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Gemtek Technology Co., Ltd.

2020 Annual Report

Published on May 20, 2021

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw/index.htm
Gemtel annual report is available at: http://www.gemteks.com

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I. Letter to Shareholders

Dear Shareholders,

I. Foreword

2020 is an unprecedented year as we are faced with various challenges brought forth by the COVID-19 pandemic. Under such precarious circumstances, Gemtek continues to seek new opportunities in the marketplace while striving to develop innovative business strategies.

In 2020, the Company's annual consolidated net operating income was NT$19,929,372,000, driven up by an annual increase of 10%. Operating net profit and net profit after tax were NT$467,913,000 and NT$1,407,574,000, respectively. Earnings per share after tax was NT$3.86.

Due to the COVID-19, the company had faced a shortage of production manpower and supplies in the first quarter of 2020, which caused revenue and profit to decline. After the second quarter, Gemtek adjusted quickly to meet the exponential growth of remote desktop connection product demands. Moreover, the Gemtek Vietnam, Gemtek Kunshan and Gemtek Changshu factories have also resumed their normal operations, bringing business performances to a higher level. In the third quarter, in response to business development needs, AMPAK Technology Inc., a subsidiary of Gemtek became independent, which caused an increase in the disposal of non-business income. After the fourth quarter, due to the shortage of supply chain materials, the Company spared no effort to prepare sufficient raw materials to respond to customer needs.

Looking back on 2020, the Company had continued to expand its production capacity domestically and internationally to respond to increasing customer demands while working to launch new products and develop new markets and customers. Wireless telecommunications technology is changing with each passing day. The Company seeks to improve and excel in its overall operations and continue to provide comprehensive services to its customers. Gemtek is committed to becoming a leader and supplier in the wireless communications industry.

Gemtek is truly grateful for the support from our shareholders during this difficult time. In the upcoming year, in order to counteract to the changes in the global economic environment, the Company will continue to actively maintain our leadership in the existing market and broaden our business scale in the wireless communication market. Furthermore, Gemtek is looking to come up with new strategies to heighten our business operations and managerial competencies to prepare ourselves for any sort of challenges. We profoundly hope that our shareholders will continue to stand by us in the years to come.

II. 2020 Business Reports

(I) Business Results

In 2020, the total consolidated operating income was NT$19,929,372,000. The combined operating costs and operating expenses was NT$19,461,459,000. The consolidated non-operating income was NT$1,136,102,000. The consolidated non-operating expenses was NT$30,843,000. The pre-tax net profit was NT$1,573,172,000; income tax expense was NT$165,598,000. Therefore, the consolidated net profit after tax for this year is NT$1,407,574,000. Earnings per share (after tax) is NT$3.86.

(II) Financial Status and Profitability

The Company has always adhered to the conservatism principle in its financial operations, laying out timely plans for the use of long and short-term funds. In 2020, the current ratio was 140.14% and the debt ratio was 49.70%, indicating that the composition of the company's financial structure was adequately sound and stable.

(III) Research and Development

2020 R&D Achievements

1. Next-generation passive optical network/ ultra-wideband network and voice service integration systems GPON/XGSPON /10GEPON/DPoE/NGPON2 product development.
2. G.FAST equipment.
3. Whole home WiFi with Mesh development
4. Advanced WiFi Router 11.ax development
5. Cost-effective and Advanced LTE client device development, including Cat 20, Cat 12, Cat6, Cat4, UER
6. 3GPP based CIOT client device and LGA module development (Cat 4, Cat 1, Cat-M1, NB-IOT)
7. 5G NR CPE development
8. 1W CBRS LTE Small Cell System development
9. mmwave smart antenna phase array system platform development
10. 5G mmwave repeater system platform development

III. 2021 Business Policies

(I) Marketing Strategy

1. Strengthen existing customer relationships and develop new customers.
2. Launch new products according to market trends with new technical specifications.
3. Identify market demands and strengthen the ability to collect market information.
4. Understand market demands and actively explore emerging markets.
5. Approach new clients and seek new business opportunities

(II) Production Policy

1. Strictly control the production process and increase the utilization rate of production capacity.
2. Strictly select suppliers that meet cost effectiveness and integrate resources to pursue profitability.
3. Track the lead time and quality of key manufacturing components. Keenly identify changes in supply, demand and prices.
4. Adjust capital expenditures based on the condition of the industry.
5. Introduce automated and optimized production systems to increase production efficiency.

(III) Industrial Development

Gemtek has been long dedicated to the development of wireless communications technology. Business development is centered on the following major operations:

1.Wireless network service products, which include broadband network related equipments that are built on top of telecommunications infrastructures (5G related technologies, LTE Small Cell, CPE), telecommunication network products (Wi-Fi AP/Router) and business-grade wireless AP/routers and Wi-Fi modules etc.
2.Fixed Broadband Network connection related products, which includes telecommunication integration (VoIP, VDSL, G.fast, GPON, Setup Box etc.) and fiber-optic network products.
3.Telecommication modules and services.
4.Cloud software integration services and IoT.

IV. The Impacts of External Business Environment, Regulatory Environment, and Macroeconomics

(I) External Business Environment

Inter-industry competition will make business and R&D more challenging in terms of whether prices and product innovation can meet the overall market trends and customer demands.

(II) Regulatory Environment

China continues to formulate new laws and regulations to regulate Taiwanese businessmen, resulting in a continuous increase in cost for conducting business operations in the Mainland. Furthermore, the Sino-US trade war is driving tariffs to potentially go higher.

(III) Macroeconomics

A network of industries, infrastructures, and consumers are in high demand of advanced telecommunication products due to the rapid development of wired and wireless broadbands technologies such as optical fiber and 5G. In addition, the new generation of WiFi standards also facilitates the production of more diversified cross-domain applications, which may benefit our overall business operations in the future.

V. Conclusion

The Company's management team is sincerely grateful for the unwavering support from our shareholders. We hope that our shareholders will continue their support and guidance in the forthcoming years.

Chairman
Hong-wen Chen

II. Company Profile

I. Date of Establishment: June 29, 1988

II. Company History and Milestones

Year/Month	Key Historical Events
1988/06	Gemtek Co., Ltd. was founded in Hsinchu City, Taiwan with an initial paid-in capital of NT$2 million. Business operations mainly centered on data processing, typesetting, software, hardware, peripheral equipment, and the buying and selling of office machines.
1992/05	Gemtek Co., Ltd. changed its name to Gemtek Technologies Co., Ltd., and relocated its headquarters to Taipei City. Paid-in capital increased to NT$8 million. Expanded new business operations in research and the buying and selling of electronic components, semi-finished products, and finished products.
1994/10	The company decided to narrow its business scope onto the development of wireless communication products, focusing mainly on the research and development of key RF wireless communication technology and components.
1994/12	Capital increased by NT$12 million by issuance of common stock for cash. Paid-in capital increased to NT$20 million. The company relocated its business address to Xizhi Town, Taipei County.
1996/09	Capital increased by NT$10 million by issuance of common stock for cash. Paid-in capital increased to NT$30 million. 1997/09 Capital increased by NT$25 million by issuance of common stock for cash. Paid-in capital increased to NT$55 million.
1997/12	Transfer of equity shares by significant shareholders to include corporate shareholders. Capital increased by NT$90.5 million by issuance of common stock for cash. Paid-in capital increased to NT$150 million. Established first RF production line. Holds advanced mass production technology for RF products.
1998/01	2.4GHz-WLAN PCMCIA Wireless LAN reached satisfactory completion based on R&D milestones, entering trial production phase.
1998/08	Acquired land in Hsinchu Industrial Park to start first phase construction of the company's manufacturing plant.
1999/03	Capital increased by NT$45 million by issuance of common stock for cash. Paid-in capital increased to NT$195 million. 2.4GHz-2Mbps ISA Wireless LAN reached satisfactory completion based on R&D milestones, entering mass production phase.
1999/06	Public offering of shares was completed. Construction of new plant was completed. Gemtek aims to become a world leading company that specializes in the research and development, design, and manufacturing of RF wireless communication products.
1999/08	Obtained ISO-9001 certification from German TÜV.
1999/11	Capital increased by NT$55 million by issuance of common stock for cash. Paid-in capital increased to NT$250 million. Zhan-Yi Investment Co., Ltd. transferred shares to MiTAC Group. An election event was held to re-elect directors and supervisors. Mr. Feng-Zhe Tsai, representative of MiTAC International Corporation, was elected chairman of Gemtek Technology Co., Ltd.
2000/03	2.4GHz-11Mbps W-LAN Card and AP reached satisfactory completion based on R&D milestones. Conducted successful trial production run.
2000/05	Capital increased by NT$50 million by issuance of common stock for cash. Paid-in capital increased to NT$300 million.
2000/08	Capital increased by NT$100 million by issuance of common stock for cash. Paid-in capital increased to NT$400 million.
2000/09	Received a research grant from the Industrial Development Bureau of the Ministry of Economic Affairs. Launched project to research and develop 5GHz Wireless LAN.
2001/07	Expanded factory to increase production capacity.

Year/Month	Key Historical Events
2002/01	Company listed in GreTai Securities Market. Securities traded over-the-counter.
2002/07	Capitalization of earnings and commission paid to employees increased cash by NT$233.7 million. Capital increased by NT$100 million by issuance of common stock for cash. Paid-in capital increased to NT$733.75 million.
2003/03	1st issuance of convertible bonds totaling NT$120 million. 1st issuance of employee stock option certificates totaling NT$15 million.
2003/06	Transferred stock exchange listing from OTC market to Taiwan Stock Exchange market.
2003/08	Capitalization of earnings increased cash by NT$146.75 million. Capitalization of commission paid to employees increased cash by NT$27 million. Paid-in capital increased to NT$907 million.
2003/12	Purchased new land in Hsinchu Hukou Industrial Park. Set new arrangements to expand factory and establish R&D center.
2004/10	2nd issuance of employee stock option certificates totaling NT$30 million.
2004/03	1st conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds totaling NT$38,191,510, becomes effective. Paid-in capital increased to NT$945,691,510.
2004/04	2nd conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds totaling NT$14,444,430, becomes effective. Paid-in capital increased to NT$960,135,940.
2004/05	Resolution approved by the 2004 Annual General Shareholders Meeting becomes effective to re-elect company's board of directors and supervisors upon expiration of the term of their duties, and to add 8 seats to the company's board of directors.
2004/08	Capitalization of earnings increased cash by NT$192,027,190. Capitalization of commission paid to employees increased cash by NT$35,740,000. 3rd conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$47,362,890, becomes effective. Paid-in capital increased to NT$1,235,266,020.
2004/10	4th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$41,675,820, becomes effective. Paid-in capital increased to NT$1,276,941,840.
2005/01	5th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$24,804,700, becomes effective. Paid-in capital increased to NT$1,301,746,540.
2005/04	6th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$45,459,010, becomes effective. Paid-in capital increased to NT$1,347,205,550.
2005/05	Capital increased by NT$200 million by issuance of common stock for cash. Paid-in capital increased to NT$1,547,205,550.
2005/08	Capitalization of earnings increased cash by NT$243,531,730. Capitalization of commission paid to employees increased cash by NT$44,270,000. Paid-in capital increased to NT$1,835,007,280.
2006/03	Capital increased by NT$13,199,000 by issuance of common stock for cash due to acquisition of Antek Networks Inc. 7th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$2,618,360, becomes effective. Paid-in capital increased to NT$1,850,824,640.
2006/06	8th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, totaling NT$1,221,900, becomes effective. Paid-in capital increased to NT$1,852,046,540.
2006/07	1st issuance of overseas convertible bonds with a USD50 million cap.
2006/10	Capitalization of earnings increased cash by NT$185,134,830. Capitalization of commission paid to employees increased cash by NT$45,000,000. 9th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds totaling NT$6,034,820, become effective. Paid-in capital increased to NT$2,088,216,190.

Year/Month	Key Historical Events
2007/01	10th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, plus 1st conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$49,141,270, become effective. Paid-in capital increased to NT$2,137,357,460.
2007/04	11th conversion of bonds to common shares based upon the 2003 1st issuance of convertible bonds, plus 2nd conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$104,668,400, become effective. Paid-in capital increased to NT$2,242,025,860.
2007/06	Resolution approved by the 2007 Annual General Shareholders Meeting becomes effective to re-elect company's board of directors (9 seats, including 2 independent directors) and supervisors (3 seats) upon expiration of the term of their duties.
2007/10	Capitalization of earnings increased cash by NT$110,598,790. Capitalization of commission paid to employees increased cash by NT$50,180,000. 3rd conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$9,046,620, becomes effective. Paid-in capital increased to NT$2,411,851,270.
2008/04	2nd issuance of convertible bonds totaling NT$1 billion. Conversion of 1st issuance of employee stock option certificates to common shares totaling NT$3,030,000, becomes effective. Paid-in capital increased to NT$2,414,881,270.
2008/09	Capitalization of earnings increased cash by NT$44,097,620. Capitalization of commission paid to employees increased cash by NT$72,150,000. Conversion of 1st issuance of employee stock option certificates to common shares totaling NT$4,300,000, becomes effective. Paid-in capital increased to NT$2,535,428,890.
2008/11	4th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$47,853,050, conversion of 1st issuance of employee stock option certificates to common shares totaling NT$2,310,000, and the cancellation of repurchased treasury stocks totaling NT$22,180,000, become effective. Paid-in capital increased to NT$2,563,411,940.
2009/01	5th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$18,783,480, and conversion of 1st issuance of employee stock option certificates to common shares totaling NT$240,000, become effective. Paid-in capital increased to NT$2,582,435,420.
2009/05	6th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$16,547,360, and conversion of 1st issuance of employee stock option certificates to common shares totaling NT$600,000, become effective. Paid-in capital increased to NT$2,599,582,780.
2009/08	Capitalization of earnings, capital reserve, and commission paid to employees increased cash by NT$135,965,110. 7th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$3,577,820, and conversion of 1st issuance of employee stock option certificates to common shares totaling NT$50,000, become effective. Paid-in capital increased to NT$2,739,175,710.
2010/01	8th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$27,477,410, and conversion of 1st issuance of employee stock option certificates to common shares totaling NT$470,000, become effective. Paid-in capital increased to NT$2,767,123,120.
2010/04	9th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$6,289,680, conversion of 1st issuance of employee stock option certificates to common shares totaling NT$4,000,000, and conversion of 2nd issuance of employee stock option certificates to common shares totaling NT$5,545,000, become effective. Paid-in capital increased to NT$2,782,957,800.
2010/06	Resolution approved by the 2010 Annual General Shareholders Meeting becomes effective to re-elect company's board of directors (9 seats, including 2 independent directors) and supervisors (3 seats) upon expiration of the term of their duties.

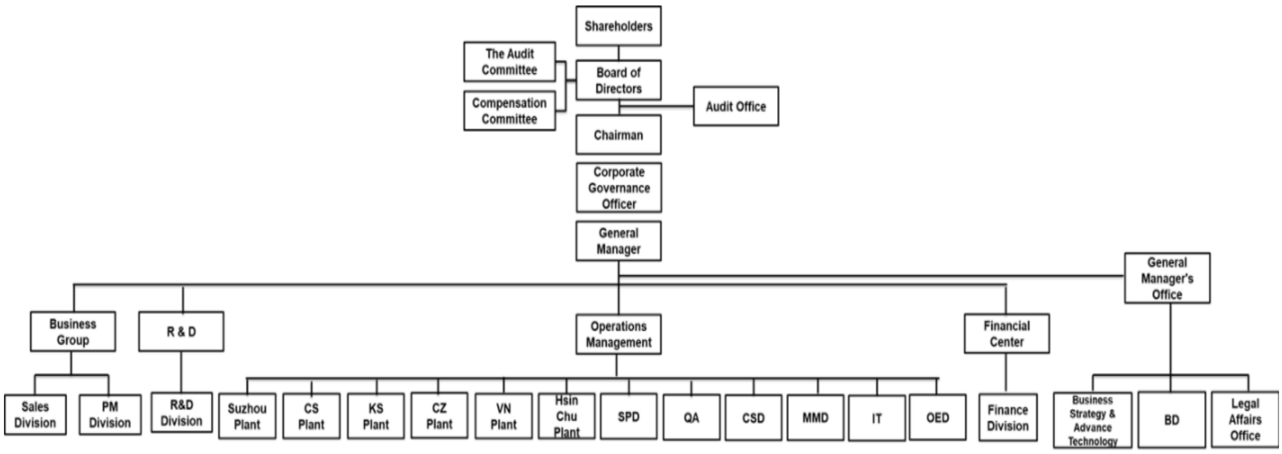
Year/Month	Key Historical Events
2010/09	Capitalization of capital reserve increased cash by NT$52,718,850, becomes effective. Paid-in capital increased to NT$2,835,676,650.
2011/01	10th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$8,656,080, becomes effective. Paid-in capital increased to NT$2,844,332,730.
2011/05	11th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$37,130,090, and conversion of 2nd issuance of employee stock option certificates to common shares totaling NT$24,455,000, become effective. Paid-in capital increased to NT$2,905,917,820.
2011/07	3rd issuance of convertible bonds totaling NT$2 billion.
2011/08	Capitalization of capital reserve increased cash by NT$86,988,270. 12th conversion of bonds to common shares based upon the 2006 1st issuance of overseas convertible bonds totaling NT$105,695,490, becomes effective. Paid-in capital increased to NT$3,098,601,580.
2012/03	Cancellation of repurchased treasury stocks totaling NT$30,568,410, becomes effective. Paid-in capital decreased to NT$3,068,033,170.
2013/09	Cancellation of repurchased treasury stocks totaling NT$17,180,000, becomes effective. Paid-in capital decreased to NT$3,050,853,170.
2013/05	1st conversion of bonds to common shares based upon the 2011 3rd issuance of overseas convertible bonds totaling NT$42,180,460, becomes effective. Paid-in capital increased to NT$3,093,033,630.
2013/06	Resolution approved by the 2013 Annual General Shareholders Meeting becomes effective to re-elect company's board of directors (9 seats, including 2 independent directors) and supervisors (3 seats) upon expiration of the term of their duties.
2013/08	2nd conversion of bonds to common shares based upon the 2011 3rd issuance of overseas convertible bonds totaling NT$65,280, becomes effective. Paid-in capital increased to NT$3,093,098,910.
2014/08	Issuance of common stock subject to employee restricted stock totaling NT$60,000,000, becomes effective. Paid-in capital increased to NT$3,153,098,910.
2015/04	Cancellation of repurchased treasury stocks totaling NT$93,060,000, and reduced capital due to repurchase of employee restricted stock issued totaling of NT$1,063,600, become effective. Paid-in capital decreased to NT$3,058,975,310.
2015/07	Reduced capital due to cancellation of employee restricted stock issued totaling NT$1,369,600, become effective. Paid-in capital decreased to NT$3,057,605,710.
2015/11	Cancellation of repurchased treasury stocks totaling NT$27,770,000, and reduced capital due to repurchase of employee restricted stock issued totaling NT$634,830, become effective. Paid-in capital decreased to NT$3,029,200,880.
2016/01	Reduced capital due to cancellation of employee restricted stock issued totaling NT$789,120, become effective. Paid-in capital decreased to NT$3,028,411,760.
2016/03	4th issuance of convertible bonds totaling NT$1 billion.
2016/06	Resolution approved by the 2016 Annual General Shareholders Meeting becomes effective to re-elect company's board of directors (9 seats, including 2 independent directors) and supervisors (3 seats) upon expiration of the term of their duties.
2016/07	Reduced capital due to cancellation of employee restricted stock issued totaling NT$1,051,190, become effective. Paid-in capital decreased to NT$3,027,360,570.
2016/12	Reduced capital due to cancellation of employee restricted stock issued totaling NT$342,140, become effective. Paid-in capital decreased to NT$3,027,018,430.
2017/04	1st conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$44,973,750, and reduced capital due to cancellation of employee restricted stock totaling NT$227,800, becomes effective. Paid-in capital increased to NT$ 3,071,764,380.

Year/Month	Key Historical Events
2017/06	2nd conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$23,212,220, and reduced capital due to cancellation of employee restricted stock totaling NT$120,000, becomes effective. Paid-in capital increased to NT$ 3,094,856,600.
2017/09	3rd conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$62,546,200, and reduced capital due to cancellation of employee restricted stock totaling NT$200,000, becomes effective. Paid-in capital increased to NT$ 3,157,202,800.
2017/12	4th conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$49,999,650, becomes effective. Paid-in capital increased to NT$ 3,207,202,450.
2018/02	Gemtek Technology Co., Ltd. and Gemtek Investment Co., Ltd. issued a public tender offer to acquire 46,589,780 common shares from AMPAK Technology Inc. Purchase consideration totaling NT$838,616,040.
2018/04	5th conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$235,954,420, becomes effective. Paid-in capital increased to NT$ 3,443,156,870.
2018/08	6th conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$47,212,680, becomes effective. Paid-in capital increased to NT$ 3,490,369,550.
2018/12	7th conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$21,249,850, becomes effective. Paid-in capital increased to NT$ 3,511,619,400.
2019/03	5th issuance of convertible bonds totaling NT$1.2 billion.
2019/04	8th conversion of bonds to common shares based upon the 2016 4th issuance of convertible bonds totaling NT$57,215,560, becomes effective. Paid-in capital increased to NT$ 3,568,834,960.
2019/06	Resolution approved by the 2019 Annual General Shareholders Meeting becomes effective to re-elect company’s board of directors (9 seats, including 3 independent directors) upon expiration of the term of their duties.
2019/07	Issuance of common stock subject to employee restricted stock totaling NT$40,000,000, and cancellation of repurchased treasury stocks totaling NT$32,930,000, becomes effective. Paid-in capital increased to NT$3,575,904,960.

III. Corporate Governance Report

I. Company Organization

1. Organizational Chart



Gemtek Organizational Chart

2. Major Corporate Functions

(1) General Manager's Office

A. Responsible for establishing overall business strategies and policies.

B. Implement business plans, evaluate development risks, and oversee daily operations.

(2) Auditing Division

A. Responsible for inspecting and evaluating the soundness, rationality, and effectiveness of the company's internal control system and various management systems.

B. Internal audit establishes a follow-up process to ensure that corrective actions have been effectively implemented for improving organizational processes.

(3) Sales Department

A. Responsible for domestic and international marketing, customer management, order management, after-sales services, and collection management.

B. Facilitate research and development work by providing insight on product trends, market information, and customer needs.

C. Reacts quickly to market trends, client demands, and product applications.

D. Responsible for establishing product roadmaps and project management plans.

(4) Project Management Department

A. Responsible for organizing and implementing project management plans.

B. Coordinate company resources to accommodate customer requirements for the project.

C. Facilitate effective communication across different departments in the company to expedite project management.

D. Assign ad-hoc product development teams when collaborating with customers.

(5) Research and Development Department

A. Utilize company facilities and resources to develop new products based on the research and development goals of the company.

B. Supervise project progress control, evaluation of outcome, and provide detailed insight to reinforce overall product development.

C. Support the appearance import, layout design, product architecture, packaging material design, and engineering drawing for the development of the product.

D. Responsible for the approval of new materials, and the evaluation, follow-up trials, and testing of molding equipment.

E. Provide professional advice and assistance for special purchase orders and during the handling of anomalous quality situations.

(6) Overseas Manufacturing Plants

(Gemtek Electronics Suzhou Co. Ltd. Manufacturing Plant, Chang-Shu Manufacturing Plant, Gemtek Electronics Kunshan Co., Ltd. Manufacturing Plant, Zheng-Jie Manufacturing Plant, Vietnam Manufacturing Plant)

A. Responsible for offshore manufacturing, production, product shipment, quality control, and other operations.

(7) Hsinchu Manufacturing Plant

A. Responsible for production planning and scheduling, production manufacturing and shipment arrangements, and technical management

(8) Materials Planning and Logistics Department

A. Responsible for coordinating material logistics across global offices.

(9) Client Services Department

A. Responsible for providing satisfactory services and support to meet customer requirements.

(10) Quality Assurance and Control Department

A. Responsible for the planning, establishment, integration, management and audit of the company’s quality assurance and control system.

(11) IT Department

A. Responsible for the planning and management of IT related systems.

(12) Organizational Synergy Management Department

A.Responsible for promoting business operations that are associated with human resources, general affairs, environmental safety, business travel, and factory affairs.

(13) Finance Department

A. Responsible for handling financial activities, accounting, tax affairs, corporate actions, and other financially related matters of the company.

(14) Strategy Management and Advanced Technology Team

A. Responsible for establishing and implementing innovated business strategies and goals.

(15) Business Development Team

A. Responsible for overlooking business expansion operations, market development analysis, formulation of product sales strategies, resource management that are related to business sales, technology, and production, and the exploration of new business opportunities, markets, and customers.

(16) Legal Office

A. Responsible for all legal and legal related external matters such as the drafting and reviewing of legal contracts, providing legal opinions, providing professional interpretation of applicable laws and regulations, litigation, revision of legal documents, and offering legal advice regarding intellectual property rights, etc.

(17) Procurement Department

A. Responsible for evaluating suppliers, products, and services, negotiating contracts, and ensuring that approved purchases are cost-efficient and of high quality.

II. Information on the Company's Directors, Supervisors, General Manager, Deputy General Manager, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Directors and Supervisors

As of April 30, 2021

Title	Nationality	Name	Gender	Date of Election (Inauguration)	Tenure	Date of Initial Appointment	Shareholding when Elected		Current Shareholding		Shares Held by Spouses and Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Other Managers, Directors, or Supervisors Related by Marriage or within Second-Degree Kinship of Each Other		
							Number of shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation
Chairman / General Manager	Taiwan, R.O.C.	Chen, Hong Wen	Male	2019.06.18	3Years	1988.06.29	5,907,937	1.66%	6,532,937	1.80%	11,069	0%	0	0%	TSMC Syntek Semiconductor Co., Ltd. Master of Electrical Engineering, National Tsing Hua University	Chairman of Gemtek Investment Co.,Ltd Chairman of Browan Communications Inc. Chairman of Antek Networks Inc. Chairman of Polaris Group Director of SparkLAN Communications, Inc. Director of G-Technology Investment Co., Ltd Director of Witek Investment Co.,Ltd Director of Ampak International Holdings Ltd Director of Primax Communication (B.V.I.)Inc. Director of Free PP Worldwide Co.,Ltd Director of Yield Microelectronics Corp.	-	-	-

Director	Taiwan, R.O.C.	Tsai, Fu Tsan	Male	2019.06.18	3Years	2004.04.29	1,584,732	0.44%	1,784,732	0.49%	2,225	0%	0	0%	Associate Researcher of National Chung-Shan Institute of Science and Technology Chairman of Ampak Technology Inc. Master of Electro-Optical Engineering, National Chiao Tung University	Senior Deputy General Manager of Gemtek Technology Co., Ltd. Supervisor of Ampak Technology Inc. Chairman of Gemtek Electronics Kunshan Co., Ltd. Chairman of Gemtek Electronics Suzhou Co. Ltd. Director of Brightech International Co., Ltd Director of INPAQ Technology Co., Ltd. Director of APAQ Technology Co., Ltd.	-	-	-
Director	Taiwan, R.O.C.	Yang, Jheng Ren	Male	2019.06.18	3Years	1988.06.29	1,271,269	0.36%	1,462,269	0.41%	905	0%	0	0%	General Manager of Browan Communications Inc. Ph.D. of Electrical Engineering, National Tsing Hua University	Executive Director of Gemtek Technology Co., Ltd. Professor of Yuan-Ze University Director of Gemtek Investment Co.,Ltd Director of Antek Networks Inc. Director of Browan Communications Inc.	-	-	-
Title	Nationality	Name	Gender	Date of Election (Inauguration)	Tenure	Date of Initial Appointment	Shareholding when elected		Current shareholding		Shares Held by Spouses and Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Other Managers, Directors, or Supervisors Related by Marriage or within Second-Degree Kinship of Each Other		
							Number of shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation

Director	Taiwan, R.O.C.	Hsu, Jung Hui	Male	2019.06.18	3Years	2013.6.17	860,927	0.24%	1,140,927	0.31%	0	0%	0	0%	Engineer at National Chung-Shan Institute of Science and Technology Bachelor of Electrical Engineering, Tatung Institute of Technology	Senior Deputy General Manager of Gemtek Technology Co., Ltd. Director of Gemtek Investment Co.,Ltd Supervisor of SparkLAN Communications, Inc. Chairman of BandRich Inc.	-	-	-
Director	Taiwan, R.O.C.	Chang, Yueh Chi	Female	2019.06.18	3Years	2007.06.28	3,000,715	0.84%	3,000,715	0.83%	0	0%	0	0%	Master of Business and Management, National University of Kaohsiung	General Manager of BRILLIANT FOOTWEAR CORPORATION	-	-	-
Director	Taiwan, R.O.C.	APEX ACTION INVESTMENT LIMITED		2019.06.18	3Years	2013.6.17	1,375,000	0.39%	1,375,000	0.38%	0	0%	0	0%	-	Supervisor of Ampak Technology Inc.	-	-	-
	Taiwan, R.O.C.	Representative: Luo, Wen Yi	Male	2019.06.18	3Years	2018.3.20	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, National ChengChi University	Director of ASANLITE CO., LTD. Chairman of CSX MATERIAL CO., LTD. Director of SWEEPOT INC. Independent Director of Allied Biotech Corp. Independent Director of Taiflex Scientific Co., Ltd. Supervisor Representative of REC TECHNOLOGY CORPORATION Juridical Person Supervisor Acting as Representative of Ampak Technology Inc.	-	-	-
Independent Director	Taiwan, R.O.C.	Zhao, Yao Geng	Male	2019.06.18	3Years	2003.06.23	0	0%	0	0%	0	0%	0	0%	PhD of Electrical Engineering, University of Maryland, College Park Independent Director of Harbinger Venture Capital	Independent Director of Favite Inc. Director of ASANLITE CO., LTD. Dean of the College of Electrical and Communications Engineering, Yuan-Ze University	-	-	-

Independent Director	Taiwan, R.O.C.	Wang, Zhu San	Male	2019.06.18	3Years	2017.6.8	0	0%	0	0%	0	0%	0	0%	PhD of Science in Finance, University of Tennessee Master of Polymer Science and Engineering, Case Western Reserve University CEO of IEMBA Program, National Taipei University Member of the Securities and Futures Institute Exam Committee Member of the Ministry of Economic Affairs Audit Committee Consultant at Small and Medium Enterprise Administration, MOEA	Professor of Business Administration, National Taipei University Director of the College of Business Administration, National Taipei University Director of The Association of Global Crowdfunding and Financial Technology Service	-	-	-
Independent Director	Taiwan, R.O.C.	Chang, Zhi Yang	Male	2019.06.18	3Years	2019.06.18	0	0%	0	0%	0	0%	0	0%	PhD of Electrical Engineering, University of Texas at Austin Associate Researcher of National Chung-Shan Institute of Science and Technology Professor of Electrical Engineering, National Chiao Tung University Independent Director of Ampak Technology Inc.	Independent Director/Member of the Compensation Committee of Alpha Microelectronics Corp.	-	-	-

(2) List of Major Shareholders within Institutional Shareholders

As of April 30, 2021

Name of the Institutional Shareholder	Shareholding Percentage
APEX ACTION INVESTMENT LIMITED	Luo, Deh Fu 100%

(3)Professional qualifications and independence analysis of directors and supervisors

As of April 30, 2021

Criteria / Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (Note 2）												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chen, HongWen			✓				✓	✓	✓	✓	✓	✓	✓			0
Tsai, Fu Tsan			✓			✓	✓	✓	✓	✓	✓	✓	✓			0
Yang, Jheng Ren			✓			✓	✓	✓	✓	✓	✓	✓	✓			0
Hsu, Jung Hui			✓			✓	✓	✓	✓	✓	✓	✓	✓			0
Chang, Yueh Chi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			0
Luo, Wen Yi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				0
Zhao, Yao Geng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			1
Wang, Zhu San	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			0
Chang, Zhi Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			1

Note 1: The number of boxes may be subject to change.

Note 2 : Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director in accordance with the Act or the laws and the regulations fo the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the thrid degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. The same does not apply, however, in cases where the person is an independent director appointed in accordance with the Act or the laws and the regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the Company’s director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company. The same does not apply, however, in cases where the person is an independent director appointed in accordance with the Act or the laws and the regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution. The same does not apply, however, in cases where the person is an independent director appointed in accordance with Act or the laws and the regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.

(8)Not a director, supervisor, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. The same does not apply, however, in cases where a specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company and the person is an ndependent director appointed in accordance with Act or the laws and the regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.

