

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates of GEM Terminal Ind. Co., Ltd. for the year ended December 31, 2020 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed included in the consolidated financial statements of parent and subsidiary companies. Consequently, GEM Terminal Ind. Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

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Su, Tun-Li  
Chairman

March 25, 2021

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of GEM Terminal Ind. Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

#### Assessment of Impairment of Inventories

As discussed in Note 10 to the consolidated financial statements, as of December 31, 2020, the Group's consolidated inventories amounted to NT\$865,505 thousand, which accounted for 17% of the Group's total assets. Impairment loss is the amount by which the carrying amount of inventories exceeds their net realizable value. The estimation of net realizable value is based on current market conditions and the historical experience of sales of products of a similar nature. Because the estimation involves significant judgments, we considered the assessment of impairment of inventories as a key audit matter.

Aside from obtaining an understanding of the internal controls relevant to the assessment of the impairment of inventories, we also performed the following audit procedures:

1. We obtained the inventory impairment assessment schedule to understand the estimation and the source of information of the net realizable value.
2. We selected samples and tested the inventory items in order to evaluate the reasonableness of the valuation of the net realizable value and the appropriateness of the carrying amount of inventories.

#### **Other Matter**

We have also audited the parent company only financial statements of GEM Terminal Ind. Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 25, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

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

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

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

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 972,961	19	\$ 1,173,569	21
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,891	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	33,681	1	47,939	1
Notes receivable (Notes 4 and 9)	209,405	4	189,678	3
Accounts receivable, net (Notes 4 and 9)	1,105,222	21	944,206	17
Other receivables	3,841	-	19,815	-
Current tax assets (Note 22)	57	-	1,051	-
Inventories (Notes 4, 5 and 10)	865,505	17	950,408	17
Other financial assets - current (Notes 11 and 27)	72,799	1	176,132	3
Other current assets	107,863	2	111,822	2
<b>Total current assets</b>	<b>3,371,334</b>	<b>65</b>	<b>3,616,511</b>	<b>64</b>
<b>NONCURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 13, 27 and 28)	1,642,172	32	1,775,470	32
Right-of-use assets (Notes 4, 14, 26 and 27)	68,657	1	77,342	1
Deferred tax assets (Notes 4 and 22)	95,755	2	133,743	3
Prepayments for equipment	8,488	-	9,326	-
Other financial assets - noncurrent (Notes 11 and 27)	2,566	-	2,623	-
Other noncurrent assets	9,030	-	7,137	-
<b>Total non-current assets</b>	<b>1,826,668</b>	<b>35</b>	<b>2,005,641</b>	<b>36</b>
<b>TOTAL</b>	<b>\$ 5,198,002</b>	<b>100</b>	<b>\$ 5,622,152</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 27)	\$ 723,111	14	\$ 1,090,977	19
Short-term bills payable (Note 17)	50,000	1	100,000	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	530	-
Notes payable (Note 15)	326,231	6	126,704	2
Accounts payable (Note 15)	621,837	12	379,306	7
Other payables (Notes 16 and 18)	196,606	4	176,613	3
Current tax liabilities (Note 22)	17,784	-	-	-
Lease liabilities - current (Notes 4, 14 and 26)	720	-	1,658	-
Long-term borrowings - current portion (Notes 17 and 27)	381,842	8	784,113	14
Other current liabilities	10,924	-	3,372	-
<b>Total current liabilities</b>	<b>2,329,055</b>	<b>45</b>	<b>2,663,273</b>	<b>47</b>
<b>NONCURRENT LIABILITIES</b>				
Long-term borrowings (Notes 17 and 27)	680,805	13	506,049	9
Deferred tax liabilities (Notes 4, 5 and 22)	24,859	1	181,652	3
Lease liabilities - noncurrent (Notes 4, 14 and 26)	709	-	5,389	-
Net defined benefit liabilities (Notes 4 and 18)	9,668	-	18,528	1
<b>Total noncurrent liabilities</b>	<b>716,041</b>	<b>14</b>	<b>711,618</b>	<b>13</b>
<b>Total liabilities</b>	<b>3,045,096</b>	<b>59</b>	<b>3,374,891</b>	<b>60</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)</b>				
Ordinary shares	1,692,000	32	1,692,000	30
Capital surplus	271,315	5	271,315	5
Retained earnings				
Legal reserve	343,170	7	343,170	6
Special reserve	85,432	2	40,765	1
Unappropriated earnings (accumulated deficits)	(27,126)	(1)	44,667	1
Total retained earnings	401,476	8	428,602	8
Other equity	(168,826)	(3)	(144,656)	(3)
Treasury stock	(43,059)	(1)	-	-
<b>Total equity</b>	<b>2,152,906</b>	<b>41</b>	<b>2,247,261</b>	<b>40</b>
<b>TOTAL</b>	<b>\$ 5,198,002</b>	<b>100</b>	<b>\$ 5,622,152</b>	<b>100</b>

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

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

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 20)	\$ 3,454,386	100	\$ 3,443,022	100
OPERATING COSTS (Notes 10 and 21)	<u>3,078,080</u>	<u>89</u>	<u>3,138,699</u>	<u>91</u>
GROSS PROFIT	<u>376,306</u>	<u>11</u>	<u>304,323</u>	<u>9</u>
OPERATING EXPENSES (Note 21)				
Marketing	136,212	4	148,532	4
General and administrative	183,630	5	193,000	6
Research and development	22,360	1	17,009	-
Expected credit loss (reversed) (Note 9)	<u>426</u>	<u>-</u>	<u>(1,854)</u>	<u>-</u>
Total operating expenses	<u>342,628</u>	<u>10</u>	<u>356,687</u>	<u>10</u>
GAIN (LOSS) FROM OPERATIONS	<u>33,678</u>	<u>1</u>	<u>(52,364)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Interest income	5,070	-	7,571	-
Other income	10,931	-	27,791	1
Other gains and losses	(60,912)	(2)	(20,138)	(1)
Finance costs	<u>(44,586)</u>	<u>(1)</u>	<u>(53,066)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(89,497)</u>	<u>(3)</u>	<u>(37,842)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(55,819)	(2)	(90,206)	(2)
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 22)	<u>(13,323)</u>	<u>(1)</u>	<u>101,370</u>	<u>3</u>
NET LOSS	<u>(42,496)</u>	<u>(1)</u>	<u>(191,576)</u>	<u>(5)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18, 19 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,439)	-	2,088	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	24,366	1	10,821	-

(Continued)

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Net Loss Per Share)

	2020		2019	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (5,007)	-	\$ (2,553)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(29,768)	(1)	(111,963)	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,048</u>	<u>-</u>	<u>1,138</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(8,800)</u>	<u>-</u>	<u>(100,469)</u>	<u>(3)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>\$ (51,296)</u>	<u>(1)</u>	<u>\$ (292,045)</u>	<u>(8)</u>
<b>NET LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ (42,496)</u>	<u>(1)</u>	<u>\$ (191,576)</u>	<u>(6)</u>
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ (51,296)</u>	<u>(1)</u>	<u>\$ (292,045)</u>	<u>(8)</u>
<b>NET LOSS PER SHARE (Note 23)</b>				
Basic	<u>\$ (0.25)</u>		<u>\$ (1.13)</u>	

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

(Concluded)

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

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

	Equity Attributable to the Owners of the Company						Other Equity			Total Equity
	Retained Earnings			Unappropriated Earnings (Accumulated Deficits)	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	Treasury Stock	Total	
	Ordinary Shares	Capital Surplus	Legal Reserve							
BALANCE AT JANUARY 1, 2019	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ -	\$ 273,586	\$ (191,576)	\$ -	\$ -	\$ (40,765)	\$ 2,539,306
Net loss for the year ended December 31, 2019	-	-	-	-	(191,576)	(191,576)	-	-	-	(191,576)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	8,685	-	(110,825)	(100,469)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(191,576)	(191,576)	8,685	-	(100,469)	(100,469)
Appropriation of 2018 earnings Special reserve	-	-	-	40,765	(40,765)	-	-	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,422	3,422	(3,422)	-	(3,422)	-
BALANCE AT DECEMBER 31, 2019	1,692,000	271,315	343,170	40,765	44,667	428,602	(3,725)	-	(147,992)	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)	(8,800)	(8,800)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(42,496)	(42,496)	19,071	(26,720)	(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 stock	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 1,692,000	\$ 271,315	\$ 343,170	\$ 85,432	\$ (27,126)	\$ 401,476	\$ (24)	\$ (174,712)	\$ (168,826)	\$ 2,152,906

