employer	<u>-</u>	<u>(6,496)</u>	<u>(6,496)</u>
Balance at December 31, 2020	<u>72,217</u>	<u>(53,369)</u>	<u>18,848</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	\$ 347	\$ -	\$ 347
Net interest expense (income)	<u>361</u>	<u>(271)</u>	<u>90</u>
Recognized in profit or loss	<u>708</u>	<u>(271)</u>	<u>437</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(674)	(674)
Actuarial gain - change in financial assumptions	(645)	-	(645)
Actuarial loss - experience adjustments	<u>3,510</u>	<u>-</u>	<u>3,510</u>
Recognized in other comprehensive income	<u>2,865</u>	<u>(674)</u>	<u>2,191</u>
Contributions from the employer	<u>-</u>	<u>(11,064)</u>	<u>(11,064)</u>
Benefit payment	<u>(5,584)</u>	<u>5,584</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 70,206</u>	<u>\$ (59,794)</u>	<u>\$ 10,412</u> (Concluded)

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	<u>December 31</u>	
	2021	2020
Discount rate (%)	0.7	0.5
Expected rate of salary increase (%)	1.2	1.2

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

	<u>December 31</u>	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (787)</u>	<u>\$ (999)</u>
0.25% decrease	<u>\$ 808</u>	<u>\$ 1,028</u>
Expected rate of salary increase		
1% increase	<u>\$ 3,315</u>	<u>\$ 4,223</u>
1% decrease	<u>\$ (3,043)</u>	<u>\$ (3,841)</u>

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

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 10,051</u>	<u>\$ 11,055</u>
The average duration of the defined benefit obligation	7.6 years	8.5 years

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>169,200</u>	<u>169,200</u>
Shares issued	<u>\$ 1,692,000</u>	<u>\$ 1,692,000</u>

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

b. Capital surplus

Items	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Issuance of ordinary shares	\$ 266,411	\$ 266,411
Treasury share transactions	<u>4,904</u>	<u>4,904</u>
	<u>\$ 271,315</u>	<u>\$ 271,315</u>

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's articles of incorporation (the "Articles") before amended, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of share dividends and bonuses to shareholders.

In addition, as stipulated in the Articles, the board of directors is authorized under Article 240 of the Company Act to resolve the distribution of dividends and bonuses in cash or under Article 241 of the Company Act to resolve the distribution of the dividends and bonuses in whole or in part of the legal reserve and capital surplus, and a report of such distribution shall be submitted to the shareholders in their meeting.

The Company's dividend policy is in line with the Company's operating scale and research and development needs in order to maintain sound management and promote shareholders' long-term interests. Thus, the Company adopted residual dividend policy as its shareholder dividends' policy. The Company's profit may be distributed in the form of cash and/or shares. However, distribution of profits should preferably be in the form of cash dividends. Cash dividends should be at least 10% of the total dividends distributed. However, if the amount of cash dividends per share is less than \$0.2, the Company may choose to distribute share dividends instead.

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

The shareholders held their regular meeting to resolve the amendments to the Articles on July 27, 2021. The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the Articles is amended, the special reserve is appropriated from the prior unappropriated earnings.

The offset of deficits for 2020 and 2019, and appropriation of earnings to the special reserve of \$44,667 thousand for 2019 were approved in the shareholders' meeting on July 27, 2021 and on June 18, 2020, respectively.

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on March 23, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 21,655</u>
Special reserve	<u>\$ 74,154</u>
Cash dividends	<u>\$ 49,770</u>
Cash dividends per share (NT\$)	<u>\$ 0.3</u>

The above appropriation for cash dividends has been resolved by the Company's board of directors, the other proposed appropriations will be resolved by the shareholders in their meeting to be held in June 2022.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (174,712)	\$ (147,992)
Recognized for the year		
Share of profit (loss) of subsidiaries accounted for using the equity method	<u>9,667</u>	<u>(26,720)</u>
Balance at December 31	<u>\$ (165,045)</u>	<u>\$ (174,712)</u>

2) Unrealized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (24)	\$ (3,725)
Recognized for the year		
Unrealized gain - equity instruments	1,575	3,186
Share of profit of subsidiaries accounted for using the equity method	305	15,885
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal		
Equity instruments	(666)	1,112
Share of profit (loss) of subsidiaries accounted for using the equity method	<u>113</u>	<u>(16,482)</u>
Balance at December 31	<u>\$ 1,303</u>	<u>\$ (24)</u>

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 5,910	\$ 7,061
Remeasurement	<u>(1,753)</u>	<u>(1,151)</u>
Balance at December 31	<u>\$ 4,157</u>	<u>\$ 5,910</u>

e. Treasury shares

	For the Year Ended December 31	
	2021	2020
Number of shares at January 1 (In thousand shares)	3,301	-
Increase during the year (In thousand shares)	<u>-</u>	<u>3,301</u>
Number of shares at December 31 (In thousand shares)	<u>3,301</u>	<u>3,301</u>