(9)Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the companyfor which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or relaed laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not being a person of any conditions defined in Article 30 of the Company Act.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(4) Management Team

As of April 30, 2021

Title	Nationality	Name	Gender	Date of Election (Inauguration)	Current shareholding		Shares Held by Spouses and Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Other Managers, Directors, or Supervisors Related by Marriage or within Second-Degree Kinship of Each Other		
					Number of shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation
General Manager	Taiwan, R.O.C.	Li, Rong Chang	Male	2021.03.25	80,000	0.02%	0	0%	0	0%	Bachelor of Industrial Engineering and Management, Yuan Ze University CSO of Gemtek Technology Co., Ltd.	Chairman of Gemtek CZ, s.r.o.	-	-	-
Senior Deputy General Manager	Taiwan, R.O.C.	Tsai, Fu Tsan	Male	1995.07.01	1,584,732	0.44%	2,225	0%	0	0%	Associate Researcher of National Chung-Shan Institute of Science and Technology Chairman of Ampak Technology Inc. Master of Electro-Optical Engineering, National Chiao Tung University	Senior Deputy General Manager of Gemtek Technology Co., Ltd. Supervisor of Ampak Technology Inc. Chairman of Gemtek Electronics Kunshan Co., Ltd. Chairman of Gemtek Electronics Suzhou Co. Ltd. Director of Brightech International Co., Ltd Director of INPAQ Technology Co., Ltd. Director of APAQ Technology Co., Ltd.	-	-	-
Senior Deputy General Manager	Taiwan, R.O.C	Liao, Hsi An	Male	2011.01.01	168,348	0.05%	0	0%	0	0%	MS in Electrical Engineering, National Cheng Kung University Microwave Research Team, National Chung-Shan Institute of Science & Technology (11 years)	Chairman of Gemtek Electronics (Changshu) Co., Ltd. Supervisor of Browan Communications Inc. Juridical Person Director Representative of AMPAK Technology Inc. Juridical Person Director Representative of SanJet Technology Corp. Juridical Person Director Representative of TAI-SAW Technology Co., Ltd.	-	-	-

Senior Deputy General Manager	Taiwan, R.O.C	Hsu, Jung Hui	Male	2013.06.17	860,927	0.24%	0	0%	0	0%	Engineer at National Chung-Shan Institute of Science and Technology Bachelor of Electrical Engineering, Tatung Institute of Technology	Senior Deputy General Manager of Gemtek Technology Co., Ltd. Director of Gemtek Investment Co.,Ltd Supervisor of SparkLAN Communications, Inc. Chairman of BandRich Inc.	-	-	-
Title	Nationality	Name	Gender	Date of Election (Inauguration)	Current shareholding		Shares Held by Spouses and Dependents		Shares Held by Third Parties		Education and Experience	Concurrent Positions in Other Companies	Other Managers, Directors, or Supervisors Related by Marriage or within Second-Degree Kinship of Each Other		
					Number of shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation
Chief Technology Officer	Taiwan, R.O.C	Yeh, Fu Ming	Male	2017.01.01	52,554	0.01%	0	0%	0	0%	PhD, Electrical Engineering, National Taiwan University Associate Researcher, Wireless Communications Research and Development, National Chun-Shan Institute of Science and Technology Director of Technology for MBOFDM Project at National Chun-Shan Institute of Science and Technology Project Leader of AMS-02 (Alpha Magnetic Spectrometer) Electronic System Research and Development Project led by Dr. Samuel C. C. Ting (Ting, Chao Chung). Alpha Magnetic Spectrometer (a particle physics detector) is still mounted on the ISS.	Director of BandRich Inc.	-	-	-

Chief Operating Officer	Taiwan, R.O.C	Lin, Tien Jin	Male	2020.04.16	46,681	0.01%	0	0%	0	0%	Bachelor of Electronic Engineering, Chung Yuan Christian University R&D Manager, Delta Electronics	Nil	-	-	-
Chief Financial Officer	Taiwan, R.O.C	Lin, Chih Hong	Male	1998.11.23	116,829	0.03%	0	0%	0	0%	Bachelor of Accounting, Soochow Uiniversity Manager, Deloitte Taiwan	Chairman of G-Technology Investment Co., Ltd Director of of Gemtek Investment Co.,Ltd Supervisor of SparkLAN Communications, Inc. Supervisor of Antek Networks Inc. Director of BandRich Inc.	-	-	-
Chiel Sales Officer	Taiwan, R.O.C	Cheng, Guang Ming	Male	2017.08.08	22,000	0.01%	0	0%	0	0%	Business Administration, Kindai University of Japan	Nil	-	-	-

III. Remuneration to Board of Directors, Supervisors, President and Vice President

(1)Remuneration to Board of Directors

As of April 30, 2021

Unit: NT$ Thousands

Title	Name	Remuneration								The sum of A, B, C, and D as a percentage of after-tax net profit(%)		Remuneration for part-time employees								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (%)		Remuneration from invested businesses other than the subsidiaries or the parent company
		Compensation (A)		Retirement pension (B)		Retained Earnings distributed as remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Retirement pension (F)		Distribution of retained Earnings as remuneration to employees (G)						
																Gemtek		Consolidated Subsidiaries of Gemtek				
		Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek	Cash	Stock	Cash	Stock	Gemtek	Consolidated Subsidiaries of Gemtek	
Chairman	Chen, Hong Wen																					
Director	Tsai, Fu Tsan																					
Director	Yang, Jheng Ren																					
Director	Hsu, Jung Hui																					
Director	Chang, Yueh Chi	-	-	-	-	**31,019**	**31,019**	-	-	**2.26**	**2.26**	**10,192**	**10,612**	**71**	**71**	-	-	-	-	**3.01**	**2.96**	**None**
Director	APEX ACTION INVESTMENT LIMITED																					
Independent Director	Zhao, Yao Geng																					
Independent Director	Wang, Zhu San																					
Independent Director	Chang, Zhi Yang																					

Note 1: The 2020 distribution of retained earnings was approved by the board of directors on March 25, 2021, to distribute NTD31,019,499 as remuneration to directors, and the matter shall be submitted to reported at the Shareholders' Meeting.

Note 2: The 2019 remuneration to directors was NT$4,294,295.

Note 3: There was no actual retirement payment in the year 2020.

Remuneration Scale for the Board of Directors

The Range of Remuneration	Name of Directors			
	The total amount of the first four remuneration items (A+B+C+D)		The total amount of the first seven remuneration items (A+B+C+D+E+F+G)	
	Gemtek	Consolidated Subsidiaries of Gemtek	Gemtek	Consolidated Subsidiaries of Gemtek
Less than NT$2,000,000	Zhao, Yao Geng, Wang, Zhu San, Chang, Zhi Yang,	Zhao, Yao Geng, Wang, Zhu San, Chang, Zhi Yang,	Zhao, Yao Geng, Wang, Zhu San, Chang, Zhi Yang,	Zhao, Yao Geng, Wang, Zhu San, Chang, Zhi Yang,
NT$2,000,000 ~ NT$4,999,999	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Chang, Yueh Chi, APEX ACTION INVESTMENT LIMITED	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Chang, Yueh Chi, APEX ACTION INVESTMENT LIMITED	Yang, Jheng Ren, Tsai, Fu Tsan, Chang, Yueh Chi, APEX ACTION INVESTMENT LIMITED	Yang, Jheng Ren, Chang, Yueh Chi, APEX ACTION INVESTMENT LIMITED
NT$5,000,000~ NT$9,999,999	-	-	Chen, Hong Wen,	Chen, Hong Wen,

			Hsu, Jung Hui,	Hsu, Jung Hui, Tsai, Fu Tsan,
NT$10,000,000~ NT$14,999,999	-	-	-	-
NT$15,000,000~ NT$29,999,999	-	-	-	-
NT$30,000,000~ NT$49,999,999	-	-	-	-
NT$50,000,000~ NT$99,999,999	-	-	-	-
Greater Than or Equal to NT$100,000,000	-	-	-	-
Total	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Zhao, Yao Geng, Wang, Zhu San, Chang, Yueh Chi, Chang, Zhi Yang, APEX ACTION INVESTMENT LIMITED	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Zhao, Yao Geng, Wang, Zhu San, Chang, Yueh Chi, Chang, Zhi Yang, APEX ACTION INVESTMENT LIMITED	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Zhao, Yao Geng, Wang, Zhu San, Chang, Yueh Chi, Chang, Zhi Yang, APEX ACTION INVESTMENT LIMITED	Chen, Hong Wen, Yang, Jheng Ren, Hsu, Jung Hui, Tsai, Fu Tsan, Zhao, Yao Geng, Wang, Zhu San, Chang, Yueh Chi, Chang, Zhi Yang, APEX ACTION INVESTMENT LIMITED

(2)Remuneration to the General Manager and Deputy General Manager

As of April 30, 2021

Unit: NT$ Thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Remuneration (A)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Bonus and special allowance (C)</th><th colspan="4">Distribution of retained Earnings as remuneration to employees (D)</th><th colspan="2">The sum of A, B, C, and D as a percentage of after-tax net profit (%)</th><th rowspan="3">Remuneration from invested businesses other than the subsidiaries or the parent company</th></tr>
<tr><th rowspan="2">Gemtek</th><th rowspan="2">Consolidated Subsidiaries of Gemtek</th><th rowspan="2">Gemtek</th><th rowspan="2">Consolidated Subsidiaries of Gemtek</th><th rowspan="2">Gemtek</th><th rowspan="2">Consolidated Subsidiaries of Gemtek</th><th colspan="2">Gemtek</th><th colspan="2">Consolidated Subsidiaries of Gemtek</th><th rowspan="2">Gemtek</th><th rowspan="2">Consolidated Subsidiaries of Gemtek</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>General Manager</td><td>Chen, Hong Wen</td><td rowspan="9">31,916</td><td rowspan="9">32,757</td><td rowspan="9">718</td><td rowspan="9">718</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">2.38</td><td rowspan="9">2.38</td><td rowspan="9">None</td></tr>
<tr><td>Senior Deputy General Manager</td><td>Tsai, Fu Tsan</td></tr>
<tr><td>Senior Deputy General Manager</td><td>Liao, Hsi An</td></tr>
<tr><td>Senior Deputy General Manager</td><td>Hsu, Jung Hui</td></tr>
<tr><td>Chief Financial Officer</td><td>Lin, Chih Hong</td></tr>
<tr><td>Chief Operating Officer</td><td>Lin, Tien Jin</td></tr>
<tr><td>Chief Technology Officer</td><td>Yeh, Fu Ming</td></tr>
<tr><td>Chief Sales Officer</td><td>Cheng, Guang Ming</td></tr>
<tr><td>Chief Sales Officer</td><td>Cheng, Guang Ming</td></tr>
</table>

Note 1: The 2020 distribution of retained earnings was approved by the board of directors on March 25, 2021, to distribute NTD232,646,248 as remuneration to employees, and the matter shall be submitted to reported at the Shareholders' Meeting.

Note 2: An amount equivalent to 6% of employee salary for retirement pension is deposited in an account administered by the Bureau of Labor Insurance in accordance with the law. There was no actual retirement payment in the most recent year.

Note 3: On March 25, 2021, the newly appointed general manager was approved and announced by the board of directos.

Remuneration Scale for the General Manager and the Deputy General Manager

The Range of Remuneration	Name of the General Manager and the Deputy General Manager	
	Gemtek	Consolidated Subsidiaries of Gemtek
Less than NT$2,000,000	Tsai, Fu Tsan	Tsai, Fu Tsan
NT$2,000,000 ~ NT$4,999,999	Li, Rong Chang Liao, Hsi An, Hsu, Jung Hui, Lin, Tien Jin	Li, Rong Chang Hsu, Jung Hui, Lin, Tien Jin
NT$5,000,000~ NT$9,999,999	Chen, Hong Wen, Lin, Chih Hong Yeh, Fu Ming, Cheng, Guang Ming	Chen, Hong Wen, Su, Hui Hao, Yeh, Fu Ming, Cheng, Guang Ming, Liao, Hsi An,
NT$10,000,000~ NT$14,999,999	-	-
NT$15,000,000~ NT$29,999,999	-	-
NT$30,000,000~ NT$49,999,999	-	-
NT$50,000,000~ NT$99,999,999	-	-
Greater Than or Equal to NT$100,000,000	-	-
Total	Chen, Hong Wen, Li, Rong Chang Tsai, Fu Tsan, Liao, Hsi An, Hsu, Jung Hui, Lin, Chih Hong, Lin, Tien Jin Yeh, Fu Ming, Cheng, Guang Ming	Chen, Hong Wen, Li, Rong Chang Tsai, Fu Tsan, Liao, Hsi An, Hsu, Jung Hui, Lin, Chih Hong, Lin, Tien Jin Yeh, Fu Ming, Cheng, Guang Ming

(4) Employee Compenstion to the Management Team

As of April 30, 2021

	Title	Name	Employee Compenstion – in Stock (NT$Thousands)	Employee Compenstion – in Cash (NT$Thousands)	Total (NT$Thousands)	The total amount as a percentage of net income after tax (%)
Management Team	Chief Executive Officer	Chen, Hong Wen	-	3,426	3,426	0.25
	Senior Deputy General Manager	Tsai, Fu Tsan				
	Senior Deputy General Manager	Liao, Hsi An				
	Senior Deputy General Manager	Hsu, Jung Hui				
	Chief Financial Officer	Lin, Chih Hong				
	Chief Operating Officer	Lin, Tien Jin				
	Chief Technology Officer	Yeh, Fu Ming				
	Chief Sales Officer	Li, Rong Chang				
	Chief Sales Officer	Cheng, Guang Ming				

Note : The 2020 distribution of retained earnings was approved by the board of directors on March 25, 2021, to distribute NTD232,646,248 as remuneration to employees.

(5) Comparison analysis of the current and previous fiscal years regarding the percentage of total remuneration paid to directors, supervisors, the general manager, and deputy general manager by the Company and by affiliated companies that are included in the consoliated financial statements to the net income, and its correlation with the remuneration payment policies, standards, and portfolios, the procedures for determining the remuneration, operation performance, and potential risks described in detail:

1. The percentage of total remuneration paid to directors, supervisors, the general manager, and deputy general manager by the Company and by affiliated companies that are included in the consoliated financial statements to the net income as of current and previous fiscal years:
   2018 – (146.29)%
   2019 – 20.57%
   2020 – 4.83%

2. Correlation with the remuneration payment policies, standards, and portfolios, the procedures for determining the remuneration, operation performance, and potential risks:

Pursuant to Article 20 of the Article of Incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate 13.5% for employee profit sharing bonuses and 1.8% for the renumeration benefits of directors and supervisors. Employee profit sharing bonuses are to be granted in the form of securities or cash to qualified company employees, which the occurrences are to be mentioned and reported in the shareholders' meeting. The Company shall not distribute bonuses in the event of accumulated losses

Pursuant to Article 20-1 of the Article of Incorporation, upon the closing of the Company's annual financial accounts, if surplus profit is determined, the Company shall first pay taxes and make up for all past losses; then, set aside a 10% legal capital reserve and a special capital reserve in accordance with applicable laws, rules and regulations. The remainder of the profits after deducting the foregoing shall be allocated as shareholders' dividends, subject to proposal by the board of directors and approval by shareholders at a shareholders' meeting.

Considering the current development status of the Company and the overall conditions of the industrial environment, other factors such as the Company's financial measures that might influence the financial structure and profit earnings are the key elements for determining the amount and type of surplus distributed. Bearing in mind the Company's capital requirements, long-term financial goals, and shareholders' demands for liquidity, the distribution of surplus profit shall be made preferably by way of cash and stock dividends. The distribution of cash dividends per year shall not be lower than 10% of the aggregate amount of the stock dividends and cash dividends distributed for that particular year.

Potential Risks:

The Company's remuneration is established upon a performance-related pay standard, which evaluates the overall performances of the company's operational outcomes, individual managers' achievements and contributions, and other factors that may influence the remuneration structure. If performances are recognized and approved by management, the fixed and variable rewards paid shall fully reflect the performances of either individuals or teams.

IV. Corporate Governance

(1) Operation Status of the Board of Directors

The Board of Directors held 8 [A] meetings during the current fiscal year. The attendance record of the Board of Directors is shown below:

Title	Name (Note 1)	Attendance In Person [B]	Attendance by Proxy	Attendance Rate (%) (B/A) (Note2)	Remarks
Chairman	Chen, Hong Wen	8	-	100%	
Director	Yang, Jheng Ren	8	-	100%	
Director	Tsai, Fu Tsan	7	-	88%	
Director	Chang, Yueh Chi	5	-	63%	
Director	Hsu, Jung Hui	8	-	100%	
Director	APEX ACTION INVESTMENT LIMITED Representative: Luo, Wen Yi	8	-	100%	
Independent Director	Zhao, Yao Geng	8	-	100%	
Independent Director	Wang, Zhu San	8	-	100%	
Independent Director	Chang, Zhi Yang	8	-	100%	

Note 1: For directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders

Note 2:

(1)If any of the directors or supervisor resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column, The actual attendance rate(%) should be calculated by the actual number of meetings he/ she attended during his/her term at the Board of Directors.

(2)If there is any re-election of the Board before the end of the year, both the information of current and former directors and supervisors should be filled in the table, and the status and the re-election date should also be specified in the remarks column, The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Board of the Directors.

Other matters to be recorded:

1. Where any of the following circumstances occurs to the meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and Company's action on these opinions shall be described:

(1) On issues stated in Article 14-3 of the Securities and Exchange Act: None.

(2) In addition to the matters mentioned above, any independent director expresses dissent or reservation with respect to a resolution of the Board of Directors, and such dissent or reservation is recorded in the minutes or a written statement: None.

2. If the directors have personal interest conflicts to the proposal and are required for recusal, please specify the name of the directors, proposal, reason and the resolution: None

3. Please find details regarding the evaluation frequency, scope, method, and content for Status of Board Evaluation in the following chart

4. An evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof; and any other matters that require reporting (i.e. establish audit committee, improve information transparency) :

(1) An audit committee and a remuneration committee was set up by the Board of Directors to assist on supervisory duties

(2) The remuneration committee is composed of 3 independent directors, effective on December 27, 2011.

(3) The audit committee is composed of 3 independent directors, effective on June 18, 2019.

(4) To facilitate the implementation of corporate governance, the company has appointed Mr. Chih-Hong Lin, the Chief Financial Officer of the company as the head of corporate governance department. The corporate governance department, in accordance with the law, will be overlooking matters related to the board of directors, audit committee, remuneration committee, and shareholders; assisting newly appointed directors adapt to the the new role as well as the arrangement of advanced education; providing directors with information relevant to business affairs; and provide guidance to regulatory compliance.

Status of Board Evaluation

Frequency	Period	Scope	Method	Scope of Evaluation
Once a year	2020/1/1~ 2020/12/31	Evaluation on the performance of the Board, individual Board members and Functional Committee members.	Self-evaluation of the Board, Self-evaluation of the Board member, Self-evaluation of the functional committee	Please see Note 1.

Note 1: The scope of the evaluations shall include at least the following items.

1.Performance evaluation of the Board:

(1)The Directors’ level of participation in the Company's operations

(2)The quality of the Board's decision-making

(3)The composition and structure of the Board

(4)The selection and continuous training of Directors

(5)Internal control

2. Performance evaluation of functional committee:

(1)The committee members’ level of participation in the Company's operations

(2)The committee members’ understanding in responsibilities

(3)The quality of decision-making of the committee members

(4)The composition of functional committees and the selection of members

(5)Internal control

3. Performance evaluation of individual Directors:

(1)The Company's objectives and tasks

(2)Directors' understanding in responsibilities

(3)Directors’ level of participation in the Company's operations

(4)Internal relationship management and communication

(5)Professional and continuous education of Directors

(6)Internal control

(2) Operation Status of the Audit Committee

The main annual duties of Audit Committee are summarized as follows:

1. Financial report.
2. Internal Control Policies
3. Adoption of procedures for handling material financial or business activities, such as acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant and their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Other matters of material nature as prescribed by the Company or competent authority.

The Audit Committee held 5[A] meetings during the current fiscal year. The attendance record of the Independent Directors is shown below:

Title	Name (Note 1)	Attendance In Person [B]	Attendance Rate (%) (B/A)	Remarks
Chairperson	Wang, Zhu San	5	100%	
Member	Zhao, Yao Geng	5	100%	
Member	Chang, Chih Yang	5	100%	

Note :

(1)If any of the independent directors resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column, The actual attendance rate(%) should be calculated by the actual number of meetings he/ she attended during his/her term at the Audit Committee.

(2)If there is any re-election of the Board before the end of the year, both the information of current and former independent directors should be filled in the table, and the status and the re-election date should also be specified in the remarks column, The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Audit Committee.

Other matters to be recorded:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) The items listed in Article 14-5 of Securities and Exchange Act.

Audit committee Sessions of Board and date of meetings	Motion	Resolution made by the Audit Committee	Follow-up actions made by the Company
2020.03.10	1. 2019 business reports and financial statements. 2. Ratification of 2019 Internal Control Statement 3. Amendment of Internal Control Policy. 4. Securiy listing application of subsidiary company AMPAK Technology Inc. 5. Replacement of of CPA beginning on 2020 Q1. 6.External Auditor Assessment Report regarding Independence and Competency	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.
2020.04.28	1.2020 Q1 financial statements. 2.Distribution of 2019 profits. 3.Implementation of 2019 cash distribution derived from capital reserve 4.Issuance of new employee restricted stock units. 5.Stock release plans for AMPAK Technology Inc.	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.
2020.06.17	1.Stock listing price and subscription periods for AMPAK Technology Inc.	The motions are	Resolved and

		passed by all Audit Committee members.	approved by the board of directors.
2020.08.07	1.2020 Q2 financial statements. 2.Disposal of Mainland investment in Gemtek Electronics (Suzhou) Co. Ltd. 3.Issuance of new employee restricted stock units.	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.
2020.10.30	1.2020 Q3 financial statements. 2.Draw up 2021 Auditing Plan 3.Appointment of CPA for 2020 financial statement	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.
2021.03.25	1.2020 business reports and financial statements. 2. 2020 "Assessment of the Effectiveness of the Internal Control System" and "Internal Control Statement". 3.Ratification of derivatives trading. 4.External Auditor Assessment Report regarding Independence and Competency 5. Long-term investment (PYRAS Technology Inc.) 6. Distribution of 2020 profits. 7. Implementation of 2020 cash distribution derived from capital reserve	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.
2021.05.06	1.2021 Q1 financial statements. 2.Annual bonus and rewards plan for managers.	The motions are passed by all Audit Committee members.	Resolved and approved by the board of directors.

(2) Except for the proposal mentioned above, other resolutions which are not approved by Audit Committee but are approved by two-third of directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors'names, contents of motion, causes for avoidance and voting shold be specified:None

3. Communications between the independent directors, the Company's Chieg Internal Auditor and CPAs (e.g.the items, methods and results of audits of corporate finance or operations, etc.)

(1) The Company Chief Internal Auditor communicates with independent directors of the Audit Committee through the audit report on a monthly basis. Through the Audit Meeting, the execution status of audit procedures is reported at least once every quarter. In case of irregularities, such matters will be reported to the members of the Audit Committee in a timely manner.

(2) In the quarterly Audit Committee Meeting, the Company's CPA reports to independent directors the financial affairs, audit results, internal control, IFRSs revisions, impacts on the Company, and relevant regulatory requirements of the Company and its overseas subsidiaries. The CPA communicates whether the abovementioned should affect the way accounting items are recognized or adjusted..

(3)Audit supervisors, CPAs, and independent directors should communicate directly as much needed as possible.

(3) Implementation Status of Corporate Governance

Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I.Has the Company established and disclosed the Corporate Governance Best practice Principle based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company has established the "Corporate Governance Best-Practice Principles" upon the approval of the Board of Directors, and has posted the document on the Company's website and MOPS .	None
II. Shareholding structure and shareholder's equity				
(I) Does the Company have an internal procedure and act accordingly for handling of the suggestions, doubts, disputes, and lawsuits of the shareholders?	V		(I) The Company has set up relevant departments i.e.investor relations, corporate actions, legal, to properly handle the suggestions, doubts, disputes, and lawsuits of the shareholders.	None
(II) Does the Company have the list of major shareholders who have ultimate control over the company?	V		(II) The Company regularly reviews the shareholding status of the board, managers, and the list of major shareholders who holds more than 10% of the shares.	None
(III) Does the Company establish and implement a firewall mechanism to control the risks between the Company and the affiliates?	V		(III) The company has established risl control measures within its internal control operation procedures.	None
(IV) Does the Company have internal policies to prohibit insiders from trading securities with undisclosed information ?	V		(IV) The Company has formulated the "Procedures for Handling Material Inside Information" .	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
III.Composition and responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversified policy for the composition of its members?	ˇ		(I) According to the Company's "Corporate Governance Best-Practice Principles" , the company has developed and implemented a diversified policy for the composition of its Board of Directors. The members of the Board have a fair representation of people of different genders, professional experience and competencies.	None
(II)Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	ˇ		(II) The functional committees of the Company are: 1.Renumeration Committee (Est.2011) . 2.Audit Committee (Est.2019). The establishment of additional functional committees is dependent on the company’s overall operational performances and strategies.	None
(III)Does the Company establish a standard to measure the performance of the Board annually, report the results of the performance evaluation to the Board, and use it as a reference for individual directors’ remuneration and nomimation?	ˇ		(III) On Mar. 10, 2020, the Company has passed the motion for the establishment of the “Procedures for Performance Evaluation of Board of Directors” , which clearly states the frequency, time frame, evaluation criteria, the department in charge of conducting the internal evaluation, procedures, etc. for carrying out the evaluation process. The 2020 Performance Evaluation of the Board of Directors is mainly centered on “Board Self-Evaluation” and “Evaluation of Board Effectiveness”. As per the 2020 Performance Evaluation, the results indicate that the overall performances of the Board of Directors and functional committees	None
	ˇ			

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(IV)Does the Company regularly evaluate the independence of CPAs?			were well-achieved and effective. (IV) The Company’s Finance Department performed an annual independence assesement of CPAs, and has submitted the results to the Board of Directors for resolution on March 25, 2021.(Please refer to page 30-32)	None
IV.Does the TWSE/TPEx listed company have a designated corporate governance unit or personnel in place to address corporate governance affairs (including, but not limited to, the provision of relevant business information to attending directors and supervisors, ensure regulatory compliance, assist directors and supervisors with matters related to board meetings and shareholders meetings as required by law, and prepare minutes for board meetings and shareholders meetings)?	ˇ		(I)Corporate Governance Personnel: Chief Finance Officer (II)Main Duties: Responsible for handling corporate governance affairs, including the provision of relevant business information to attending directors and independent directors, ensure regulatory compliance, assist directors and supervisors with matters related to board meetings and shareholders meetings as required by law, company registration affairs, and prepare minutes for board meetings and shareholders meetings	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
V.Did the Company establish effective communication channels with stakeholders, construct a designated section on its website to address issues raised by stakeholders (including but not limited to shareholders, employees, customers, and suppliers) , i.e. Corporate Social Responsibility, with appropriate responses?	ˇ		The Company has various communication channels in place to facilitate stakeholder engagement and management, e.g. investment relations, corporate actions team, legal department. The Company has constructed a designated section on its website to address issues raised by stakeholders, i.e. Corporate Social Responsibility, with appropriate responses.	None
VI.Does the Company commission a professional registrar to deal with the affairs of the shareholders' meeting?	ˇ		The Company has appointed SinoPac Securities Corporation to deal with the affairs of the shareholders' meeting.	None
VII. Information disclosure (I)Does the Company have a website to disclose the financial and corporate governance information of the Company?	ˇ		(I) The Company discloses its financial and corporate governance information on the company website and TWSE MOPS.	None
(II)Does the Company adopt other information disclosure methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the meeting agenda of investor conferences on the website)?	ˇ		(II) The Company's investor relations webpage is available in both Chinese and English. A website administrator is responsible for updating and disclosing the Company's information on the website in a timely manner. The Company has employed a spokesperson and deputy spokesperson to represent the company. The meeting agenda of the Institutional Investor Conference is posted on the Company's website.	None
(III) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and has announced and reported Q1, Q2, Q3 financial reports and the operating status of each month prior to the prescribed	ˇ		(III) The Company has announced and reported its financial report within two months after the end of the fiscal year, and has announced and reportd Q1, Q2, Q3 financial reports and the operating status of	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
deadline?			each month prior to the prescribed deadline.	
VIII. Does the Company have additional information that may further explain its corporate governance principles (including but not limited to the rights and care of employees, investor relationship, supplier relationship, rights of stakeholders, board member training, implementation of risk management policies and measurement criteria, implementation of customer management policies and liability insurance coverage for directors and supervisors)?	ˇ		(1) Employee Rights: The Company understands the importance of labor management, and spares no effort in caring for its employees. For more information, please refer to “Labor Relations” (page 82-85) and the Company’s "Corporate Social Responsibility Report". (2) Investor Relations and Stakeholders: The Company has constructed a designated section on its website to address issues raised by stakeholders, i.e. Corporate Social Responsibility, with appropriate responses. (3) Suppliers: The Company adopts a coexisting business model to share profit and sustain good relationship with all of its business partners. (4) Board Member Training: Directors are obliged to participate in advanced training courses arranged by the Company, and are also encouraged to take courses outside the Company according to personal requirements. To know more about the training courses, please refer to “Board Member Training” (page 33). (5) Risk Management Policies and Evaluation: The Company’s Internal Control Plan and policies have been approved by the Board of Directors and resolved by the Shareholders'	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			meeting. Internal audit personnel shall report audit results and findings to the Board on a quarterly basis. (6) Customer Relationship Management : Gemtek values its customers and strives to provide high-quality products to meet customer requirements. We make sure that customer relationships are well-maintained through effective communication, creating long-term success in business partnership. (7) Directors and Officers Liability Insurance: The Company has purchased liability insurance for its directors and managers.	
(IX)Please describe the Company's improvement measures and progress in response to the evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange Corporation: (1) Performance Evaluation of Board of Directors: Implemented performance evaluation in year 2020. (2) Report "Directors and Officers Liability Insurance" to the Board of Directors: The Directors and Officers Liability Insurance has long been part of the Company's corporate governance and business contingency plan. The insurance policy has been reiterated and reported to the Board on October 30, 2020.				

Note 1: Please fill-in all relevant fields with complete descriptions.

External Auditor Assessment Report regarding Independence and Competency

I. Statutory Provisions

(I)Pursuant to Article 29 of the "Corporate Governance Best Practice Principles for TWSE/ TPEx Listed Companies", the Company should select professional, responsible and independent CPA to regularly check the Company's financial status and internal control.

(II)The Company assesses the CPAs for their independence on a regular basis (once a year). If the Company has not changed its CPAs for seven consecutive years or is subject to disciplinary action or damage to its independence, the Company shall consider whether it is necessary to change the CPAs and report the results to the board of directors.

(III) According to No.46 Taiwan Generally Accepted Accounting Principles – Quality Control Standards Article 68, the chief accountant or lead engagement partner is subject to rotation after the end of a certain assignment period. During the years following the rotation, he or she may not provide any services to the firm until a period of two years has elapsed.

II. Assessment Results:

(I) CPA Audit Opinions over the past five years:

Year	Audit Firm	CPA	Audit Opinions
2016	Deloitte & Touche	Yang, Ching Cheng Gong, Zhe Li	Unqualified opinion
2017	Deloitte & Touche	Yang, Ching Cheng Gong, Zhe Li	Unqualified opinion
2018	Deloitte & Touche	Yang, Ching Cheng Gong, Zhe Li	Unqualified opinion
2019	Deloitte & Touche	Yang, Ching Cheng Gong, Zhe Li	Unqualified opinion
2020	Deloitte & Touche	Yang, Ching Cheng Yang, Jing Ting	Unqualified opinion

(II) CPA Relationship Evaluation

(1) The evaluation is conducted in accordance with Code of Ethics for Professional Accountants No.10 - Integrity, Objectivity and Independence. The results are listed as follows:

Independence	In compliance with auditor independence standards and requirements

Independence		In compliance with auditor independence standards and requirements	
Item	Description	Yes	No
1	The accountants should avoid and should not accept the engagement when they may be involved in any direct or material indirect interests which may impair their impartiality and independence.	ν	
2	The audit or review of financial statements provides a wide range of potential statement users with a high or moderate but not absolute confidence herein. In addition to maintaining independence in fact, independence in appearance is critical as well. Therefore, the members of audit team, and the partners of the accounting firm and any of its affiliates must always maintain independence with his/their clients.	ν	
3	A professional accountant shall demonstrate the highest sense of integrity, maintain objectivity, and adheres to the spirit of independence when serving the public interest. (1)Integrity: A professional accountant shall perform all professional responsibilities with the highest sense of integrity. (2)Objectivity: A professional accountant shall maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. (3)Independence: A professional accountant in public practice should be independent in fact and appearance when providing auditing and other attestation services.	ν	
4	Independence is defined to include integrity and objectivity. Lack of independence may impair the auditor's integrity, reliability, and objectivity.	ν	
5	Auditor independence may be compromised by threats to the fundamental principles -- self-interest, self-review, advocacy, familiarity and intimidation.	ν	
6	Self-interest threat occurs when a firm or a person on the audit engagement team could benefit from a financial interest in, or other self-interest conflict with, a client. Examples of circumstances that may create a self-interest threat include, but are not limited to: (1) A direct financial interest or material indirect financial interest in a client. (2) A loan or guarantee to or from an audit client or any of its directors or officers. (3) Undue concern about the possibility of losing the audit engagement. (4) Having a close business relationship with an audit client. (5) Potential employment with an audit client. (6) Contingent audit fees related to the audit case.	ν	

Independence		In compliance with auditor independence standards and requirements	
7	Self-review threat occurs when accountants perform reports or judgments made in non-audit service cases, and such reports or judgments serve as an important basis for reaching conclusions in the process of checking or reviewing financial information, or when a person on the engagement team was previously an officer or director of the audit client, or was in a position to exert significant influence over the subject matter of the assurance engagement. Examples of circumstances that may create a self-review threat include, but are not limited to: (1) The members of the audit engagement team being, or having recently served as directors, supervisors, managers, or was in a position to exert significant influence over the subject matter of the engagement within the past two years. (2) Rendering non-audit services to clients with items that may directly impact the audited cases.	v	
8	Advocacy threat occurs when the auditor is asked to promote or represent their client’s opinion to the point where objectivity is potentially compromised. Examples of circumstances that may create an advocacy threat include, but are not limited to: (1)Dealing in, or being a promoter of, shares of an audit client. (2) Acting as an advocate for or on behalf of an audit client in litigation or in resolving disputes with third parties.	v	
9	Familiarity threat occurs when, by virtue of a close relationship with an audit client, its directors, officers or employees, a firm or a person on the engagement team becomes too sympathetic to the client’s interests. Examples of circumstances that may create a familiarity threat include, but are not limited to: (1) A person on the engagement team having an immediate or close family member who is an officer or director of the audit client or in a position to exert significant influence over the subject matter of the engagement; (2) A former partner of the firm, within one year before dismissal, serves as an officer or director of the audit client or in a position to exert significant influence over the subject matter of the engagement; (3) The acceptance of gifts or hospitality from the audit client, its directors, officers or employees, unless the value thereof is clearly insignificant.	v	

Independence		In compliance with auditor independence standards and requirements	
10	Intimidation threat occurs when a person on the engagement team may be deterred from acting objectively and exercising professional skepticism by threats, actual or perceived, from the directors, officers or employees of an audit client. Examples of circumstances that may create an intimidation threat include, but are not limited to: (1) Accountants are required to accept improper management choices in accounting policies or improper disclosure in financial statements. (2) The application of pressure to inappropriately reduce the extent of work performed in order to reduce or limit fees.	ν	
11	The firm, or members of the engagement team have an ongoing responsibility to maintain professional independence by taking into account the context in which they practise, the threats to independence and the safeguards which may be available to eliminate the threats or reduce them to an acceptable level.	ν	
12	If the firm, or members of the engagement team determine that the identified threats to compliance with the fundamental principles are not at an acceptable level, he/she shall address the threats by eliminating them or reducing them to an acceptable level.	ν	
13	If no measures are taken or the measures adopted cannot effectively reduce the impact on independence or reduce to an acceptable level, the accountant should refuse to execute the audit case to maintain its independence.	ν	

(2) Auditor Competency

Competency		Qualification	
Item	Description	Yes	No
1	Holds a CPA license to practice public accounting.	ν	
2	No penalty imposed by the competent authority or the CPA Associations R.O.C.(Taiwan), or under the provisions of Paragraph 3, Article 37, of the Securities and Exchange Act.	ν	
3	Has a general understanding of the client’s business.	ν	
4	Review financial reports and prepare audit worksheets in accordance with the “Generally Accepted Auditing Standards” and the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant”.	ν	
5	Uses the CPA title to benefit from acts of unfair competition.		ν

III. Conclusion:

Based on the above analysis, we conclude that CPA Ching Cheng Yang and CPA Jing Ting Yang of Deloitte & Touche, who were proposed to be retained for the audit of the Company's 2021 annual financial statements, are considered independent and competent. This matter is submitted to the board of directors for resolution.