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (55,819)	\$ (90,206)
Adjustments for:		
Depreciation expense	250,488	261,510
Amortization expense	2,933	2,715
Expected credit loss recognized (reversed)	426	(1,854)
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	4,631	(5,821)
Finance costs	44,586	53,066
Interest income	(5,070)	(7,571)
Dividend income	(2,753)	(3,428)
Loss on disposal of property, plant and equipment and fire loss, net	6,354	29,072
Loss on disposal of right-of-use assets	-	2,262
Write-down of inventories and fire damage	1,683	2,582
Other non-cash items	1,087	(4,368)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	3,800	-
Notes receivable	(19,727)	(103,456)
Accounts receivable	(161,440)	140,988
Other receivables	15,296	(11,438)
Inventories	84,276	(142,108)
Other current assets	3,959	26,020
Financial liabilities held for trading	(7,057)	3,638
Notes payable	199,527	(58,392)
Accounts payable	242,531	(113,853)
Other payables	22,091	(15,239)
Other current liabilities	7,506	(3,096)
Net defined benefit liabilities	(5,836)	(9,912)
Cash generated from (used in) operations	633,472	(48,889)
Interest received	5,748	7,939
Income tax paid	(88,577)	(7,055)
Net cash generated from (used in) operating activities	<u>550,643</u>	<u>(48,005)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(2,121,129)	(1,046,889)
Proceeds from sale of financial assets at fair value through other comprehensive income	2,158,981	1,100,975
Payments for property, plant and equipment	(166,247)	(239,775)
Proceeds from disposal of property, plant and equipment	1,049	68
Payments for right-of-use assets	-	(3,861)
Proceeds from disposal of right-of-use assets	-	18,031
Decrease (increase) in other financial assets	103,390	(79)

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

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

	2020	2019
Increase in other noncurrent assets	\$ (4,899)	\$ (4,350)
Dividends received	<u>2,753</u>	<u>3,428</u>
Net cash used in investing activities	<u>(26,102)</u>	<u>(172,452)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,206,171	1,598,858
Decrease in short-term borrowings	(1,556,201)	(1,370,651)
Increase in short-term bills payable	50,000	100,000
Decrease in short-term bills payable	(100,000)	(100,000)
Increase in long-term borrowings	480,000	400,000
Repayment of long-term borrowings	(706,269)	(621,264)
Repayment of the principal portion of lease liabilities	(1,541)	-
Payments for buy back of treasury stock	(43,059)	-
Interest paid	<u>(46,663)</u>	<u>(55,213)</u>
Net cash used in financing activities	<u>(717,562)</u>	<u>(48,270)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(7,587)</u>	<u>(59,592)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(200,608)	(328,319)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,173,569</u>	<u>1,501,888</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 972,961</u>	<u>\$ 1,173,569</u>

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

(Concluded)

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on March 25, 2021.

### 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 accounting policies of the Company and its subsidiaries (the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”

The amendments clarify that for a liability to be classified as noncurrent, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as noncurrent regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

## 2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- a) accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- b) the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- c) not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Group chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) the accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined 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 based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

##### 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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### d. Basis of consolidation

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

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

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

See Note 12, Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity'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 consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries in other countries or those 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.

f. 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.

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 and right-of-use assets

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets, which are derivative instruments, are mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

ii Financial assets at amortized cost

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

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

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

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

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

### iii Investments in equity instruments at FVTOCI

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

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

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

### b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except for the following situation, all financial liabilities 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 25.

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

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

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

k. Leasing

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

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments (fixed 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 Group uses the lessee's incremental borrowing rate.

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

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 Group'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 stockholders approve to retain the earnings.

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

### 2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

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

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

The Group 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

a. Write-down of inventories

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

b. Income tax

The taxable temporary differences associated with investments in foreign subsidiaries will not be utilized in the foreseeable future; thus, no deferred tax liabilities have been recognized. Tax expenses will be recognized in the year the foreign subsidiaries distribute the earnings. As of December 31, 2020 and 2019, the tax of taxable temporary differences associated with investments in foreign subsidiaries for which no deferred tax liabilities have been recognized were \$181,140 thousand and \$166,991 thousand, respectively.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 2,655	\$ 2,366
Checking accounts and demand deposits	895,307	1,062,803

(Continued)

	<u>December 31</u>	
	2020	2019
Cash equivalents		
Time deposits with original maturities of 3 months or less	\$ 74,999	\$ 108,400
	<u>\$ 972,961</u>	<u>\$ 1,173,569</u>
		(Concluded)

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

	<u>December 31</u>	
	2020	2019
Time deposits (%)	0.15-0.30	0.55-1.88

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

#### 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	2020	2019
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivatives (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 1,891
<u>Financial liabilities - current</u>		
Held for trading		
Derivatives (not under hedge accounting)		
Copper futures	\$ -	\$ 530

- a. At December 31, 2019, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
Sell	USD/CNY	August 2020	US\$5,000/CNY\$ 35,496

The foreign exchange forward contracts above did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

- b. At the end of the reporting period, outstanding copper futures not under hedge accounting were as follows:

	<b>Futures Month</b>	<b>Lots</b>	<b>Contract Amount (In thousands)</b>
Copper futures			
Refined copper - Sell	May 2020	27	US\$1,877
Refined copper - Buy	July 2020	3	US\$ 211

The copper futures above did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 2,178	\$ 22,263
Overseas listed shares	<u>31,503</u>	<u>25,676</u>
	<u>\$ 33,681</u>	<u>\$ 47,939</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.

For the years ended December 31, 2020 and 2019, the Group sold its shares in order to manage credit concentration risk. The sold shares had a fair value of \$2,158,981 thousand and \$1,100,975 thousand and the Group transferred gains of \$20,864 thousand and of \$4,967 thousand, respectively, from other equity to retained earnings.

The dividends received for the years ended December 31, 2020 and 2019 amounted to \$2,753 thousand and \$3,428 thousand, respectively. Those related to investments derecognized during the years were \$2,665 thousand and \$131 thousand and those related to investments held at the end of the reporting period were \$88 thousand and \$3,297 thousand, respectively.

#### 9. NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Notes receivable		
Notes receivable - operating	<u>\$ 209,405</u>	<u>\$ 189,678</u>

(Continued)

	<u>December 31</u>	
	2020	2019
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,113,831	\$ 952,391
Less: Allowance for impairment loss	<u>8,609</u>	<u>8,185</u>
	<u>\$ 1,105,222</u>	<u>\$ 944,206</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 616	\$ 616
Less: Allowance for impairment loss	<u>616</u>	<u>616</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Notes and accounts receivable

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

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

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

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

December 31, 2020

	Not Past Due	Past Due 1 to 60 Days	Past Due 61 to 90 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	20	100	
Gross carrying amount	\$ 1,298,119	\$ 22,802	\$ -	\$ 2,315	\$ 1,323,236
Loss allowance (Lifetime ECL)	<u>(4,990)</u>	<u>(1,304)</u>	<u>-</u>	<u>(2,315)</u>	<u>(8,609)</u>
Amortized cost	<u>\$ 1,293,129</u>	<u>\$ 21,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,314,627</u>

December 31, 2019

	Not Past Due	Past Due 1 to 60 Days	Past Due 61 to 90 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.6	2-10	20-55	100	
Gross carrying amount	\$ 1,111,120	\$ 28,488	\$ 407	\$ 2,054	\$ 1,142,069
Loss allowance (Lifetime ECL)	<u>(4,381)</u>	<u>(1,531)</u>	<u>(219)</u>	<u>(2,054)</u>	<u>(8,185)</u>
Amortized cost	<u>\$ 1,106,739</u>	<u>\$ 26,957</u>	<u>\$ 188</u>	<u>\$ -</u>	<u>\$ 1,133,884</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 8,801	\$ 10,866
Loss allowance recognized (reversed)	426	(1,854)
Foreign exchange gains and losses	<u>(2)</u>	<u>(211)</u>
Balance at December 31	<u>\$ 9,225</u>	<u>\$ 8,801</u>

b. Credit risk of notes and accounts receivable

The Group'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:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Group A	<u>\$ 141,316</u>	<u>\$ 117,650</u>

**10. INVENTORIES**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Finished goods	\$ 219,953	\$ 267,932
Work in process	241,027	189,185
Raw materials	336,394	425,310
Supplies	<u>68,131</u>	<u>67,981</u>
	<u>\$ 865,505</u>	<u>\$ 950,408</u>