The treasury shares held by the Company will be transferred to employees. The shares not transferred within 5 years from the date of buyback shall be deemed as not issued, and amendment registration shall be processed. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. OPERATING REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 797,016</u>	<u>\$ 573,719</u>

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 46,386	\$ 41,298	\$ 37,144
Accounts receivable, net (including those from related parties)	<u>146,340</u>	<u>137,258</u>	<u>195,362</u>
	<u>\$ 192,726</u>	<u>\$ 178,556</u>	<u>\$ 232,506</u>

b. Disaggregation of revenue

	For the Year Ended December 31	
	2021	2020
Terminals	\$ 619,729	\$ 461,821
Raw materials and supplies	174,298	110,023
Others	<u>2,989</u>	<u>1,875</u>
	<u>\$ 797,016</u>	<u>\$ 573,719</u>

20. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax included following items:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 308	\$ 533
Interest from related parties (Note 25)	<u>6,329</u>	<u>4,402</u>
	<u>\$ 6,637</u>	<u>\$ 4,935</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Dividends	\$ 240	\$ 212
Income from purchased equipment on behalf of subsidiaries (Note 25)	24,431	24,390
Others	<u>87</u>	<u>1,124</u>
	<u>\$ 24,758</u>	<u>\$ 25,726</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Foreign exchange losses, net	\$ (7,490)	\$ (35,823)
Gain on disposal of property, plant and equipment, net	1,601	2,210
Losses on financial instruments at FVTPL, net	(10,989)	(6,527)
Others	<u>-</u>	<u>30</u>
	<u>\$ (16,878)</u>	<u>\$ (40,110)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest expense of borrowings	\$ 21,017	\$ 23,265
Interest on lease liabilities	79	23
Less: Amounts included in the cost of qualifying assets	<u>137</u>	<u>111</u>
	<u>\$ 20,959</u>	<u>\$ 23,177</u>
Capitalization rate (%)	1.47-1.64	1.50-1.73

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 19,349	\$ 22,714
Right-of-use assets	817	696
Other assets	<u>3,110</u>	<u>2,358</u>
	<u>\$ 23,276</u>	<u>\$ 25,768</u>

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

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 8,282	\$ 9,888
Operating expenses	<u>11,884</u>	<u>13,522</u>
	<u>\$ 20,166</u>	<u>\$ 23,410</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,110</u>	<u>\$ 2,358</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 3,543	\$ 3,342
Defined benefit plans	<u>437</u>	<u>660</u>
	3,980	4,002
Short-term employee benefits	<u>112,830</u>	<u>87,360</u>
	<u>\$ 116,810</u>	<u>\$ 91,362</u>
An analysis by function		
Operating costs	\$ 29,720	\$ 25,142
Operating expenses	<u>87,090</u>	<u>66,220</u>
	<u>\$ 116,810</u>	<u>\$ 91,362</u>

g. Employees' compensation and remuneration of directors

According to the amendments to the Articles in July 2021, the Company accrued compensation of employees and remuneration of directors at the rates no less than 3% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the years ended December 31, 2020 and 2019, the Company incurred a net loss; hence, no employees' compensation and remuneration of directors and supervisors were accrued for those years. The employees' compensation and the remuneration of directors for the year ended December 31, 2021 which have been approved to be paid in cash by the Company's board of directors on March 23, 2022 were as follows:

	For the Year Ended December 31, 2021
Accrual rate	
Employees' compensation (%)	4,00
Remuneration to directors (%)	1,00

(Continued)

**For the Year
Ended
December 31,
2021**

Amount	
Employees' compensation	<u>\$ 10,331</u>
Remuneration to directors	<u>\$ 2,583</u>
	(Concluded)

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

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

21. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 177	\$ 10,819
Adjustments for prior years	<u>(521)</u>	<u>-</u>
	<u>(344)</u>	<u>10,819</u>
Deferred tax		
In respect of the current year	29,712	(31,792)
Adjustments for prior years	<u>-</u>	<u>1,459</u>
	<u>29,712</u>	<u>(30,333)</u>
	<u>\$ 29,368</u>	<u>\$ (19,514)</u>

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

	For the Year Ended December 31	
	2021	2020
Profit (loss) before income tax	<u>\$ 272,494</u>	<u>\$ (62,010)</u>
Income tax (benefit) calculated at the statutory rate	\$ 54,499	\$ (12,402)
Nondeductible expenses in determining taxable income	227	138
Tax-exempt income	-	(32)
Deferred tax effect of earnings of subsidiaries	(25,014)	(8,317)
Unrecognized investment tax credits	-	(402)
Adjustments for prior years	(521)	1,459
Nondeductible withholding tax	<u>177</u>	<u>42</u>
	<u>\$ 29,368</u>	<u>\$ (19,514)</u>