2020 Board Member Advanced Training Courses

Title	Name	Date	Organizer	Course Name	Hours
Director	Chen, Hong Wen	2020/12/18	Taiwan Corporate Governence Association	(1) Board of Directors or Listed Companies and Shareholders Meeting In Practice (2) Inside Trading in Practice	6 Hours
Director	Tsai, Fu Tsan				6 Hours
Director	Yang, Jheng Ren				6 Hours
Director	Chang, Yueh Chi				6 Hours
Director	Hsu, Jung Hui				6 Hours
Legal Entity as Director	APEX ACTION INVESTMENT LIMITED Representative: Luo, Wen Yi				6 Hours
Independent Director	Wang, Zhu San				6 Hours
Independent Director	Chang, Chih Yang				6 Hours 6 Hours
Independent Director	Zhao, Yao Geng				6 Hours 6 Hours

2020 Manager Advanced Training Courses

Title/Name	Date	Organizer	Course Name	Hours
Senior Deputy General Manager/Liao, Hsi An	2020/11/25	Corporate Operation Association	Business and M&A strategies of Taiwanese Businessmen from the Global Political and Economic Perspective	3 Hours
	2020/12/08		How to Resist Hostile Takeovers and the Responsibilities of the Head	3 Hours
CFO/Lin, Chih Hong	2020/12/03	Accounting Research and Development Foundation	SEC Advanced Courses for Accounting Managers	6 Hours
	2020/12/04			6 Hours
Audit Officer/Huang, LingYi	2020/09/09	Accounting Research and Development Foundation	Analysis of Business Cases	3Hours
	2020/10/13		Common Corporate Governance Errors and Relevant Laws	3 Hours
	2020/11/03		Regulatory Compliance Audit Cases on Shareholders Meeting	3 Hours
	2020/12/10		Fraudulent Financial Statements and Methods to Spot Key Information	3 Hours

(IV)Composition, Responsibilities, and Operations of the Remuneration Committee

(1) Professional Qualifications and Independence Analysis of the Remuneration Committee

Title (Note 1)	Qualifications / Name	Work experience of more than 5 years and the following professional qualification			Compliance with independence requirements（Note 2）										Number of other public companies where the member also serves in a remuneration committee	Remarks (Note 3)
		Lecturer or higher position at a public or private university/coll ege in the department of commerce, law, finance, accounting or other fields related to the business	Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business	Work experience in commerce, law, finance, accounting or any other fields necessary for our business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Zhao, Yao Geng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			0	
Independent Director	Wang, Zhu San	✓			✓	✓	✓	✓	✓	✓	✓	✓			0	
Independent Director	Chang, Chih Yang	✓			✓	✓	✓	✓	✓	✓	✓	✓			1	

Note 1: Please enter Director, Independent Director, or Others to specify the Title.

Note 2: Place a “ ” in the box below if the member met the following conditions at any time during active duty and two years prior to the date of appointment

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
(4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
(5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
(6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.).
(7) Not the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
(8) Note a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent 2 years with an accumulated service compensation of less than NT$500 thousand, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers And Acquisitions Act.
(10)The provisions of Article 30 of the Company Act are not applicable.

(2) Information of the Operation of the Remuneration Committee

Responsibilities, and Operations of the Remuneration Committee

(1)Evaluation and approval of director's remuneration

(2)Review manager performances as well as the compensation policies, systems, standards and structure.

(3)Evaluation and approval of manager's compensation.

Attendance at Remuneration Committee Meetings

I.Our Remuneration Committee is composed of 3 members.

II.The term of office of the current Remuneration Committee is from Jun. 26, 2019 to Jun. 17, 2022. A total number of 2 remuneration committee meetings (A) were being held in the current fiscal year. The attendance of committee members is as follows:

Title	Name	Actual Attendance(B)	Number of meetings in attendance by proxy	Actual attendance rate (%)(B/A) (Note)	Remarks
Convener	Zao, Yao Geng	2	-	100%	
Member	Wang, Zhu San	2	-	100%	
Member	Chang, Chih Yang	2	-	100%	
Other matters to be recorded: 1. If the Board of Directors decline to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration passed by the Board of Directors exceed the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified: None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded ro declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

Note:

(1)If any of the Remuneration Committee member resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column, The actual attendance rate(%) should be calculated by the actual number of meetings he/ she attended during his/her term at the Remuneration Committee.

(2)If there is any re-election of the Remuneration Committee before the end of the year, both the information of current and former directors and supervisors should be filled in the table, and the status and the re-election date should also be specified in the remarks column, The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Remuneration Committee.

(V)Corporate Social Responsibility and Deviations from “The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies”

Evaluation Items	Implementation Status (Note 1)			Deviations from “The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies”
	Yes	No	Summary (Note 2)	
I.Has the company performed risk assessments on environmental, social, and corporate issues in relation to the Company’s operations according to material principles, and formulated relevant risk management policies or strategies? (Note 3)	V		The Corporate Social Responsibility Policy Rules established by the Company shall be implemented after obtaining the approval of the Board.	None
II. Does the company have a designated corporate social responsibility unit or personnel in place assigned by the Board of Directors to address and promote corporate social responsibility affairs, and to report the status to the Board of Directors?	V		The Company has appointed a Corporate Sustainability Committee to promote relevant policies and affairs: A designated management team is continuously making efforts to promote CSR.	None
III. Environmental Issues (I)Has the company established proper environmental management systems based on the characteristics of its industry? (II)Is the company committed to enhance the utilization efficiency of resources	 V V		 (I)In addition to meeting legal compliance requirements, the company has adopted the ISO14001 system to facilitate the implementation of the environmental management system and promote continuous improvement in the organization. (II)Gemtek Technology actively implements measures to increase energy	 None None

Evaluation Items	Implementation Status (Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary (Note 2)	
and use renewable materials that may create lesser impact on the environment?	V		efficiency and reduce emissions of greenhouse gases. We purchase products that are certified and have been granted a Green Mark Label by the Environmental Protection Administration, Executive Yuan, R.O.C. The Company spares no effort in improving energy efficiency and adopting eco-friendly products to reduce the environmental impacts caused by manufacturing activities and enhance corporate competitiveness.	
(III)Has the company assessed the potential risks and opportunities for business operations now and the future regarding climate change and will it adopt response measures relating to climate issues?	V		(III)The Company has included environmental protection and sustainable practices in its employee training programs and daily business operations. And followed by the adoption of ISO14064-1, the Company will be establishing strategies to effectively reduce greenhouse gas based on standard test results and analysis.	None
(IV) Has the company calculated the greenhouse gas emissions, water consumption, and total weight of waste in the past 2 years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management?			(4) The Company aims to promote a paperless office environment. The Company also wished to reduce carbon footprint by setting standards to regulate the average office room temperature and the comsumption of water and electricity	None

Evaluation Items	Implementation Status (Note 1)			Deviations from “The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies”
	Yes	No	Summary (Note 2)	
IV. Social Issues				
(I)Does the company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(I)The company strictly complies with relevant regulations and follows international human rights law, such as gender equality, right to work, and prohibition of discrimination. In order to fulfill the primary responsibility for protecting and promoting human rights, the company abides by relevant labor laws and regulations. The appointment, removal, and remuneration of employees are handled in accordance with the company's internal control system.	None
(II) Has the company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits), and appropriately reflect the business performance or achievements in the employee remuneration?	V		(II)The company's salary and leave policies are set up in accordance with the provisions of the Labor Standards Act. In addition, employee bonuses are offered based on business achievements and individual performances. The Company also provides recreational spaces such as an office cafe, gymnasium, and other break rooms for personal wellness. Employee group tours are held each year.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary (Note 2)	
(III) Does the company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	ˇ		(III) Measures to establish a safe working environment and protect the safety of employees: (1) Access control: Deploys an around the clock security and surveillance system to strictly monitor and manage access control. (2) Employee Health Checkups: The company organizes a bi-annual employee health checkup to improve employee wellbeing. (3) Insurance and Workers Compensation: As mandated by the law, the company provides employees with the benefits of labor and health insurance coverage. An insurance consultant is stationed on-site to provide supplementary services to employees who are in need of accident insurances. (4) Maintenance and Inspection of Facilities and Equipment: The company regularly maintains and inspects the safety of company elevators, air conditioners, drinking fountains, fire-fighting appliances, and mechanical equipment according to the Rules for Public Safety Inspection and the Fire Services Act.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary (Note 2)	
(IV)Does the company establish effective training programs to benefit the employee's career development?	V		(IV) The Company has formulated a professional training program in terms of our colleagues' career development so that they can pursue and gain the professionalism needed for promotion while carrying out work in their existing position. The Company ensures that business performances are appropriately reflected in the implementation of employee compensation policies to satisfy employee expectations and facilitate the recruitment of talents.	None
(V)Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	V		(V) The company has set up a designated unit: Customer Services Department. Offering after-sales services.	None
(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?	V		(VI) Corporate social responsibility is being taken seriously by the Company if suppliers wish to establish or carry on with the business partnership. Gemtek takes steps to fully communicate and make sure that our supply chain is free of any form of malpractice that may harm the principles of environmental protection, occupational safety and health, and labor rights. The Company has not yet issued a	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary (Note 2)	
			"Corporate Social Responsibility Agreement" for our suppliers to sign. However, if any supplier should violate the principles of Corporate Social Responsibility, the Company shall terminate the business partnership accordingly. In addition, the company will ask the supplier to sign the agreement whenever necessary.	
V. Has the company taken reference from the internationally accepted reporting standards or guidance when compiling CSR reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third party verification?	ˇ		The CSR report is published according to international reporting rules and guidelines. The related information will be disclosed on the company website, the Market Observation Post System, and in this Annual Report.	None
VI. For companies who have established corporate responsibility code of conducts in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies", please describe the current practice and any deviations from the code of conduct: None				
VII. Other information that may facilitate a better understanding of the Company's corporate social responsibility practices: All information are disclosed in the CSR report.				

Note 1: If you check "Yes", please describe the key policies, strategies, and measures taken in addition to the current implementation status; if you check "No", please explain and describe what relevant policies, strategies and measures will be in place.

Note 2: Please provide the page number from within the Annual Report if a Corporate Social Responsibility Report is available.

Note 3: The materiality principle refers to those who have a significant influence on the company's investors and other stakeholders on environmental, social and corporate governance issues.

(VI)Ethical Corporate Management and Deviations from the "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status(Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary	
I. Ethical Management Policies and Action Plans (I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?	V		(I) The Company has always upheld the principles of ethical management and complies with the government laws and regulations, enforces corporate governance and fulfills corporate responsibility. The Company has also established the "Code of Business Conduct" and the "Procedures for Ethical Management and Guidelines for Conduct". The Company's Board of Directors and senior management are also committed to proactively enforce and supervise the execution of the ethical management policy.	None
(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		(II) The Company's establishment of the "Code of Business Conduct" and the "Procedures for Ethical Management and Guidelines for Conduct" both clearly stipulate contents, handling rules and procedures in terms of unethical conducts, which include prohibition of bribery and acceptance of bribes, prohibition of acceptance of improper gifts, entertainment, other inappropriate form of hospitality or benefits, avoidance of conflict of interest, prohibition of the abuse of intellectual property rights and confidential information, personal data protection, and prohibition of unfair competition, prohibition against discrimination, are strictly	None

Evaluation Item	Implementation Status(Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary	
(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	V		reinforced. All Gemtek employees should be fully aware of the above. The Company should evaluate the effectness of the Code and strengthen areas where violation of the code is suspected. (III)The Company has stated in integrity clauses of the Procurement Contracts that the Company adheres to ethical conducts during business transactions. If there should be any sort of unethical engagements, such violators will be subject to prosecution or punishment by judicial or administrative authorities	None
II. Implementation of Ethical Management (I)Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) The Company conducts various assessments including integrity standards before carrying out formal business activities with its business partners. The business partner is required to sign a letter of commitment to show their cooperation and compliance with Gemtek's code of conduct once the relationship has been established	None
(II)Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)?	V		(II)The company has established internal management measures to promote corporate ethical management across all operations and under the Board of Directors..	None

Evaluation Item	Implementation Status(Note 1)			Deviations from “The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies”
	Yes	No	Summary	
(III)Does the company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	V		(III)The Company has established preventive measures to mitigate conflict of interest, and has assigned dedicated personnel to gather and compile relevant information to facilitate the reporting of conflicting interests. .	None
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review?	V		(IV)The company conducts a self-inspection once a year, and then the internal audit department reviews the self-inspection report of individual departments and subsidiaries. Self-inspection should include environment control, risk assessment, operations control, information, communication, and supervision, etc. Any findings or improvement items proposed by the audit department shall be used as the main basis for evaluating the effectiveness of the overall internal control system by the board of directors and general manager.	None
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	V		(V) The Company introduces its code of conduct to new hires during educational training sessions and asks employees to sign the Statement of Commitment to Integrity and Ethical Conduct. The Company has stated in integrity clauses of the Procurement Contracts that the Company adheres to ethical conducts during business transactions. If there should be any sort of unethical engagements,	None

Evaluation Item	Implementation Status(Note 1)			Deviations from "The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies"
	Yes	No	Summary	
			such violators will be subject to prosecution or punishment by judicial or administrative authorities	
III. Whistleblowing System (I)Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		(I)The Company has set up various channels for employees to bring up matters that may be negatively affecting their rights at work, as well as measures to respond to any sort of ethical violation. The Company regularly inspects and revises the whistleblowing procedures to meet international standards and the Company's policies and principles.	None
(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?	V		(II) The Company has established rules to secure employee privacy and trade secrets. The Company strictly enforces such rules, and forbids any form of theft, usage, or disclosure of private information.	None
(III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?	V		(III)The Company fully protects the safety and identity of the whistleblower, and shall not tolerate any form of retaliation against whistleblowers.	None
IV. Reinforcement of Information Disclosure	V			

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status(Note 1)</th><th rowspan="2">Deviations from “The Corporate Social Responsibility Best-Practive Principles fo TWSE/TPEx Listed Companies”</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(I) Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?</td><td></td><td></td><td>(I)The Company has disclosed relevant information on the Company website, but has not yet disclosed the contents of the Code of Integrity Management on the Official Market Observation Post System.</td><td>None</td></tr>
<tr><td colspan="5">V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the current practice and any deviations from the code of conduct: None</td></tr>
<tr><td colspan="5">VI.Other information that may facilitate a better understanding of the ethical management practices of the company (e.g., the review and revision of the best-practice principles of the Company in ethical management): The Company has reiterated our business integrity policies and the Ethical Corporate Management Best Practice Principles to our business partners during the course of transactions. The Company had clearly stated that any form of direct or indirect provisions, promises, requests, or acceptance of improper benefits such as refunds, bribes, commissions, gifts, or unethical exchanges are strictly prohibited.</td></tr>
</table>

Note 1: If you check "Yes", please describe the key policies, strategies, and measures taken in addition to the current implementation status; if you check "No", please explain and describe what relevant policies, strategies and measures will be in place.

(VI) If the Company has established corporate governance best practice principles and rules on ethical management, please specify websites or locations authorized for disclosure: All Corporate Social Responsibilities and relevant materials are disclosed in the Annual Report and Annual Shareholders Meeting Handbook For more information, please go to the MOPS website.

(VIII) Other information that may facilitate a better understanding of the Company’s corporate governance and ethical practices: None

(IX) Implementation Status of Internal Control

1. Internal Control System Statement

Gemtek Technologies Co., Ltd.
Internal Control System Statement

Date: March 25, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system for the current fiscal year:

I. The Company understands that the establishment, implementation and maintenance of internal control system are the responsibility of the Board of Directors and managers of the Company. The Company has established such system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations

II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may be altered as a result of changes in the environment and circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criteria includes several items. For the aforementioned items, please refer to the “Regulations”.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid regulations.

V. Based on the findings of such evaluation, the Company believes that during the current fical year, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. This Statement was passed by the Board of Directors in their meeting held on Mar. 25, 2021, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Gemtek Technologies Co., Ltd.

Chairman：Chen, Hong Wen　　General Manager : Chen, Hong Wen

Signature:______________________　　Signature:______________________

2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report must be disclosed: None

(X) During the most recent fiscal year and as of the printing date of this annual report, did the Company or its internal personnel receive punishment in accordance with the laws? Did the Company's internal personnel receive punishment for violating the requirements of the internal control system? Please describe any defect found during the same period and its status of improvement: None.

(XI)Important resolutions of the Shareholders' Meeting and Board of Directors' meetings during the most recent fiscal year and as of the printing date of this annual report.

Date	Board of Directors Meeting	Summary of Important Resolutions
2020.03.10	Board of Directors Meeting	1.To approve 2019 business reports and financial statements 2.To approve 2019 employees' profit sharing bonus and directors' compensation 3.To approve 2019 Internal Control System Statement 4.To approve the amendments to the Internal Control Policy 5.To approve 2019 annual shareholders meeting 6.To approve proprosals from the shareholders meeting 7.To approve securities listing of subsidiary AMPAK Technology Inc. 8.To approve the establishment of "Self-Evaluation or Peer Evaluation of the Board of Directors of Gemtek Technology Co., Ltd" 9.To approve replacement of of CPA beginning on 2020 Q1. 10.To approve External Auditor Assessment Report regarding independence and competency 11.To approve credit line proposed by Sinopac Bank and E-Sun Bank. 12.To approve corporate organizational changes.
2020.03.23	Board of Directors Meeting	1.To approve implementation of treasury stock
2020.04.28	Board of Directors Meeting	1.To approve earnings distribution of 2019 2.To approve 2019 implementation of cash distribution derived from capital reserve 3.To approve new employee restricted stock units 4.To approve stock release of AMPAK Technology Inc. 5.To approve 2020 shareholders meeting venue.
2020.06.09	Board of Directors Meeting	1.To approve base date for 2019 cash distribution derived from capital reserve 2.To approve close conversion period and execution period of the 5th issuance of convertible bonds. 3.To approve adjustment of conversion price associated with the 2019 cash distribution derived from capital reserve. 4.To approve stock release plan for AMPAK Technology Inc. 5.To approve the disposal of financial assets measured at fair value through other comprehensive income. 6.To approve guidelines for new employee retricted stock units. 7.To approve credit lines proposed by Standard Chartered Bank.

Date	Board of Directors Meeting	Summary of Important Resolutions
2020.06.17	Board of Directors Meeting	1.To approve stock price and subscription period of AMPAK Technology Inc.
2020.08.07	Board of Directors Meeting	1.To approve credit lines proposed by local banks. 2.To approve cancellation of repurchased stock for the 9th time. 3.To approve amendment and stipulation of guidelines for 2020 new employee restricted stock units. 4.To discuss adjustment of 2020 employee compension. 5.To approve granting of bonus rewards to AMPAK employees. 6. To approve disposal of Mainland investment in Gemtek Electronics (Suzhou). 7.To approve distribution of new employee restricted stock units.
2020.10.30	Board of Directors Meeting	1.To approve 2021 audit plans. 2.To approve 2020 CPA appointment 3. To approve credit lines proposed by CTCB and Land Bank.
2020.12.18	Board of Directors Meeting	1.To approve investment in Vietnam 2. To approve credit lines proposed by HSBC.
2021.01.25	Board of Directors Meeting	1.To approve acquisition of Taipei Zhonghe office.
2021.03.25	Board of Directors Meeting	1.To approve 2020 business reports and financial statements 2.To approve 2020 employees' profit sharing bonus and directors' compensation 3.To approve 2020 "Effectiveness Evaluation of the Declaration of Internal Control Policies" and "Internal Control System Statement" 4.To approve 2021 annual shareholders meeting 5.To approve proprosals from the shareholders meeting 6.To ratify derivatives transactions. 7.To ratify the acquisition and disposal of assets of related persons. 8. To approve External Auditor Assessment Report regarding independence and competency 9. To approve credit lines proposed by local banks 10.To approve long-term investments in PYRAS Technology Inc. 11.To approve appointment of Head of Corporate Governence Department. 12.To approve corporate organizational changes. 13.To approve earnings distribution of 2020 14. To approve 2020 implementation of cash distribution derived from capital reserve.
2021.05.06	Board of Directors Meeting	1.To approve base date for conversion of the 5th issuance of convertible bonds. 2.To approve repurchase of issued new employee restricted stock and implementation of cash decrease. 3.To approve manager performance reward programs.

2019 Important Resolutions of the Shareholders' Meeting

Date	Important Resolutions	Implementation Status
2020.06.09	Report Items 1.To report the business of 2019. 2.Audit Committee's review report. 3.To report 2019 employees' profit sharing bonus and directors' compensation. 4.To report on convertible bonds. 5.To report on implementation of Share Buyback Program	
	Proposed Resolutions 1.To accept 2019 Business Report and Financial Statements	The announcement of major information on the day of the Shareholders' Meeting was an important resolution of the Shareholders' Meeting and was disclosed on the Company's website
	2.To approve the proposal for distribution of 2019 earnings	No dividends will be distributed for the year 2019 due to insufficient earnings.
	Discussion Items 1.2019 Implementation of Cash Distribution derived from Capital Reserve.	Base date is scheduled on July 13, 2020. Cash dividend distribution dated is scheduled on August 12, 2020.
	2.Plans to grant employee retricted stock units	Effective on July 14, 2020 as approved by the Executive Yuan under Authorized Letter Jinguanzhengzhi No.1090349323.
	3. AMPAK Technology Inc.'s share release plan	Settled and transferred on August 10, 2020.

(XII)In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions adopted at the Board of Directors' meeting during the most recent fiscal year as of the date on which the annual report was printed, and that the opinion was recorded or delivered in writing, please describe its main content: None.

(XIII)Resignation or dismissal of the Company's influential roles, including the chairman, general manager, the heads of accounting, finance, internal audit, and R&D during the most recent fiscal year as of the date on which the annual report was printed:

Title	Name	Date of Inauguration	Date of Resignation	Reason for resignation or dismissal
General Manager	Su, Hui Hao	2017/08/08	2020/03/10	Organizational Change
General Manager	Chen, Hong Wen	2020/03/10	2021/03/25	Organizational

V.Remuneration to Auditors

Remuneration Scale for Auditors

Name of Audit Firm	Name of Auditor/CPA		Audting Period	Remarks
Deloitte & Touche	Yang, Ching Cheng	Yang, Jing Ting	2020/01/01-2020/12/31	

Unit: NT$, all in thousands

Range of Remuneration \ Fee Item		Audit Fees	Non-Audit Fees	Total
1	Less than NT$2,000,000			
2	NT$2,000,000~ NT$3,999,999			
3	NT$4,000,000~ NT$5,999,999	4,180		4,180
4	NT$6,000,000~ NT$7,999,999			
5	NT$8,000,000~ NT$9,999,999			
6	Greater Than or Equal to NT$10,000,000			

1、Non-audit fee items should be displayed separately. If the amount of non-audit fee is over 25% of all categories of the total audit fee, please provide a list of the respective items: None

2、In the event that the audit firm has been changed and that the amount of annual audit fees paid is lower than the previous fiscal year, the decreased amount and percentage must be disclosed: None

3、In the event that the amount of audit fees is reduced by at least 15% in comparison with the previous fiscal year, the decreased amount, percentage and reasons for this matter must be disclosed: None

VI.Replacement of CPA Audit Firm: None。

VII.Any member of the company, e.g. chairman, general managers, or financial/accounting managers have served a position in the audit firm(s) or its affiliate companies during the past year: None.

VIII.Transfer of equity or pledge by directors, supervisors, managerial officers, or shareholders with shareholdings that exceed 10% as of the latest fiscal year and as of the date of publication of this Annual Report.

1.Changes in Shareholding Structure - Directors, Supervisors, Managerial Officers,and Supervisors.

Unit: Share

Title	Name	2020		As of April 30, 2021	
		Increased (decreased) number of shares held	Increased (decreased) number of shares pledged	Increased (decreased) number of shares held	Increased (decreased) number of shares pledged

Chairman	Chen, Hong Wen	350,000	-	-	-
Director	Tsai, Fu Tsan	200,000	-	-	-
Director	Yang, Jheng Ren	200,000	-	(9,000)	-
Director	Hsu, Jung Hui	65,000	-	215,000	-
Director	Chang, Yueh Chi	-	-	-	-
Director	APEX ACTION INVESTMENT LIMITED		-	-	-
	Representative: Luo, Wen Yi	-	-	-	-
Independent Director	Zhao, Yao Geng	-	-	-	-
Independent Director	Wang, Zhu San	-	-	-	-
Independent Director	Chang, Chih Yang	-	-	-	-
General Manager	Li, Rong Chang	5,000			
Senior Deputy General Manager	Liao, Hsi An	-	-	-	-
CTO	Yeh, Fu Ming	-	-	-	-
COO	Lin, Tien Jin	(59,000)	-	-	-
CFO	Lin, Chih Hong	-	-	-	-
CSO	Cheng, Guang Ming	-	-	-	-

2.Information on transfer of equity:

No equity shares were transferred to related persons had occurred among the Company's directors, supervisors, managerial officers, and ten-percent shareholders.

3.Information on transfer of equity pledge:

No equity pledges were transferred to related persons had occurred among the Company's directors, supervisors, managerial officers, and ten-percent shareholders.

IX. Top Ten Major Shareholders and the Shareholding Structure as per the Relationships Specified in the Financial Accounting Standard Board Statement N0.6 of Taiwan

As of April 11, 2021

Name（Note 1）	Shares Held under the Current Name		Shares held by spouse or dependents		Shares Held by Third Parties		Disclosure of names and relationships among the top ten shareholders, including spouses, 2nd tier relatives or closer, or as per the relationships specified in the Financial Accounting Standard Board Statement N0.6 of Taiwan (Note 3).		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title or Name	Relationship	
Chen, Hong Wen	6,532,937	1.80	-	-	-	-	-	-	-
Citibank (Taiwan) in Custody for Norges Bank Investment Account	6,195,530	1.71							
Lien, Hua Rong	4,869,876	1.34	2,704,633	0.75	-	-	Lin, Zhen Yueh	Spouse	-
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,169,000	1.15	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Emerging Markets Index Fund, a Series of Vanguard International Index Fund	4,126,668	1.14							
Hsu, Hsi Duo	4,038,019	1.11							
Sinopac Bank in Custody for Gemtek Technology Co., Ltd. Employee Restricted Stock Account	4,000,000	1.10							
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JP Morgan Securities Investment Account	3,349,591	0.92							
Chang, Yueh Chi	3,043,000	0.84	-	-	-	-	-	-	-
Standard Chartered Bank (Taiwan) Limited in Custody for Credit Suisse AG Investment Account	3,000,715	0.83							

Note 1: Top ten major shareholder ranking should be disclosed. If any of the shareholders is an institutional shareholder, the name of the institutional shareholder and its representative should be disclosed separately.

Note 2:Shareholding percertage is calculated by the shares owned by the shareholders himself/herself, spouse and dependents or by third parties separately.

Note3 : The relationship of the shareholders (including institutional and natural person) should be disclosed according to Regulations Governing Information to be published in Annuals Reports of Public Companies.

X. Direct and Indirect Stock Ownership of Affiliated Investments by the Company, Board of Directors, Supervisors, Managerial Officers, Affiliate Companies or Subsidiaries

Unit: Shares, All in thousands; %

Affiliated Investments (Note)	Gemtek		Direct and Indirect Stock Ownership of Affiliated Investments by the Board of Directors, Supervisors, Managerial Officers, Affiliate Companies or Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Gemtek Investment Co.,Ltd	76,946	100.00%	0	0.00%	76,946	100.00%
G-TECHNOLOGY INVESTMENT CO., LTD	78,600	100.00%	0	0.00%	78,600	100.00%
BRIGHTECH INTERNATIONAL CO., LTD	6,145	100.00%	0	0.00%	6,145	100.00%
WI TEK INVESTMENT CO., LTD	4,000	100.00%	0	0.00%	4,000	100.00%
AMPAK TECHNOLOGY INC.	20,101	33.37%	0	0.00%	20,101	33.37%
SparkLAN Communications, Inc.	-	-	10,203	100.00%	10,203	100.00%
BROWAN COMMUNICATIONS INCORPORATION	11,191	24.33%	9,826	21.36%	21,017	45.69%
Gemtek Vietnam Co., Ltd.	0	100.00%	0	0.00%	0	100.00%

Note: The above intercorporate investments are recorded under the equity method.