All operating costs recognized in 2020 and 2019 were the cost of inventories, which included the following items:

	<u>For the Year Ended December 31</u>	
	2020	2019
Write-down of inventories	\$ 1,683	\$ 87
Recognition of provisions	193	(1,078)
Fire damages (Note 21)	-	2,495
Others	<u>732</u>	<u>347</u>
	<u>\$ 2,608</u>	<u>\$ 1,851</u>

## 11. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2020	2019
Time deposits with original maturities of more than 3 months	\$ 50,000	\$ 140,302
Pledged time deposits	17,220	22,190
Refundable deposits	<u>8,145</u>	<u>16,263</u>
	<u>\$ 75,365</u>	<u>\$ 178,755</u>
Current	\$ 72,799	\$ 176,132
Noncurrent	<u>2,566</u>	<u>2,623</u>
	<u>\$ 75,365</u>	<u>\$ 178,755</u>

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

	<u>December 31</u>	
	2020	2019
Time deposits (%)	0.40-6.30	1.35-7.00

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

c. Refer to Note 27 for the information of other financial assets pledged as collateral.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	<u>Percentage of Ownership (%)</u>	
			December 31, 2020	December 31, 2019
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global Cayman)	Note 1	100	100
	Genius Terminal Co., Ltd. (Genius)	Notes 1 and 2	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Cayman)	Note 1	100	100

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
Global Cayman	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global HK)	Note 2	100	100
Genius	Genius Terminal (HK) Ltd. (Genius HK)	Note 2	100	100
GEM Cayman	Vietnam Gem Electronic and Metal Co., Ltd (GEM VN)	Note 4	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM Suzhou)	Note 3	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM Dongguan)	Note 3	100	100

(Concluded)

Note 1: International investment.

Note 2: International trading.

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

Note 4: Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production; production and processing of copper cores, copper alloys and copper bars.

### 13. 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 in substance, Su Chung-Hong. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

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

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 146,218	\$ 1,031,745	\$ 1,565,359	\$ 58,204	\$ 788,539	\$ 119,307	\$ 3,709,372
Additions	-	11,739	95,887	1,312	71,806	(18,238)	162,506
Disposal	-	(3,805)	(80,662)	(8,487)	(80,738)	-	(172,972)
Effect of foreign currency exchange differences	-	(13,288)	27,705	(391)	(6,461)	(1,271)	(6,294)
Balance at December 31, 2020	<u>\$ 146,218</u>	<u>\$ 1,027,111</u>	<u>\$ 1,608,289</u>	<u>\$ 50,638</u>	<u>\$ 773,146</u>	<u>\$ 99,798</u>	<u>\$ 3,705,200</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ (501,245)	\$ (930,808)	\$ (39,748)	\$ (462,101)	\$ -	\$ (1,933,902)
Depreciation expenses	-	(42,183)	(103,056)	(2,895)	(99,715)	-	(247,849)
Disposal	-	2,819	75,521	8,462	78,767	-	165,569
Effect of foreign currency exchange differences	-	842	(50,922)	201	3,033	-	(46,846)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (539,767)</u>	<u>\$ (1,009,265)</u>	<u>\$ (33,980)</u>	<u>\$ (480,016)</u>	<u>\$ -</u>	<u>\$ (2,063,028)</u>
Carrying amounts at December 31, 2020	<u>\$ 146,218</u>	<u>\$ 487,344</u>	<u>\$ 599,024</u>	<u>\$ 16,658</u>	<u>\$ 293,130</u>	<u>\$ 99,798</u>	<u>\$ 1,642,172</u>

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 146,218	\$ 1,054,182	\$ 1,564,038	\$ 61,923	\$ 773,416	\$ 108,121	\$ 3,707,898
Additions	-	22,575	137,189	2,999	95,958	12,228	270,949
Fire damages	-	(13,591)	(9,188)	-	(4,969)	-	(27,748)
Disposal	-	(1,954)	(28,387)	(5,158)	(50,174)	-	(85,673)
Effect of foreign currency exchange differences	-	(29,467)	(98,293)	(1,560)	(25,692)	(1,042)	(156,054)
Balance at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 1,031,745</u>	<u>\$ 1,565,359</u>	<u>\$ 58,204</u>	<u>\$ 788,539</u>	<u>\$ 119,307</u>	<u>\$ 3,709,372</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ (474,555)	\$ (904,637)	\$ (43,065)	\$ (424,392)	\$ -	\$ (1,846,649)
Depreciation expenses	-	(43,526)	(105,864)	(3,101)	(105,384)	-	(257,875)
Fire damages	-	1,413	1,252	-	936	-	3,601
Disposal	-	1,880	24,756	5,106	48,938	-	80,680
Effect of foreign currency exchange differences	-	13,543	53,685	1,312	17,801	-	86,341
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (501,245)</u>	<u>\$ (930,808)</u>	<u>\$ (39,748)</u>	<u>\$ (462,101)</u>	<u>\$ -</u>	<u>\$ (1,933,902)</u>
Carrying amounts at December 31, 2019	<u>\$ 146,218</u>	<u>\$ 530,500</u>	<u>\$ 634,551</u>	<u>\$ 18,456</u>	<u>\$ 326,438</u>	<u>\$ 119,307</u>	<u>\$ 1,775,470</u>

b. Estimated useful lives

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

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

c. Refer to Note 27 for the carrying amount of property, plant and equipment pledged as collateral for bank borrowings.

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to property, plant and equipment	\$ 162,506	\$ 270,949
Capitalized interest	(1,531)	(1,945)
Decrease in prepayments for equipment	(838)	(11,085)
Decrease (increase) in payables for purchase of equipment	<u>6,110</u>	<u>(18,144)</u>
Cash paid	<u>\$ 166,247</u>	<u>\$ 239,775</u>

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Carrying amount		
Land	\$ 64,747	\$ 68,500
Buildings	<u>3,910</u>	<u>8,842</u>
	<u>\$ 68,657</u>	<u>\$ 77,342</u>
	<b><u>For the Year Ended December 31</u></b>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 6,443</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,871	\$ 1,938
Buildings	<u>768</u>	<u>1,697</u>
	<u>\$ 2,639</u>	<u>\$ 3,635</u>

### b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Carrying amount		
Current	<u>\$ 720</u>	<u>\$ 1,658</u>
Noncurrent	<u>\$ 709</u>	<u>\$ 5,389</u>
Range of discount rate for lease liabilities (%)		
Buildings	1.59	1.69

### c. Material leasing activities and terms

The Company leases buildings for the use as office with lease term of 1 year. The subsidiaries lease land and buildings for the use as plants, office and employee dormitory with lease terms of 35 to 50 years, which will expire from December 2046 to December 2066 in a row. The Group does not have bargain purchase options to acquire the leasehold land and buildings but have extension options at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

In 2019, Subsidiary GEM VN terminated some of its building lease contracts for purchase and collected the refunded rent of \$ 18,031 thousand. The difference between the refunded rent and the right-of-use assets was \$ 2,262 thousand recognized as non-operating loss. As of December 31, 2020, partial land lease of \$8,489 thousand are in the process of obtaining the land use right certificate.