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 276	\$ 3,048
Remeasurement of defined benefit plans	<u>438</u>	<u>288</u>
	<u>\$ 714</u>	<u>\$ 3,336</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 57</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 10,735</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>				
Temporary differences				
Defined benefit obligations	\$ 3,770	\$ (2,126)	\$ 438	\$ 2,082
Unrealized deferred profit	24,288	(2,684)	-	21,604
Subsidiaries accounted for using the equity method	24,936	(33,773)	276	(8,561)
Land value increment tax	(7,398)	-	-	(7,398)
Others	<u>4,606</u>	<u>(2,301)</u>	<u>-</u>	<u>2,305</u>
	50,202	(40,884)	714	10,032
Loss carryforwards	<u>-</u>	<u>11,172</u>	<u>-</u>	<u>11,172</u>
	<u>\$ 50,202</u>	<u>\$ (29,712)</u>	<u>\$ 714</u>	<u>\$ 21,204</u>

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>				
Temporary differences				
Defined benefit obligations	\$ 4,649	\$ (1,167)	\$ 288	\$ 3,770
Unrealized deferred profit	27,333	(3,045)	-	24,288
Subsidiaries accounted for using the equity method	(59,788)	81,676	3,048	24,936
Land value increment tax	(7,398)	-	-	(7,398)
Others	<u>3,126</u>	<u>1,480</u>	<u>-</u>	<u>4,606</u>
	(32,078)	78,944	3,336	50,202
Loss carryforwards	<u>48,611</u>	<u>(48,611)</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,533</u>	<u>\$ 30,333</u>	<u>\$ 3,336</u>	<u>\$ 50,202</u>

e. Information about unused loss carryforwards as December 31, 2021 comprised:

Unused Amount	Expiry Year
<u>\$ 55,860</u>	2031

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

As of December 31, 2021 and 2020, the tax of taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$160,774 thousand and \$157,970 thousand, respectively.

g. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

22. NET PROFIT (LOSS) PER SHARE

Due to the net losses incurred for the year ended December 31, 2020, there is no dilutive effect on the computation of diluted loss per share.

The net profit (loss) and weighted average number of ordinary shares outstanding used in the computation of net profit (loss) per share were as follows:

Net profit (loss) for the year - attributable to owners of the Company

	For the Year Ended December 31	
	2021	2020
Net profit (loss) used in the computation of basic net profit (loss) per share	<u>\$ 243,126</u>	<u>\$ (42,496)</u>

Weighted average number of ordinary shares outstanding (in thousands)

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic net profit (loss) per share	165,899	168,378
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>325</u>	<u>-</u>
Weighted average number of ordinary shares in computation of diluted net profit (loss) per share	<u>166,224</u>	<u>168,378</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CAPITAL MANAGEMENT

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

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

24. FINANCIAL INSTRUMENTS

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

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

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 11,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,690</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 2,178	\$ -	\$ -	\$ 2,178

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$ 1,015,911	\$ 980,111
Financial assets at FVTOCI		
Equity instruments	11,690	2,178
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,618,750	1,523,617
Financial liabilities at FVTPL		
Held for trading	14	-

Note 1: The balances comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and other financial assets.

Note 2: The balances comprise short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing exposures to risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks as follows:

a) Foreign currency risk

The Company had foreign currency denominated trades, which exposed the Company to foreign currency risk. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD and HKD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period.

A positive (negative) number below indicates an increase (decrease) in pre-tax profit for a 1% weakening of the functional currency against the relevant currency.

	For the Year Ended December 31	
	2021	2020
USD	\$ 5,980	\$ 3,959
HKD	(706)	(538)

b) Interest rate risk

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

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 359,840	\$ 395,050
Financial liabilities	472,803	291,429
Cash flow interest rate risk		
Financial assets	438,456	382,582
Financial liabilities	907,760	1,025,583

Sensitivity analysis

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

If interest rates had been 1% lower/higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by \$4,693 thousand and \$6,430 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to equity price risk at the end of the reporting period. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would increase/decrease by \$117 thousand and \$22 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to counterparties' failure to discharge an obligation is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

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

3) Liquidity risk

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's funding and liquidity management requirements. As of December 31, 2021, the Company's current liabilities exceeded its current assets; and however, the Company will settle the current liabilities through the operating capital from the medium- to long-term loan commitments and the appropriations of overseas subsidiaries' earnings. The Company has no liquidity risk due to its inability to fulfill the contractual obligations.

The Company manages liquidity risk by maintaining adequate banking facilities, continuously monitoring cash flows as well as matching the maturity profiles of financial assets and liabilities.

a) Liquidity risk tables for non-derivative financial liabilities

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

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

	On Demand or Less than 1 Month	1 to 3 Months	4 Months to 1 Year	1 to 5 Years
<hr/>				
December 31, 2021				
Fixed interest rate liabilities	\$ 200,647	\$ 180,629	\$ 90,744	\$ -
Variable interest rate liabilities	49,129	7,297	423,041	448,329

(Continued)