IV. Capital Overview

I.Capital and Shares

(I)Source of Capital

Unit: Shares, NT$, All in thousands

Year / Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2010.01	10	500,000	5,000,000	276,712	2,767,123	Conversion of Corporate Bond /Employee Stock to Common Shares	None	MOE Authorization No. 09901006530 Effective as of 2010/1/14
2010.04	10	500,000	5,000,000	278,296	2,782,958	Conversion of Corporate Bond /Employee Stock to Common Shares	None	MOE Authorization No. 09901076230 Effective as of 2010/4/20
2010.09	10	500,000	5,000,000	283,568	2,835,676	Capitalization of Capital Reserve	None	FSC Authorization No. 0990035129 Effective as of 2010/7/7
2011.01	10	500,000	5,000,000	284,433	2,844,333	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10001011070 Effective as of 2011/1/19
2011.05	10	500,000	5,000,000	290,592	2,905,918	Conversion of Corporate Bond /Employee Stock to Common Shares	None	MOE Authorization No. 10001096090 Effective as of 2011/5/13
2011.08	10	500,000	5,000,000	309,860	3,098,601	Capitalization of Capital Reserve and Conversion of Corporate Bond to Common Shares	None	FSC Authorization No. 1000031536 Effective as of 2011/7/7 MOE Authorization No. 10001199410 Effective as of 2011/8/26
2012.03	10	500,000	5,000,000	306,803	3,068,033	Cancellation of Repurchased Treasury Stocks	None	MOE Authorization No. 10101054240 Effective as of 2012/3/29
2012.09	10	500,000	5,000,000	305,085	3,050,853	Cancellation of Repurchased Treasury Stocks	None	MOE Authorization No. 10101191030 Effective as of 2012/9/17
2013.05	10	500,000	5,000,000	309,303	3,093,033	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10201091390 Effective as of 2013/5/16
2013.08	10	500,000	5,000,000	309,309	3,093,099	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10201172250

Year / Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
								Effective as of 2013/8/2
2014.08	10	500,000	5,000,000	315,309	3,153,099	Issuance of Employee Restricted Stocks	None	MOE Authorization No. 10301175260 Effective as of 2014/8/28
2015.04	10	500,000	5,000,000	305,898	3,058,975	Cancellation of Repurchased Treasury Stocks and Employee Restricted Stocks	None	MOE Authorization No. 10401055750 Effective as of 2015/4/8
2015.07	10	500,000	5,000,000	305,761	3,057,606	Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 1040112209 Effective as of 2015/7/3
2015.11	10	500,000	5,000,000	302,920	3,029,201	Cancellation of Repurchased Treasury Stocks and Employee Restricted Stocks	None	MOE Authorization No. 10401246050 Effective as of 2015/11/27
2016.01	10	500,000	5,000,000	302,841	3,028,412	Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10401281240 Effective as of 2016/1/11
2016.07	10	500,000	5,000,000	302,736	3,027,360	Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10501142050 Effective as of 2016/7/5
2016.12	10	500,000	5,000,000	302,701	3,027,018	Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10501293290 Effective as of 2016/12/19
2017.04	10	500,000	5,000,000	307,176	3,071,764	Conversion of Corporate Bond to Common Shares and Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10601041050 Effective as of 2017/4/12
2017.06	10	500,000	5,000,000	309,485	3,094,856	Conversion of Corporate Bond to Common Shares and Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10601077940 Effective as of 2017/6/20
2017.09	10	500,000	5,000,000	315,720	3,157,202	Conversion of Corporate Bond to Common Shares and Cancellation of Employee Restricted Stocks	None	MOE Authorization No. 10601123440 Effective as of 2017/09/04
2017.12	10	500,000	5,000,000	320,720	3,207,203	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10601161600 Effective as of 2017/12/05
2018.04	10	500,000	5,000,000	344,315	3,443,157	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10701034740

Year / Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
								Effective as of 2018/4/11
2018.08	10	500,000	5,000,000	349,037	3,490,370	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10701108700 Effective as of 2018/8/23
2018.12	10	500,000	5,000,000	351,162	3,511,619	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10701152350 Effective as of 2018/12/04
2019.04	10	500,000	5,000,000	356,883	3,568,834	Conversion of Corporate Bond to Common Shares	None	MOE Authorization No. 10801037570 Effective as of 2019/04/17
2020.09	10	500,000	5,000,000	357,590	3,575,905	Issuance of Employee Restricted Stock and Cancellation of Repurchased Treasury Stocks	None	MOE Authorization No. 10901163820 Effective as of 2020/09/15

As of April 20, 2021

Type of Stock	Authorized Capital				Aggregate Total	Remark
	Outstanding Shares			Unissued		
	Listed	Unlisted	Total			
Common Stock	363,031,547	0	363,031,547	136,968,453	500,000,000	-

(II)Shareholder Structure

As of April 20, 2021

Category / Quantity	Government Agency	Financial Institution	Other Legal Person	Individual	Foreign Institutions and Individuals	Total
Number of Shareholders	2	13	284	59,633	122	60,054
Shareholding	4	2,762,439	10,615,498	308,468,280	41,185,326	363,031,547
%	0	0.76	2.93	84.97	11.35	100

(III)Distribution of Shareholding

As of April 20, 2021

Range of Shares Held	Number of Shareholders	Number of Shares Held	% of Total Shareholders
1 ~ 999	21,112	1,233,794	0.34
1,000 ~ 5,000	29,057	62,179,414	17.13
5001 ~ 10,000	5,207	41,725,950	11.49
10,001 ~ 15,000	1,520	19,050,207	5.25
15,001 ~ 20,000	1,059	19,771,574	5.45
20,001 ~ 30,000	731	18,980,499	5.23
30,001 ~ 50,000	634	25,726,831	7.09
50,001 ~ 100,000	410	29,513,294	8.13
100,001 ~ 200,000	178	25,240,519	6.95
200,001 ~ 400,000	79	22,285,299	6.14
400,001 ~ 600,000	20	10,038,557	2.77
600,001 ~ 800,000	12	8,246,935	2.27
800,001 ~ 1,000,000	6	5,518,000	1.52
Above 1,000,001	29	73,520,674	20.25
Total	60,054	363,031,547	100.00

(IV)List of Major Shareholders

Names, number of shares held, and shareholding ratios of shareholders who hold five percent or more of the shares or are one of the 10 largest shareholders

As of April 20, 2021

Shares / Name of Shareholder	Number of Shares Held	%
Chen, Hong Wen	6,532,937	1.80
Citibank (Taiwan) in Custody for Norges Bank Investment Account	6,195,530	1.71
Lien, Hua Rong	4,869,876	1.34
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,169,000	1.15
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Emerging Markets Index Fund, a Series of Vanguard International Index Fund	4,126,668	1.14
Hsu, Hsi Duo	4,038,019	1.11
Sinopac Bank in Custody for Gemtek Technology Co., Ltd. Employee Restricted Stock Account	4,000,000	1.10
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JP Morgan Securities Investment Account	3,349,591	0.92
Standard Chartered Bank (Taiwan) Limited in Custody for Credit Suisse AG Investment Account Chang, Yueh Chi	3,043,000	0.84
Chang, Yueh Chi	3,000,715	0.83

(V) Market Price, Net Value, Earnings, and Dividend Per Share in the last two years

Unit: NT$

Item \ Fiscal Year			2019 (Note 4)	2020	As of April 30, 2021 (Note 8)
Market Price (Note 1)	Highest		29.45	31.90	36.95
	Lowest		21.70	14.75	27.40
	Average		25.38	24.75	31.90
Net Value (Note 2)	Before Distribution		23.59	26.24	30.31
	After Distribution		23.59	26.24	-
Earnings Per Share (Note 3)	Weighted average shares outstanding		355,629,000 shares	354,868,000 shares	353,656,000 shares
	Before Distribution		0.57 元	3.86 元	0.36 元
	After Distribution		0.53 元	3.36 元	-
Dividends Per Share	Cash Dividends		0.5 元	2 元	-
	Stock Dividends	Retained Earnings	-	-	-
		Capital Reserve	-	-	-
	Accumulated unpaid dividend (Note 4)-		-	-	-
Return On Investment	Price / Earnings Ratio (Note 5)		44.53	6.41	88.61
	Price / Dividend Ratio (Note 6)		50.76	12.37	-
	Cash Dividend Yield (%) (Note 7)		1.97%	8.08%	-

＊If the Company uses earnings or capital surplus to increase capital, the adjusted market price per share and cash dividends should be recalculated accordingly.

Note 1: The highest market price and lowest market price should be listed. The average price is calculated by total transaction value and total transaction volume of each year.

Note 2: Net worth per share is based on the distribution amount resolved by annual general shareholders' meeting and the shares issues at the end of the financial year.

Note 3: If the Company distributes stock dividends, the earnings per share should be adjusted and disclosed as well.

Note 4: If the conditions of the issue of equity securities regulated the undistributed dividends can be accumulated until profit year, the undistributed dividends should be disclosed.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio= Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8 :Net Worth per share and Earnings per share as of the most recent quarter should be reviewed by the CPA and disclosed accordingly. Other items are disclosed as of the most recent fiscal year amid the printing of this annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy

   According to the Company's Article of Incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate 13.5% for employee profit sharing bonuses and 1.8% for the renumeration benefits of directors. Employee profit sharing bonuses are to be granted in the form of securities or cash to qualified company employees, which the occurrences are to be mentioned and reported in the shareholders' meeting. The Company shall not distribute bonuses in the event of accumulated losses.

   Upon the closing of the Company's annual financial accounts, if surplus profit is determined, the Company shall first pay taxes and make up for all past losses; then, set aside a 10% legal capital reserve and a special capital reserve in accordance with applicable laws, rules and regulations. The remainder of the profits after deducting the foregoing shall be allocated as shareholders' dividends, subject to proposal by the board of directors and approval by shareholders at a shareholders' meeting.

   Considering the current development status of the Company and the overall conditions of the industrial environment, other factors such as the Company's financial measures that might influence the financial structure and profit earnings are the key elements for determining the amount and type of surplus distributed. Bearing in mind the Company's capital requirements, long-term financial goals, and shareholders' demands for liquidity, the distribution of surplus profit shall be made preferably by way of cash and stock dividends. The distribution of cash dividends per year shall not be lower than 10% of the aggregate amount of the stock dividends and cash dividends distributed for that particular year.

2. The company's earnings can be paid out in either full or partial cash dividends or stock dividends. At present, the company distributes its profit earnings predominantly in the form of cash dividends. In 2020, the Company board of directors approved the distribution of cash dividends NT$357,666,541 in total, which takes up 89.50% of retained earnings.

3. Implementation Status

   Earnings distribution proposed at the most recent shareholders' meeting:

   Unit: NT$

Item	Amount
2019 Undistributed retained earnings	-
2020 Profit after tax	1,370,155,581
Less: Disposal of subsidiary	(4,636,228)
Less: Recognized retained earnings from remeasurement of Defined Benefit Plans	(1,854,784)
Less:Transfer accumulated profit or loss to retained earnings for the disposal of equity investment instruments measured at fair value through other comprehensive income	(90,359,995)
Adjusted unappropriated retained earnings from current profit after tax and extraordinary items	1,273,304,574
Less: Legal Capital Reserve (10%)	(127,330,457)
Less: Special Capital Reserve	(746,327,857)
Profit available for distribution for the current period	399,646,260
Shareholder dividend (NT$/share)	357,666,541
2021 Undistributed retained earnings	41,979,719

Note 1: The payout ratio was calculated on the basis of 357,666,541 outstanding shares as of March 25, 2021. Each common shareholder shall be entitled to receive a cash dividend of NT$1 per share. Cash dividends shall be distributed only to the minimal extent of the smallest integer. Any fractional amounts rendered below NT$1 shall be transferred to the Employee Benefits Committee.

Note 2: In the event that the proposed profit distribution plan is affected by the buyback of the Company’s common stock, transfer, conversion or cancellation of the treasury shares, the exercise of the employee stock options or the conversion of convertible bonds, it is proposed that the Board of Directors be fully authorized by the Shareholder’s Meeting to adjust the dividend ratio and handle relevant matters accordingly.

4. Description of any material changes in the expected dividend policy: None

(VII) Impacts on the Company’s business performance, EPS, and shareholder ROI due to distribution of stock grants: Not applicable.

(VIII)Compensation and Remuneration of Employees and Directors:

1. According to the Company's Article of Incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate 13.5% for employee profit sharing bonuses

and 1.8% for the renumeration benefits of directors. Employee profit sharing bonuses are to be granted in the form of securities or cash to qualified company employees, which the occurrences are to be mentioned and reported in the shareholders' meeting. The Company shall not distribute bonuses in the event of accumulated losses.

2. The basis for estimating the amount of employees' compensation and directors' remuneration, for calculating the number of shares to be distributed as employee compensation and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the accrued figure, for the current period:

   The Company recognizes the 2020 employees' compensation and directors' remuneration according to the Company's Articles of Incoporation, as proclaimed, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate 13.5% for employee profit sharing bonuses and 1.8% for the renumeration benefits of directors. In light of business circumstances, the Company did not distribute stock grants as of the recent fiscal year. In the event that the actual distribution amounts should be different from the accrued amounts, the adjustment will be recognized in the distribution year as changes in accounting estimates.

3. Compensation and Remuneration Approved by the Board:
   (1)Distribution of Employee Bonuses and Renumeration Benefits of Directors：
   A. Employee Cash Bonuses：NT$232,646,248
   B. Renumeration Benefits of Directors：NT$31,019,499
   (2)The 2020 distribution of employee bonuses and renumeration benefits of directors was approved by the Board. There are no adjustments to be made due to the fact that there are no significant differences between the actual distributed amount NT$263,665,747 and the estimated amount recognized as expense NT$263,665,747 .
   (3)The ratio of the total amount of employees compensation distributed in stocks to the sum of the after-tax net income amount stated in the financial reports of the parent company or individual financial reports for the current period plus total amount of employees' compensation: Not applicable.

4. The distribution status of employees compensation and directors remuneration of the previous year (including distributed shares, amount, and stock price) and, if the amounts distributed vary from the amounts recognized, please illustrate the reason for the discrepancy and how it is treated:

Item	Employee Compensation and Director Remuneration Approved by the Shareholder Meeting		
	Amount(NTD)	Cash Increase Converted to Shares	Cash Distributed
Employee Compensation 13.5%	32,207,213	-	32,207,213
Director Remuneration 1.8%	4,294,295	-	4,294,295

2019 Employee Compensation and Director Remuneration

Item	Stock Dividend			Cash Dividend	Total
	Stock Price	Shares	Amount	Amount	
Employee Compensation 13.5%	-	-	-	32,207,213	32,207,213
Director Remuneration 1.8%	-	-	-	4,294,295	4,294,295

Description: There are no significant differences between the actual distributed amount and the estimated amount recognized as expense.

(IX)Repurchase of Treasury Stock:

May 19, 2021

Term of Repurchase	9th
Purpose	Maintain Company Credibility and Shareholder Equity
Type	Common Stock
Repurchasing Limit	NTD5,593,801,000
Estimated Shares to Repurchase	20,000,000 shares
Repurchase Price Range	NT$13.8~NT$26.0
Repurchase Period	March 31, 2020 – May 22, 2020
Type and Number of Shares Repurchased	3,293,000 Common Shares
Total Value of Repurchased Shares	NT$68,766,973
Percentage of Current Repurchased Shares to Estimated Shares to Repurchase（%）	16.47%
Number of Cancelled and Transferred Shares	3,293,000 shares
Date of Cancellation	September 25, 2020

II. Domestic & Overseas Corporate Bonds

(I)Outstanding Corporate Bonds:

The Financial Supervisory Commission R.O.C approved the Company's issuance of convertible bonds totaling NT$1.2 billion on March 15, 2019.

Type of Corporate Bond	5th Issuance of Domestic Convertible Bonds
Date of Issuance	March 15, 2019
Par Value	NTD $ 100,000
Place of Issuance and transaction	-
Issue Price	Issued at Par Value
Total Price	NT$ 1.2 billion
Interest Rate	0% .
Tenor	3 Years Due on March 15, 2022
Guarantee Agency	-
Trustee	KGI Bank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.
Certified Attorney	-
CPA	-
Method of Repayment	Unless the bondholders convert into ordinary shares of the Company in accordance with Article 10 of the Method of Transfer, or the bondholder exercises rights to sell in accordance with Article 19, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, or the Company repurchases from securities agents for the purpose of cancellation, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.
Outstanding Principal	NTD $ 1,056,900 thousand
Terms for Redemption of Early Call	(1) Starting from the fourth month subsequent to the issuance of the convertible bonds (June 16, 2019) until forty days prior to the expiration of the issuance period (February 3, 2022), if the closing price of the company's ordinary shares is at least 30% or higher than the conversion price for thirty consecutive business days, the Company may, within thirty business days thereafter, deliver a "Bond Call Notice" to the bondholder (With reference to the list of bondholders 5 days prior to the deliverance of the "Bond Call Notice". Other bondholders who should acquire the bond after that specific date due to purchasing and selling or through other means of transactions shall be informed by way of announcement.) by registered mail (The aforesaid period for bond call shall be calculated from the date the letter is issued, and the expiry date of the period shall be the base date for bond call. The period shall not be the close conversion period of the corporate bond). The bond redemption price is the face value, and bonds are redeemed in cash. OTC shall be notified to make an official post for the announcement. The company executes the early call by

		redeeming the outstanding convertible bond in cash based on its face value within five days following the bond call base date. (2) Starting from the fourth month subsequent to the issuance of the convertible bonds (June 16, 2019) until forty days prior to the expiration of the issuance period (February 3, 2022), if the outstanding balance of the convertible bond is less than 10% of the total number of convertible bonds issued for thirty consecutive business days, the Company may, within thirty business days thereafter, deliver a "Bond Call Notice" to the bondholder (With reference to the list of bondholders 5 days prior to the deliverance of the “Bond Call Notice”. Other bondholders who should acquire the bond after that specific date due to purchasing and selling or through other means of transactions shall be informed by way of announcement.) by registered mail (The aforesaid period for bond call shall be calculated from the date the letter is issued, and the expiry date of the period shall be the base date for bond call. The period shall not be the close conversion period of the corporate bond). The bond redemption price is the face value, and bonds are redeemed in cash. OTC shall be notified to make an official post for the announcement. The company executes the early call by redeeming the outstanding convertible bond in cash based on its face value within five days following the bond call base date. (3) If the bondholder fails to reply in written form to the Company’s stock brokerage before the bond call base date set forth in the "Bond Call Notice" (Call period is effective upon postmark.), the Company shall, within five business days after the bond call base date, execute the redemption in cash based on the face value.
Restrictive Clause		N/A
Name of Credit Rating Agency,Rating Date, Rating of Corporate Bonds		N/A
Other Rights	As of the printingdate of this annual report, converted amount of (exchanged or subscribed)ordinary shares, GDRs or other securities	Number of shares converted 5,441,051 shares

	Issuance and conversion (exchange or subscription) method	-
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on exiting shareholders' equity		The company will deliver newly issued ordinary shares. As of the publication date of the annual report, no bonds were converted into ordinary shares.
Transfer agent		N/A

Note 1: The handling of corporate bonds includes public offering bonds and private corporate bonds in the process. Public offering bonds under process refer to those that have become effective (approved) by the FSC; private corporate bonds under process refer to those that have been approved by the board of directors.

(II)Convertible Bonds:

Type of Corporate Bond		5th Issuance of Convertible Bonds		
Item \ Year		2019	2020	As of Apil 30, 2021
Market Price of the Convertible Bond	Highest	116.95	123.50	139.00
	Lowest	106.10	98.50	113.50
	Average	110.97	111.13	121.73
Convertible Price		26.90	26.30	26.30
Date of Issuance and Convertible Price		Date of Issuance: March 15, 2019 Convertible Price: 26.90		
Conversion Method		New Stocks		

III.Preferred Stock: None

IV.Global Depository Receipts: None

V.Employee Stock Options: None

VI.New Restricted Employee Shares:

(I)Implementation of New Restricted Employee Shares

Type of New Restricted Employee Shares	2nd Issuance New Restricted Employee Shares
Effective Date	July 14, 2020
Date o Issuance	August 07, 2020
Issued Shares	4,000,000shares

Issue Price	NTD10
Percentage of Issued New Restricted Employee Shares to Total Number of Issued Ordinary Shares	1.10%
Vesting Conditions	1.If an employee still serves the Company for one year after the subscription of New Employee Retricted Stock, provided that the employee has not violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have reached the reasonable targets set out by the Company for the preceding year, the ratio of shares that can be vested is: 30%. 2.If an employee still serves the Company for two years after the subscription of New Employee Retricted Stock, provided that the employee has not violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have reached the reasonable targets set out by the Company for the preceding year, the ratio of shares that can be vested is: 30%. 3.If an employee still serves the Company for three years after the subscription of New Employee Retricted Stock, provided that the employee has not violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have reached the reasonable targets set out by the Company for the preceding year, the ratio of shares that can be vested is: 40%.
Vesting Limits	1. Before vesting conditions are met, employee restricted stocks received by the employee are not to be sold, mortgaged, transferred, gifted, pledged, or otherwise sanctioned except in the event of inheritance. 2.The attendance, proposal, speech, and voting rights of the shareholders meeting shall be implemented in accordance with the trust custody agreement. Any cash dividends, stock dividends, and capital reserve cash (stocks) allocated to the New Employee Restricted Stocks shall be placed under the custody of the trust. For those New Employee Restricted Stocks whom their owners have not

	yet fulfilled the vesting conditions, the cash dividends, stock dividends, and capital reserves (stocks) generated shall be forfeited and being reclaimed or cancelled by the Company in accordance with relevant laws and regulations.
Custody	Entrusted with custodian
Measures to be taken when employees fail to meet the vesting conditions	If the employee fails to meet the vesting conditions, or has violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have not reached the reasonable targets set out by the Company for the preceding year, the Company shall redeem the shares under no additional cost and consideration, and holds the right to cancel the shares according to law.
Redeemed or Repurchased New Restricted Employee Shares	110 ,000 shares
Cancelled Shares	Not Applicable
Uncancelled Shares	3,890,000shares
Percentage of Uncancelled Shares to Issued Ordinary Shares	1.07%
Affects on Shareholder Interest	Not Applicable

(II)Managers and Top 10 Major Owners of Employee Restricted Shares：

As of April 30, 2021

	Title (Note 1)	Name	Acquired Number of Employee Restricted Shares	Percentage to Total Number of Issued Ordinary Shares	Cancelled				Uncancelled			
					Shares	Issued Price	Amount	Percentage to Total Number of Issued Ordinary Shares	Shares	Issued Price	Amount	Percentage to Total Number of Issued Ordinary Shares

Manager	CEO	Chen, Hong Wen	1,890,000	0.52%	0	0	0	0%	1,890,000	0	0	0.52%
	General Manager	Li, Rong Chang										
	Senior Deputy General Manager	Tsai, Fu Tsan										
	Senior Deputy General Manager	Hsu, Jong Hui										
	Senior Deputy General Manager	Liao, Hsi An										
	CTO	Yeh, Fu Min										
	COO	Lin, Tien Jin										
	CFO	Lin, Chih Hong										
	CSO	Cheng, Guang Ming										

	Title (Note 1)	Name	Acquired Number of Employee Restricted Shares	Percentage to Total Number of Issued Ordinary Shares	Cancelled				Uncancelled			
					Shares	Issued Price	Amount	Percentage to Total Number of Issued Ordinary Shares	Shares	Issued Price	Amount	Percentage to Total Number of Issued Ordinary Shares
Employee (Note 3)	Spokesperson	Yang, Zheng Jen	1,220,000	0.34%	0	0	0	0%	1,220,000	0	0	0.34%
	Head of Division	Yao, Chi Sian										
	Head of Division	Lai, Zhi Hao										
	Special Assistant	Li, Long Jun										
	Vice President	Wang, Shih Jun										
	Deputy General Manager	Ting, Yuan Zhe										
	Manager	Lin, Jun Han										

	Senior Manager	Zheng, Chung Liang										
	Manager	Huang, Shueh Guan										
	Head of Division	Wu, Zong En										
	Mananger	Hsu, Ching Song										

Note 1: Name and titles of employee restricted stock owners, including managers and employees (resigned or deceased individuals should be denoted）, ought to be disclosed. The number of shares received or subscribed are presented in aggregate.

Note 2 :

Note 3 : Refers to non-managerial employees who are the top 10 major owners of employee restricted stock.

VII.Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

VIII.Financing Plans and Implementation: None

V. Operational Highlights

I.Business Activities

(I)Business Scope

The scope of business of the Company shall be as follows:

1. Research, development, manufacture, purchase and sale of electronic components, semi-finished products and finished products;
2. Research, development, manufacture, purchase and sale of computer software, hardware and peripheral equipment;
3. Import-export trading business in relation of the foregoing products;
4. CC01101 Restricted telecom radio frequency equipment and materials manufacturing;
5. F401021 Restricted telecom radio frequency equipment and materials import;
6. E701031 Restrained telecom radio frequency equipment and materials construction;
7. F113070 Wholesale of telecom instruments; and
8. F213060 Retail sale of telecom instruments.

2. 2020 Proportion of each product (service) to total business operations

Product	Ratio
WLAN CARD	12.62 %
WIRELESS GATEWAY	74.89 %
WIRELESS TELECOMMUNICATION MODULE	6.06 %
OTHERS	6.43 %
TOTAL	100.00%

3. Product Portfolio

Product Name	Purpose and Function
WLAN CARD	Office computers and wireless transmission equipment
WIRELESS GATEWAY	Wired and wireless network transmission equipment
WIRELESS TELECOMMUNICATION MODULE	Wireless transmission module for IoT equipment
OTHERS	Buying and selling wires, packaging materials, pallets and raw materials

4.New Reasearch and Development Plans

(1) Next-generation passive optical network/ ultra-wideband network and voice service integration systems GPON/XGSPON /10GEPON/DPoE/NGPON2 product development.
(2) xDSL, G.FAST equipment
(3) Whole home WiFi with Mesh development
(4)Advanced WiFi 6 AP,Repeater,and Mesh development
(5) Cost-effective and Advanced LTE client device development, including Cat 20, Cat 12, Cat6, Cat4, UER
(6) 3GPP based CIOT client device and LGA module development (Cat 4, Cat 1, Cat-M1, NB-IOT)
(7) 5G NR CPE development
(8) mmwave smart antenna phase array system platform development
(9) 5G mmwave repeater system platform development
(10)Tern smart mesh WiFi 6/6e System development
(11)5G smallcell solution and core network platform development
(12) Low Earth Orbit Satellite Smart Antenna CPE System research

(II)Industry Overview

1.The Status and Development of Industry

With the introduction of 5G specifications and standards, many communication service providers have also begun to develop various deployment strategies. In 2020, Apple launched the iPhone12 equipped with 5G technology standards, which has prompted a vast array of technological advances in the market. The chipmaker giant Qualcomm said in its previous financial report that they are optimistic about the development trend of 5G technology after 2021. Not only is 5G widely used in consumer products such as mobile phones, Internet of Vehicles, and Internet of Things, but it also has a lot to offer for edge computing, data center and 5G infrastructure markets.

The telecommunications equipment and services company, Ericsson, had pointed out in a report that by the end of 2026, there will be 3.5 billion 5G users worldwide, accounting for more than 50% of mobile data traffic, and 60% of the population will live in areas covered by 5G signals. Although the epidemic has brought about many uncertainties, the pace of 5G network deployment and the introduction of new features in 5G devices has accelerated in 2020. This report also pointed out that the increase in 5G users and population coverage has confirmed that the fifth-generation mobile communications system is deployed faster than any mobile network.

The COVID-19 pandemic has accelerated the development of digitalization, and the demand for faster and more reliable home broadband networks has also increased. Numerous communication service providers have begun to offer Fixed Wireless Access (FWA) services. The demand for Wi-Fi connectivity is high as well. Wi-Fi 6 uses many of the same technologies as 5G, which renders low latency connectivity and the ability to connect to multiple devices simultaneously. In January 2020, the advent of Wi-Fi 6E was announced by the Wi-Fi Alliance. Wi-Fi 6E is an extended version of WiFi, which is, aside from the initial 2.4GHz and 5GHz frequency bands, an additional 6GHz is added to ensure high-efficiency Wi-Fi transmission.

Wi-Fi technology complements 5G and plays a role in various wireless communication. Gemtek has long been an innovator in the field of wireless technologies. The Company will continue to keep up with the trend and come up with new products to satisfy customer demands.

2. The Industry's Upstream, Midstream and Downstream Operations

The wireless LAN industry-value chain starts with upstream IC design houses (Broadcom, Qualcomm and Sigma Design, etc.), IC manufacturers (TSMC, UMC, etc.) and travels to midstream and downstream system design and manufacturing (Gemtek, CyberTAN, Askey Computer, Asus, etc.) and product sales companies (Belkin, Buffalo, Intel, etc.). Gemtek’s product supply chain begins with the purchasing of electronic components such as integrated circuits and circuit boards, which the materials would be placed through the SMT assembly process, testing, completion, and are then sold directly to assembly system companies or to general users through retail distributors. The Company’s line of business involves midstream manufacturing with connections to various manufacturers in the industry, depicted as follows:

Upstream	→	Midstream	→	Downstream	→	Application
IC Design House, IC Manufacturer		System Developer and Manufacturer		Retailer, PC OEM, System Integrator		Users, Application System Developer

3. Product Development Trends and Competition

A. Wireless LAN Market Outlook

Forbes reported that the advent of 5G will indeed change the overall wireless industry significantly. Its high-speed and low-latency features provides the foundation for a host of current and emerging uses in manufacturing, medical care, smart cities, self-driving cars, and augmented reality. In terms of Wi-Fi standards, the new generation of Wi-Fi also continues to evolve, offering highly scalable and cost-effective network solutions.

The Wi-Fi Alliance has given the next-generation wireless standard a new name, Wi-Fi 6, and the transmission speed in device-dense areas can reach four times higher than that of Wi-Fi 5 (the 802.11ac protocol), providing users with greater bandwidth so that all wireless devices can take full advantage of high-speed transmission.

Wi-Fi plays an important role in the digital transformation of enterprises. Mobile offices can be set up through Wi-Fi network applications, allowing all personnel to work in any area within the company premises. At present, the deployment of Wi-Fi 6 is still relatively limited. It is expected that in the next 2 to 3 years, there will be a transition period when Wi-Fi 5 and Wi-Fi 6 mutually coexist, and the latter is expected to be scaled up after 2023.

Wi-Fi 6 can greatly improve the capacity and bandwidth of wireless base stations (access point; AP), and can also divide channels into narrower sectors, greatly reducing network congestions and signal interference issues. Due to this newly enhanced feature, Wi-Fi 6 routers can connect and manage more devices at the same time, and significantly reduce the waiting and delay time when interference and connection problems occur. Wi-Fi 6 devices are also equipped with improved battery performance, thus making data transmission more efficient.

As for the dispute on whether the co-existence of the new Wi-Fi and 5G may appear redundant, take corporate office buildings for example, besides having Wi-Fi networks set up in open areas, places such as restrooms, elevators, emergency exit staircases, and corridors may require internet access as well. However, installing Wi-Fi hotspots in these locations will not benefit the entirety of the enterprise budget-wise, therefore having the support of 5G cellular on demand can fill in for the lack of WiFi signals when needed. Therefore, choosing between 5G or Wi-Fi 6 may not be the main issue in terms of finding the optimal network solution, but how the two can complement one another in overlapping environments.

B. Technological Advancements

3GPP is the engineering organization that develops and defines the technical specifications and standards for 5G cellular networks; and the IEEE 802.11 standard, popularly known as WiFi, lays down the architecture and specifications of wireless LANs (WLANs). The biggest difference between the two is that Wi-Fi uses unlicensed spectrum, so the spectrum can be reused; while 5G, which uses licensed spectrum, has relatively higher transmission efficiency. In order to support innovative use cases such as the Internet of Things (IoT), GPS, and Internet of Vehicles, both Wi-Fi and 5G have evolved with new frequency bands.

Wi-Fi 6 will soon be applying the 802.11ax standard due to its outstanding features such as increased throughput, increased bandwidth efficiency, extended battery lifespan and performance, and wider coverage. In addition, 802.11ax has already included the ISM bands of 2.4GHz and 5GHz during its initial establishment, allowing it to operate on all Wi-Fi bands, including 2.4GHz, 5GHz and the upcoming 6GHz, narrowing the differences between Wi-Fi and 5G in terms of communication efficiency.

The latest technological advancement of Wi-Fi 6 is that its QAM modulation accuracy is doubled, which enables single devices to run faster, and the additional OFDMA Technology allows routers to accommodate more device connections at the same time. Furthermore, the BSS Coloring Technology that is newly introduced to WiFi can reduce signal interference between routers. WiFi power consumption runs more efficiently with the Target Wake Time (TWT) design. Compared with the Wi-Fi 5 routers currently used by most households, the maximum data transmission speed of Wi-Fi 6 is increased by nearly 40%.

The Wi-Fi 6E standard announced by the Wi-Fi Alliance in 2020 enables the 6GHz frequency band to transmit large quantities of data within a short distance, and can help alleviate the traffic congestion and interference of connected devices. In other words, Wi-Fi 6E is considered the newest highway channel added on top of Wi-Fi, and is packed with all the advantages of Wi-Fi 6.

Specifications and applications of various types of wireless technologies:

Type of Technology	Zig-Bee	Bluetooth/BLE	802.11(b/g/n/ac)	Wi-Fi 6(802.11ax)
Application	Indoors	Indoors	Indoors/Outdoors	Indoors/Outdoors
Band or Spectrum	2.4GHz ISM 868MHz, 915MHz	2.4GHz ISM	2.4GHz/5GHz	2.4GHz/5GHz
Access	CSMA-CA	GFSK/8DPSK/pi/4 DQPSK	OFDM/MIMO	OFDMA/MIMO
Distance(meter)	10~75	100	100~250	100~250
Transmission Speed	250Kbps;40Kbps 20Kbps	1~3Mbps	11Mbps~1.73Gbps	Several Gigabit
Encryption	Yes	Yes	Yes	Yes
Data Transmission	Yes	Yes	Yes	Yes
Voice Transmission	No	Yes	Yes	Yes
Details	According to the current vision of the ZigBee Alliance, ZigBee's target markets mainly include: PC peripherals (mouse, keyboard, game joystick), consumer electronic equipment (remote control devices on TV, VCR, CD, VCD, DVD, etc.), home intelligent control (lighting, gas metering control and alarm, etc.), toys (electronic pet), medical care (monitor and sensor), industrial control (monitor, sensor and automatic control equipment) and other fields.	Bluetooth technology is currently maintained by the Bluetooth Special Interest Group (SIG), with more than 30,000 members in the fields of telecommunications, computers, networks, and consumer electronics.	Many consumer devices are equipped with Wi-Fi capabilities. On other device applications, personal computers can use Wi-Fi to establish networks and connect to the Internet; mobile computers can connect to the Internet through any Wi-Fi hotspot; and digital cameras can even transmit images wirelessly.	Wi-Fi 6 technology can increase the number of devices simultaneously connected to the service by each AP. Usually, when you connect more than a dozen devices at the same time through retail channels/domestic mainstream routers, you may have some challenges to Wi-Fi, and the use effect and experience will gradually deteriorate. The Wi-Fi 6 technology specifically introduces some new features, allowing the same server to serve multiple devices at the same time, which is an improvement over the previous generation.