### d. Refer to Note 27 for the carrying amount of right-of-use assets pledged as collateral for bank borrowings.

e. Other lease information

	<u>For the Year Ended December 31</u>	
	2020	2019
Expenses relating to low-value assets leases	\$ <u>176</u>	\$ <u>132</u>
Total cash outflow for leases	\$ <u>1,835</u>	\$ <u>132</u>

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

**15. NOTES PAYABLE AND ACCOUNTS PAYABLE**

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

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

**16. OTHER PAYABLES**

	<u>December 31</u>	
	2020	2019
Payable for purchase of equipment	\$ 49,401	\$ 55,511
Payable for salaries and bonuses	43,208	44,705
Payable for freight	20,169	16,705
Payable for service fees	15,124	9,146
Payable for pension	10,025	5,536
Payable for processing fees	4,769	2,020
Payable for utilities expense	3,504	3,736
Others	<u>50,406</u>	<u>39,254</u>
	<u>\$ 196,606</u>	<u>\$ 176,613</u>

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

**17. BORROWINGS**

a. Short-term borrowings

	<u>December 31</u>	
	2020	2019
Unsecured borrowings	\$ 294,300	\$ 539,946
Secured borrowings (Note 27)	<u>428,811</u>	<u>551,031</u>
	<u>\$ 723,111</u>	<u>\$ 1,090,977</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured borrowings (%)	1.10-1.87	1.20-3.17
Secured borrowings (%)	1.74-4.48	2.50-4.57

b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial papers		
China Bills Finance Corporation	\$ 50,000	\$ 50,000
International Bills Finance Corporation	<u>-</u>	<u>50,000</u>
	<u>\$ 50,000</u>	<u>\$ 100,000</u>
Annual interest rates (%)	1.40	1.49-1.50

c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured borrowings	\$ 655,583	\$ 1,252,417
Secured borrowings (Note 27)	<u>407,064</u>	<u>37,745</u>
	1,062,647	1,290,162
Less: Current portion	<u>381,842</u>	<u>784,113</u>
	<u>\$ 680,805</u>	<u>\$ 506,049</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured borrowings (%)	1.34-1.81	1.49-2.06
Secured borrowings (%)	1.85-2.20	3.80

The maturity dates of long-term borrowings were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured borrowings	July 2021- October 2023	February 2020- December 2022
Secured borrowings	February 2021- July 2025	February 2021

Under the loan agreements with certain banks, the Group should maintain certain financial ratios based on their reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2020, the financial ratios of the Group were in compliance with the requirements stated in the loan agreements. As of December 31, 2019, the Group was not compliant with the requirement of net asset value as stated in the loan agreements with certain banks, and the banks may increase the interest rates

according to the agreements.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

- 1) The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.
- 2) GEM Dongguan, GEM Suzhou and GEM Vietnam of the Group make contributions in accordance with the local regulations, which are defined contribution plan.

### 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 contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 72,217	\$ 68,293
Fair value of plan assets	<u>(53,369)</u>	<u>(45,048)</u>
Deficit	18,848	23,245
Classified under other payables	<u>(9,180)</u>	<u>(4,717)</u>
Net defined benefit liabilities	<u>\$ 9,668</u>	<u>\$ 18,528</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 71,447</u>	<u>\$ (36,202)</u>	<u>\$ 35,245</u>
Service cost			
Current service cost	573	-	573
Net interest expense (income)	<u>714</u>	<u>(371)</u>	<u>343</u>
Recognized in profit or loss	<u>1,287</u>	<u>(371)</u>	<u>916</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
<b>Remeasurement</b>			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (1,474)	\$ (1,474)
Actuarial gain - experience adjustments	<u>(614)</u>	<u>-</u>	<u>(614)</u>
Recognized in other comprehensive income	<u>(614)</u>	<u>(1,474)</u>	<u>(2,088)</u>
Contributions from the employer	<u>-</u>	<u>(10,828)</u>	<u>(10,828)</u>
Benefits paid	<u>(3,827)</u>	<u>3,827</u>	<u>-</u>
Balance at December 31, 2019	<u>68,293</u>	<u>(45,048)</u>	<u>23,245</u>
<b>Service cost</b>			
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>
<b>Remeasurement</b>			
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> (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 purpose of the actuarial valuations were as follows:

	<u>December 31</u>	
	2020	2019
Discount rate (%)	0.5	1.0
Expected rate of salary increase (%)	1.2	1.2

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

	<u>December 31</u>	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (999)</u>	<u>\$ (1,133)</u>
0.25% decrease	<u>\$ 1,028</u>	<u>\$ 1,169</u>
Expected rate of salary increase		
1% increase	<u>\$ 4,223</u>	<u>\$ 4,838</u>
1% decrease	<u>\$ (3,841)</u>	<u>\$ (4,370)</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>	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 11,055</u>	<u>\$ 6,335</u>
The average duration of the defined benefit obligation	8.5 years	9.6 years

## 19. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	2020	2019
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	December 31	
	2020	2019
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"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit 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 stockholders' meeting for the distribution of stock dividends and bonuses to stockholders.

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 stockholders' long-term interests. Thus, the Company adopted residual dividend policy as its stockholder dividends' policy. The Company's profit may be distributed in the form of cash and/or stock. 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 stock 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 offset of deficit and appropriation of earnings to the special reserve of \$44,667 thousand for 2019 and \$40,765 thousand for 2018 were approved in the stockholders' meetings on June 18, 2020 and June 25, 2019, respectively.

d. Other equity items

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ (147,992)	\$ (37,167)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(26,720)</u>	<u>(110,825)</u>
Balance at December 31	<u>\$ (174,712)</u>	<u>\$ (147,992)</u>

2) Unrealized loss on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ (3,725)	\$ (8,988)
Recognized for the year		
Unrealized gain - equity instruments	19,071	8,685
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(15,370)</u>	<u>(3,422)</u>
Balance at December 31	<u>\$ (24)</u>	<u>\$ (3,725)</u>

3) Remeasurement of defined benefit plans

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 7,061	\$ 5,390
Remeasurement	<u>(1,151)</u>	<u>1,671</u>
Balance at December 31	<u>\$ 5,910</u>	<u>\$ 7,061</u>

e. Treasury stock

	<b>Shares (In Thousands)</b>
Number of shares at January 1, 2020	-
Increase during the year	<u>3,301</u>
Number of shares at December 31, 2020	<u>3,301</u>

The treasury stock held by the Company will be transferred to employees. 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.

## 20. OPERATING REVENUE

	<u>For the Year Ended December 31</u>		
	2020	2019	
Revenue from contracts with customers			
Revenue from sale of goods	<u>\$ 3,454,386</u>	<u>\$ 3,443,022</u>	
a. Contract balances			
		<u>December 31</u>	<u>January 1</u>
		2020	2019
Notes receivable	\$ 209,405	\$ 189,678	\$ 86,222
Accounts receivable, net	<u>1,105,222</u>	<u>944,206</u>	<u>1,083,129</u>
	<u>\$ 1,314,627</u>	<u>\$ 1,133,884</u>	<u>\$ 1,169,351</u>

### b. Disaggregation of revenue

Refer to Note 31 for the disaggregation of revenue and revenue of segment information.

## 21. LOSS BEFORE INCOME TAX

Loss before income tax included following items:

### a. Interest income

	<u>For the Year Ended December 31</u>	
	2020	2019
Bank deposits	<u>\$ 5,070</u>	<u>\$ 7,571</u>

### b. Other income

	<u>For the Year Ended December 31</u>	
	2020	2019
Dividends	\$ 2,753	\$ 3,428
Fire damage insurance claims income	72	17,055
Others	<u>8,106</u>	<u>7,308</u>
	<u>\$ 10,931</u>	<u>\$ 27,791</u>

In January 2019, a fire broke out in part of the subsidiary, GEM VN's plant, causing damage to some of the inventories and property, plant and equipment, which were recognized as operating costs and non-operating losses, respectively. In 2019, based on the investigation report from the claim adjuster, GEM VN estimated that the insurance claim receivable was \$17,055 thousand, which was recognized as non-operating income. However, the final insurance claim amount received by GEM VN in 2020 was \$17,127 thousand, and the difference between the actual and estimated claim amount of \$72 thousand was recognized as non-operating income.

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses), net	\$ (42,898)	\$ 7,903
Loss on disposal of property, plant and equipment, net	(6,354)	(4,925)
Loss on disposal of right-of-use assets (Note 14)	-	(2,262)
Fire damage (Note 13)	-	(24,147)
Gains (losses) on financial instruments at FVTPL, net	(4,631)	5,821
Others	<u>(7,029)</u>	<u>(2,528)</u>
	<u>\$ (60,912)</u>	<u>\$ (20,138)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense of borrowings	\$ 46,094	\$ 54,893
Interest on lease liabilities	23	118
Less: Amounts included in the cost of qualifying assets	<u>1,531</u>	<u>1,945</u>
	<u>\$ 44,586</u>	<u>\$ 53,066</u>
Capitalization rate (%)	1.50-5.40	1.54-5.16

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 247,849	\$ 257,875
Right-of-use assets	2,639	3,635
Other assets	<u>2,933</u>	<u>2,715</u>
	<u>\$ 253,421</u>	<u>\$ 264,225</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 213,078	\$ 222,957
Operating expenses	<u>37,410</u>	<u>38,553</u>
	<u>\$ 250,488</u>	<u>\$ 261,510</u>
An analysis of amortization by function		
Operating costs	\$ 2	\$ 114
Operating expenses	<u>2,931</u>	<u>2,601</u>
	<u>\$ 2,933</u>	<u>\$ 2,715</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 10,127	\$ 31,529
Defined benefit plans	<u>660</u>	<u>916</u>
	10,787	32,445
Short-term employee benefits	<u>451,538</u>	<u>516,399</u>
	<u>\$ 462,325</u>	<u>\$ 548,844</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 332,102	\$ 408,080
Operating expenses	<u>130,223</u>	<u>140,764</u>
	<u>\$ 462,325</u>	<u>\$ 548,844</u>

g. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 3% of net profit before income tax, employees' compensation and remuneration of directors and supervisors and the remuneration of directors and supervisors at \$2,100 thousand. 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.