	On Demand or Less than 1 Month	1 to 3 Months	4 Months to 1 Year	1 to 5 Years
Lease liabilities	\$ 800	\$ 159	\$ 716	\$ 1,750
Non-interest bearing	<u>60,450</u>	<u>119,937</u>	<u>59,924</u>	<u>-</u>
	<u>\$ 311,026</u>	<u>\$ 308,022</u>	<u>\$ 574,425</u>	<u>\$ 450,079</u>
<u>December 31, 2020</u>				
Fixed interest rate liabilities	\$ 190,407	\$ 291	\$ 1,356	\$ 101,068
Variable interest rate liabilities	6,733	12,699	440,216	595,146
Lease liabilities	-	720	-	720
Non-interest bearing	<u>61,850</u>	<u>105,411</u>	<u>39,992</u>	<u>-</u>
	<u>\$ 258,990</u>	<u>\$ 119,121</u>	<u>\$ 481,564</u>	<u>\$ 696,934</u> (Concluded)

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

b) Liquidity risk table for derivative financial instruments

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

1 to 3 Months

<u>December 31, 2021</u>	
Net settled	
Copper Futures	<u>\$ (14)</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and its relationship with the Company

<u>Related Party Name</u>	<u>Relationship with the Company</u>
GEM Suzhou	Subsidiary
GEM Dongguan	Subsidiary
Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Subsidiary
Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Subsidiary
Genius Terminal (HK) Ltd. (Genius HK)	Subsidiary
Vibo	Subsidiary
Su, Tun-Yi	Key management personnel
Su, Chung-Hong	Key management personnel
Su, Bo-Chen	Key management personnel

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
GEM VN	\$ 149,707	\$ 78,798
GEM Suzhou	83,906	59,848
Others	<u>7,016</u>	<u>7,668</u>
	<u>\$ 240,629</u>	<u>\$ 146,314</u>

The accumulated unrealized gains on the transactions with the subsidiaries as of December 31, 2021 and 2020 were \$11,465 thousand and \$6,980 thousand, respectively.

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

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Genius HK	\$ 173,092	\$ 141,588
Global HK	161,615	115,466
Others	<u>59,804</u>	<u>30,608</u>
	<u>\$ 394,511</u>	<u>\$ 287,662</u>

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

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

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable - related parties	Subsidiaries		
	GEM VN	\$ 26,526	\$ 40,420
	Others	<u>9,348</u>	<u>3,777</u>
		<u>\$ 35,874</u>	<u>\$ 44,197</u>
Other receivables - related parties	Subsidiaries	<u>\$ 577</u>	<u>\$ 9,189</u>

The other receivables were receivables for sales of equipment.

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

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts payable - related parties	Subsidiaries		
	Genius HK	\$ 60,137	\$ 42,950
	Global HK	43,632	37,789
	Others	<u>2,414</u>	<u>4,135</u>
		<u>\$ 106,183</u>	<u>\$ 84,874</u>
Other payables - related parties	Subsidiaries		
	Genius HK	<u>\$ 14,765</u>	<u>\$ 14,581</u>

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

The outstanding payables to related parties were unsecured.

f. Acquisitions of property, plant and equipment

Related Party Category/Name	Price	
	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Global HK	\$ 539	\$ -
Genius HK	<u>155</u>	<u>-</u>
	<u>\$ 694</u>	<u>\$ -</u>

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

g. Disposals of assets

1) Property, plant and equipment

Related Party Category/Name	For the Year Ended December 31			
	2021		2020	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM Suzhou	\$ 3,123	\$ 1,729	\$ -	\$ -
GEM VN	<u>4,477</u>	<u>519</u>	<u>2,027</u>	<u>1,133</u>
	<u>\$ 7,600</u>	<u>\$ 2,248</u>	<u>\$ 2,027</u>	<u>\$ 1,133</u>

As of December 31, 2021 and 2020, the accumulated unrealized gains on the intercompany property transactions with subsidiaries amounted to \$8,104 thousand and \$8,404 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains are amortized on a straight-line basis over 10 years and recognized under gain on disposal of property, plant and equipment.

2) Equipment purchased on behalf of subsidiaries

Related Party Category/Name	For the Year Ended December 31			
	2021		2020	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries				
GEM Suzhou	\$ 8,155	\$ 3,893	\$ 22,225	\$ 8,676
GEM VN	1,582	978	15,480	2,707
Global HK	<u>22,459</u>	<u>3,350</u>	<u>4,824</u>	<u>724</u>
	<u>\$ 32,196</u>	<u>\$ 8,221</u>	<u>\$ 42,529</u>	<u>\$ 12,107</u>

As of December 31, 2021 and 2020, the accumulative unrealized gains on the intercompany property transactions for purchases on behalf of subsidiaries amounted to \$88,379 thousand and \$104,589 thousand, respectively, which were recorded as reduction of investments accounted for using the equity method. The unrealized gains amortized on a straight-line basis over 10 years and recognized under other income.

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

h. Lease arrangements

The Company leased its Taipei office from its related party Su, Tun-Li. The rental was determined based on negotiations and paid according to contract terms. The rent was similar to the market rate, and the payment term was not significantly different from that of non-related parties.