Technology	**3G**	**4G**	**5G**
Time of Creation	1998	2008	2019-2020
Bandwidth (Uplink/Downlink)	64K/2M	50M/100M	Approx. 500M/1G
Type of Multiple Access	FDMA/CDMA	FDMA/OFDM	OFDM
Channel Bandwidth	5MHz	20MHz	100MHz (Below 6GHz) 400MHz (Above 6GHz)
Transmission Speed	70Mbps	64k~1Mbps	150Mbps ~ over 1Gbps
Application	Mainly used for sending and receiving short messages.	Sending and receiving text messages. Internet browsing speed is much smoother than 3G.	Sending and receiving text messages. Internet browsing, watch 4K videos without delay. Used in innovative applications such as the Internet of Vehicles and the Internet of Things.
Details	Cellular network mobile phone technology that supports high-speed data transmission. 3G service can transmit voice (calls) and information (email, instant messaging, etc.) at the same time. The representative feature of 3G is to provide high-speed data services, with a speed generally above several hundred kbps.	Based on technical standards and ITU's definition, when the static transmission rate reaches 1Gbps, and the user reaches 100Mbps under high-speed movement,it can be deemed as 4G.	The main advantage of the 5G network is that the data transmission rate is much higher than the previous cellular network, reaching up to 10 Gbit/s, which is 100 times faster than the current wired Internet and faster than the previous 4G LTE cellular network. Another advantage is its lower network latency (faster response time), which is less than 1 millisecond, compared to 30-70 milliseconds for 4G.

(III)Research and Development Overview

1.R& D Expenses by recent years and by the publication of this Annual Report

Item	2019	2020	2021 Q1
Investments	NT$837,667,000	NT$874,998,000	NT$174,268,000
As a percentage of total revenue	4.64%	4.39%	3.33%

Note: No financial forecasts have been prepared for 2020

2. Recent Research and Development Achievements

Year	Achievements
2019	1.GPON/XGSPON / 10GEPON/DPoE/NGPON2 2.G.fast 3.Whole home WiFi with Mesh development 4.Tern smart mesh WiFi System development 5.Advanced WiFi Router 11.ax development 6.Cost-effective and Advanced LTE client device development, including Cat 20, Cat 12, Cat6, Cat4, UER 7.3GPP based CIOT client device and LGA module development (Cat 4, Cat 1, Cat-M1, NB-IOT) 8. 5G NR CPE development 9.1W CBRS LTE Small Cell System development 10.IIOT software System platform MERC development 11. New-generation Timestamp and High-end Switch products 12. mmWave System Platform development
2020	1. GPON/XGSPON /10GEPON/DPoE/NGPON2 product development. 2. G.FAST equipment 3. Whole home WiFi with Mesh development 4. Advanced WiFi 6 AP,Repeater,and Mesh development 5. Cost-effective and Advanced LTE client device development, including Cat 20, Cat 12, Cat6, Cat4, UER 6. 3GPP based CIOT client device and LGA module development (Cat 4, Cat 1, Cat-M1, NB-IOT) 7. 5G NR CPE development 8. 1W CBRS LTE Small Cell System development 9. mmwave smart antenna phase array system platform development 10. 5G mmwave repeater system platform development

(IV)Short-term and Long-term Business Development Plans

(1)Short-term Business Development Plans

A.Marketing Policies

a.Customer Retention and Market Expansion

Learn about customer demands and market trends. Expand the scope of services on the basis of existing production capacity and professional knowledge to expand the scale of business.

b. Complete Marketing Channel

Set up domestic and overseas offices and liaisons through subsidiaries and strategic alliances and maintain a good rapport with distributors to form a well-structured marketing channel.

c. Complete After-Sales Service

Establish quality control inspections. Provide after-sales consultation and maintenance services.

B.Production Policy

a. Reduce Production Costs and Improve Production Efficiency.

Strengthen product planning and quality control. Train and develop employees. Implement budget and cost control to improve production efficiency and reduce production costs.

b. Product Inspection and Quality Control

Implement ISO-9001:2015 and TQM to enhance overall product inspection and manufacturing quality.

C.Industrial Development

The Company researches and develops wireless communication products such as wireless network cards and wireless gateways. In addition to seeking continuous improvement in the quality of existing products, the company continues to develop products that are in line with the latest technical standards and design wireless multimedia products and services to meet market demands.

D. Business Scale

Seek opportunities to expand business scale in order to achieve the Company's short-term goals in marketing, production, and R&D,

E. Finance

Obtain adequate sources of funding and investment plans to facilitate the Company's manufacturing and development goals.

(2)Long-term Business Development Plans

A. Marketing Strategy

a. Follow market trends. Launch new products. Expand global market.

b.Work with large-scale international businesses through strategic alliances or technical cooperation to win OEM / ODM orders.

B.Production Policy

a. Material Requirements Planning

Continue to improve the Company's Material Requirements Planning (MRP) system to maintain smooth operation, effective capacity and production quality. The goal is to enhance the overall efficiency of the supply chain and production lead time.

b. Automation

In order to successfully transition to production line automation, the Company needs to devise new product line layouts, invest in the professional training and development of operators, and discover more advanced manufacturing processes besides adding new machinery and equipment to the entire plan.

C.Industrial Development

Taiwan's telecommunications industry incorporates various types of technologies to facilitate the construction and development of wireless communication networks. Ranging from wireless base stations, Wi-Fi6 routers, modules, to LTE terminals and LTE small cell products, and 5G and Pre-5G products in response to the advent of 5G technology, then supplemented by wired G.fast and GPON with its existing copper cables to achieve 1 Gps in the last mile to replace expensive optical fiber -----the amalgamation of technologies has helped telecom operators to deploy and operate with better efficiency.

Bearing in mind its long-term global expansion goals, the Company devotes itself to the advanced development of wireless communication network software, hardware, application services, and product integration devices to satisfy customer requirements. The Company also invests heavily on the research and development of new technologies and products and seeks opportunities to work closely with enterprises through technology collaboration. The Company wishes to combine the next-generation 5G and Wi-Fi and other wireless technologies with its existing telecommunication architecture to achieve higher market growth and business profit.

D. Business Scale

Adhere to the concept of corporate sustainability. Establish a good corporate culture. Extend short-term development plans to accommodate growing business operations.

E. Finance

a. Train and develop financial and accounting professionals..

b. Strengthen comprehensive financial planning to reduce operational risks and enhance competitiveness.

II. Market Analysis and Status of Goods Production and Sales

(I)Market Analysis

1.Global Sales Regions and Statistics

Area \ Year		2019		2020	
		Amount	%	Amount	%
Domestic		564,771	3.13%	976,463	4.90%
Overseas	Asia	23.88%	27.48%	6,215,478	31.19%
	Europe	24.09%	20.71%	3,922,576	19.68%
	America	48.86%	49.02%	8,807,938	44.2%
	Others	0.04%	0.07%	6,917	0.03%
Total		18,057,131	100.00%	19,929,372	100.00

2.Market Share

In recent years, Gemtek had become widely successful with its advanced developments in the telecommunications market and has therefore been able to expand its worldwide businesses by leaps and bounds.

By following the technological trend in telecommunications infrastructure services, the Company's main sales products has been keenly focused on LTE and Wi-Fi devices. However, based on its in-house R&D advantages, the Company was able to launch new projects and come up with numerous innovative products at the same time. The growing surge in telecommunications infrastructure and commercial networks deployment has led telecom carriers in many countries eager to upgrade their network capacity almost instantly. In 2019, Gemtek's global sales has vastly expanded and its worldwide market share has also continued to increase exponentially.

3. Future Outlooks on Market Supply and Demand

In 2020, the world was threatened by the COVID-19 pandemic causing the electronics industry to suffer immensely by the effects of limited transportation and supply shortage due to city lockdown protocols. However, once people began to implement remote work and learning mechanisms, we were able to see an exponential surge of demand for telecommunications equipment. Domestic and international sales for related products were clearly on the rise. It was not until the global economy had slowly nudged towards the path of recovery was the electronics industry market able to take a breather. Under the effects of such economic turmoil, more advanced 5G related products, which include smart phones, WLAN, GPS, Ethernet LAN Switch, and Cable CPE etc. were gaining ground in every aspect, which the IEK Consulting Center of the Industrial Technology Research estimates that the total output of Taiwan's telecommunications equipment may reach NT$868 billion in 2021, with an annual growth of 4% compared to 2020. The overall communications equipment and service market maintains steady growth momentum.

Despite the delay caused by the COVID-19 pandemic, 5G deployment is gradually warming up to market demands, picking up from where it had started back in 2019. Many countries have now initiated the use of 5G services, a new wave of market demands for base stations, network devices, RF Front-End modules, and smart phones will be anticipated.

At the end of 2020, upstream semiconductor suppliers began to manifest tight production capacity, which in turn caused supply shortages downstream. As far as production materials are concerned, the Company has taken measures to alleviate the risk of supply shortages to respond to customer needs. However, it is expected that supplies would continue to struggle to keep up with growing demands in the telecommunication industry in the following year.

4. Competitive Niche

A. Professional and Reliable Management Team

The Company's management team has many years of accumulated technological experience and are all veterans in the industry. They have the core technological knowledge and the ability to develop new products on their own. Consequently, their contributions has facilitated the Company to maintain a good competitive edge and remain second to none as a world leading manufacturer.

B.Complete Product Line and Effective Manufacturing

The company has been in the field of wireless communication since 1994. It has a complete product line of wireless devices and automated manufacturing processes. Based on years of broad experience, the company continues to refine its production abilities in terms of design quality and manufacturing effectiveness. The Company is recognized by international business partners for its superior product stability.

C. Excellent R&D and Production Capabilities

The company's R&D department continues to engage in the improvement of existing products, and pursue product innovation and diversification. Beginning from multimedia systems to the current wireless LAN network card products, the Company has always been able to keep pace with market trends, launch innovative products and increase overall profitability.

D. Well-Estabslihed Management System and Harmonious Labor Relations

The Company is well aware that if it wants to stay ahead in an increasingly competitive and volatile environment, and seek long-term sustainability in the market, the central strategies are to strengthen the company's management system and to elevate the effectivenee of employee training and development. In addition, a harmonious labor-management relationship is also a very important part, which needs to be backed by a good employee welfare system. In view of this, in addition to establishing a reasonable and sound management system through a written and standardized system, the company also pays special attention to employee welfare and workplace camaraderie to maintain harmonious labor relations, improve operating performance, and increase business profit.

E. Stable Customer Base and Complete After-Sales Service

The Company received the ISO9001 certification in 1999 and is a certified manufacturer. The Company attaches great importance to product quality and customer satisfaction, and maintains long-term partnerships with customers. The company has established a complete customer inquiry system and after-sales service.

5.Favorable and Unfavorable Factors in Prospects and Countermeasures

A.Favorable Factors

a. High Potential in Development Across the Industry

With the liberalization of global telecommunications, and the rapid development of mobile communications and networks, the communications technology is still the leading trend in the technological industry.

b. Has Obtained International Recognition

The Company is committed to the research and development and production of wireless LAN products. Its products and service applications continues to exhibit excellent quality, and has successfully won the recognition of international business partners.

c. Independent Research and Development Capabilities

The Company's management team has many years of accumulated technological experience and are all veterans in the industry. They have the core technological knowledge and the ability to develop new products on their own. Consequently, their contributions has facilitated the Company to maintain a good competitive edge and develop new products with accelerated speed.

d. Superior Quality

In terms of quality, the Company conducts strict testings and quality controls to deliver the best products to its customers. In terms of price, the Company implements a set of effective strategies in product planning and positioning, giving its business pricing a competitive edge. In addition, the company has established a good reputation with its outstanding after-sales service, which all contributes to the advanced development of the company.

B. Unfavorable Factors and Countermeasures

a. Low-Cost Competition

Due to fierce competition in the market, business rivals often compete by cutting prices, which results in the declination of business profits.

<u>Countermeasures</u>

The Company is working towards the research and development of high profibility products, and hopes to expand the scale of operations and improve manufacturing processes to reduce production cost. At the same time, the Company plans to provide custom integrated services to enhance the overall performance of hardware device products, software, and cloud maintenance services.

b. Currency Fluctuation Risks

The Company sells products denominated in U.S. dollars. The appreciation of the New Taiwan Dollar will adversely affect revenue caused by foreign exchange losses. The Company has adopted measures such as currency hedging and customer negotiations to reduce the impact of exchange rate fluctuations.

Countermeasures

Adopt financial hedging strategies and negotiate with customers to adjust product prices.

(II) Main Products and Manufacturing Process

1. Main Products

Gemtek’s wireless broadband products mainly consists of LTE data terminal routers. LTE is not only widely used among small units such as individuals and families, but also by large entities as in enterprises and factories. Wireless LTE can be deployed in wide metropolitan areas, and even in remote towns, pastures, and open landscapes, saving significant amount of cost in contrast to setting up wired network infrastructures.

Gemtek owns a complete set of production lines designated to LTE portable routers, indoor routers, outdoor routers, and micro base stations to satisfy the different application requirements of operators and market demand.

The LTE system architecture includes Evolved Packet Core (EPC) and Evolved Universal Terrestrial Radio Access Network (E-UTRAN) [1]. EPC is a multi-access network based on the IP network protocol. It enables access to 3GPP wireless networks such as LTE and 3G, and can even connect to non-3GPP standard WLAN and WiMAX networks. Its main network components include Mobility Management Entity (MME), Serving Gateway (S-GW), Packet Data Network Gateway (PDN GW; P-GW), and Home Subscriber Server (HSS). In E-UTRAN, the base station (E-UTRAN Node B; eNodeB) is responsible for allocating the wireless network resources among User Equipment (UE).

The rapid development of diversified networking such as streaming media, online games, IP VoD, 4K/8K Ultra HD quality and the Internet of Things is giving rise to the incessant demand for bandwidth. Fixed-line technology is still undergoing evolutionary changes. The telephone transmission technology has progressed from VDSL2 to 106MHz and 212MHz G.fast; fiber-optic transmission technology has also evolved from 2.5G GPON to 10G XGS-PON and 40G NG-PON2.

Gemtek provides a whole series of new-generation fixed-line broadband products, including PON, xDSL/G.fast, and DPU, which can all be customized to meet customers' diverse network requirements and develop terminal equipment that render a higher competitive edge in the market.

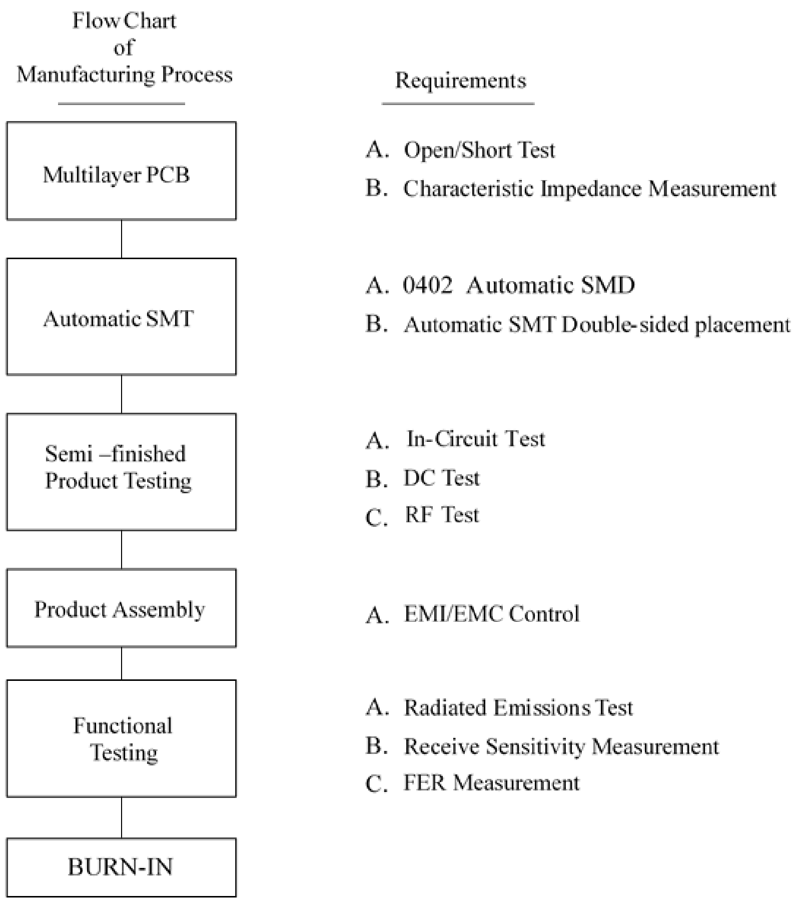
Smart products have become essential parts of our everyday life. People nowadays are looking beyond the high speed and high coverage of Wi-Fi for more connectivity. Gemtek has been working in the telecommunications field for over 30 years, and had developed numerous products that are in line with technological advances. From 802.11ac to 802.11ax, WiFi networks have become more efficient with its broadened capacity and ability to coordinate multiple access points at the same time. 802.11ax also supports 2.4GHz and 5GHz bands, and can be used in various high density wireless scenarios. Smart devices can be used to manage all sorts of sensors and smart products, allowing enterprise applications and smart homes to be deployed with more flexibility.

Gemtek has also incorporated the latest WiFi technology into its seamless wireless mesh network system to enhance network reliability and enable multiple connections. The system is capable of automatically detecting and switching between Wi-Fi access points to optimize Wi-Fi signals, working towards the goal of achieving zero attenuation and zero dead ends to build a truly seamless network environment.

Gemtek has also incorporated the latest WiFi technology into its seamless wireless mesh network system to enhance network reliability and allow for multiple connections. The system is capable of automatically detecting and switching between Wi-Fi access points to optimize Wi-Fi signals, working towards the goal of achieving zero attenuation and zero dead ends to build a truly seamless network environment.

Last but not least, Gemtek’s smart sensors alongside with its controlling systems are designed to automatically screen or monitor the environment, and then help create the best living condition through indoor smart controlling devices. The series of smart sensor and device solutions can also be managed remotely through mobile phones and computers. These solutions can be used for the purpose of security monitoring, access control management, and energy-saving control etc., to allow for a better quality of life.

2.Manufacturing Process



(III) Supply of Raw Materials

The main raw materials of the company's products include integrated circuits, circuit boards, wires, diodes, and capacitors, among which the raw materials that are used to assemble communication chipsets are made by designated manufacturers overseas. Due to the fact that these special components rely mainly on import, which the long wait for supply delivery might affect the overall production lead time, therefore, effective inventory control is vital to get the Company better prepared for unexpected supply outages. Procurement of raw materials from certified domestic suppliers may have less of an issue in terms of supply shortage, though the supply of several passive components can be tight at times, the Company has established contingency plans to mitigate the risks caused by insufficient supplies. As of now, there are no cases where the Company's production plans were hindered or suspended by the lack of raw materials.

(IV) Sales and Procurement Data from the Past Two Years

1.Sales Data

	2019				2020				As of 2021 Q1			
Item	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company
1	Client A	5,473,384	30.32	None	Client D	4,278,476	21.48	None	Client D	1,053,241	20.10	None
2	Client B	3,224,002	17.85	None	Client B	2,759,107	13.84	None	Client B	923,076	17.62	None
3	Client C	1,451,726	8.04	None	Client A	2,569,367	12.89	None	Client A	637,672	12.17	None
					Client C	2,174,766	10.91	None	Client C	613,780	11.71	None
	Others	7,908,019	43.79		Others	8,147,656	40.88		Others	2,012,514	38.40	
	Net Sales	18,057,131	100.00		Net Sales	19,929,372	100.00		Net Sales	5,240,283	100.00	

2. YoY Sales Variance Analysis: In 2020, Gemtek has become part of Client D's business supply chain. Client D is the major contributor of the Company's sales revenue for the year 2020

3.Procurement Data

	2019				2020				As of 2021 Q1			
Item	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company	Name	Amount	As a percentage of total net procurement (%)	Relationship with the Company
1	Client E	1,288,395	9.03	None	Client H	1,845,074	10.48	None	Client H	471,212	9.00	None
2	Client F	1,035,549	7.26	None	Client G	781,222	4.44	None	Client J	211,872	4.05	None
3	Client G	1,037,917	7.28	None	Client I	634,990	3.61	None	Client I	189,282	3.62	None
	Others	10,902,354	76.43		Others	14,345,753	81.48		Others	4,363,017	83.33	
	Net Procurement	14,264,215	100.00		Net Procurement	17,607,039	100.00		Net Procurement	5,235,383	100.00	

4. YoY Procurement Variance Analysis:

The procurement sources of various raw materials of the Company are diversified. In addition to cooperating with various suppliers for many years, the

Company maintains a good cooperative relationship and actively develops new sources of procurement. Manufacturer H is a designated supplier of one of our clients. Due to the client's significant increase in gross profit in 2020, manufacturer H has became one of the three major suppliers of the Company.

(V) Production Analysis for the Past Two Years

Unit: All numbers in NT$ thousands ;SET

Year / Production / Product	2019			2020		
	Capacity	Volume	Value	Capacity	Volume	Value
WLAN CARD	804,175	796,213	186,310	93,306,834	90,589,159	1,876,688
WIRELESS GATEWAY	12,118,670	9,322,054	11,814,666	12,300,266	10,250,222	13,784,962
WIRELESS TELECOMMUNICATION MODULE	16,661,578	16,334,880	1,048,973	9,303,203	9,120,787	709,894
Total	29,584,423	26,453,147	13,049,949	114,910,303	109,960,168	16,371,544

(VI) Sales Analysis from the Past Two Years

Unit: All numbers in NT$ thousands;SET

Year / Sales / Product	2019				2020			
	Domestic Sales		International Sales		Domestic Sales		International Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
WLAN CARD	113,454	16,917	1,472,220	432,551	570,109	70,200	89,874,795	2,445,761
WIRELESS GATEWAY	260,730	316,702	9,389,486	12,714,933	498,240	563,157	10,170,487	14,361,375
WIRELESS TELECOMMUNICATION MODULE	1,469,428	170,220	28,780,466	1,833,564	1706698	175,111	14,991,615	,1033,043
OTHERS	-	60,932	-	2,511,312	-	167,995	-	1,112,730
Total	1,843,612	564,771	39,642,172	17,492,360	2,775,047	976,463	115,036,897	18,952,909

Note: 1. Due to inconsistent units, the quantity for products that are classified as OTHERS may not be included.

III. Employees

(I)Human Resource Data

Unit: Persons

Year		2019	2020	As of March 31, 2021
Number of Employee(s)	As of the Previous Year	921	897	1091
	New Hire Count for the Current Year	153	588	59
	Number of Resignations for the Current Year	177	394	76
	Total	897	1091	1074
Average Age		36.2	37.1	37.1
Average Tenure		7.5	7.1	7.3
Distribution of education background (%)	Doctorate or Professional Degree	0.45%	0.37%	0.45%
	Master's Degree	40.58%	34.37%	41.41%
	Bachelor's Degree	50.61%	48.4%	58.71%
	High School Degree	5.46%	13.75%	15.74%
	Less Than High School	2.9%	3.12%	3.57%

(II)Training and Development

Employees are Gemtek's most valuable asset. Therefore, the proper planning and utilization of all resources to continuously invest in employee training and development is a critical and important task.

According to the Company's employee training and development policies, details and schedules for the training courses are determined by direct needs or essential matters that ought to be addressed as a part of workplace knowledge.

In 2020, Gemtek's total number of employee training hours is 18240.1 hours, which is 16.7 training hours per person. The total amount of training cost was NT$493,150. Gemtek's training programs are grouped by the following categories:

1.New Employee Training: Training programs should include new employee orientation, a tour of the workplace environment, brief introduction to the company's products, manufacturing process, systems, information security, and standards of quality, and general courses such as personal development and engagement. Other day to day training would include on-the-job induction training given by team mentors to help the new employee learn and adapt to their roles to quickly achieve a higher level of performace. The goal of all trainings are to help new employees acclimate to the organization in order to contribute their knowledge and skills with less effort, and be conscientious of rules that are imperative to their rights, health, safety, and their obligations as an employee.

2.Industry and Product Training: The Company holds a series of industry and product training courses from time to time to keep employees updated with the latest product developments and information that are relevant to the wireless communication technology.

3.Language Training: Having a higher level of English fluency may help employees engage in better communication with Gemtek’s worldwide business partners. The Company holds business English courses from time to time to help employees master the skills that may be beneficial to their job performances.

4. Professional Training: Include research and development training, quality management training, and business marketing training.

5. Management training: Training programs our carried out according to the different levels of management. The main idea is to instill insight and leadership skills among managers.

6. Occupational Safety and Health Training: As mandated by law, the Company has the obligation to educate employees about occupational safety and health as part of the corporate goal to build a safer and healthier work environment.

7. Intellectual Property Training: A general guide to help R&D employees understand patents and the patent application process.

In addition to the above-mentioned corporate training programs, each department are endowed with a budget to allow employees to pursue further studies through external training programs such as seminars, professional and management courses, and so forth. In addition, internal training programs may also encompass broader engagements such as cross-departmental trainings, experience sharing forums, book clubs, etc. The goal is to create a learning atmosphere where employees may have the appropriate sources to learn continuously.

(III) Employee Code of Ethics and Conduct

The Company’s work principles are based on code of ethics and professional conduct. Employees should be diligent, prudent, and trustworthy. They have the obligation to contribute their knowledge and capacity to the Company, and abide by the code of ethics and professional conduct throughout work. The rules that the Company’s employees should abide by are as follows:

1. Company employees, being part of the Company, are responsible for maintaining the Company’s reputation, exhibit camaraderie, be loyal and diligent, and abide by all rules and regulations of the Company.

2. Employees should follow the reasonable supervision and guidance of supervisors at all levels and pay attention to work safety. Supervisors at all levels should respect employee's individual identity, show appreciation to subordinates, and provide proper guidance to help employees complete their work.

3. Employees should be fully engaged and committed to their work, respect public property, implement cost-saving initiatives, improve operations quality, increase business production, ensure overall effectiveness, and practice professional business conducts in terms of securing trade secrets and confidential information.

4. Employees must not exhibit arrogance, laziness, or other toxic behaviors that could harm the reputation of individuals and the Company.

5. Employees are not allowed to bring relatives, friends and guests into the factory without approval.

6. Employees are not allowed to carry hazardous substances, dangerous goods, prohibited items, flammable (explosive) materials, or things that have nothing to do with workplace duties.

7. Employees are not allowed to bring company property off company grounds without prior approval.

8. Employees must not make secret profits for themselves by virtue of their positions, and must not violate their duties by accepting improper rebates, gifts, entertainment. or other illegal benefits from others.

9. Without the written consent of the Company, employees are not allowed to conduct side businesses that are related to their current work which may impact personal or organizational performances. Nor should employees create a similar business, either individually or through a third party, which may have the potential to compete with the Company.

10. The Company name and brand can only be used for business or commercial reasons.

11. Maintaining and Protecting Trade Secrets

(1) Employees of the Company shall observe the rules to maintain and protect trade secrets that are relevant to their business.

(2) Employees of the company shall not attempt to obtain or inquire about the trade secrets that are not related to their own business.

(3) Employees of the company shall not share or discuss salaries with co-workers.

(4) If the disclosure of trade secrets should inflict any sort of damage to the Company, the Company shall, in accordance with the law, be entitled to claim compensation to secure and maintain the rights of its mass shareholders and employees.

IV. Environmental Protection Expenditure

1. According to laws and regulations, if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

(1) Application status for Permission to Install Anti-Pollution Facilities or Discharge Wastes: According to regulations, the Company is located in the vicinity of the Hsinchu Industrial Park centralized sewage system, therefore the Company had applied for a permit to channel its wastewater discharge through the local system . On May 28, 1999, XinGuanZi Letter No. 0498 was approved and granted.

(2) Payment status for Pollution Control Fees: The Company pays a monthly fee to the Hsinchu Industrial Park Management Center for sewage treatment.

2. Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: None

3. Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described: None

4. Describing any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None

5. Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years:

The Company mainly researches, develops, designs, produces, and sells wireless communication products, and is a major player in the electronic high-tech industry. The Company’s manufacturing process consists of surface dressing, product testing, product assembly, and product packaging, consequently, no form of pollution is generated and the Company is naturally exempt from specific environmental protection laws and regulations. Moreover, all manufacturing wastes are handled by designated waste management companies that have been certified by the competent authority. Taking into account the aforementioned facts, while also considering that the Company has not caused any pollution nor incurred any penalties derived from pollution, therefore the Company has no obligation to install pollution prevention equipment. Presumably, for the next three years, the Company will have no major capital expenditures related to the prevention of environmental pollution, therefore, the Company's surplus and competitive position will not be affected by these matters.

V. Labor-Management Relations

Employees are Gemtek's most valuable asset, and the cornerstone of success. Gemtek makes proactive efforts to ensure that each and every one of our colleagues feel appreciated for their time and contributions. In order to enhance and pepetuate this well-balanced organizational atmosphere and culture, Gemtek is fully committed to providing employees with the best workplace environment, while helping our employees achieve higher expectations and standards in life. Respect and care are part of Gemtek’s core principles, therefore, Labor-Management Relations has always been harmonious and well-maintained. In the future, we will continue to build even better working environments and create satisfactory benefits for our employees. And through various welfare measures and leisure activities, we hope to provide employees with the opportunities to maintain mental and physical well-being between work and life, as well as strengthen team spirits and group cohesiveness to achieve long-term corporate sustainability.

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.:

Employee Welfare Committee and Retirement Plan Committee

Name	Date of Establishment	Letter Granted by Competent Authority
Employee Welfare Committee of Gemtek Technology Co., Ltd.	January 19, 1999	1999Beifulaoshizhi No.20324
Supervisory Committee of Business Entities‘ Labor Retirement Reserve of Gemtek Technology Co., Ltd.	October 30, 2000	2000Fulaozhizhi No.159743

1.Employee Benefits:

(1) Labor Insurance and National Health Insurance: The Company offers Labor Insurance and National Health Insurance benefits to Gemtek employees starting from the first day of work.

(2) Group Insurance Plan: Based on the job grades of individuals, Gemtek employees can receive an additional Group Insurance Plan benefit which the premiums are paid at the Company’s expense. Employees are also given the option to purchase Self-insured Plans for family members, providing an extra layer of coverage and care for the their loved ones.

(3) Travel Insurance for Business Trips: Gemtek employees are entitled to receive a comprehensive, company-paid travel benefit for any accidental death or injury that may occur when going on business trips.

(4) Staff Cafeteria, Dormitory, Parking Lot.

(5) Employee Bonus and Compensation Programs.

(6)Reacreational Ares and Break Rooms: Gemtek headquarters is equipped with an indoor cafe, aerobics training room, office gym, table tennis room, badminton court, basketball court, etc.

(7) Employee Welfare Committee: In compliance with relevant regulations, the Company has set up an Employee Welfare Committee to administer employee welfare funds and deploy various welfare measures and events to broaden employee benefits and wellness, which include birthday rewards, travel benefits, holiday bonuses, marriage benefits, maternity and paternity benefits, bereavement benefits, and recreational club activities funding, etc.

2.On October 30th, 2000 (89 FuLaoZhiZhi Letter No. 159743), the Company has officially established a Supervisory Committee of Business Entities‘ Labor

Retirement Reserve in accordance with the provisions of the “Rules Governing Organization of Supervisory Committee of Business Entities‘ Labor Retirement Reserve” promulgated by the Ministry of the Interior. The Supervisory Committee prepares a retirement reserve based on the approved provisions each year. This retirement reserve is allocated to a special account owned by the Labor Retirement Reserve Supervisory Committee for future pension payments. In addition, in accordance with the Labor Pension Act, for employees who have chosen the new labor retirement plan since July 1, 2005, the company will deposit 6% of the employee’s salary to the employee’s personal labor retirement pension account every month, which will be kept under the custody of the Bureau of Labor Insurance. Up to the present, no pension payments have been claimed.

3.In order to enhance the quality of human resources, the Company has formulated employee education and training programs to sustain the company's development goals and support lifelong learning plans for employees. The ultimate goal is to cultivate talents at all levels, keep employees inspired, and improve work efficiency.

4.Health Management:
(1) Hold employee health promotion activities and lectures regularly. Provide high-quality health management services.
(2) Routine on-site healthcare services.
(3) Regular health checks.
(4) A specialized team is set up to protect the Company against the threat of infectious diseases. Team members are in charge of collecting news sources about disease prevention, organizing employee vaccination sessions, and administering infection control kits to colleagues who are required to go on business travels overseas.
(5) Holds workplace safety and health inspections on a regular basis to ensure the quality of the work environment and protect the health and safety of employees.
(6) In 2020, Gemtek is specially committed to promoting Workplace Smoke-Free Policies and Cessation Programs to establish a healthy work environment, and was awarded the " Badge of Accredited Healthy Workplace " by the National Health Administration of the Ministry of Health and Welfare.

5. Status of labor-management agreements and measures for preserving employees' rights and interests.
(1)Department Meetings: Mainly for addressing issues on communication, allocation of human resources, uncovering problems, in addition to promoting and executing certain matters. The purpose of the meetings is to allow employees to fully understand the Company’s standards in production, technology, safety, and quality, as well as create a sense of camaraderie.
(2)Employee Welfare Committee Meeting: Meetings are held quarterly to discuss and inspect matters that center on employee welfare, and also for the purpose of allowing managerial offices to reflect on these particular issues. Reprensentatives of labor and management are to sit together and discuss the policies and measures to improve employee welfare, i.e. understanding employee demands and concerns.
(3)The Company regularly convenes labor-management meetings and has also established an anti-sexual harassment committee. The duty of the ad hoc committee is to address and respond to grievances regarding sexual harassment.

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The company has always attached importance to labor-management relations and has made efforts to maintain a harmonious labor-management relationship. There has been no loss due to labor disputes. It is estimated that in the future, under the company's comprehensive employee welfare measures, no labor disputes shall occur.