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 and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 92,956	\$ 334
Adjustments for prior years	<u>8,905</u>	<u>2,692</u>
	<u>101,861</u>	<u>3,026</u>
Deferred tax		
In respect of the current year	(116,991)	87,563
Adjustments for prior years	<u>1,807</u>	<u>10,781</u>
	<u>(115,184)</u>	<u>98,344</u>
	<u>\$ (13,323)</u>	<u>\$ 101,370</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss before income tax	\$ (55,819)	\$ (90,206)
Income tax benefit calculated at the statutory rate	\$ (24,225)	\$ (21,603)
Nondeductible expenses in determining taxable income	997	76
Deferred tax effect of earnings of subsidiaries	(7,777)	102,343
Tax-exempt income	(32)	(803)
Unrecognized loss carryforwards and investment credits	6,764	7,550
Adjustments for prior years	10,712	13,473
Nondeductible withholding tax	<u>238</u>	<u>334</u>
	<u>\$ (13,323)</u>	<u>\$ 101,370</u>

b. Income tax expense recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
Disposal of investments in equity instruments designated as at FVTOCI	\$ (5,494)	\$ 1,545
Deferred tax		
Disposal of investments in equity instruments designated as at FVTOCI	<u>-</u>	<u>(1,545)</u>
	<u>\$ (5,494)</u>	<u>\$ -</u>

c. Income tax expense recognized in other comprehensive loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 3,048	\$ 1,138
Remeasurement of defined benefit plans	288	(417)
Fair value changes of financial assets at FVTOCI	<u>(5,295)</u>	<u>(2,136)</u>
	<u>\$ (1,959)</u>	<u>\$ (1,415)</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	\$ <u>57</u>	\$ <u>1,051</u>
Current tax liabilities		
Income tax payable	<u>\$ 17,784</u>	<u>\$ -</u>

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>						
Temporary differences						
Unrealized deferred profits	\$ 32,586	\$ (3,045)	\$ -	\$ -	\$ (698)	\$ 28,843
Defined benefit obligations	4,649	(1,167)	288	-	-	3,770
Earnings and translation of foreign operations	(145,680)	160,747	3,048	-	1,069	19,184
Property, plant and equipment	7,866	3,056	-	-	57	10,979
Unrealized loss on inventories	5,000	(147)	-	-	(219)	4,634
Land value increment tax	(7,398)	-	-	-	-	(7,398)
Others	<u>2,846</u>	<u>(1,525)</u>	<u>(5,295)</u>	<u>5,494</u>	<u>67</u>	<u>1,587</u>
	(100,131)	157,919	(1,959)	5,494	276	61,599
Loss carryforwards	<u>52,222</u>	<u>(42,735)</u>	<u>-</u>	<u>-</u>	<u>(190)</u>	<u>9,297</u>
	<u>\$ (47,909)</u>	<u>\$ 115,184</u>	<u>\$ (1,959)</u>	<u>\$ 5,494</u>	<u>\$ 86</u>	<u>\$ 70,896</u>

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets (Liabilities)</u>						
Temporary differences						
Unrealized deferred profits	\$ 33,678	\$ (1,092)	\$ -	\$ -	\$ -	\$ 32,586
Defined benefit obligations	7,049	(1,983)	(417)	-	-	4,649
Earnings and translation of foreign operations	(45,803)	(102,232)	1,138	-	1,217	(145,680)
Property, plant and equipment	5,454	2,692	-	-	(280)	7,866
Unrealized loss on inventories	5,066	205	-	-	(271)	5,000
Land value increment tax	(7,398)	-	-	-	-	(7,398)
Others	<u>2,872</u>	<u>456</u>	<u>(2,136)</u>	<u>1,545</u>	<u>109</u>	<u>2,846</u>
	918	(101,954)	(1,415)	1,545	775	(100,131)
Loss carryforwards	<u>50,148</u>	<u>3,610</u>	<u>-</u>	<u>(1,545)</u>	<u>9</u>	<u>52,222</u>
	<u>\$ 51,066</u>	<u>(\$ 98,344)</u>	<u>(\$ 1,415)</u>	<u>\$ -</u>	<u>\$ 784</u>	<u>\$ (47,909)</u>

f. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Loss carryforwards		
Expiry in 2024	\$ -	\$ 7,550
Expiry in 2025	<u>16,335</u>	<u>-</u>
	<u>\$ 16,335</u>	<u>\$ 7,550</u>

g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
\$ 25,628	2023
<u>26,938</u>	2024
<u>\$ 52,566</u>	

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

As of December 31, 2020 and 2019, the tax of taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$181,140 thousand and \$166,991 thousand, respectively.

- i. Income tax assessments

The income tax returns of the Company and GEM VN through 2018 and 2019 have been assessed by the tax authorities.

GEM Dongguan and GEM Suzhou had completed the filing of their income tax returns through 2019 with the tax authorities.

## 23. NET LOSS PER SHARE

Due to the net losses incurred for the years ended December 31, 2020 and 2019, there is no dilutive effect on the computation of diluted loss per share.

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Net loss used in the computation of basic net loss per share	\$ <u>(42,496)</u>	\$ <u>(191,576)</u>

### Weighted average number of ordinary shares outstanding (in thousands)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in computation of basic net loss per share	<u>168,378</u>	<u>169,200</u>

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements (refer to Note 17).

Key management personnel of the Group review the capital structure on a quarterly basis. The capital

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

## 25. FINANCIAL INSTRUMENTS

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

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

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

December 31, 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
Overseas listed shares	<u>31,503</u>	<u>-</u>	<u>-</u>	<u>31,503</u>
	<u>\$ 33,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,681</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative instruments				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 1,891</u>	<u>\$ -</u>	<u>\$ 1,891</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 22,263	\$ -	\$ -	\$ 22,263
Overseas listed shares	<u>25,676</u>	<u>-</u>	<u>-</u>	<u>25,676</u>
	<u>\$ 47,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,939</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Copper futures	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530</u>

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

The derivatives - foreign exchange forward contracts above have been determined in accordance with discounted cash flow approach, which are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
Measured at amortized cost (Note 1)	\$ 2,366,794	\$ 2,506,023
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	-	1,891
Financial assets at FVTOCI		
Equity instruments	33,681	47,939
<b>Financial liabilities</b>		
Measured at amortized cost (Note 2)	2,980,432	3,163,762
Financial liabilities at FVTPL		
Held for trading	-	530

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

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

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

The corporate treasury function reports monthly to the Group's management personnel.

1) Market risk

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

a) Foreign currency risk

The Group had foreign currency denominated trades, which exposed the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to the USD and HKD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts 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.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ (38)	\$ (2,676)
HKD	682	1,429

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 142,219	\$ 270,892
Financial liabilities	638,380	888,650
Cash flow interest rate risk		
Financial assets	895,185	1,062,671
Financial liabilities	1,198,807	1,599,536

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by \$3,036 thousand and \$5,369 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

c) Other price risk

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

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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, 2020 and 2019 would increase/decrease by \$377 thousand and \$479 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 Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to counterparties' failure to discharge an obligation is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group's receivables are significantly concentrated in certain individuals. Accounts receivable from customers with significant carrying amounts were disclosed in Note 9.