The interest expenses of the lease arrangement for the years ended December 31, 2021 and 2020 were \$11 thousand and \$23 thousand, respectively. The balances of lease liabilities as of December 31, 2021 and 2020 were \$720 thousand and \$1,429 thousand, respectively.

i. Loans to related parties (including principal and interest)

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries		
GEM VN	\$ 223,647	\$ 228,385
Vibo	-	70,623
Genius HK	<u>139,818</u>	<u>-</u>
	<u>\$ 363,465</u>	<u>\$ 299,008</u>

Interest income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
GEM VN	\$ 4,656	\$ 4,029
Vibo	255	373
Genius HK	<u>1,418</u>	<u>-</u>
	<u>\$ 6,329</u>	<u>\$ 4,402</u>

The Company provided related parties with unsecured loans at rates similar to market interest rate. These loans are expected to be recovered within one year; and therefore, no expected credit loss was recognized.

j. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 5,625	\$ 4,686
Post-employment benefits	<u>171</u>	<u>191</u>
	<u>\$ 5,796</u>	<u>\$ 4,877</u>

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

k. Guarantees

Details of the guarantees provided by the Company's related parties for the loans of the Company were as follows:

Guarantor	December 31	
	2021	2020
Su, Tun-Li	\$ 753,880	\$ 682,792
Su, Chung-Hong	623,880	570,791
Su, Bo-Chen	<u>-</u>	<u>62,000</u>
	<u>\$ 1,377,760</u>	<u>\$ 1,315,583</u>

26. ASSETS PLEDGED AS COLLATERAL

As of December 31, 2021 and 2020, the amount of property, plant and equipment provided as collateral for bank borrowings were \$155,835 thousand and \$158,362 thousand, respectively.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2021, the Company's significant contingent liabilities and unrecognized commitments were as follows:

- a. The amount of contracts for the Company's purchases of property, plant and equipment (including on behalf of subsidiaries) was \$3,827 thousand.
- b. The amount of contracts for the Company's purchases of raw materials was \$7,715 thousand.
- c. Unused letters of credit for purchases of raw materials and equipment amounted to \$27,578 thousand.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between the foreign currencies and the respective functional currencies

were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		NTD (In Thousands)
<u>December 31, 2021</u>				
Financial assets				
Monetary items				
USD	\$ 23,268	27.68	(USD:NTD)	\$ 644,061
HKD	1,221	3.549	(HKD:NTD)	<u>4,334</u>
				<u>\$ 648,395</u>
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	\$ 98,936	27.68	(USD:NTD)	<u>\$ 2,738,540</u>
Financial liabilities				
Monetary items				
USD	1,664	27.68	(USD:NTD)	\$ 46,059
HKD	21,101	3.549	(HKD:NTD)	<u>74,888</u>
				<u>\$ 120,947</u>
<u>December 31, 2020</u>				
Financial assets				
Monetary items				
USD	15,589	28.1	(USD:NTD)	\$ 438,038
HKD	1,036	3.625	(HKD:NTD)	<u>3,754</u>
				<u>\$ 441,792</u>
Non-monetary items				
Investments in subsidiaries accounted for using the equity method				
USD	86,652	28.1	(USD:NTD)	<u>\$ 2,434,913</u>
Financial liabilities				
Monetary items				
USD	1,498	28.1	(USD:NTD)	\$ 42,102
HKD	15,872	3.625	(HKD:NTD)	<u>57,538</u>
				<u>\$ 99,640</u>

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

For the Year Ended December 31					
		2021			2020
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain	
USD	27.68 (USD:NTD)	\$ (3,302)	28.1 (USD:NTD)	\$ (18,298)	
HKD	3.549 (HKD:NTD)	<u>316</u>	3.625 (HKD:NTD)	<u>1,707</u>	
		<u>\$ (2,986)</u>		<u>\$ (16,591)</u>	

29. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): Table 2.
- 4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 9) Trading in derivative instruments: For the year ended December 31, 2021, net loss of futures contracts was \$10,989 thousand.
- 10) Information on investees: Table 5.

c. Information on investments in mainland China

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

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

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

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

GEM TERMINAL IND. CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance (Note 2)	Actual Amount Borrowed (Note 2)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 356,625	\$ 221,440	\$ 221,440	1.9-2.3	Short-term financing	\$ -	Business development	\$ -	-	\$ -	\$ 481,165	\$ 962,330	
0	The Company	Vibo	Other receivables - related parties	Yes	71,325	-	-	-	Short-term financing	-	Business development	-	-	-	481,165	962,330	
0	The Company	GEM Suzhou	Other receivables - related parties	Yes	85,590	83,040	-	-	Short-term financing	-	Business development	-	-	-	481,165	962,330	
0	The Company	Genius HK	Other receivables - related parties	Yes	139,800	138,400	138,400	1.87	Short-term financing	-	Business development	-	-	-	481,165	962,330	

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

Note 2: The exchange rate was US\$1: NT\$27.68.

GEM TERMINAL IND. CO., LTD.