IV Important Contracts

Company Name	Type of Contract	Counterparty	Contract Period	Main Content	Restrictive Clauses
Gemtek Technology Co., Ltd.	Product Supply Agreement	Empresa de Telecomunicaciones Nuevatel (PCS DE Bolivia) SA	September 24, 2020 ~	Gemtek sells CPE products to the counterparty	None
Gemtek Technology Co., Ltd.	License Agreement	Intrinsyc Technologies Corporation	November 4, 2020 ~	Gemtek is licensed to use the counterparty’s technology.	None
Gemtek Technology Co., Ltd.	License Agreement	MaxLinear Inc.	May 20, 2020 ~	Gemtek is licensed to use the counterparty’s technology.	None
Gemtek Technology Co., Ltd.	Collaborative Research Agreement	Yuan Ze University	August 1, 2020 ~ July 31, 2021	Gemtek partners with counterparty	None

VI.Financial Summary

I.Condensed Balance Sheet and Income Statement for the Past 5 Years

(I) Condensed Balance Sheet

(1) Condensed Balance Sheet (Consolidated) of Gemtek and its Subsidiaries – Based on IFRS

Unit: All numbers in NT$ thousands

Item \ Year		Financial Summary（Note1）					Financial Position As of Mar 31, 2021（Note2）
		2016	2017	2018	2019	2020	
Current Assets		8,260,664	8,855,395	10,995,489	9,548,019	12,673,645	12,151,751
Property, plant and equipment		3,105,014	2,780,898	2,886,755	2,867,476	3,325,158	3,345,585
Intangible assets		-	-	389,010	447,765	79,763	79,202
Other Assets		2,411,684	3,424,381	1,824,977	1,836,476	2,577,810	3,813,617
Total Assets		13,777,362	15,060,674	16,096,231	14,699,736	18,656,376	21,390,155
Current Liabilities	Before dividend distribution	5,384,567	7,234,900	4,613,772	7,234,900	9,043,613	10,313,986
	After dividend distribution	5,728,883	7,234,900	4,791,683	7,234,900		
Non-current Liabilities		1,140,722	183,099	218,612	1,398,089	228,628	227,247
Total Liabilities	Before dividend distribution	5,567,666	7,453,512	6,011,861	7,453,512	9,272,241	10,541,233
	After dividend distribution	5,911,982	7,453,512	6,189,772	7,453,512		
Attributable to the equity of the owner of the parent company		-	-	8,603,133	8,417,519	9,384,003	10,848,307
Share Capital		3,038,210	3,273,104	3,565,540	3,568,835	3,575,905	3,575,905
Capital Reserve	Before dividend distribution	4,507,982	4,669,276	4,761,281	4,669,276	4,606,007	4,611,087
	After dividend distribution	4,439,119	-	4,583,370	-		-
Retained Earnings	Before dividend distribution	1,269,229	1,106,780	1,310,513	1,106,780	2,583,817	2,749,423
	After dividend distribution	993,776	1,106,780	1,310,513	1,106,780		-
Other equity		(249,623)	442,693	(738,463)	(1,223,110)	(1,381,726)	(91,302)
Treasury Stock		-	-	-	-	-	-
Non-controlling interests		-	-	39,586	270,356	132	615

Total Equity	Before dividend distribution	9,493,008	8,642,719	8,687,875	8,642,719	9,384,135	10,848,922
	After dividend distribution	9,148,692	8,642,719	8,509,964	8,642,719		-

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards. The above financial information was audited by the CPA.
Note 2: For the year 2021, the Company has adhered to the IFRS standards The Financial information as of March 31, 2021 was reviewed by the CPAs.

(2) Condensed Balance Sheet – Based on IFRS

Unit: All numbers in NT$ thousands

Year / Items		Financial Summary（Note 1）				
		2016	2017	2018	2019	2020
Current Assets		4,715,548	5,435,042	6,442,789	5,516,874	8,769,744
Property , plant, and equipment		1,357,283	1,181,550	1,170,049	1,131,078	1,321,057
Intangible Assets		-	-	-	-	-
Other Assets		6,603,859	7,812,966	7,463,753	7,197,393	7,242,756
Total Assets		12,676,690	14,429,558	15,076,591	13,845,345	17,333,557
Current Liabilities	Before dividend distribution	3,020,693	4,761,603	6,263,933	4,057,253	7,735,749
	After dividend distribution	3,481,492	5,105,919	6,263,933	4,235,164	
Non-current Liabilities		1,131,970	174,947	209,525	1,370,573	213,805
Total Liabilities	Before dividend distribution	4,152,663	4,936,550	6,473,458	7,949,554	7,949,554
	After dividend distribution	4,613,462	5,280,866	6,473,458	5,605,737	
Attributable to the equity of the owner of the parent company		-	-	-	-	-
Share Capital		3,038,210	3,273,104	3,565,540	3,568,835	3,575,905
Capital Surplus	Before dividend distribution	4,312,177	4,507,982	4,669,276	4,761,281	4,606,007
	After dividend distribution	-	4,439,119	-	4,583,370	-
Retained Earnings	Before dividend distribution	1,423,263	1,269,229	1,106,780	1,310,513	2,583,817
	After dividend distribution	962,464	993,776	1,106,780	1,310,513	
Other Equities		(249,623)	442,693	(738,463)	(1,223,110)	(1,381,726)
Treasury Stock		-	-	-	-	-
Non-contolling Interests		-	-	-	-	-
Total Equity	Before dividend distribution	8,524,027	9,493,008	8,603,133	8,417,519	9,384,003
	After dividend distribution	8,063,228	9,148,692	8,603,133	8,239,608	

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards The above financial information was audited by the CPA.

(II) Income Statements

(1) Condensed Income Statement (Consolidated) of Gemtek and Subsidiaries– Based on IFRS

Unit: All numbers in NT$ thousands

Items \ Year	Financial Summary （Note 1）					Financial Position As of March 31, 2021(Note 2）
	2016	2017	2018	2019	2020	
Operating Income	14,511,254	13,580,607	17,333,751	18,057,131	19,929,372	5,240,283
Gross Profit	2,285,273	1,702,867	1,600,685	1,772,491	2,265,576	522,150
Operating Profit	339,196	(41,685)	(58,779)	51,499	467,913	127,566
Non-operating income and expense	341,354	368,757	86,088	231,056	1,105,259	23,400
Profit before tax	680,550	327,072	27,309	282,555	1,573,172	150,966
Net income for the year from the continuing department	567,072	311,941	(21,846)	209,973	1,407,574	128,786
Loss from the discontinued department	-	-	-	-	-	-
Current period net profit	567,072	311,941	(21,846)	209,973	1,407,574	128,786
Other current comprehensive income (loss) profit(net after tax)	(445,033)	676,141	(1,112,689)	(475,358)	(184,190)	1,316,558
Total comprehensive income of current period	122,039	988,082	(1,134,535)	(265,385)	1,223,384	1,445,344
Net profit attributable to the owner of the parent company	567,072	311,941	(22,804)	201,193	1,370,155	128,303
Net profit attributable to non-controlling interests	-	-	958	8,780	37,419	483
Total current comprehensive income attributable to the owner of the parent company	122,039	988,082	(1,135,533)	(272,976)	1,186,605	1,444,861
Total current comprehensive income attributable to non-controlling interests	-	-	998	7,591	36,779	483
Earnings per share	1.89	1.01	(0.07)	0.57	3.86	0.36

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards The above financial information was audited by the CPA.

Note 2: For the year 2021, the Company has adhered to the IFRS standards The Financial information as of March 31, 2021 was reviewed by the CPAs.

(2) Condensed Comprehensive Income Statement of Gemtek – Based on IFRS

Unit: All numbers in NT$ thousands

Items \ Year	Financial Summary (Note 1)				
	2016	2017	2018	2019	2020
Operating Income	13,311,451	12,467,384	14,248,465	14,530,958	16,484,007
Gross Profit	1,865,732	1,175,032	1,190,357	1,180,414	1,568,999
Net operating income (loss)	342,983	(130,014)	(10,659)	(66,480)	230,908
Non-operating income and expenses	311,562	412,671	7,520	268,551	1,228,732
Profit before tax	654,545	282,657	(3,139)	202,071	1,459,640
Net income for the year from the continuing department	567,072	311,941	(22,804)	201,193	1,370,155
Loss from the discontinued department	-	-	-	-	-
Current period net profit	567,072	311,941	(22,804)	201,193	1,370,155
Other comprehensive income recognized for the period (net amount after tax)	(445,033)	676,141	(1,112,729)	(474,169)	(183,550)
Total comprehensive income of current period	122,039	988,082	(1,135,533)	(272,976)	1,186,605
Net profit attributable to the owner of the parent company	567,072	311,941	(22,804)	201,193	1,370,155
Net profit attributable to non-controlling interests	-	-	-	-	-
Total current comprehensive income attributable to the owner of the parent company	122,039	988,082	(1,135,533)	(272,976)	1,186,605
Total current comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.89	1.01	(0.07)	0.57	3.86

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards The above financial information was audited by the CPA.

(III) Factors that may impact the effectiveness of the above comparison: None

(四) Audit Opinions

1. Auditors and their Audit Opinions over the Past 5 Years

Year	Audit Firm	CPA	Opinion
2020	Deloitte & Touche	Ching-zen Yang, Jing-ting Yang	Unqualified opinion
2019	Deloitte & Touche	Ching-zen Yang, Zhe-li Gung	Unqualified opinion
2018	Deloitte & Touche	Ching-zen Yang, Zhe-li Gung	Unqualified opinion
2017	Deloitte & Touche	Ching-zen Yang, Zhe-li Gung	Unqualified audit report with explanatory paragraph or modified wording
2016	Deloitte & Touche	Ching-zen Yang, Zhe-li Gung	Unqualified audit report with explanatory paragraph or modified wording

II. Five Year Financial Analysis

（I）Financial Analysis (Consolidated) of Gemtek and its Subsidiaries – Based onn IFRS

Items	Year	2016	2017	2018	2019	2020	As of March 31, 2021 (Note 1）
Financial Structure（%）	Debt to Assets Ratio	38.13	36.97	46.31	40.90	49.70	49.28
	Long-term capital to property, plant, and equipment	311.26	347.95	305.59	351.74	289.09	331.07
Solvency(%)	Current Ratio	200.86	164.46	151.98	206.95	140.14	137.21
	Quick Ratio	160.47	129.97	110.09	150.97	92.02	82.45
	Times interest earned (times)	1675.32	2280.11	198.39	627.95	11776.04	2843.82
Operational abilities	Average collection turnover (times)	3.74	3.59	3.58	3.65	3.94	4.42
	Average Collection days	97.59	101.67	101.94	100	92.63	60.33
	Inventory turnover（times）	8.10	6.86	6.50	5.86	5.14	5.20
	Average payable turnover（times）	4.56	4.16	4.77	4.60	3.93	4.01
	Average inventory turnover days	45.06	53.20	56.19	62.25	71.01	51.05
	Property, plant, and equipment turnover (time)	4.38	4.61	6.12	6.28	6.44	6.50
	Total assets turnover (times)	0.99	0.94	1.11	1.17	1.19	0.27
Return on investment (%)	Return on assets	4.12	2.35	0.02	1.65	8.59	0.76
	Return on shareholders' equity	6.66	3.46	(0.25)	2.42	15.58	1.33
	Income before tax as a percentage of paid-in capital	22.48	10.20	0.77	7.92	43.99	4.22
	Net profit rate	3.91	2.30	(0.13)	1.16	7.06	2.46
	Earnings per share (NTD) (Note 2)	1.89	1.01	(0.07)	0.57	3.86	0.36
Cash flows (%)	Cash flow ratio	45.92	(5.60)	(12.05)	60.6	(10.03)	(1.61)
	Cash Flow adequacy ratio	160.39	102.84	43.48	163.63	40.41	5.37
	Cash Flow Reinvestment Ratio	13.97	(5.97)	(9.62)	21.47	(8.35)	(1.15)
Leverage	Operating Leverage	2.12	(6.58)	(4.69)	7.91	1.90	1.88
	Financial Leverage	1.14	0.56	0.64	(14.86)	1.07	1.06

Changes in financial ratios over the past 2 fiscal years (Analysis is not required for changes less than 20%):

A. The 2020 increase in short-term borrowings and accounts payable resulted in a 22% increase in debt ratio compared with that in 2019.
B. In 2020, the current ratio and quick ratio decreased by 32% and 39% as compared to 2019, respectively, due to the conversion of corporate bonds that are due within one year recognized as current liabilities.
C. Due to the increase in pre-tax income in 2020, the times interest earned increased by 1,775% compared with that in 2019.
D. Due to the increase in net profit after-tax in 2020, the return on assets, return on equity, ratio of pre-tax net profit to paid-in capital, profit margin, and earnings per share increased significantly compared with that in 2019.

E. Due to the increase in net cash outflow from operating activities in 2020, the cash flow ratio, the cash flow adequacy ratio and cash reinvestment ratio decreased by 117%, 75% and 139%, respectively, compared with that in 2019.
F. Due to the increase in operating income in 2020, the degree of operating leverage decreased by 76% compared with that in 2019.
G. Due to the increase in operating income in 2020, the degree of financial leverage increased by 107% compared with that in 2019.

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards The above financial information was audited by the CPA.
Note 2: TWSE listed and TPEx listed companies shall also set forth the condensed balance sheet and statement of comprehensive income information up to the quarter immediately preceding the prospectus publication date.

Note 3: The following formulas are applied when calculating the financial ratios.
1. Financial structure
(1) Debt ratio = Total liabilities / Total assets
(2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment
2. Debt service ability
(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
(3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses
3. Operating ability
(1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
(2) Average days for cash receipts = 365 / Accounts receivable turnover
(3) Inventory turnover rate= Cost of sales / Average inventory
(4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
(5) Average days for sale of goods = 365 / Inventory turnover
(6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
(7) Total asset turnover rate = Net sales/Average total assets
4. Profitability
(1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)] / Average total assets
(2) Equity return ratio = Profit or loss after tax / Average total equity
(3) Net profit ratio = Profit or loss after tax / Net sales
(4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued
5. Cash flow
(1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
(2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 4: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average nymber of common shares, not the number of issues shares ar year end.
2. In any case where there is a cash capital increase of treasury stock transaction, the period of time in circulation shall be considerd in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shres are non-converitble cumulative preferred shares, the dividend of the current year (whether issued of not) shall be subtracted from the net profit after tax, or added tp the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need to be made.

Note 5. Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgements are involved, give special attention to their reasonableness and to maintain consistency.

Note 7: In the case of a company whose shares have no par value or have a par value other than NT$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

(II）Financial Analysis of Gemtek – Based on IFRS

Items		2016	2017	2018	2019	2020
Financial Structure（%）	Debt to Assets Ratio	32.76	34.21	42.91	39.20	45.86
	Long-term capital to property, plant, and equipment	711.42	818.24	753.19	865.38	726.52
Solvency(%)	Current Ratio	156.11	114.14	102.86	135.98	113.37
	Quick Ratio	151.96	111.56	99.56	119.18	103.18
	Times interest earned (times)	24700.07	2244.08	108.50	630.71	11088.75
Operational abilities	Average collection turnover (times)	3.44	3.48	3.12	3.27	3.22
	Average Collection days	106.01	104.80	117.16	117.71	113.52
	Inventory turnover（times）	59.68	76.34	83.62	30.63	20.44
	Average payable turnover（times）	5.11	4.45	4.49	4.10	2.80
	Average inventory turnover days	6.12	4.78	4.37	11.92	17.86
	Property, plant, and equipment turnover (time)	9.57	9.82	12.12	12.63	13.44
	Total assets turnover (times)	1.01	0.92	0.97	1.00	1.06
Return on investment (%)	Return on assets	4.52	2.49	0.01	1.69	8.94
	Return on shareholders' equity	6.66	3.46	(0.25)	2.36	15.39
	Income before tax as a percentage of paid-in capital	21.62	8.81	-	5.66	40.82
	Net profit rate	4.26	2.50	(0.16)	1.38	8.31
	Earnings per share (NTD) (Note 2)	1.89	1.01	(0.07)	0.57	3.86
Cash flows (%)	Cash flow ratio	66.20	(11.66)	(16.66)	44.03	(18.65)
	Cash Flow adequacy ratio	253.18	162.50	91.69	139.32	42.63
	Cash Flow Reinvestment Ratio	17.03	(9.49)	(13.98)	16.30	(17.43)
Leverage	Operating Leverage	1.35	0.14	(10.47)	(0.92)	1.59
	Financial Leverage	1.11	0.81	0.26	0.55	1.15

Changes in financial ratios over the past 2 fiscal years (Analysis is not required for changes less than 20%):

A. Due to the increase in pre-tax income in 2020, the times interest earned increased by 1,658% compared with that in 2019.

B. Due to the increase in inventory in 2020, the inventory turnover rate decreased by 33% compared with that in 2019, and the average sales days increased by 50%.

C. Due to the increase in accounts payable in 2020, the turnover rate of accounts payable decreased by 32% compared with that in 2019.

D. Due to the increase in net profit after-tax in 2020, the return on assets, return on equity, ratio of pre-tax net profit to paid-in capital, profit margin, and earnings per share increased significantly compared with that in 2019.

E. Due to the increase in net cash outflow from operating activities in 2020, the cash flow ratio, the cash flow adequacy ratio and cash reinvestment ratio decreased by 142%, 69% and 207%, respectively, compared with that in 2019.
F. In 2020, the degree of operating leverage and degree of financial leverage increased by 273% and 109%, respectively, compared with 2019 due to operating income in the current period.

Note 1: For the years 2016 to 2020, the Company has adhered to the IFRS standards The above financial information was audited by the CPA.
Note 2: TWSE listed and TPEx listed companies shall also set forth the condensed balance sheet and statement of comprehensive income information up to the quarter immediately preceding the prospectus publication date.

Note 3: The following formulas are applied when calculating the financial ratios.
1. Financial structure
  (1) Debt ratio = Total liabilities / Total assets
  (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment
2. Debt service ability
  (1) Current ratio = Current assets / Current liabilities
  (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
  (3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses
3. Operating ability
  (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
  (2) Average days for cash receipts = 365 / Accounts receivable turnover
  (3) Inventory turnover rate= Cost of sales / Average inventory
  (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
  (5) Average days for sale of goods = 365 / Inventory turnover
  (6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
  (7) Total asset turnover rate = Net sales/Average total assets
4. Profitability
  (1) Asset return ratio = [Profit or loss after tax + Interest expenses × (1 - Tax rate)] / Average total assets
  (2) Equity return ratio = Profit or loss after tax / Average total equity
  (3) Net profit ratio = Profit or loss after tax / Net sales
  (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued
5. Cash flow
  (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
  (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years
  (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 4: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average nymber of common shares, not the number of issues shares ar year end.
2. In any case where there is a cash capital increase of treasury stock transaction, the period of time in circulation shall be considerd in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shres are non-converitble cumulative preferred shares, the dividend of the current year (whether issued of not) shall be subtracted from the net profit after tax, or added tp the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need to be made.

Note 5. Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgements are involved, give special attention to their reasonableness and to maintain consistency.

Note 7: In the case of a company whose shares have no par value or have a par value other than NT$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

III.Audit Committee’s review report on the financial report for the most recent fiscal year

Gemtek Technology Co., Ltd.

Audit Committee’s Report

To the Shareholders Meeting

In reference to the Company’s 2020 business report and financial statements compiled by the Board of Directors,the CPA firm of Deloitte & Touche has provided an audit report based on the scope of the audit engagement. In addition, the business report and financial report have been reviewed and determined to be correct and accurate by the Audit Committee members of Gemtek. In accordance with the Securities and Exchange Act and the Company Act, we hereby submit this report.

Gemtek Technologies Co., Ltd.

Convener of the Audit Committee

Wang, Zhu san

March 25, 2021

IV.Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND INDEPENDENT AUDITOR’S REPORT

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Gemtek Technologies Co., Ltd. as of and 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 prepared in conformity with the International Financial Reporting Standards 10, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Gemtek Technologies Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Gemtek Technologies Co., Ltd.

Chairman

March 25, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Gemtek Technologies Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Gemtek Technologies Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as 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 (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the 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.

We hereby summarize the Key Audit Matters of the 2020 Consolidated Financial Statements of the Group as follows:

Revenue Recognition

The 2020 operating income of Gemtek Technology Co., Ltd. and its subsidairies is NT$19,929,372,000, in which NT$4,278,475,000 sales revenue is attributed to the sale of a major customer product, accounting for 21% of the operating income. Due to the fact that the sales revenue makes up a consequential part of the operating income in contrast to the year 2019, the operating income for the sale to the specific customer product is listed as a Key Audit Matter. For related accounting policies pertaining to revenue recognition, please refer to Note 4 and 22.

Main Audit Procedures conducted by the CPA are as follows:

1.Assess the quality of composition and implementation of the Group’s Internal Control Policy that are related to sales income conjointly with the Group’s Sales Revenue Recognition Policy.

2.Conduct inspections on selected materials acquired from income reports that are related to sales transactions and receivables, etc. to verify whether the origins of the operating income are documented truthfully.

3.Verify whether the customer has received any substantial sales return or discounts after the transaction.

Additional Matters:

The financial statements of Gemtek Vietnam Co., Ltd. has been incorporated in the consolidated financial statements of Gemtek Technologies Co., Ltd. and its subsidiaries. Due to the differences in the respective financial reporting structures, the audit engagement for the financial statements of Gemtek Vietnam Co., Ltd. was by a separate CPA firm other than us.

The financial statements of Gemtek Vietnam Co., Ltd. was audited by the appointed CPA 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. Therefore, when issuing our opinions for the consolidated financial statements, the opinions for the financial statements of Gemtek Vietnam Co., Ltd. is based on the audit report given by the appointed CPA.

The total assets of Gemtek Vietnam Co., Ltd. as of December 31, 2020 was NT$2,232,563,000, accounting for 12% of the total consolidated assets. The net operating income from January 1 to December 31, 2020 was NT$70,000, accounting for 0% of consolidated net operating income.

We have audited the individual financial statements of Gemtek Technologies Co., Ltd. as of and for the years 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, 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, 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 the audit committee and 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.

Deloitte & Touche Taiwan
Certified Public Accountant
Ching-zen Yang

Securities and Futures Commission
Approved Document Number:
6-0920123784

Deloitte & Touche Taiwan
Certified Public Accountant
Jing-ting Yang

Securities and Futures Commission
Approved Document Number:
6-0930128050

Date: March 25, 2021

GEMTEK TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019 (Unit: NT$ thousand)

Code	ASSETS	2020/12/31 Amount	%	2019/12/31 Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents	$ 1,925,250	10	$ 2,731,118	19
1110	Financial assets at fair value through profit or loss - current	160,308	1	136,483	1
1136	Financial assets at amortised cost - current	3,274	-	55,921	-
1150	Notes receivables	-	-	43,732	-
1160	Notes receivable due from related parties, net	11,250	-	-	-
1170	Accounts receivable, net	5,888,372	32	3,978,648	27
1180	Accounts receivable due from related parties, net	112,537	1	60,969	1
1200	Other receivables	65,196	-	34,056	-
1220	Current tax assets	1,236	-	5,165	-
130X	Current inventories	4,189,305	22	2,302,166	16
1470	Other current assets	316,917	2	199,761	1
11XX	Total current assets	12,673,645	68	9,548,019	65
	NON-CURRENT ASSETS				
1517	Non-current financial assets at fair value through other comprehensive income	925,288	5	1,187,989	8
1535	Non-current financial assets at amortised cost	172,652	1	165,494	1
1550	Investments accounted for using equity method	1,111,163	6	74,313	-
1600	Property, plant and equipment	3,325,158	18	2,867,476	20
1755	Right-of-use assets	111,160	1	119,276	1
1805	Goodwill	72,845	-	417,835	3
1821	Other intangible assets	6,918	-	29,930	-
1840	Deferred tax assets	40,841	-	109,339	1
1990	Other non-current assets	216,706	1	180,065	1
15XX	Total non-current assets	5,982,731	32	5,151,717	35
1XXX	Total assets	$ 18,656,376	100	$ 14,699,736	100
Code	**LIABILITIES AND EQUITY**				
	CURRENT LIABILITIES				
2100	Current borrowings	$ 1,082,240	6	$ 454,800	3
2120	Current financial liabilities at fair value through profit or loss	7,278	-	6,063	-
2130	Current contract liabilities	218,433	1	243,802	2
2150	Notes payable	-	-	21,345	-
2170	Accounts payable	5,697,231	31	3,273,027	22
2180	Accounts payable to related parties	304	-	-	-
2219	Other payables	713,758	4	510,129	4
2230	Current tax liabilities	80,331	1	58,055	-
2280	Current lease liabilities	3,012	-	6,533	-
2321	Current portion of corporate bonds payables	1,179,157	6	-	-
2399	Other current liabilities	61,869	-	40,018	-
21XX	Total current liabilities	9,043,613	49	4,613,772	31
	NON-CURRENT LIABILITIES				
2530	Bonds payable	-	-	1,162,082	8
2570	Deferred tax liabilities	222,621	1	221,697	2
2580	Non-current lease liabilities	4,528	-	5,126	-
2670	Other non-current liabilities	1,479	-	9,184	-
25XX	Total non-current liabilities	228,628	1	1,398,089	10
2XXX	Total liabilities	9,272,241	50	6,011,861	41
	EQUITY				
	Share capital				
3110	Ordinary share	3,575,905	19	3,568,835	24
3200	Capital surplus	4,606,007	25	4,761,281	32
	Retained earnings				
3310	Legal reserve	750,939	4	730,820	5
3320	Special reserve	559,574	3	375,960	3
3350	Unappropriated retained earnings (accumulated deficit)	1,273,304	7	203,733	1
3300	Total retained earnings	2,583,817	14	1,310,513	9
3490	Other equity interest	(1,381,726)	(8)	(1,223,110)	(8)
31XX	Total equity attributable to owners of parent	9,384,003	50	8,417,519	57
36XX	Non-controlling interests	132	-	270,356	2
3XXX	Total equity	9,384,135	50	8,687,875	59
	TOTAL LIABILITIES AND EQUITY	$ 18,656,376	100	$ 14,699,736	100

The attached notes are part of this consolidated financial report

GEMTEK TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

		2020		2019	
Code		Amount	%	Amount	%
4000	Total operating revenue	$ 19,929,372	100	$ 18,057,131	100
5000	Total operating costs	(17,663,796)	(89)	(16,284,640)	(90)
5900	Gross profit (loss) from operations	2,265,576	11	1,772,491	10
	OPERATING EXPENSES				
6100	Selling expenses	(389,353)	(2)	(372,352)	(2)
6200	Administrative expenses	(533,312)	(3)	(510,973)	(3)
6300	Research and development expenses	(874,998)	(4)	(837,667)	(5)
6000	Total operating expenses	(1,797,663)	(9)	(1,720,992)	(10)
6900	Net operating income (loss)	467,913	2	51,499	-
	NON-OPERATING INCOME AND EXPENSES				
7100	Total interest income	27,033	-	43,839	-
7010	Total other income	117,205	1	54,105	-
7020	Other gains and losses, net	960,490	5	219,506	1
7050	Finance costs, net	(30,843)	-	(54,964)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	31,374	-	(31,430)	-
7000	Total non-operating income and expenses	1,105,259	6	231,056	1
7900	Profit (loss) from continuing operations before tax	1,573,172	8	282,555	1
7950	Total tax expense (income)	(165,598)	(1)	(72,582)	-
8200	Profit (loss) from continuing operations	1,407,574	7	209,973	1

(Continued)

(Brought Forward)

Code		2020 Amount	2020 %	2019 Amount	2019 %
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans	($ 1,928)	-	($ 4,179)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(160,503)	(1)	(327,252)	(2)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	73	-	-	-
8360	Components of other comprehensive income that will not be reclassified to profit or loss				
8361	Exchange differences on translation	(21,747)	-	(142,959)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(85)	-	(968)	-
8300	Components of other comprehensive income that will be reclassified to profit or loss	(184,190)	(1)	(475,358)	(2)
8500	TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 1,223,384	6	($ 265,385)	(1)
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	$ 1,370,155	7	$ 201,193	1
8620	Profit (loss), attributable to non-controlling interests	37,419	-	8,780	-
8600		$ 1,407,574	7	$ 209,973	1
	Profit (loss), attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 1,186,605	6	($ 272,976)	(1)
8720	Comprehensive income, attributable to non-controlling interests	36,779	-	7,591	-
8700		$ 1,223,384	6	($ 265,385)	(1)
	earnings per share				
9750	Total basic earnings per share	$ 3.86		$ 0.57	
9850	Total diluted earnings per share	$ 3.36		$ 0.53	

The attached notes are part of this consolidated financial report

GEMTEK TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Code		Share capital			Capital Surplus	Retained Earnings			Other Equity					Non-controlling equity	
		Number Of Shares（in thousand）	Amount	Capital Collected In Advance		Legal Reserve	Special Reserve	Undistributed surplus	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned employee salary	Total	Treasury stock		Total Equity
A1	BALANCE, JANUARY 1, 2019	351,162	$ 3,511,620	$ 53,920	$ 4,669,276	$ 730,820	$ 195,278	$ 180,682	($ 351,769)	($ 386,694)	$ -	($ 738,463)	$ -	$ 39,586	$ 8,642,719
	Appropriation and distribution of retained earnings, 2018														
B3	Appropriated special reserve	-	-	-	-	-	180,682	(180,682)	-	-	-	-	-	-	-
C5	Recognized equity component of convertible corporate bonds issued by the company	-	-	-	45,527	-	-	-	-	-	-	-	-	-	45,527
C7	Changes of additional paid-in capital of Associates Accounted for Using Equity Method	-	-	-	(6,513)	-	-	(6,422)	833	-	-	833	-	-	(12,102)
D1	Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	-	201,193	-	-	-	-	-	8,780	209,973
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(4,088)	(143,797)	(326,284)	-	(470,081)	-	(1,189)	(475,358)
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	197,105	(143,797)	(326,284)	-	(470,081)	-	7,591	(265,385)
I1	Corporate bond transfer to ordinary shares	5,722	57,215	(53,920)	2,475	-	-	-	-	-	-	-	-	-	5,770
M7	Changes in ownership interest in subsidiaries	-	-	-	49,265	-	-	-	(2,349)	-	-	(2,349)	-	(60,582)	(13,666)
O1	Changes of non-controlling interest	-	-	-	1,251	-	-	-	-	-	-	-	-	283,761	285,012
Q1	Disposal equity investments at fair value through profit or loss	-	-	-	-	-	-	13,050	-	(13,050)	-	(13,050)	-	-	-
Z1	BALANCE, DECEMBER 31, 2019	356,884	3,568,835	-	4,761,281	730,820	375,960	203,733	(497,082)	(726,028)	-	(1,223,110)	-	270,356	8,687,875
	Appropriation and distribution of retained earnings, 2019														
B1	Legal reserve	-	-	-	-	20,119	-	(20,119)	-	-	-	-	-	-	-
B3	Appropriated special surplus reserve	-	-	-	-	-	183,614	(183,614)	-	-	-	-	-	-	-
B5	Cash dividends of share holder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	20,119	183,614	(203,733)	-	-	-	-	-	-	-
C15	Capital Surplus Cash Dividend	-	-	-	(177,911)	-	-	-	-	-	-	-	-	-	(177,911)
D1	Net income for the year ended December 31, 2020	-	-	-	-	-	-	1,370,155	-	-	-	-	-	37,419	1,407,574
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(1,855)	(21,779)	(159,916)	-	(181,695)	-	(640)	(184,190)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,368,300	(21,779)	(159,916)	-	(181,695)	-	36,779	1,223,384
L1	Purchase of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(68,767)	-	(68,767)
L3	Treasury stock cancellation	(3,293)	(32,930)	-	(35,837)	-	-	-	-	-	-	-	68,767	-	-
M3	Disposal of Investments accounted for using equity method	-	-	-	-	-	-	(4,636)	3,908	4,636	-	8,544	-	(307,367)	(303,459)
N1	Issuance of employee rights shares	4,000	40,000	-	58,474	-	-	-	-	-	(98,474)	(98,474)	-	-	-
T1	Restricted employee rights stock compensation costs	-	-	-	-	-	-	-	-	-	22,649	22,649	-	-	22,649
O1	Changes of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	364	364
Q1	Disposal equity investments fair value through profit or loss	-	-	-	-	-	-	(90,360)	-	90,360	-	90,360	-	-	-
Z1	BALANCE, DECEMBER 31, 2020	357,591	$ 3,575,905	$ -	$ 4,606,007	$ 750,939	$ 559,574	$ 1,273,304	($ 514,953)	($ 790,948)	($ 75,825)	($ 1,381,726)	$ -	$ 132	$ 9,384,135

The attached notes are part of this consolidated financial report

GEMTEK TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

Code		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	(Loss) income before income tax	$ 1,573,172	$ 282,555
A20010	Profit (loss) before tax		
A20100	Depreciation expense	329,409	291,400
A20200	Amortization expense	89,720	64,587
A20300	Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(47)	(1,035)
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	7,786	(270,036)
A20900	Interest expense	30,843	54,964
A21200	Interest income	(27,033)	(43,839)
A21300	Dividend income	(6,552)	(8,204)
A21900	Share-based payments	22,649	1,560
A22300	Share of loss (profit) of associates and joint ventures accounted for using equity method	(31,374)	31,430
A22500	Loss (gain) on disposal of property, plan and equipment	2,480	13,603
A23200	Loss (gain) on disposal of investments accounted for using equity method	(1,033,557)	(9,677)
A23700	Impairment loss on non-financial assets	30,661	(16,541)
A24100	Unrealized foreign exchange loss (gain)	78,756	54,909
A30000	Total adjustments to reconcile profit (loss)		
A31115	Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	(30,571)	484,116
A31130	Decrease (increase) in notes receivable	43,732	4,050
A31140	Decrease (increase) in notes receivable due from related parties	(11,250)	-
A31150	Decrease (increase) in accounts receivable	(2,548,429)	1,669,962
A31160	Decrease (increase) in accounts receivable due from related parties	(54,104)	(44,594)
A31180	Decrease (increase) in other receivable	(67,899)	50,359
A31200	Decrease (increase) in inventories	(2,180,699)	452,664
A31240	Decrease (increase) in other current assets	(122,204)	(38,656)
A31990	Prepaid pension cost	(2,246)	(2,354)
A32125	Increase (decrease) in contract liabilities	(20,735)	125,352
A32130	Increase (decrease) in notes payable	(21,345)	(2,366)

(Continued)

(Brought Forward)

Code		2020	2019
A32150	Increase (decrease) in accounts payable	$ 2,708,434	($ 348,161)
A32160	Increase (decrease) in accounts payable to related parties	44,481	(10,641)
A32180	Increase (decrease) in other payable	236,628	57,162
A32230	Increase (decrease) in other current liabilities	69,310	(3,355)
A33000	Cash inflow (outflow) generated from operations	(889,984)	2,839,214
A33100	Interest received	37,771	36,343
A33200	Dividends received	6,552	8,204
A33300	Interest paid	(13,621)	(53,749)
A33500	Income taxes refund (paid)	(47,414)	(34,101)
AAAA	Net cash flows from (used in) operating activities	(906,696)	2,795,911
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(27,336)	(227,713)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	98,471	-
B00040	Acquisition of financial assets at amortised cost	(20,016)	-
B00050	Proceeds from disposal of financial assets at amortised cost	-	93,792
B01800	Acquisition of investments accounted for using equity method	-	(40,000)
B02200	Net cash flow from acquisition of subsidiaries	7,696	91,521
B02300	Proceeds from disposal of subsidiaries	477,364	-
B02700	Acquisition of property, plant and equipment	(823,641)	(406,245)
B02800	Proceeds from disposal of property, plant and equipment	32,317	34,008
B04500	Acquisition of intangible assets	(652)	(1,348)
B06700	Increase in other non-current assets	(145,034)	(106,611)
BBBB	Net cash flows from (used in) investing activities	(400,831)	(562,596)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase in short-term loans	745,360	(2,385,184)
C01200	Proceeds from issuing bonds	-	1,197,316
C04020	Payments of lease liabilities	(6,035)	(5,162)
C04300	Increase in other non-current liabilities	366	8,234
C04500	Cash dividends paid	(177,911)	-
C04900	Payments to acquire treasury shares	(68,767)	-
C05800	Change in non-controlling interests	-	(13,960)
CCCC	Net cash flows from (used in) financing activities	493,013	(1,198,756)
DDDD	Effect of exchange rate changes on cash and cash equivalents	8,646	(22,811)

(Continued)

(Brought forward)

Code		2020	2019
EEEE	Net increase (decrease) in cash and cash equivalents	($ 805,868)	$ 1,011,748
E00100	Cash and cash equivalents at beginning of period	2,731,118	1,719,370
E00200	Cash and cash equivalents at end of period	$ 1,925,250	$ 2,731,118

The attached notes are part of this consolidated financial report

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. COMPANY HISTORY

Gemtek Technologies Co., Ltd. was incorporated on June 29, 1988. It researches, develops, manufactures, purchases, sells, exports, and imports electronic components, semi-finished products, finished products, computer software, hardware and peripheral equipment. The Company's shares was listed on the Taipei Exchange (OTC) in January of 2002, and have been listed on the Taiwan Stock Exchange (TWSE) since June 30, 2003.