## 3) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate 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 Group'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 Group 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	1-3 Months	3 Months to 1 Year	1-5 Years	5-10 Years
<u>December 31, 2020</u>					
Fixed interest rate liabilities	\$ 190,565	\$ 3,491	\$ 354,791	\$ 101,068	\$ -
Variable interest rate liabilities	7,006	20,241	607,306	595,146	-
Lease liabilities	-	720	-	720	-
Financial guarantee contracts	13,022	13,790	25,210	-	-
Non-interest bearing	<u>614,025</u>	<u>430,128</u>	<u>99,346</u>	<u>-</u>	<u>-</u>
	<u>\$ 824,618</u>	<u>\$ 468,370</u>	<u>\$ 1,086,653</u>	<u>\$ 696,934</u>	<u>\$ -</u>
<u>December 31, 2019</u>					
Fixed interest rate liabilities	\$ 287,652	\$ 192,652	\$ 360,333	\$ 51,434	\$ -
Variable interest rate liabilities	176,929	183,139	802,957	462,608	-
Lease liabilities	-	1,658	-	4,852	768
Financial guarantee contracts	4,087	19,551	1,120	-	-
Non-interest bearing	<u>411,645</u>	<u>177,775</u>	<u>91,577</u>	<u>-</u>	<u>-</u>
	<u>\$ 880,313</u>	<u>\$ 574,775</u>	<u>\$ 1,255,987</u>	<u>\$ 518,894</u>	<u>\$ 768</u>

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

December 31, 2019	3 Months to 1 Year
Net settled	
Copper Futures	\$ <u>(503)</u>
Gross settled	
Foreign Exchange Forward Contracts	
Inflows	\$ 152,918
Outflows	<u>(150,000)</u>
	<u>\$ 2,918</u>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the accounts payable to these suppliers. As of December 31, 2020 and 2019, the carrying amounts of these banker's acceptance bills that have been transferred were \$147,613 thousand and \$88,446 thousand, respectively. If the bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group has not transferred the significant risks and rewards relating to these banker's acceptance bills. As of December 31, 2020 and 2019, the carrying amounts of the banker's acceptance bills that have been transferred but not derecognized were \$95,591 thousand and \$63,688 thousand, respectively, and the Group continued to recognize these bills as collateral. For the rest of the banker's acceptance bills, the Group has transferred substantially all risks and rewards relating to the bills, and derecognized the full carrying amounts of the bills receivable and the associated accounts payable, which were \$52,022 thousand and \$24,758 thousand, respectively, as of December 31, 2020 and 2019. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable. The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the carrying amounts of the transferred but unsettled bills receivable. The unsettled bills receivable will be due in 1-5 months after the end of the reporting period. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

For the years ended December 31, 2020 and 2019, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

## 26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and its relationship with the Group

<u>Related Party Name</u>	<u>Relationship with the Group</u>
Su, Tun-Jen	Key management personnel
Su, Tun-Yi	Related party in substance
Su, Tun-Li	Key management personnel
Su, Chung-Hong	Key management personnel
Su, Bo-Chen	Key management personnel

b. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 10,386	\$ 11,298
Post-employment benefits	<u>191</u>	<u>275</u>
	<u>\$ 10,577</u>	<u>\$ 11,573</u>

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

c. Lease arrangements

The Company leased its Taipei office from its related party Su, Tun-Li and leased its warehouse from its related parties, Su, Tun-Jen and Su, Tun-Yi. However, the contract for the lease of the warehouse was terminated in advance in January 2020. Rental amounts were determined based on negotiations and paid according to contract terms. The rentals were similar to the market rates, and the payment terms were not significantly different from that of non-related parties.

The relevant information of the lease arrangements were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Payments for right-of-use assets	\$ -	\$ 2,582
Interest expense	23	118

The balance of lease liabilities as of December 31, 2020 and 2019 was \$1,429 thousand and \$7,047 thousand, respectively.

d. Guarantees

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

<b>Guarantor</b>	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Su, Tun-Li	\$ 772,935	\$ 1,186,113
Su, Chung-Hong	738,172	659,422
Su, Bo-Chen	<u>62,000</u>	<u>409,000</u>
	<u>\$ 1,573,107</u>	<u>\$ 2,254,535</u>

## 27. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	<u>December 31</u>	
	2020	2019
Property, plant and equipment	\$ 557,756	\$ 482,021
Pledged deposits (under other financial assets)	17,220	22,190
Right-of-use assets	<u>30,037</u>	<u>22,110</u>
	<u>\$ 605,013</u>	<u>\$ 526,321</u>

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2020, the Group's significant contingent liabilities and unrecognized commitments were as follows:

- a. The amount of contracts for the Group's purchases of property, plant and equipment was \$9,412 thousand.
- b. The amount of contracts for the Group's purchases of raw materials was \$72,919 thousand.
- c. Unused letters of credit for purchases of raw materials and equipment amounted to \$12,755 thousand.

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

The following information was aggregated by the foreign currencies other than functional currencies of the Group's entities and the 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:

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>NTD (In Thousands)</b>
<u>December 31, 2020</u>				
Financial assets				
Monetary items				
USD	\$ 15,589	28.1	(USD:NTD)	\$ 438,038
USD	11,225	6.5046	(USD:RMB)	315,419
USD	12,384	7.7517	(USD:HKD)	347,983
USD	5,261	23,166	(USD:VND)	147,844
HKD	1,036	3.625	(HKD:NTD)	3,754
HKD	33,079	0.8391	(HKD:RMB)	119,911
HKD	957	0.129	(HKD:USD)	<u>3,470</u>
				<u>\$ 1,376,419</u>

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		NTD (In Thousands)
Financial liabilities				
Monetary items				
USD	\$ 1,498	28.1	(USD:NTD)	\$ 42,102
USD	4,272	6.5046	(USD:RMB)	120,037
USD	11,383	7.7517	(USD:HKD)	319,848
USD	27,442	23,166	(USD:VND)	771,115
HKD	15,872	3.625	(HKD:NTD)	57,538
HKD	398	0.8391	(HKD:RMB)	<u>1,443</u>
				<u>\$ 1,312,083</u>
<hr/> December 31, 2019 <hr/>				
Financial assets				
Monetary items				
USD	10,818	30	(USD:NTD)	\$ 324,542
USD	10,426	6.9638	(USD:RMB)	312,777
USD	15,153	7.7882	(USD:HKD)	454,580
USD	3,823	23,220	(USD:VND)	114,691
HKD	547	3.852	(HKD:NTD)	2,108
HKD	51,363	0.8941	(HKD:RMB)	197,850
HKD	948	0.1284	(HKD:USD)	<u>3,653</u>
				<u>\$ 1,410,201</u>
Financial liabilities				
Monetary items				
USD	1,230	30	(USD:NTD)	\$ 36,886
USD	9,184	6.9638	(USD:RMB)	275,522
USD	11,815	7.7882	(USD:HKD)	354,442
USD	26,913	23,220	(USD:VND)	807,383
HKD	15,530	3.852	(HKD:NTD)	59,822
HKD	235	0.8941	(HKD:RMB)	<u>906</u>
				<u>\$ 1,534,961</u>

(Concluded)

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were (\$42,898) thousand and \$7,903 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

### 30. 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: 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: Table 3.
- 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 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: For the year ended December 31, 2020, net loss of futures contracts was \$6,527 thousand and net gain of foreign exchange forward contracts was \$1,896 thousand.
- 10) Inter-company business relationship and material transactions and its amount: Table 9.
- 11) Information on investees: Table 6.

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 7.

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 8.
  - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Tables 4 and 8.
  - 3) The amount of property transactions and the amount of the resultant gains or losses: Table 8.
  - 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: Tables 8 and 9.
- d. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Table 10.

### 31. SEGMENT INFORMATION

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

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

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

The Group's reportable segments were as follows:

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

#### a. Segment revenues and results

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

	The Company	GEM Dongguan & Genius HK	GEM Suzhou & Global HK	GEM VN	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2020							
Revenue from external customers	\$ 427,405	\$ 1,425,453	\$ 1,598,998	\$ 2,530	\$ -	\$ -	\$ 3,454,386
Inter-segment revenue	<u>146,314</u>	<u>425,805</u>	<u>1,569,016</u>	<u>762,568</u>	<u>111,347</u>	<u>(3,015,050)</u>	<u>-</u>
Segment revenue	<u>\$ 573,719</u>	<u>\$ 1,851,258</u>	<u>\$ 3,168,014</u>	<u>\$ 765,098</u>	<u>\$ 111,347</u>	<u>\$ (3,015,050)</u>	<u>\$ 3,454,386</u>
Segment income (loss)	<u>\$ (43,667)</u>	<u>\$ (4,974)</u>	<u>\$ 49,456</u>	<u>\$ (5,763)</u>	<u>\$ (1,209)</u>	<u>\$ 39,835</u>	\$ 33,678
Interest income							5,070
Other income							10,931
Other gains and losses							(60,912)
Finance costs							<u>(44,586)</u>
Consolidated loss before income tax							(55,819)
Income tax							<u>13,323</u>
Consolidated net loss							<u>\$ (42,496)</u>
December 31, 2020							
Segment assets	<u>\$ 3,713,092</u>	<u>\$ 1,297,414</u>	<u>\$ 2,620,721</u>	<u>\$ 1,026,692</u>	<u>\$ 131,089</u>	<u>\$ (3,591,006)</u>	<u>\$ 5,198,002</u>
Segment liabilities	<u>\$ 1,560,186</u>	<u>\$ 379,721</u>	<u>\$ 1,350,620</u>	<u>\$ 794,435</u>	<u>\$ 76,374</u>	<u>\$ (1,116,240)</u>	<u>\$ 3,045,096</u>