MARKETABLE SECURITIES HELD
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Shares</u>							
	United Microelectronics Corporation	-	Financial assets at FVTOCI - current	15,000	\$ 975	-	\$ 975	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at FVTOCI - current	10,000	6,160	-	6,160	
	China Airlines Ltd.	-	Financial assets at FVTOCI - current	51,000	1,364	-	1,364	
	EVA Airways Corporation	-	Financial assets at FVTOCI - current	52,000	1,417	-	1,417	
	Fubon Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	10,000	766	-	766	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	16,000	<u>1,008</u>	-	<u>1,008</u>	
					<u>\$ 11,690</u>		<u>\$ 11,690</u>	

GEM TERMINAL IND. CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Genius HK	Subsidiary	Purchases	\$ (173,092)	(28)	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	\$ (60,137)	(37)	
	Global HK	Subsidiary	Purchases	(161,615)	(26)	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	(43,632)	(27)	
	GEM VN	Subsidiary	Sales	149,707	19	120 days after monthly closing	No comparable transactions with third parties	Not significantly different from those in the market	26,526	14	

GEM TERMINAL IND. CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate (Note 2)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	GEM VN	Subsidiary	\$ 250,194	4.47	\$ -	-	\$ 78,203	\$ -
	Genius HK	Subsidiary	141,416	2.08	-	-	103,800	-

Note 1: It included accounts receivable and other receivables.

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

GEM TERMINAL IND. CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares/Units	%	Carrying Amount			
The Company	Global Cayman	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,264,002	\$ 239,780	\$ 239,194	Note
	GEM Cayman	Grand Cayman, Cayman Islands	International investment	392,669	392,669	12,598,333	100	271,647	46,432	46,462	Note
	Genius	British Virgin Islands	International investment and trading	23,282	23,282	750,000	100	99,234	7,717	7,717	
								<u>\$ 2,634,883</u>		<u>\$ 293,373</u>	

Note: Net of unrealized profits.

GEM TERMINAL IND. CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Business and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Fund		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Loss of the Investee	% of Ownership of Direct or Indirect Investment	Investment Loss (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
GEM Dongguan	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	\$ 736,157	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	\$ 370,489	\$ -	\$ -	\$ 370,489	\$ 136,025	100	\$ 143,021	\$ 948,279	\$ 81,641	
GEM Suzhou	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	1,088,939	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	56,788	-	-	56,788	133,848	100	121,415	1,383,352	684,532	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
The Company	\$ 427,277	\$ 1,569,456 (US\$56,700 thousand)	\$ 1,443,496

Note 1: The amount was recognized based on the audited financial statements.

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

GEM TERMINAL IND. CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Type	Price	Transaction Detail		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM Suzhou	Sales	\$ 83,906	120 days after monthly closing	No significant difference with those to third parties	\$ 7,750	4	\$ 11,707	
		Purchase	47	120 days after monthly closing	No significant difference with those to third parties	(10)	-	-	
		Disposal of property, plant, and equipment	11,278	120 days after monthly closing	No comparable transactions with those in the market	556	-	5,276	
	GEM Dongguan	Sales	4,749	120 days after monthly closing	No significant difference with those to third parties	-	-	-	
		Purchase	54	120 days after monthly closing	No significant difference with those to third parties	-	-	-	

TABLE 8**GEM TERMINAL IND. CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership (%)
Tsung-Fu Investment Co., Ltd.	31,467,914	18.60
Ting-Yao Investment Co., Ltd.	23,483,792	13.88
Cheng-Feng Investment Co., Ltd.	20,278,409	11.98
You Feng Investment Co., Ltd.	13,983,236	8.26

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares (including treasury shares) held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

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STATEMENT 1

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2021

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

Item	Description	Amount
Cash on hand		\$ 325
Cash in banks		
New Taiwan dollars deposits		
Demand deposits		280,502
Checking accounts		130
Foreign currency deposits		
Demand deposits	USD5,562 thousand @27.68	157,954
	HKD762 thousand @3.549	
	JPY51 thousand @0.2403	
	GBP17 thousand @37.285	
	CAD29 thousand @21.622	
		<u>\$ 438,911</u>

STATEMENT 2

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Company A	Sale of goods	\$ 12,672	Not overdue
Company B	Sale of goods	5,750	Not overdue
Company C	Sale of goods	3,890	Not overdue
Others (Note)	Sale of goods	<u>24,074</u>	
		<u>\$ 46,386</u>	

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

GEM TERMINAL IND. CO., LTD.**STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Amount	Due Over a Year	Remark
Non-related parties			
Group A	\$ 52,077	\$ -	Sale of goods
Group B	11,784	-	Sale of goods
Others (Note)	<u>47,692</u>	<u>10</u>	Sale of goods
	111,553	10	
Less: Allowance for impairment loss	1,087	10	
	<u>110,466</u>	<u>-</u>	
Related parties			
GEM VN	26,526	-	Sale of goods
GEM Suzhou	7,750	-	Sale of goods
Others (Note)	<u>1,598</u>	<u>-</u>	Sale of goods
	<u>35,874</u>	<u>-</u>	
	<u>\$ 146,340</u>	<u>\$ -</u>	