The consolidated financial statements of the Company and its subsidiaries (collectively, referred to as the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

(2) New, Amended and Revised Standards and Interpretions of IFRSs endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretions	Effective Date per IASB
Amendments to IFRS 4--Extension of the Temporary Exemption from Applying IFRS 9	Effective per announcement date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16--Interest Rate Benchmark Reform — Phase 2	The amendment is effective for annual reporting periods beginning on or after January 01, 2021
Amendments to IFRS 9 --Covid-19-Related Rent Concessions	The amendment is effective for annual reporting periods beginning on or after June 01, 2020

As of the date that the accompanying consolidated financial statements were approved and authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

(3) New, Amended and Revised Standards and Interpretions of IFRSs Announced by the IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretions	Effective Date per IASB (Note1)
Annual Improvements to IFRS Standards 2018–2020	January 01, 2022 (Note 2)
Amendments to IFRS 3 -- Reference to the Conceptual Framework	January 01, 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
IFRS 17 Insurance Contracts	January 01, 2023
Amendments to IFRS 17	January 01, 2023
Amendments to IAS 1 -- Classification of Liabilities as Current or Non-current	January 01, 2023
Amendments to IAS 1 and IFRS Practice	January 01, 2023 (Note 4)

New, Amended and Revised Standards and Interpretions	Effective Date per IASB (Note1)
Annual Improvements to IFRS Standards 2018–2020	January 01, 2022 (Note 2)
Amendments to IFRS 3 -- Reference to the Conceptual Framework	January 01, 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
IFRS 17 Insurance Contracts Statement 2IAS 1 -- Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 -- Definition of Accounting Estimates	January 01, 2023 (Note 5)
Amendments to IAS 16 -- Property, Plant and Equipment — Proceeds before Intended Use	January 01, 2022 (Note 6)
Amendments to IAS 37 -- Onerous Contracts — Cost of Fulfilling a Contract	January 01, 2022 (Note 7)

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 Group shall apply IFRS9 amendments prospectively for annual reporting periods beginning on or after January 01, 2022; the Group shall apply IAS41 amendments prospectively for annual reporting periods beginning on or after January 01, 2022; the Group shall apply IFRS1 amendments prospectively for annual reporting periods beginning on or after January 01, 2022.

Note 3: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 and to asset acquisitions that occur on or after the beginning of that period.

Note 4: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2023.

Note 5: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2023.

Note 6: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 01, 2021.

Note 7: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2022.

As of the date the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I)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 by the FSC.

(II)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.

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.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within twelve 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 twelve months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within twelve months after the reporting period, 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 twelve months after the reporting period.

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

(IV) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Company (i.e., its subsidiaries, including special purpose entities). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

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

(V) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer’s previously held equity interests in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Group measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree’s identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets, in the event of liquidation, may be initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Group’s previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(VI) Foreign Currencies

In preparing the financial statements of each individual group 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 period except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the group entities (including subsidiaries and associates in other countries that use currencies that are different from the currency of the Corporation) 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; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(VII) Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the end of reporting period.

(VIII) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures.

Any excess of the cost of an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in that associate and joint venture. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group’s share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by using the equity method and long-term interests that, in substance, form part of the Group’s net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment’s fair value on its initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group’ consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

(IX)Property, plant and equipment

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

Depreciation is recognized using the straight-line method with their estimated useful lives. Each significant part is depreciated separately. If the lease term is shorter than its estimated useful life, an item of property, plant and equipment is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at least once at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(X)Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit or groups of cash-generating units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation that is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(XI) Intangible assets

1.Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss. When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it is initially recognized as an intangible asset at its fair value. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2.Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3.Derecognition of intangible assets

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

(XII) Impairment of tangible assets (property, plant, and equipment), right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets (property, plant and equipment), right-of-use assets, and other intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 an asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) 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.

(XIII) Financial instruments

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

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

1.Financial assets

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

(1)Measurement categories

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

A.Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

B.Financial assets at amortized cost

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

a.The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b.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 measured at amortized cost, including cash and cash equivalents, note receivables, account receivables, account receivables-related party, other receivables, and refundable deposits, which equals the gross carrying amount determined using the effective interest method less any impairment loss measured at amortized cost. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

a.Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

b.Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties

Cash equivalents include time deposits and bank acceptances 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.

C.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.

(2)Impairment of financial assets

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

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

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

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

A.Internal or external information shows that the debtor is unlikely to pay its creditors.

B.When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investmens in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in the other comprehensive incomeand does not reduce the carrying amount of the financial assets.

(3)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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation'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 Corporation's own equity instruments.

3. Financial liabilities

(1)Subsequent measurement

All the financial liabilities are measures at amortized cost using the effective interest method.

<u>Financial liabilities at FVTPL.</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 31.

(2)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.

4. Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5. Derivative financial instruments

The Group enters into foreign exchange forward to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

(XIV)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

Revenue from the sale of goods comes from sales of wireless gateways and wlan cards. Sales of wireless gateways and wlan cards are recognized as revenue when the goods are shipped 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. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the customer acquires control of the good.

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

(XV)Leasing

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1.The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operatin leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2.The Group as 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 at or 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 from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

(XVI)Borrowing costs

Borrowing costs directly attributable to the 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XVII)Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related cost for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit of loss in the period in which they become receivable.

(XVIII) 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 an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liability (asset) are recognized as an 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 retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

(XIX)Share-based payment arrangements

Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in non-controlling interest; it is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimates of the number of employees share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus-employee share options.

(XX)Taxation

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

1.Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2.Deferred tax

Deferred tax is recognized on temporary differences between the consolidated financial statement 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, unused loss carryforwards and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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. For deferred tax assets arising from deductible temporary differences associated with such investments and equity, the 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 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 year 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, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity.

V. ACCOUNTING JUDGEMENTS 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 takes the economic impact caused by the COVID-19 into consideration as part of a key source of estimation uncertainty. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

VI. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand	$ 2,117	$ 2,347
Checking accounts and demand deposits	1,884,043	1,470,340
Cash equivalents		
Time deposits with original maturities of less than 3 months	39,090	1,258,431
	$ 1,925,250	$ 2,731,118
Market rate intervals of cash in banks at the end of the reporting period	0.001%~2.75%	0.001%~2.90%

VII. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
Financial assets - current		
Mandatorily measured at FVTPL		
Non-derivative financial assets		
－Domestic listed shares	$ 120,131	$ 110,990
－Trust Beneficiary Certificate	-	15,007
－Financial Products	23,745	10,486

Hybrid Financial Assets		
－Convertible Bonds	$ 15,592	$ -
Derivative instruments（non-hedge accounting）		
－Convertible option	840	-
	$ 160,308	$ 136,483

Financial liabilities - current		
Held for trading		
Derivative instruments（non-hedge accounting）		
－ Foreign Exchange Forward Contract	$ 7,278	$ 3,423
－Convertible option	-	2,640
	$ 7,278	$ 6,063

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting for the balance sheet were as follows:

December 31, 2020

	Currency	Maturity Date	Notional Amount（In Thousands）
Sell	USD/NTD	2020.11.05~2021.01.11	USD 20,000/NTD 571,840
Sell	USD/NTD	2020.11.19~2021.01.25	USD 10,000/NTD 285,060

December 31, 2019

	Currency	Maturity Date	Notional Amount（In Thousands）
Sell	USD/NTD	2019.12.02~2020.01.06	USD 10,000/NTD 304,870

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

VIII. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - OTHERS

	December 31, 2020	December 31, 2019
Non-current		
Domestic Investments		
Listed shares	$ 664,480	$ 683,239
Unlisted shares	70,214	148,484
Total	734,694	831,723
Overseas Investment		
Listed shares	74,926	127,498

Unlisted shares	115,668	228,768
Total	190,594	356,266
	$ 925,288	$ 1,187,989

Foreign investments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

IX. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31, 2020	December 31, 2019
Current		
Domestic Investment		
Time deposits with original maturities of more than 3 months (1)	$ 3,274	$ 55,921
Non-current		
Domestic Investment		
Standard Chartered Subordinated Bond (2)	$ 132,652	$ 141,167
Time deposits with original maturities of more than 3 months (1)	40,000	24,327
	$ 172,652	$ 165,494

(I) As of 2020 and December 31, 2019, the annual interest rate for time deposits with original maturities of more than 3 months are within the ranges of 0.18%~0.35% and 0.48%~1.065

(II) In February 2016, the Group purchased Standard Chartered Bank Subordinated Bond at a nominal value of USD4,600 thousand. The maturity date is January 25, 2022. The coupon rate is 5.7%, and the effective interest rate is 4.49%.

(III)Please see Note 33 for more details on financial assets pledged as collateral measured at amortized cost.

X. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Notes Receivable		
Arising from operations	$ -	$ 43,732
Accounts Receivables		
At Amortized Cost	$ 5,888,881	$ 3,999,767
Less: Allowance for impairment loss	(509)	(21,119)
	$ 5,888,372	$ 3,978,648

The average credit period on sales of goods is 90 days with no accrued interest. The allowance for doubtful receivables was assessed by referring to the collectability of receivables based on an individual trade term analysis, aging analysis, the historical payment behavior and current financial condition of customers.

The Group measures the loss allowance for accounts receivables at an amount equal to lifetime expected credit losses.The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

In the event there is an evidence indicating that the customer is under severe financial difficulty and the Group cannot reasonably estimate the recoverable amounts, the Group writes off relevant accounts receivable. However, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, the recoverable amounts are recognized in profit or loss.

The following table details the loss allowance of note receivables and accounts receivables based on the Group’s provision matrix.

December 31, 2020

	Less than 180 Days	181～365 Days	Over 366 Days	Total
Expected Credit Loss Rate	0.01%	0.33%	100%	
Gross carrying amount	$ 5,888,511	$ 303	$ 67	$ 5,888,881
Loss allowance (Lifetime ECL）	(441)	(1)	(67)	(509)
Amortized cost	$ 5,888,070	$ 302	$ -	$ 5,888,372

December 31, 2019

	Less than 180 Days	181～365 Days	Over 366 Days	Total
Expected Credit Loss Rate	0.01%	25.04%	100%	
Gross carrying amount	$ 4,021,196	$ 2,013	$ 20,290	$ 4,043,499
Loss allowance (Lifetime ECL）	(603)	(226)	(20,290)	(21,119)
Amortized cost	$ 4,020,593	$ 1,787	$ -	$ 4,022,380

The movements of the loss allowance of account receivables were as follows:

	December 31, 2020	December 31, 2019
Balance, beginning of year (Jan. 01)	$ 21,119	$ 17,845
Add: Acquire Subsidiary	-	4,309
Less: Net remeasurement of loss allowance	(47)	(1,035)
Less: Disposal of Subsidiary	(20,563)	-
Balance, end of year (Dec. 31)	$ 509	$ 21,119

XI. INVENTORIES

	December 31, 2020	December 31, 2019
Finished goods	$ 365,620	$ 243,849
Work in process	596,129	242,879
Raw materials and supplies	3,180,444	1,786,216
Inventory in transit	47,112	29,222
	$ 4,189,305	$ 2,302,166

As of December 31, 2020 and 2019, the cost of inventories recognized as cost of goods sold were NT$17,663,796 thousand and NT$16,284,640 thousand, respectively. Loss (gain) on reversal of write-downs were $30,661 thousand and $(16,541) thousand, respectively. Increase in net realisable value of inventories was due to inventory write-off.

XII. SUBSIDIARIES

(I) Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership 2020 December 31	2019 December 31
Gemtek Technologies Co., Ltd.	Brightech International Co., Ltd.	Investment	100.00%	100.00%
Gemtek Technologies Co., Ltd.	G-Technology Investment Co., Ltd.	Investment	100.00%	100.00%
Gemtek Technologies Co., Ltd.	Gemtek Investment Co.,Ltd	Investment	100.00%	100.00%
Gemtek Technologies Co., Ltd.	Gemtek Vietnam Co., Ltd.	Telecommunications	100.00%	100.00%
Gemtek Technologies Co., Ltd.	AMPAK Technology Inc.	Telecommunications	-	59.98%
Gemtek Investment Co.,Ltd	AMPAK Technology Inc.	Telecommunications	-	14.90%
Gemtek Investment Co.,Ltd	5V Technologies, Ltd.	Telecommunications	97.92%	-
Brightech International Co., Ltd.	Gemtek Electronics Suzhou Co. Ltd.	Telecommunications	80.46%	80.46%
G-Technology Investment Co., Ltd.	Gemtek Electronics Kunshan Co., Ltd.	Telecommunications	100.00%	100.00%
G-Technology Investment Co., Ltd.	AMPAK International Holdings Ltd.	Investment	100.00%	100.00%
G-Technology Investment Co., Ltd.	Primax Communication (B.V.I.) Inc.	Investment	100.00%	100.00%
G-Technology Investment Co., Ltd.	Gemtek CZ., s.r.o.	Telecommunications	100.00%	100.00%
AMPAK International Holdings Ltd.	Gemtek Electronics (ChangShu) Co., Ltd.	Telecommunications	100.00%	100.00%
Primax Communication (B.V.I.) Inc.	Gemtek Electronics (Suzhou) Co. Ltd.	Telecommunications	19.54%	19.54%
AMPAK Technology Inc.	SparkLAN Communications, Inc.	Telecommunications	-	100.00%

On June 9, 2020, the shareholders meeting of the Group passed the resolution proposed by the Company and Gemtek Investment Co.,Ltd to release a total of 25,000 thousand shares from AMPAK Technology Inc. In August 2020, 26.61% and 14.90% of the shareholdings of AMPAK Technology Inc. were sold respectively, and the subscription of shares was completed, decreasing its shareholding ratio from 74.88% to 33.37%. As a result, the Group lost control over AMPAK Technology Inc. and its subsidiaries, hence, the above companies are excluded from the combined entity. Please see Note 28 for more details regarding equity shares of AMPAK Technology Inc.

In January 2020, the Group acquired 97.92% of the shareholdings of 5V TECHNOLOGIES, TAIWAN LTD. by NT$90,000 thousand in cash. Please see Note 27 for more details on the acquisition of 5V TECHNOLOGIES, TAIWAN LTD.

On August 23, 2019, the Group obtained 100% shareholdings of SparkLAN Communications Inc. via Ampak Technology Inc. by means of cash and issuance of equity instruments, and has since included SparkLAN Communications Inc. in the Group’s consolidated reports. However, the Group did not subscribe for the new shares issued by Ampak Technology Inc. based on the shareholding ratio, as a result, its comprehensive shareholding ratio decreased to 74.88%.

The condolidated financial statements of the Group as of December 31, 2020 and 2019, which includes the financial statements of its subsidiaries, have been duly audited for the same year.

(II) Subsidiaries not included in consolidated financial statements

			% of Ownership	
Investor	Investee	Main Business	2020 December 31	2019 December 31
Gemtek Technologies Co., Ltd.	Wi Tek Investment Co., Ltd.	Investment	100.00%	100.00%
G-Technology Investment Co., Ltd.	PT. South Ocean	Telecommunications	95.00%	95.00%
Wi Tek Investment Co., Ltd.	Browan Communications (Xi'An) Inc.	Telecommunications	100.00%	100.00%

As of 2020 and December 31, 2019, the Group held 100% of Wi Tek Investment Co., Ltd., and its total assets were NT$20,950 thousand and NT$30,276 thousand, accounting for 0.10% and 0.21% of consolidated assets, respectively. Operating incomes were NT$0 for both years, accounting for 0% of the consolidated total operating income. As a result, Wi Tek Investment Co., Ltd. was not included in the consolidated financial statements of the Group.

As of 2020 and December 31, 2019, the Group held 95% of PT. South Ocean, and its total assets were NT$2,613 thousand and NT$2,751 thousand, accounting for 0.01% and 0.02% of consolidated assets, respectively. Operating incomes were NT$0 for both years, accounting for 0% of the consolidated total operating income. As a result, PT. South Ocean was not included in the consolidated financial statements of the Group.

As of 2020 and December 31, 2019, the Group held 100% of the shares of Browan Communications (Xi'An) Inc. through Wi Tek Investment Co., Ltd., and its total assets were NT$22,614 thousand and NT$32,263 thousand, accounting for 0.11% and 0.22% of consolidated assets, respectively. Operating incomes were NT$1,441 thousand and NT$2,056 thousand, accounting for 0.01% and 0.01% of the consolidated total operating income, respectively. As a result, Browan Communications (Xi'An) Inc. was not included in the consolidated financial statements of the Group.

XIII. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2020	December 31, 2019
Investment in subsidiaries	$ 23,565	$ 33,027
Investment in associates	1,087,598	41,286
	$ 1,111,163	$ 74,313

(I) Investment in subsidiaries

	December 31, 2020	December 31, 2019
Unlisted Company		
Wi Tek Investment Co.,	$ 20,951	$ 30,276

Ltd.		
PT. South Ocean	2,614	2,751
	$ 23,565	$ 33,027

Proportion of ownership and voting rights:

	December 31, 2020	December 31, 2019
WiTek Investment Co., Ltd.	100.00%	100.00%
PT. South Ocean	95.00%	95.00%

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2020 and 2019 was based on the subsidiaries' financial statements which have been audited for the same year.

Please refer to Note 12 for details on subsidiaries that are not included in the consolidated financial statement. For more information regarding the nature of activities, principal place of business and country of incorporation of the associates, please refer to Attachment 6. ◦

(II) Investments in associates

	December 31, 2020	December 31, 2019
Investor has significant influence over associate		
AMPAK Technology Inc.	$ 1,048,268	$ -
Investor as no significant influence over associate		
Free PP Worldwide Co., Ltd.	13,930	15,688
BANDRICH, INC.	5,389	8,124
BROWAN COMMUNICATIONS INCORPORATION	20,011	17,474
	$ 1,087,598	$ 41,286

1. Investor has significant influence over associate：

Company Name	Proportion of ownership and voting rights December 31, 2020
AMPAK Technology Inc.	33.37%

For more information regarding the nature of activities, principal place of business and country of incorporation of the associates, please refer to Table 6.。

In August 2020, the Group sold 41.51% of the shareholdings of AMPAK Technology Inc., its shareholding ratio was decreased to 33.37% as a result. The dramatic change in ownership percentage is presumed to have significant influence over the investee, therefore the change of percentage was included in the investment in associates using the equity method.

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

AMPAK Technology Inc.

	December 31, 2020
Current assets	$ 1,336,964
Non-current assets	524,035
Current liabilities	(619,704)
Non-current liabilities	(8,511)
Equity	$ 1,232,784
Proportion of the Group's ownership	33.37%
Equity attributable to the Group	$ 411,397
Goodwill	636,871
Carrying amount	$ 1,048,268

(Continued)

	December 31, 2020
Operating revenue	$ 2,417,460
Net profit for the year	$ 286,468
Other comprehensive income	4,158
Total comprehensive income for the year	$ 290,626
Equity obtained from AMPAK Technology Inc.	$ 40,201

2. Investor has no significant influence over associate：

	2020	2019
Shares attributable to the Group		
Total comprehensive income for the year	$ 40,996	($ 43,280)

The Group previously has held 25% equity of PCL (Hsinchu) Co., Ltd. In November 2019, PCL (Hsinchu) Co., Ltd. implemented a cash increase subsequent to a capital reduction to cover losses. However, as the Group did not participate in the subscription of shares based on its existing shareholding proportion, its percentage of ownership decreased from 25% to 15.14% resulting in the loss of significant influence. The fair value of the remaining 15.14% of the equity held by the Group on the disposal date was NT$35,543 thousand, which its financial assets were therefore measured at fair value through other comprehensive gains and losses.

BROWAN COMMUNICATIONS INCORPORATION, an investee of the Group, increased its capital by NT$60,000 thousand in cash in January 2019. The Group did not participate in the subscription of shares based on its existing shareholding proportion, but rather subscribed in cash increase by NT$40,000 thousand, resulting in the shareholding percentage to increase to 45.69%.

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same year.

XIV. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in progress and equipments pending acceptance	Total
Cost						
Balance on January 01, 2019	$ 313,818	$ 3,036,682	$ 1,660,182	$ 1,309,616	$ 19,941	$ 6,340,239
Additions	-	44,307	189,791	105,246	66,901	406,245
Disposals	-	(3,489)	(221,704)	(84,186)	-	(309,379)
Acquired from business combination	-	-	1,965	4,851	-	6,816
Prepayments for business facilities	-	-	2,313	3,556	-	5,869
Reclassification	(59,849)	18,687	5,455	2,217	(26,359)	(59,849)
Effect of foreign currency exchange differences	5,310	(47,458)	(56,958)	(38,304)	497	(136,913)
Balance on December 31, 2019	$ 259,279	$ 3,048,729	$ 1,581,044	$ 1,302,996	$ 60,980	$ 6,253,028
Accumulated depreciation and impairment						
Balance on January 01, 2019	$ -	$ 1,184,062	$ 1,213,873	$ 1,055,549	$ -	$ 3,453,484
Disposals	-	(3,240)	(184,132)	(74,396)	-	(261,768)
Depreciation expenses	-	118,069	88,486	76,502	-	283,057
Acquired from business combination	-	-	1,965	3,993	-	5,958
Effect of foreign currency exchange differences	-	(26,710)	(39,213)	(29,256)	-	(95,179)
Balance on December 31, 2019	$ -	$ 1,272,181	$ 1,080,979	$ 1,032,392	$ -	$ 3,385,552
Net value on December 31, 2019	$ 259,279	$ 1,776,548	$ 500,065	$ 270,604	$ 60,980	$ 2,867,476
Cost						
Balance on January 01, 2020	$ 259,279	$ 3,048,729	$ 1,581,044	$ 1,302,996	$ 60,980	$ 6,253,028
Additions	-	18,748	246,929	184,594	373,370	823,641
Disposals	-	(6,138)	(123,231)	(142,584)	-	(271,953)
Acquired from business combination	-	-	2,934	1,038	-	3,972
Received prepayments for business facilities	-	-	14,359	494	-	14,853
Disposal of subsidiary	-	-	(53,891)	(14,438)	-	(68,329)
Reclassification	-	69,818	251,624	22,310	(343,752)	-
Effect of foreign currency exchange differences	-	7,397	3,238	12,734	(3,850)	19,519

Balance on December 31, 2020	$ 259,279	$ 3,138,554	$ 1,923,006	$ 1,367,144	$ 86,748	$ 6,774,731
Accumulated depreciation and impairment						
Balance on January 01, 2020	$ -	$ 1,272,181	$ 1,080,979	$ 1,032,392	$ -	$ 3,385,552
Disposals	-	(3,909)	(111,858)	(121,389)	-	(237,156)
Depreciation expenses	-	112,264	124,330	83,777	-	320,371
Acquired from business combination	-	-	582	833	-	1,415
Disposal of subsidiary	-	-	(41,349)	(11,752)	-	(53,101)
Effect of foreign currency exchange differences	-	10,295	12,496	9,701	-	32,492
Balance on December 31, 2020	$ -	$ 1,390,831	$ 1,065,180	$ 993,562	$ -	$ 3,449,573
Net value on December 31, 2020	$ 259,279	$ 1,747,723	$ 857,826	$ 373,582	$ 86,748	$ 3,325,158

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there were no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	50 years
Others	3~50 years
Machinery and equipment	2~10 years
Miscellaneous equipment	2~10 years

XV. LEASE ARRANGEMENTS

(I) Right-of-use Assets

	December 31, 2020	December 31, 2019
Carrying amounts		
Land	$102,854	$107,724
Building	6,893	10,239
Transportation equipment	1,413	1,313
	$111,160	$119,276

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 11,847	$ 1,065
Depreciation charge for right-of-use assets		
Land	$ 2,860	$ 3,125
Buildings	5,343	4,237
Transportation equipment	835	981
	$ 9,038	$ 8,343

(II) Lease Liabilities

	December 31, 2020	December 31, 2019
Carrying amounts		
Current	$ 3,012	$ 6,533
Non-current	$ 4,528	$ 5,126

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Buildings	0.79%~1.39%	1.39%~1.50%
Transportation equipment	0.79%~4.41%	1.39%~4.41%

(III) Other lease information

	December 31, 2020	December 31, 2019
Expenses related to short-term leases	$ -	$ 418
Expenses related to low-value asset leases	$ -	$ 115
Total cash outflow for leases	($ 6,170)	($ 5,918)

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

For the years ended December 31, 2020 and 2019, the short-term leases qualified for exemption was NT$0.

XVI. OTHER ASSETS

	December 31, 2020	December 31, 2019

Current		
Prepaid expenses	$ 29,717	$ 37,663
Prepayments	9,742	16,447
Temporary debits	9,555	10,666
Excess business tax paid (or Net Input VAT)	267,903	134,985
	$316,917	$199,761
Non-current		
Deferred expenses	$150,154	$144,567
Guarantee deposits paid	6,084	6,760
Overdue receivables	196,741	196,741
Allowance for loss－Overdue receivables	(196,741)	(196,741)
Net defined benefit asset(Note20)	10,596	16,186
Other	49,872	12,552
	$216,706	$180,065

XVII. BORROWINGS

Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured borrowings		
Line of credit borrowings	$ 1,082,240	$ 454,800
Rate of interest per annum (%)	0.64%~0.75%	0.85%~2.15%

XVIII. BONDS PAYABLE

	December 31, 2020	December 31, 2019
5th Domestic unsecured convertible bonds	$ 1,179,157	$ 1,162,082
Less: Current portion due within 1 year	(1,179,157)	-
	$ -	$ 1,162,082

On March 15, 2019, the Company issued its 5th domestic unsecured convertible bond in the amount of $1,200,000 thousand at 100.2% of its par value for 12 thousand units, in which the denomination for the bond is NT$100 thousand. The maturity period is 3 years, with a zero coupon rate.

On December 31, 2020, the conversion price was NT$26.3 per common share, conversion period was from June 16, 2019 to March 15, 2022. After the convertible bonds are issued for 2 years, bondholders may request the Company to redeem the convertible bonds in cash at 100.5% of the bond's face value per sale base date. After 3 months following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the closing price of the Company’s common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. After 3 months following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the outstanding balance of the convertible bonds is less than 10% of the total amount issued, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. Except for conversions into common stock and early redemptions made by the Company, a lump-sum payment will be given in cash upon maturity.

This convertible bond includes liability and equity components. The equity components are expressed as capital reserve-stock options under equity. The effective interest rate originally recognized for the liability component is 1.46%.

Proceeds from issuance (Less: NT$5,084 thousand transaction cost)	$ 1,197,316
Equity component (Less: NT$193 thousand transaction cost allocated to the equity component)	(45,527)
Financial liabilities at fair value through profit or loss－current (Less: NT$13 thousand transaction cost)	(3,107)
Liability component at issue date (Less: NT$4,878 thousand transaction cost allocated to the liability component)	1,148,682
Interest charged at Effective interest rate 1.46%	13,400
Liability component on December 31, 2019	1,162,082
Interest charged at Effective interest rate 1.46%	17,075
Liability component on December 31, 2020	$ 1,179,157

On March 15, 2016, the Company issued its 4th domestic unsecured convertible bond in the amount of $1,000,000 thousand, in which the denomination for the bond is NT$100 thousand. The maturity period is 3 years, with a zero coupon rate.

On December 31, 2018, the conversion price was NT$17.6 per common share, conversion period was from March 15, 2016 to March 15, 2019. After the convertible bonds are issued for 2 years, bondholders may request the Company to redeem the convertible bonds in cash, based on the bond's face value per sale base date. After 1 month following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the closing price of the Company’s common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. After 1 month following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the outstanding balance of the convertible bonds is less than 10% of the total amount issued, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. Except for conversions into common stock and early redemptions made by the Company, a lump-sum payment will be given in cash upon maturity.

This convertible bond includes liability and equity components. The equity components are expressed as capital reserve-stock options under equity. The effective interest rate originally recognized for the liability component is 1.87%.

Proceeds from issuance (Less: NT$4,829 thousand transaction cost)	$ 994,920
Equity component (Less: NT$220 thousand transaction cost allocated to the equity component)	(43,080)
Financial liabilities at fair value through profit or loss－current (Less: NT$31 thousand transaction cost)	(6,169)
Liability component at issue date (Less: NT$4,829 thousand traansaction cost allocated to the liability component)	945,671
Interest charged at Effective interest rate 1.87%	31,621
Gain on valuation of financial asset	(748)
Bonds payable converted to common shares	(970,836)
Liability component on December 31, 2018	5,708
Interest charged at Effective interest rate 1.87%	62
Bonds payable converted to common shares	(5,770)
Liability component on December 31, 2019	$ -

XIX. OTHER LIABILITIES

	December 31, 2020	December 31, 2019
Other payables-current		
Payables for other expenses	$263,946	$205,979
Payables for salaries and bonuses	449,812	304,140
Other payables – related parties (Note 33)	-	10
	$713,758	$510,129
Other liabilities－current		
Temporary credits	$ 52,858	$ 21,975
Others	9,011	18,043
	$ 61,869	$ 40,018
Other liabilities－non-current		
Others	$ 1,479	$ 9,184

XX. RETIREMENT BENEFIT PLANS

(I) Defined contribution plans

The Company and its subsidiaries 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.

(II) Defined benefit plans

The defined benefit plan adopted by the Company and its subsidiaries in accordance with the Labor Standards is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”) and the Group has no right to influence the investment policy and strategy.

Among the Group’s subsidiaries, Gemtek Electronics (Kunshan) Co., Ltd. and Gemtek Electronics (Changshu) Co., Ltd. follow the above plans to contribute an amount equal to the proportion allocated from their employees' salaries, and deposit the total amount into a special pension account. The pension fund is managed by the local statutory insurance agency. When an employee retires, he/she will be eligble to receive the employee's personal pension savings and the Group's relative contributions, plus its accrued interest from the past years.