(Continued)

	The Company	GEM Dongguan & Genius HK	GEM Suzhou & Global HK	GEM VN	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2019							
Revenue from external customers	\$ 444,097	\$ 1,411,015	\$ 1,586,235	\$ 1,675	\$ -	\$ -	\$ 3,443,022
Inter-segment revenue	<u>571,679</u>	<u>628,367</u>	<u>1,393,677</u>	<u>912,176</u>	<u>157,134</u>	<u>(3,663,033)</u>	<u>-</u>
Segment revenue	<u>\$ 1,015,776</u>	<u>\$ 2,039,382</u>	<u>\$ 2,979,912</u>	<u>\$ 913,851</u>	<u>\$ 157,134</u>	<u>\$ (3,663,033)</u>	<u>\$ 3,443,022</u>
Segment income (loss)	<u>\$ (42,583)</u>	<u>\$ (34,785)</u>	<u>\$ (23,003)</u>	<u>\$ 8,792</u>	<u>\$ (1,162)</u>	<u>\$ 40,377</u>	<u>\$ (52,364)</u>
Interest income							7,571
Other income							27,791
Other gains and losses							(20,138)
Finance costs							<u>(53,066)</u>
Consolidated loss before income tax							(90,206)
Income tax							<u>(101,370)</u>
Consolidated net loss							<u>\$ (191,576)</u>
December 31, 2019							
Segment assets	<u>\$ 4,345,050</u>	<u>\$ 1,406,620</u>	<u>\$ 2,748,214</u>	<u>\$ 1,089,659</u>	<u>\$ 367,323</u>	<u>\$ (4,334,714)</u>	<u>\$ 5,622,152</u>
Segment liabilities	<u>\$ 2,097,789</u>	<u>\$ 514,964</u>	<u>\$ 814,887</u>	<u>\$ 834,653</u>	<u>\$ 270,590</u>	<u>\$ (1,157,992)</u>	<u>\$ 3,374,891</u>

(Concluded)

b. Revenue from major products

The following is an analysis of the Group's revenue from its major product:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Terminals	\$ 3,439,966	\$ 3,437,209
Others	<u>14,420</u>	<u>5,813</u>
	<u>\$ 3,454,386</u>	<u>\$ 3,443,022</u>

c. Geographical information

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

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Taiwan	\$ 216,893	\$ 189,799	\$ 279,802	\$ 304,457
China	3,056,890	3,081,217	941,175	1,015,625
Vietnam	73,904	83,230	507,370	549,193
Others	<u>106,699</u>	<u>88,776</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,454,386</u>	<u>\$ 3,443,022</u>	<u>\$ 1,728,347</u>	<u>\$ 1,869,275</u>

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

d. Information about major customers

Revenue from a single customer accounting for at least 10% of the Group's consolidated operating revenue was as follows:

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Group A	<u>\$ 357,942</u>	<u>10</u>	<u>\$ 306,527</u>	<u>9</u>

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

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 (Notes 2 and 3)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	GEM VN	Other receivables - related parties	Yes	\$ 312,273	\$ 295,050	\$ 224,800	2.25-3.2	Short-term financing	\$ -	Business development	\$ -	-	\$ 430,581	\$ 861,162	Note 1	
0	The Company	Vibo	Other receivables - related parties	Yes	73,363	70,250	70,250	1.90	Short-term financing	-	Business development	-	-	430,581	861,162	Note 1	
1	Vibo	GEM VN	Other receivables - related parties	Yes	211,930	98,350	98,350	2.25-2.8	Short-term financing	-	Business development	-	-	415,777	831,554	Note 1	
2	Global Cayman	Global HK	Other receivables - related parties	Yes	12,128	-	-	-	Short-term financing	-	Business development	-	-	420,294	840,588	Note 1	
3	GEM Suzhou	Vibo	Other receivables - related parties	Yes	151,600	-	-	-	Short-term financing	-	Business development	-	-	252,300	504,600	Note 1	

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

Note 2: The exchange rate was US\$1: NT\$28.1.

Note 3: It was eliminated on consolidation.

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

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Number of Shares	December 31, 2020		Note
					Carrying Amount	Percentage of Ownership	
The Company	Stock	-	Financial assets at FVTOCI - current	30,000	\$ 737	-	
	Tai Tung Communication Co., Ltd.	-	Financial assets at FVTOCI - current	50,000	705	-	\$ 705
	InnoLux Corporation	-	Financial assets at FVTOCI - current	15,000	500	-	500
	Microelectronics Technology Inc. United Microelectronics Corporation	-	Financial assets at FVTOCI - current	5,000	236	-	236
					<u>2,178</u>		<u>2,178</u>
GEM Suzhou	Stock	-	Financial assets at FVTOCI - current	9,000	4,416	-	4,416
	Yunnan Baiyao Group	-	Financial assets at FVTOCI - current	111,000	18,562	-	18,562
	Huarun Dong's Ejiiao Co., Ltd.	-	Financial assets at FVTOCI - current	6,000	2,152	-	2,152
	Sichuan Sweilfu Co., Ltd.	-	Financial assets at FVTOCI - current	51,000	5,266	-	5,266
	Beijing Tongrentary Group Co., Ltd. Shede Spirits Co., Ltd.	-	Financial assets at FVTOCI - current	3,000	1,107	-	1,107
				<u>31,503</u>		<u>31,503</u>	
					<u>\$ 33,681</u>		<u>\$ 33,681</u>



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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail		Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note		
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term		Ending Balance	% to Total
GEM Dongguan	Genius HK GEM Suzhou	Affiliate Affiliate	Sales	\$ 515,200	28	120 days after monthly closing	Note 1	Note 2	\$ 110,236	19	Note 3
			Sales	275,714	15	120 days after monthly closing	Note 1	Note 2	62,523	11	Note 3
GEM VN	Genius HK Vibo Global HK	Affiliate Affiliate Affiliate	Sales	481,898	63	120 days after monthly closing	Note 1	Note 2	54,186	51	Note 3
			Sales	110,563	14	120 days after monthly closing	Note 1	Note 2	-	-	Note 3
GEM Suzhou	GEM Dongguan Global HK GEM VN	Affiliate Affiliate Affiliate	Sales	1,056,298	33	120 days after monthly closing	Note 1	Note 2	172,178	16	Note 3
			Sales	167,061	5	120 days after monthly closing	Note 1	Note 2	59,688	6	Note 3
Genius HK	The Company GEM Dongguan	Parent Affiliate	Sales	392,187	12	120 days after monthly closing	Note 1	Note 2	211,594	20	Note 3
			Sales	141,588	14	120 days after monthly closing	Note 1	Note 2	42,950	18	Note 3
Global HK	The Company GEM Suzhou	Parent Affiliate	Sales	484,575	48	120 days after monthly closing	Note 1	Note 2	66,629	27	Note 3
			Sales	115,466	40	120 days after monthly closing	Note 1	Note 2	37,789	33	Note 3
Vibo	GEM Suzhou	Subsidiary	Sales	121,313	42	120 days after monthly closing	Note 1	Note 2	51,535	44	Note 3
			Sales	111,347	100	120 days after monthly closing	Note 1	Note 2	-	-	Note 3

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

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

Note 3: It was eliminated on consolidation.

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate (Note 2)	Overdue		Amount Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	GEM VN	Subsidiary	\$ 273,230	1.07	\$ -	-	\$ 99,385	\$ -
GEM Suzhou	GEM Dongguan GEM VN	Affiliate Affiliate	172,178 220,441	5.18 3.15	-	-	172,178 220,441	-
GEM Dongguan	Genius HK	Affiliate	110,236	3.95	-	-	110,236	-

Note 1: It included accounts receivable and other receivables.

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

Note 3: It was eliminated on consolidation.