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

STATEMENT 4

GEM TERMINAL IND. CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Remark
Related parties		
GEM VN	\$ 223,668	Mainly includes financing provided
Genius HK	139,818	Mainly includes financing provided
Others (Note)	<u>556</u>	
	364,042	
Non-related parties (Note)	<u>2,441</u>	Mainly includes tax refund receivable
	<u>\$ 366,483</u>	

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

STATEMENT 5

GEM TERMINAL IND. CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value (Note)
Merchandise	\$ 36,659	\$ 43,544
Raw materials	29,280	31,270
Supplies	11,730	11,737
Finished goods	12,962	14,519
Work in process	<u>7,436</u>	<u>8,431</u>
	<u>\$ 98,067</u>	<u>\$ 109,501</u>

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

GEM TERMINAL IND. CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2021		Additions in Investment (Note)		Decrease in Investment (Note)		Balance, DECEMBER 31, 2021			Market Value or Net Asset Value		Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	% of Ownership	Amount	Unit Price	Total Amount	
Global Cayman	40,137,184	\$ 2,003,468	-	\$ 260,534	-	\$ -	40,137,184	100	\$ 2,264,002	\$ 58.65	\$ 2,354,425	None
GEM Cayman	12,598,333	226,257	-	45,390	-	-	12,598,333	100	271,647	22.20	279,745	None
Genius	750,000	<u>90,064</u>	-	<u>9,170</u>	-	<u>-</u>	750,000	100	<u>99,234</u>	139.16	<u>104,370</u>	None
		<u>\$ 2,319,789</u>		<u>\$ 315,094</u>		<u>\$ -</u>			<u>\$ 2,634,883</u>		<u>\$ 2,738,540</u>	

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

GEM TERMINAL IND. CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type/Bank Name	Balance, December 31,2021	Contract Period	Interest Rate (%)	Loan Commitments	Collateral
Unsecured Borrowings					
Taiwan Cooperative Bank	\$ 100,000	110.07-111.10	1.30	\$ 100,000	None
Bangkok Bank	40,000	110.12-111.06	1.25	40,000	None
CTBC Bank	80,000	110.08-111.03	1.20	100,000	None
Taishin Bank	100,000	110.12-111.01	1.15	100,000	None
Entie Bank	100,000	110.12-111.03	1.35	100,000	None
Mega Bank	<u>66,955</u>	110.10-111.06	1.20	<u>100,000</u>	None
	<u>\$ 486,955</u>			<u>\$ 540,000</u>	

STATEMENT 8

GEM TERMINAL IND. CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	\$ 5,024
Company B	2,597
Company C	1,183
Company D	1,171
Others (Note)	<u>5,328</u>
	<u>\$ 15,303</u>

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

STATEMENT 9

GEM TERMINAL IND. CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Genius HK	\$ 60,137
Global HK	43,632
Others (Note)	<u>2,414</u>
	<u>106,183</u>
Non-related parties	
Company A	31,223
Others (Note)	<u>11,279</u>
	<u>42,502</u>
	<u>\$ 148,685</u>

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

GEM TERMINAL IND. CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, DECEMBER 31, 2021			Collateral
			Current	Noncurrent	Total	
Unsecured borrowing						
The Export-Import Bank of the Republic of China	Repayable semiannually from May 2019 to November 2022	1.34	\$ 25,000	\$ -	\$ 25,000	None
Taishin Bank	Repayable semiannually from May 2022 to November 2022	1.80	100,000	-	100,000	None
The Shanghai Commercial & Savings Bank	Repayable semiannually from July 2021 to October 2023	1.55	12,000	12,000	24,000	None
The Shanghai Commercial & Savings Bank	Repayable quarterly from February 2022 to May 2024	1.85	20,000	30,000	50,000	None
The Shanghai Commercial & Savings Bank	Repayable quarterly from August 2022 to November 2024	1.75	12,000	48,000	60,000	None
Chang Hwa Bank	Repayable semiannually from November 2019 to May 2022	1.81	6,250	-	6,250	None
Chang Hwa Bank	Repayable semiannually from October 2019 to April 2023	1.81	16,667	8,333	25,000	None
Mega Bank	Repayable semiannually from June 2020 to June 2022	1.80	20,000	-	20,000	None
Taichung Bank	Repayable semiannually from June 2021 to December 2023	1.48	50,000	50,000	100,000	None
Bank of Taiwan	Repayable semiannually from November 2020 to May 2023	1.61	<u>50,000</u>	<u>25,000</u>	<u>75,000</u>	None
			311,917	173,333	485,250	
Secured borrowings						
Mega Bank	Repayable semiannually from July 2021 to July 2025	1.85	<u>88,890</u>	<u>266,665</u>	<u>355,555</u>	Land and plant
			<u>\$ 400,807</u>	<u>\$ 439,998</u>	<u>\$ 840,805</u>	

GEM TERMINAL IND. CO., LTD.