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

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares/Units	%			
The Company	Global Cayman GEM Cayman Genius	Grand Cayman, Cayman Islands Grand Cayman, Cayman Islands British Virgin Islands	International investment International investment International investment and trading.	\$ 1,295,208	\$ 1,295,208	40,137,184	100	\$ 2,003,468	\$ 16,548	Notes 1 and 2
				392,669	392,669	12,598,333	100	226,257	(7,438)	Notes 1 and 2
				23,282	23,282	750,000	100	90,064	5,173	Note 1
Genius	Genius HK	Hong Kong	International trading	90,134	90,134	21,999,998	100	86,511	5,063	Notes 1 and 2
Global Cayman	Vibo Global HK	Hong Kong Hong Kong	International investment and trading International trading	1,541,063	1,541,063	359,972,616	100	2,078,884	17,183	Note 1
				3,747	3,747	1,000,000	100	8,170	215	Notes 1 and 2
GEM Cayman	GEM VN	Vietnam	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production; production and processing of copper cores, copper alloys and copper bars.	386,780	386,780	386,780	100	232,143	(8,338)	Notes 1 and 2

Note 1: It was eliminated on consolidation.

Note 2: Net of unrealized profits.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020	Remittance of Fund		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Loss of the Investee	% of Ownership of Direct or Indirect Investment	Investment Loss (Notes 1 and 3)	Carrying Amount as of December 31, 2020 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of December 31, 2020	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.	\$ 732,083	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	\$ 452,130	\$ -	\$ 81,641	\$ 370,489	\$ (12,006)	100	\$ (8,015)	\$ 799,713	\$ 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.	1,082,913	The investment was made through a corporation established in a third country to invest in companies located in mainland China.	741,320	-	684,532	56,788	9,042	100	14,807	1,253,662	684,532	

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	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	\$ 1,593,270 (US\$56,700 thousand)	\$ 1,291,743

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.

Note 3: It was eliminated on consolidation.

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

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	\$ 59,848	120 days after monthly closing	No significant difference with those to third parties	\$ 1,750	1	\$ 6,636	
		Purchase	4,893	120 days after monthly closing	No significant difference with those to third parties	(4)	-	(246)	
		Disposal of property, plant and equipment	22,225	120 days after monthly closing	No comparable transactions with those in the market	-	-	-	8,489
Genius HK	GEM Dongguan	Sales	484,575	120 days after monthly closing	No significant difference with those to third parties	66,629	27	-	
		Purchase	515,200	120 days after monthly closing	No comparable transactions with those in the market	(110,236)	20	-	
		Purchase of property, plant and equipment	6,955	120 days after monthly closing	No comparable transactions with those in the market	-	-	-	(257)
Global HK	GEM Suzhou	Sales	121,313	120 days after monthly closing	No significant difference with those to third parties	51,535	44	-	
		Purchase	167,061	120 days after monthly closing	No comparable transactions with those in the market	(59,688)	6	-	
Vibo	GEM Suzhou	Sales	111,347	120 days after monthly closing	No comparable transactions with those in the market	-	-	-	
GEM VN	GEM Suzhou	Sales	28,751	120 days after monthly closing	No comparable transactions with those in the market	9	-	6,792	
		Purchase	392,187	120 days after monthly closing	No comparable transactions with those in the market	(211,594)	23	(5,094)	
		Purchase of property, plant and equipment	25,061	120 days after monthly closing	No comparable transactions with those in the market	(8,847)	-	-	1,363

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

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Financial Statement Item	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets
					Amount (Note 1)	Terms	
0	The Company	Genius HK	1	Sales	\$ 4,937	Payment term of four months	-
		Genius HK	1	Accounts receivable	584	Payment term of four months	-
		GEM Suzhou	1	Sales	59,848	Payment term of four months	2
		GEM Suzhou	1	Accounts receivable	1,750	Payment term of four months	-
		GEM Suzhou	1	Disposal of property, plant and equipment	22,225	Payment term of four months	-
		GEM VN	1	Sales	78,798	Payment term of four months	2
		GEM VN	1	Accounts receivable	40,420	Payment term of four months	1
		GEM VN	1	Disposal of property, plant and equipment	15,480	Payment term of four months	-
		GEM VN	1	Other income	445	Payment term of four months	-
		GEM VN	1	Interest income	4,029	Annual interest rate of 2.25%-3.2%	-
		GEM VN	1	Other receivables	232,810	According to working capital conditions to change payment deeding.	4
		GEM Dongguan	1	Sales	2,731	Payment term of four months	-
		GEM Dongguan	1	Accounts receivable	1,443	Payment term of four months	-
		Vibo	1	Interest income	373	Annual interest rates are 1.9%	-
1	GEM Dongguan	Vibo	1	Other receivables	70,623	According to working, capital conditions to change payment deeding.	1
		Global HK	1	Disposal of property, plant and equipment	4,824	Payment term of four months	-
		Global HK	1	Other receivables	4,764	Payment term of four months	-
		The Company	2	Sales	109	Payment term of four months	-
		The Company	2	Accounts receivable	38	Payment term of four months	-
		Genius HK	3	Sales	515,200	Payment term of four months	15
		Genius HK	3	Accounts receivable	110,236	Payment term of four months	2
		Genius HK	3	Disposal of property, plant and equipment	6,955	Payment term of four months	-
		Genius HK	3	Other income	3	Payment term of four months	-
		GEM Suzhou	3	Sales	275,714	Payment term of four months	8
		GEM Suzhou	3	Accounts receivable	62,523	Payment term of four months	1
		GEM Suzhou	3	Disposal of property, plant and equipment	1,778	Payment term of four months	-
		GEM Suzhou	3	Other income	3,231	Payment term of four months	-
		GEM Suzhou	3	Other receivables	5,038	Payment term of four months	-
2	Genius HK	The Company	2	Sales	141,588	Payment term of four months	4
		The Company	2	Accounts receivable	42,950	Payment term of four months	1
		The Company	2	Other receivables	14,581	Payment term of four months	-
		GEM Dongguan	3	Sales	484,575	Payment term of four months	-
		GEM Dongguan	3	Accounts receivable	66,629	Payment term of four months	14
		GEM Dongguan	3	Other receivables	389	Payment term of four months	1

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount (Note 1)	Terms	
		GEM VN GEM VN	3 3	Sales Accounts receivable	\$ 8,395 3,820	Payment term of four months Payment term of four months	- -
3	Global HK	The Company The Company GEM VN GEM VN GEM Suzhou GEM Suzhou	2 2 3 3 3 3	Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable	115,466 37,789 172 73 121,313 51,535	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months	3 1 - - 4 1
4	GEM Suzhou	The Company The Company The Company Global HK Global HK Global HK Global HK GEM Dongguan GEM Dongguan GEM Dongguan GEM VN GEM VN GEM VN GEM VN Vibo	2 2 2 3 3 3 3 3 3 3 3 3 3 3 2	Sales Other income Accounts receivable Sales Accounts receivable Disposal of property, plant and equipment Other income Sales Accounts receivable Disposal of property, plant and equipment Sales Accounts receivable Disposal of property, plant and equipment Sales Accounts receivable Other income Other receivables Interest income	4,892 34 4 167,061 59,688 3 20 1,056,298 172,178 3,623 392,187 211,594 25,274 1,708 8,847 2,488	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Annual interest rate of 2.8%	- - - 5 1 - - 31 3 - 11 4 - - - - -
5	Vibo	GEM Suzhou GEM VN GEM VN	1 3 3	Sales Interest income Other receivables	111,346 3,766 99,243	Payment term of four months Annual interest rate of 2.25%-2.8% According to working capital conditions to change payment deedling	3 - 2
6	GEM VN	The Company The Company Genius HK Genius HK GEM Dongguan GEM Dongguan GEM Suzhou GEM Suzhou Vibo Global HK Global HK	2 2 3 3 3 3 3 3 3 3 3	Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable Sales Accounts receivable	25,607 4,081 481,898 54,186 112 109 28,751 9 110,563 115,637 46,638	Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months Payment term of four months	- - 14 1 - - - - 3 3 3 1

(Continued)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary.

2) Subsidiary to parent.

3) Subsidiary to subsidiary.

(Concluded)

**TABLE 10****GEM TERMINAL IND. CO., LTD.****INFORMATION OF MAJOR STOCKHOLDERS  
DECEMBER 31, 2020**

Name of Major Stockholder	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 stockholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares (including treasury stock) held by stockholders 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.