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Quantities (In Thousands)	Amount
Terminals	776,305	\$ 619,729
Raw materials and supplies		174,298
Others (Note)		<u>2,989</u>
		<u>\$ 797,016</u>

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

GEM TERMINAL IND CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Production cost	
Direct materials	
Raw materials, beginning of year	\$ 15,171
Raw materials purchased	82,207
Raw materials, end of year	(29,280)
Raw materials sold	(9,765)
Others	<u>(8,149)</u>
Raw materials used	50,184
Direct labor	11,028
Manufacturing expenses	<u>49,259</u>
Manufacturing cost	110,471
Add: Work in process, beginning of year	4,656
Work in process purchased	8,833
Less: Work in process, end of year	(7,436)
Others	<u>(239)</u>
Cost of finished goods	116,285
Add: Finished goods, beginning of year	5,867
Finished goods purchased	564
Less: Finished goods, end of year	(12,962)
Others	<u>(321)</u>
	<u>109,433</u>
 Cost of merchandise	 24,898
Merchandise, beginning of year	531,397
Merchandise purchased	(36,659)
Less: Merchandise, end of year	<u>(880)</u>
Others	<u>518,756</u>
	628,189
Raw materials and supplies sold	48,885
Other operating costs	<u>3,039</u>
	 <u>\$ 680,113</u>

GEM TERMINAL IND CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Marketing Expense	General and Administrative Expense	Research and Development Expense	Total
Employee benefits	\$ 8,094	\$ 51,830	\$ 27,166	\$ 87,090
Professional service fees	3,019	12,263	1,146	16,428
Depreciation	1,841	2,595	7,448	11,884
Others (Note)	<u>6,771</u>	<u>18,977</u>	<u>(14,571)</u>	<u>11,177</u>
	<u>\$ 19,725</u>	<u>\$ 85,665</u>	<u>\$ 21,189</u>	126,579
Expected credit loss				<u>276</u>
				<u>\$ 126,855</u>

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

GEM TERMINAL IND CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION BY
 FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2021			2020		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit						
Salaries	\$ 24,629	\$ 71,229	\$ 95,858	\$ 20,520	\$ 53,024	\$ 73,544
Labor and health insurance	2,528	6,991	9,519	2,212	6,018	8,230
Pension	941	3,039	3,980	917	3,085	4,002
Remuneration of directors	-	2,505	2,505	-	906	906
Others	<u>1,622</u>	<u>3,326</u>	<u>4,948</u>	<u>1,493</u>	<u>3,187</u>	<u>4,680</u>
	<u>\$ 29,720</u>	<u>\$ 87,090</u>	<u>\$ 116,810</u>	<u>\$ 25,142</u>	<u>\$ 66,220</u>	<u>\$ 91,362</u>
Depreciation	<u>\$ 8,282</u>	<u>\$ 11,884</u>	<u>\$ 20,166</u>	<u>\$ 9,888</u>	<u>\$ 13,522</u>	<u>\$ 23,410</u>
Amortization	<u>\$ -</u>	<u>\$ 3,110</u>	<u>\$ 3,110</u>	<u>\$ -</u>	<u>\$ 2,358</u>	<u>\$ 2,358</u>

Note 1: In 2021 and 2020, both the average number of the Company's employees were 143, including 4 non-employee directors, respectively, of which the calculation basis were consistent with employee benefits.

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

- 1) The average employee benefits for the years ended December 31, 2021 and 2020 were \$822 thousand and \$651 thousand, respectively.
- 2) The average salaries for the years ended December 31, 2021 and 2020 were \$690 thousand and \$529 thousand, respectively.
- 3) The average salaries increased by 30.43% year-on-year.
- 4) For the years ended December 31, 2021 and 2020, the remuneration of supervisors were \$480 thousand and \$834 thousand, respectively.

(Continued)

- 5) The Company's salary and compensation policies (including directors, supervisors, executive officers and employees) are as follows:
- A. According to the Company's compensation policies for directors and supervisors, the remuneration is capped at \$2,100 thousand. In addition, regardless of financial performance, the Company pays salaries to supervisors and independent directors \$240 thousand and \$300 thousand per person annually, respectively. The Company has set up an audit committee in July 2021 and amended the compensation policies as follows: where the Company made a profit in a fiscal year, the remuneration of directors shall be accrued at the rate no higher than 5% of net profit before income tax, and regardless of financial performance, the Company pays salaries to independent directors \$360 thousand per person annually.
 - B. According to the Company's compensation policies, the salaries and bonuses paid to the executive officers are determined based on their job responsibilities, profitability of the Company and market trends; such salaries and bonuses are reviewed and resolved by the compensation committee and the board of directors.
 - C. Compensation of employees includes a monthly salary and bonuses. According to the Company's compensation policies, the salaries and bonuses of employees are determined based on each employee's job responsibilities, individual and performance and the overall level of the department's (in which the employees belong) contribution to the Company.

(Concluded)