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

	December 31, 2020	December 31, 2019
Present Value of the Defined Benefit Obligation	$ 64,604	$ 67,264
Fair Value of the Plan Assets	(75,200)	(83,450)
Net Defined Benefit Asset	($ 10,596)	($ 16,186)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance on January 01, 2019	$ 56,724	($ 73,236)	($ 16,512)
Acquired from business combination	3,067	(4,566)	(1,499)
Service cost			
Current service cost	570	-	570
Interest expense(Income)	671	(895)	(224)
Recognized in profit or loss	1,241	(895)	346
Remeasurement			
Return on plan assets	-	(2,589)	(2,589)
Actuarial gains and losses —changes in	350	-	350

demographic assumptions			
—changes in financial assumptions	1,808	-	1,808
—experience adjustments	4,610	-	4,610
Recognized in other comprehensive income	6,768	(2,589)	4,179
Contributions from the employer	-	(2,700)	(2,700)
Benefits paid	(536)	536	-
Balance on December 31, 2019	67,264	(83,450)	(16,186)
Disposal of subsidiary	(4,387)	10,295	5,908
Service cost			
Current service cost	573	-	573
Interest expense(income)	503	(585)	(82)
Recognized in profit or loss	1,076	(585)	491
Remeasurement			
Return on plan assets	-	(2,313)	(2,313)
Actuarial gains and losses			
—changes in demographic assumptions	444	-	444
—changes in financial assumptions	2,219	-	2,219
—experience adjustments	1,578	-	1,578
Recognized in other comprehensive income	4,241	(2,313)	1,928
Contributions from the employer	(3,590)	3,590	-
Benefits paid	-	(2,737)	(2,737)
Balance on December 31, 2020	$ 64,604	($ 75,200)	($ 10,596)

The amounts of defined benefit plans recognized in profit or loss by function were as follows:

	December 31, 2020	December 31, 2019
Operation cost	$ 154	$ 117
Promotion expense	36	16
Management expense	104	83
R&D expense	197	130
	$ 491	$ 346

Through the defined benefit plans under the Labor Standards Law, the Group 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 of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2020	December 31, 2019
Discount rate	0.350%	0.800%～0.875%
Expected rates of future salary increase	3.250%	2.500%～3.500%

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

	December 31, 2020	December 31, 2019
Discount rate		
Increase 0.25%	($ 1,254)	($ 1,407)
Decrease 0.25%	$ 1,298	$ 1,456
Expected rates of future salary increase		

Increase 0.25%	$ 1,227	$ 1,385
Decrease0.25%	($ 1,193)	($ 1,346)

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

	December 31, 2020	December 31, 2019
The expected contributions to the plan for the next year	$ 2,737	$ 2,700
The average duration of the defined benefit obligation	12年	12 year～13.6 year

XXI.EQUITY

(I) Share capital

Common stock

	December 31, 2020	December 31, 2019
Authorized shares（in thousands）	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000
Issued and paid shares (in thousands)	357,591	356,884
Issued capital	$ 3,575,905	$ 3,568,835

A holder of issued ordinary shares with par value of NT$10 is entitled to the proportional rights to vote and to dividends.

Bondholders had exercised the right to convert the Company's 4th domestic unsecured convertible bonds, the number of ordinary shares exchanged were 5,722 thousand shares, 2,125 thousand shares, 4,722 thousand shares and 23,595 thousand shares, in which the capital increase base dates were on March 21, 2019, November 8, 2018, August 10, 2018, and March 19, 2018, respectively..

On June 09, 2020, the Company's regular shareholders' meeting approved the issuance of employee restricted stock at an estimated total of 4,000 thousand shares, with a par value of NT$10, which the total amount is NT$40,000 thousand.The above transaction was approved by the FSC, under Authorization Letter Jinguanzheng Fazi No. 1090349323 effective on July 14, 2020, and the subscription base date was to be set on August 07, 2020 as determined by the Board of Directors. In addition, on August 7, 2020, the Company's Board of Directors resolved to reduce capital by cancelling 3,293 thousand treasury shares. The base date for capital reduction was on August 7, 2020.

(II) Capital Surplus

	December 31, 2020	December 31, 2019
Shares premium from issuance	$ 1,448,441	$ 1,662,189
Conversion premium	2,846,020	2,846,020
Recognition of changes in ownership interests in subsidiaries	50,516	50,516
Recognition of changes in investment in subsidiaries and associates by using the equity method	5,990	5,990
Share option	45,527	45,527
Employee restricted stock	58,474	-
Expired share option	150,566	150,566
Others	473	473
	$ 4,606,007	$ 4,761,281

The capital surplus arising from shares issued in excess of par value (including share premium from issuance of ordinary shares), and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

The capital surplus arising from investments, employee share options, and convertible bonds options accounted for equity method may not be used for any purpose.

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For information on the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 23-8 employee benefits and remuneration of directors.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash

Under FSC Authorization Letters Jinguanzheng Fazi No. 1010012865 and No. 1010047490, and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriation of earnings for 2019 and 2018 were approved by the shareholders' general meetings on June 09, 2020 and June 18, 2019, respectively. The appropriations were as follows:

	Appropriation of Earnings	
	For the year ended 2019	For the year ended 2018
Legal reserve	$ 20,119	$ -
Special reserve	183,614	180,682

In addition, the shareholders' meeting on June 09, 2020 resolved to distribute NT$177,911 thousand capital reserve in cash, and to allocate NT$0.5 per share.

The appropriation of the 2020 earnings had been proposed by the Company's board of directors on March 25, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends per share (NT$)
Legal reserve	$127,330	
Special Reserve	746,328	
Cash dividend	357,666	$ 1

The Company's board of directors proposed to issue cash dividends from capital surplus of $357,666 thousand, and to allocate NT$1 per share. The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting that is to be held on June 18, 2021.

(IV) Special reserve

	For the year ended 2020	For the year ended 2019
Beginning balance	$375,960	$195,278
Appropriated special reserve		
Other deducted equity items	183,614	180,682
Ending balance	$559,574	$375,960

Upon the initial adoption of the IFRSs, the reversal of special reserve appropriated due to exchange differences resulting from translation of financial statements of a foreign operation (including subsidiaries) shall be based on the Group's disposal of ownership. In the event that the Group loses significant influence, the special reserve will be fully reversed. When distributing the earnings, the difference between the net deduction of other shareholders' equity and the special reserve appropriated during the initial adoption of the IFRSs should be added to the special reserve at the end of the reporting period. Thereafter, earnings may be distributed based on the reversal of the deduction balance of other shareholders' equity.

(V)Other equity items

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

	For the year ended 2020	For the year ended 2019
Beginning balance	($ 497,082)	($ 351,769)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(21,747)	(142,959)
Changes in investments in subsidiaries	-	(2,349)
Share of subsidiaries and associates accounted for using the equity method	($ 32)	($ 838)
Changes in investments in subsidiaries and associates accounted for using the equity method	-	833
Disposal of subsidiaries	3,908	-
Ending balance	($ 514,953)	($ 497,082)

2. Unrealized gain (loss) on financial assets at FVTOCI (fair value through other comprehensive income)

	For the year ended 2020	For the year ended 2019
Beginning balance	($ 726,028)	($ 386,694)
Recognized for the year		
Unrealized gain or loss		
Equity instruments	(143,312)	(10,967)
Share of subsidiaries and associates accounted for using the equity method	(16,604)	(315,317)
Disposal of subsidiaries	4,636	-
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	90,360	(13,050)
Ending balance	($ 790,948)	($ 726,028)

3. Unearned compensation

On June 9, 2020, the shareholders' meeting resolved to issue employee restricted stocks. Please see Note 26 for more details.

	For the year ended 2020	For the year ended 2019
Beginning balance	$ -	$ -
Issued for the year	(98,474)	-
Recognized share-based payment expenses	22,649	-
Ending balance	($ 75,825)	$ -

(VI) Non-controlling interests

	For the year ended 2020	For the year ended 2019
Beginning balance	$ 270,356	$ 39,586
Net income	37,419	8,780
Other comprehensive income		
Exchange differences on translating the financial statements of foreign operations	(53)	(130)
Unrealized gain or loss from financial assets measured at fair value through other comprehensive income	(587)	(968)
Remeasurement of defined benefit plans	-	(91)
Capital decrease refunded by subsidiary	-	(13,960)
Change in investment in subsidiary	-	(60,582)
Disposal of subsidiary	(307,367)	-
Issuance of equity instrument by subsidiary	-	297,412
Acquisition of non-controlling interests in subsidiaries（Note 27）	364	-
Outstanding stock options held by the employees of subsidiaries related to non-controlling interests (Note 26)	-	309
Ending balance	$ 132	$ 270,356

(VII) Treasury Stock

Purpose	Cancelled after repurchase（in thousands of shares）
To maintain the company's credit and shareholders' rights and interests	
Number of shares on January 01, 2020	-
Increased for the period	3,293
Decreased for the period	(3,293)
Number of shares on December 31, 2020	-

In order to maintain the company's credit and shareholders' rights and interests, on March 23, 2020, the Company's board of directors decided to buy back and cancel 20,000 thousand treasury shares from the centralized securities exchange market beginning from March 24, 2020 to May 23, 2020. The repurchase price was set between NT$13.8~26 per share. In the case that the stock price should be lower than the lowest repurchase price, the company may continue to execute the repurchasing of shares. The total amount of shares repurchased is expected to be capped at NT$5,593,801 thousand.

As of December 31, 2020, the Company has repurchased a total of 3,293 thousand shares, amounting to NT$68,767 thousand. On August 7, 2020, the board of directors resolved to cancel the 3,293 thousand treasury shares, in addition to the completion of relevant changes in registration with the authority.

According to the provisions of the Securities Exchange Law, treasury stocks cannot be pledged by the corporation, nor have the eligibility to claim dividends and voting rights.

XXII. REVENUE

	For the year ended 2020	For the year ended 2019
Revenue from contracts		
Revenue from product sales	$ 19,929,372	$ 18,057,131

(I)Contract balance

	December 31, 2020	December 31, 2019	January 01, 2019
Notes receivable (Note 10)	$ -	$ 43,732	$ 48,507
Notes receivable－related parties (Note 32)	11,250	-	-

Account receivable (Note10)	5,888,372	3,978,648	5,707,086
Account receivable - related parties (Note 32)	112,537	60,969	16,817
	$ 6,012,159	$ 4,083,349	$ 5,772,410
Contract liabilities - current			
Product sales	$ 218,433	$ 243,802	$ 105,493

(II) Details on revenue from contracts

Please see note 37.

XXIII. PROFIT BEFORE INCOME TAX

Net profit (loss) from continuing operations include the following items:

(I) Interest income

	For the year ended 2020	For the year ended 2019
Bank deposit	$ 27,033	$ 43,839

(II) Other income

	For the year ended 2020	For the year ended 2019
Rental incomes	$ 7,234	$ 1,375
DividendS	6,552	8,204
Government grantS	59,630	-
Other income	43,789	44,526
	$117,205	$ 54,105

(III) Other gains and losses

	For the year ended 2020	For the year ended 2019
Gain (loss) on financial assets and liabilities measured at FVTPL	($ 7,786)	$ 270,036
Gain (loss) on disposal of investments	-	9,677
Gain (loss) on disposal of subsidiaries	1,033,557	-
Foreign currency exchange gain	(50,932)	(43,313)

(loss)		
Loss on disposal of property, plant and equipment	(2,480)	(13,603)
Others	(11,869)	(3,291)
	$ 960,490	$ 219,506

(IV) Finance costs

	For the year ended 2020	For the year ended 2019
Interest from bank loans	$ 30,708	$ 54,741
Interest from lease liabilities	135	223
	$ 30,843	$ 54,964

(V) Impairment loss（reverse）

	For the year ended 2020	For the year ended 2019
Reversal of accounts receivable recognised in profit or loss	($ 47)	($ 1,035)
Inventory（includes operating cost）	$ 30,661	($ 16,541)

(VI) Depreciation and amortization

	For the year ended 2020	For the year ended 2019
Property, plant and equipment	$ 320,371	$ 283,057
Right-of-use assets	9,038	8,343
Deferred expenses	89,720	64,587
	$ 419,129	$ 355,987
Depreciation Expenses by Function		
Operating costs	$ 224,384	$ 194,556
Operating expenses	105,025	96,844
	$ 329,409	$ 291,400
Amortization expenses by function		
Operating costs	$ 27,840	$ 6,816
Operating expenses	61,880	57,771
	$ 89,720	$ 64,587

(VII) Employee Benefits Expenses

	For the year ended 2020	For the year ended 2019
Post-employment benefits		
Defined contribution plans	$ 56,857	$ 86,847
Defined benefit plans (Note 20)	491	346
	57,348	87,193
Share-based payments		
Equity-settled	22,649	1,560
Other employee benefit	2,112,899	1,990,548
Total employee benefits expenses	$ 2,192,896	$ 2,079,301
Employee benefits expense by function		
Operating cost	$ 979,369	$ 994,418
Operating expense	1,213,527	1,084,883
	$ 2,192,896	$ 2,079,301

(VIII) Employee compensation and Remuneration of Board of Directors

In compliance with the Articles of incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate at least 13.5% for employee profit sharing bonuses and no more than 1.8% for the renumeration benefits of directors. The board of directors have resolved the accrual of employee compensation and remuneration of board of directors for the years ended December 31, 2020 and 2019 on March 25, 2021 and March 10, 2020, respectively, as follows:

Accrual Rate

	For the year ended 2020	For the year ended 2019
Employee compensation	13.5%	13.5%
Remuneration of Directors	1.8%	1.8%

Amount

	For the year ended	For the year ended

	2020	2019
	Cash	Cash
Employee compensation	$232,646	$ 32,207
Remuneration of Directors	31,019	4,294

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meetings and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

XXIV. INCOME TAXES RELATING TO CONTINUING OPERATIONS

(I) Major components of tax expense recognized in profit or loss:

	For the year ended 2020	For the year ended 2019
Current income tax		
In respect of the current year	$ 128,147	$ 65,704
Income tax on unappropriated earnings	-	347
Adjustments for prior years	621	2,314
	128,768	68,365
Deferred tax		
In respect of the current year	19,208	4,217
Adjustments for prior years	17,622	-
Income tax expense recognized in profit or loss	$ 165,598	$ 72,582

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

	For the year ended 2020	For the year ended 2019
Income before income tax from continuing operations	$ 1,573,172	$ 282,555
Income tax expense calculated at the statutory rate	$ 397,572	$ 129,600
Nondeductible expenses in determining taxable income	1,895	12,399
Tax-exempt income	(273,897)	(93,583)
Additional income tax under the basic income	24,322	18,290
Income tax on unappropriated earnings	-	347
Unrecognized temporary differences	(2,537)	4,336
Investment tax credits used	-	(1,121)
Adjustments for prior years' tax	18,243	2,314
Income tax expense recognized in profit or loss	$ 165,598	$ 72,582

(II) Current tax asset and liability

	For the year ended 2020	For the year ended 2019
Current tax asset		
Tax refund receivable	$ 1,236	$ 5,165
Current tax liability		
Income tax payable	$ 80,331	$ 58,055

(III) Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Disposal of Subsidiary	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Write-down of inventories	$ 40,354	($ 28,631)	($ 9,141)	($ 95)	$ 2,487
Allowance for loss exceeded	15,527	(2,856)	(7,129)	-	5,542
Loss carryforwards	47,306	-	(17,622)	-	29,684
Unrealized exchange gains and losses	2,234	(859)	(1,375)	-	-
Others	3,918	-	(830)	40	3,128
	$ 109,339	($ 32,346)	($ 36,097)	($ 55)	$ 40,841
Deferred tax liabilities					
Temporary differences					
Profit and loss from investments in overseas investees accounted for using the equity method	$ 205,313	$ -	$ -	$ -	$ 205,313
Unrealized exchange gains and losses	1,717	(28)	(64)	-	1,625
Others	14,667	(4)	797	223	15,683
	$ 221,697	($ 32)	$ 733	$ 223	$ 222,621

For the year ended December 31, 2019

	Opening Balance	Acquisition from business combination	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Write-down of inventories	$ 41,318	$ 5,263	($ 4,609)	($ 1,618)	$ 40,354
Allowance for loss exceeded	11,137	680	3,710	-	15,527
Loss carryforwards	53,199	-	(5,893)	-	47,306
Unrealized exchange gains and losses	-	-	2,234	-	2,234
Investment tax credits	-	-	-	-	-
Others	1,196	-	2,343	379	3,918
	$ 106,850	$ 5,943	($ 2,215)	($ 1,239)	$ 109,339
Deferred tax liabilities					
Temporary differences					
Profit and loss from investments	$ 205,313	$ -	$ -	$ -	$ 205,313

in overseas investees accounted for using the equity method					
Unrealized exchange gains and losses	3,643	1,304	(3,230)	-	1,717
Others	9,134	-	5,232	301	14,667
	$ 218,090	$ 1,304	$ 2,002	$ 301	$ 221,697

(IV) Deductible temporary differences, unused loss carryforwards, and unused investment tax credits for which no deferred tax assets have been recognized in the balance sheets.

	For the year ended 2020	For the year ended 2019
Loss carryforwards		
2023	$ 35,889	$ 36,316
2027	14,084	14,084
Deductible temporary differences		
Impairment loss on financial assets measured by cost	93,665	93,665
	$143,638	$144,065

(V) Details on unused loss carryforwards, unused investment tax credits, and tax exemptions.

	For the year ended 2020	For the year ended 2019
Loss carryforwards		
2027	$140,306	$177,283
2029	8,109	59,244
	$148,415	$236,527

(VI) The information of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with subsidiaries for which no deferred tax liabilities have been recognized were NT$109,181 thousand and NT$96,498 thousand, respectively.

(VII) Income tax assesments

The tax return filing of 5V TECHNOLOGIES, TAIWAN LTD. as of 2019 and previous years have been assessed by the tax authorities. The tax return filing of Gemtek Technology Co., Ltd. and Gemtek Investment Co. Ltd. as of 2018 and previous years have been assessed by the tax authorities.

XXV. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the year ended 2020	For the year ended 2019
Basic earnings per share from continuing operations	$ 3.86	$ 0.57
Diluted earnings per share from continuing operations	$ 3.36	$ 0.53

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

Current net income

	For the year ended 2020	For the year ended 2019
Net income attributable to owners of the company	$ 1,370,155	$ 201,193
Effect of potentially dilutive ordinary shares:		
Interest after tax for convertible bonds	13,660	10,769
Net income in computation of diluted earnings per share	$ 1,383,815	$ 211,962

Ordinary shares

Unit: Thousand Shares

	For the year ended 2020	For the year ended 2019
Weighted average number of ordinary shares in computation of basic earnings per share	354,868	355,629
Effect of potentially dilutive ordinary shares:		
Convertible bonds	45,627	45,864
Employee restricted stock	4,000	-
Employee compensation	7,909	1,248
Weighted average number of ordinary shares used in the computation of diluted earnings per share	412,404	402,741

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

(I) New Employee Restricted Stock

On June 09, 2020, the annual shareholders' meeting of the Company approved the issuance of New Employee Restricted Stocks with a total amount of NT$40,000 thousand, that is 4,000 thousand shares to be issued at issue price of NT$10 per share. Followed by the approval letter Jinguanzheng Fazi No. 1090349323 issued by the Financial Supervisory Commission, Executive Yuan on July 14, 2020, the board of directors therefore determined August 7, 2020 as the capital increase base date.

If an employee still serves the Company after the subscription of New Employee Retricted Stock, provided that the employee has not violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have reached the reasonable targets set out by the Company for the preceding year, the following ratio of shares for each vesting anniversary are:

1. 1^{st} anniversary： 30% of subscription；
2.2^{nd} anniversary：30% of subscription；
3.3^{rd} anniversary：40% of subscription。

Vesting restrictions if conditions have not been fulfilled:
1. Measures to be taken when employees fail to meet the vesting conditions:

(1) Before vesting conditions are met, employee restricted stocks received by the employee are not to be sold, mortgaged, transferred, gifted, pledged, or otherwise sanctioned except in the event of inheritance.

(2) The attendance, proposal, speech, and voting rights of the shareholders meeting shall be implemented in accordance with the trust custody agreement. Any cash dividends, stock dividends, and capital reserve cash (stocks) allocated to the New Employee Restricted Stocks shall be placed under the custody of the trust. For those New Employee Restricted Stocks whom their owners have not yet fulfilled the vesting conditions, the cash dividends, stock dividends, and capital reserves (stocks) generated shall be forfeited and being reclaimed or cancelled by the Company in accordance with relevant laws and regulations.

2.Based upon the above trust custody agreement, employees who have received New Employee Restricted Stocks are eligible to retain certain rights, including but not limited to: the right to receive dividends, bonuses, and capital reserves, the right to subscribe shares for cash increase, and voting rights, which are equivalent to the rights of common shares issued by the Company.

3. New Employee Restricted Stocks that are issued in accordance with this arrangement shall be handled via trust and custody before vesting conditions are fulfilled.

(II) Employee Stock Option Plans for Subsidiary's

In June 2019, AMPAK Technology Inc. granted 4,000 thousand stock option units to its employees. Each unit received is eligible to subscribe 1 common stock. The recipients of such stock options include the employees of AMPAK Technology Inc. and qualified employees of the Company. The subscription period for the stock option is 6 months. The holder of the stock option certificate can exercise all rights pertaining to the stock option beginning from the day after receipt until the expiration of the certificate. The exercise price of the stock options will not affected by changes in the Company's common shares.

Employee stock options:

	For the year 2019 January 01 to December 31	
Employee stock options	Unit（thousands）	Weighted average exercise price（NT$）
Outstanding, beginning	-	$ -
Granted during the period	4,000	12.77
Exercised during the period	(4,000)	
Outstanding, ending	-	
Weighted average fair value of options granted(NT$)	$ 0.39	

AMPAK Technology Inc. administered the Employee Stock Option plan for 2019 June based upon the Black Scholes Option Pricing Model. The input variables are as follows:

	2019 June
Spot price	NT$13.16
Strike price	NT$12.77
Expected volatility	26.01%
Time to maturity	0.0041Years

Expected dividend yield	-%
Risk-free rate	0.8%

In 2019, the remuneration cost recognized was NT$1,560 thousand, which was added to the capital reserve. The Company recognized all equity changes in subsidiaries and increased the capital reserve by NT$1,251 thousand based on the shareholding ratio.

XXVII. STATUS OF NEW SHARES ISSUANCE IN CONNECTION WITH MERGERS AND ACQUISITIONS

(I) Business combination

	Main Operating Activities	Date of Business Combination	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
5V TECHNOLOGIES, TAIWAN LTD.	IC design, development of telecommunication products IC	January 30, 2020	97.92	$ 90,000
SPARKLAN COMMUNICATIONS INC.	Sale of electronic equipment and devices	August 23, 2019	100.00	$ 358,570

The Group acquired 5V TECHNOLOGIES, TAIWAN LTD. and SPARKLAN COMMUNICATIONS INC. in 2020 and 2019, respectively for the purpose of expanding business.

(II) Consideration Transferred

	5V TECHNOLOGIES, TAIWAN LTD.	SPARKLAN COMMUNICATIONS INC.
Cash	$ 90,000	$112,238
Issuance of equity instrument(Note)	-	246,332
Total	$ 90,000	$358,570

Note:

AMPAK Technology Inc. issued another 10,203 thousand ordinary shares with a denomination of NT$10 as part of the consideration of the SPARKLAN COMMUNICATIONS INC. The fair value of these ordinary shares determined on the date of acquisition was NT$246,332 thousand.

(III) Balance sheets of subsidiaries on the date of business combination

For the year ended 2020

	5V TECHNOLOGIES, TAIWAN LTD.
Current Assets	
Cash and cash equivalents	$ 97,696
Account receivables	28,181
Other receivables	195
Inventory	192
Others	7,228
Non-current assets	
Properties, plants and equipment	2,557
Non-tangible assets	8,975
Others	813
Current liabilities	
Contract liabilities-current	(5,139)
Accounts payable	(105,031)
Other payables	(12,025)
Others	(6,123)
	$ 17,519

For the year ended 2019

		SPARKLAN COMMUNICATIONS INC.
Current Assets		
Cash and cash equivalents	$	203,759
Financial asset at fair value through profit or loss-current		16,261
Financial assets at amortised cost – current		54,987
Accounts receivable		31,181
Other receivables	$	2,479
Inventory		42,545
Others		6,947
Non-current assets		
Properties, plants and equipment		858
Right-of-use properties		10,335
Non-tangible assets		30,459
Deferred tax assets		5,943
Others		2,548
Current liabilities		
Contract liabilities-current		(12,386)
Accounts payable		(17,767)
Lease liabilities - current		(4,407)
Other payables		(25,655)
Current tax liabilities		(10,824)
Others		(1,126)
Non-current liabilities		
Lease liabilities – non-current		(5,980)
Deferred tax liabilities		(1,304)
	$	328,853

The fair value of the accounts receivable obtained from these companies in the merger and acquisition transaction is near the book value of the balance sheet. As a result, there are no presumed uncollectible amount from the date of business combination.

(IV) Goodwill from business combination

For the year ended 2020

	5V TECHNOLOGIES, TAIWAN LTD.

Consideration Transferred	$ 90,000
Add: Non-controlling interest	364
Less: Fair value of identifiable net assets acquired	(17,519)
Goodwill from business combination	$ 72,845

For the year ended 2019

	SPARKLAN COMMUNICATIONS INC.
Consideration Transferred	$ 358,570
Less: Fair value of identifiable net assets acquired	(328,853)
Goodwill from business combination	$ 29,717

Goodwill is the control premium obtained during business combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

(V) Net cash outflow on acquisition of subsidiaries

For the year ended 2020

	5V TECHNOLOGIES, TAIWAN LTD.
Cash and cash equivalent balances acquired	$ 97,696
Less: Consideration paid in cash	(90,000)
	$ 7,696

For the year ended 2019

	SPARKLAN COMMUNICATIONS INC.
Consideration paid in cash	$ 112,238
Less:Cash and cash equivalent balances acquired	(203,759)
	($ 91,521)

(VI) Impact of acquisitions on the results of the Company

For the year ended 2020

The operation results of 5V TECHNOLOGIES, TAIWAN LTD. since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	5V TECHNOLOGIES, TAIWAN LTD.
Operating income	$ 201,272
Net loss	($ 9,124)

Had the business combination of 5V TECHNOLOGIES, TAIWAN LTD. been in effect on the date of acquisition, the Company's net revenue and net income for the year ended 2020 would have been NT$19,950,496 thousand and NT$1,404,504 thousand, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on the date of acquisition, nor is it intended to be a projection of future results. The aforementioned pro-forma net revenue and net income were calculated based on the fair value of assets acquired and liabilities assumed at the date of acquisition.

For the year ended 2019

The operation results of SPARKLAN COMMUNICATIONS INC. since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	SPARKLAN COMMUNICATIONS INC.
Operating income	$ 78,894
Net profit/loss	($ 66)

Had the business combination of SPARKLAN COMMUNICATIONS INC. been in effect on the date of acquisition, the Company's net revenue and net income for the year ended 2019 would have been NT$18,247,376 thousand and NT$211,400 thousand, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on the date of acquisition, nor is it intended to be a projection of future results. The aforementioned pro-forma net revenue and net income were calculated based on the fair value of assets acquired and liabilities assumed at the date of acquisition.

XXVIII. DISPOSAL OF SUBSIDIARY

On JUNE 09, 2020, the Board of Directors of the Group approved the disposal of AMPAK Technology Inc.'s stock release. Accordingly, in August 2020, 41.51% shareholding was fully transferred, and the Group lost controlling interest over AMPAK Technology Inc. As a result, the financial reports of AMPAK Technology Inc. and its subsidiaries were excluded from the consolidated financial reports of the Group in addition to being recognized by investment in subsidiaries and associates accounted for using equity method thereafter. The original accounting treatment of the disposal of AMPAK Technology Inc.is only tentative on the balance sheet date. At the date of the approval of this consolidated financial report, the required market evaluation and other calculations have not yet been completed. Therefore, the tentative possible value is only determined based on the best estimate of the management of the Group.

(I) Consideration received from the disposal

	AMPAK Technology Inc. and its subsidiaries
Total consideration received	$ 1,296,102

(II) Analysis of assets and liabilities over which the control was lost

	AMPAK Technology Inc. and its subsidiaries
Current assets	
Cash and cash equivalents	$ 818,738
Financial assets measured at amortised cost-current	52,001
Accounts receivable	548,633
Inventory	246,581
Others	43,242
Non-current assets	
Financial assets measured at other comprehensive profit and loss measured at fair value	60,846
Financial assets measured at amortised cost-non-current	4,343
Property, plant, and equipment	15,228
Right-of-use assets	12,079
Non-tangible assets	446,267
Others	41,578
Current liabilities	
Short-term borrowings	($ 117,920)
Accounts payable	(348,684)
Others	(190,997)
Lease liabilities - current	(8,158)
Non-current liabilities	
Lease liabilities - current	(4,001)
Others	(8,542)
Net asset disposed	$ 1,611,234

(III) Gain/loss on disposal of subsidiary

	AMPAK Technology Inc. and its subsidiaries
Net consideration received	$ 1,296,102
Net assets disposed	(1,611,234)
Non-controlling interests	307,367
Accumulated exchange differences of net asset gains or losses from equity reclassification due to loss of interest control over subsidiary	(3,908)
Fair value of residual interest	1,045,230
Gain on disposal	$ 1,033,557

(IV) Net cash inflow arising from disposal of subsidiary

	AMPAK Technology Inc. and its subsidiaries
Consideration received in cash or cash equivalent	$ 1,296,102
Less:Cash and cash equivalent balances disposed	(818,738)
	$ 477,364

XXIX. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investment activities:

(I) On June 9, 2020, the annual shareholders meeting of the Group resolved the proposed issuance of 4,000 thousand shares of New Employee Restricted Stock, totaling NT$40,000 thousand, which was then approved by the board of directors on August 7, 2020. The cost of the 2020 New Employee Restricted Stock was NT$22,649 thousand.

(II) The Group did not recognize long-term equity investment NT$(12,102) thousand in accordance with the shareholding ratio in 2019.

XXX. CAPITAL RISK MANAGEMENT

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

XXXI. FINANCIAL INSTRUMENTS

(I) Fair value of financial instruments that are measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	$ 120,131	$ -	$ -	$ 120,131

Convertible options	-	840	-	840
Financial products	-	23,745	-	23,745
Convertible bond	-	-	15,592	15,592
Total	$ 120,131	$ 24,585	$ 15,592	$ 160,308
Financial assets at FVTOCI				
Equity instrument investment				
—Domestic and overseas listed stock	$ 739,406	$ -	$ -	$ 739,406
—Domestic and overseas unlisted stock	-	-	185,882	185,882
Total	$ 739,406	$ -	$ 185,882	$ 925,288
Financial liabilities at FVTPL				
Forward Exchange Contract	$ -	$ 7,278	$ -	$ 7,278

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed stock	$ 110,990	$ -	$ -	$ 110,990
Trust beneficiary certificate	15,007	-	-	15,007
Financial products	-	10,486	-	10,486
Total	$ 125,997	$ 10,486	$ -	$ 136,483
Financial assets at FVTOCI				
Equity instrument investment				
—Domestic and overseas listed	$ 810,737	$ -	$ -	$ 810,737

stock				
－Domestic and overseas unlisted stock	-	-	377,252	377,252
Total	$ 810,737	$ -	$ 377,252	$ 1,187,989
Financial liabilities at FVTPL				
Forward Exchange Contract	$ -	$ 3,423	$ -	$ 3,423
Convertible options	-	2,640	-	2,640
Total	$ -	$ 6,063	$ -	$ 6,063

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

2. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts and financial products	Discounted cash flow: Future cash flows 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.
Derivatives- convertible options	Binomial Tree Model for Convertible Bonds Pricing: Evaluated based on the volatility of the conversion price, the risk-free interest rate, the risk of discount rate, and the years until maturity.

3. Valuation techniques and inputs applied for Level 3 fair value measurement

For stocks of unlisted companies without an active market, their fair value is assessed by using the market method and the income method.

The market approach refers to the market price and related information of listed companies that share a similar background as the unlisted stock in order to estimate its fair value; the income approach uses the discounting cash flow method to calculate the present value of the expected return from holding the investment target.

Hybrid financial assets - Convertible corporate bonds have no market price for reference. The Company's evaluation of fair value is based on the Binomial Tree Model for Convertible Bond Pricing, which factors in the volatility of the conversion price, the risk-free interest rate, the risk of discount rate, and the periods until maturity.

(II) Categories of financial instrument

	December 31, 2020	December 31, 2019
Financial assets		
Fair value through profit or loss	$ 160,308	$ 136,483
Fair value after amortized cost （Note 1）	8,184,615	7,076,698
Fair value through other comprehensive income	925,288	1,187,989
Financial liabilities		
Fair value through profit or loss	7,278	6,063
Fair value after amortized cost （Note 2）	7,959,756	5,421,412

Note 1: Financial assets measured at fair value after amortized cost include cash and cash equivalents, notes and accounts receivable, accounts receivables-related parties, other receivables, and refundable deposits etc.

Note 2: Financial liabilities measured at fair value after amortized cost include short-term loans, notes and accounts payables, accounts payables -related parties, other payables, refundable deposits, and bonds payable etc.

(III) Financial risk management objective and policies

The Group's major financial instruments include equity instrument investment, accounts receivable, accounts payable, bonds payable, loans and lease liabilities. The Group's Financial Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's Finance Department seeks to mitigate the effect of these risks by using derivative financial instruments to hedge risk exposures under the policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls.

If the Finance Department should engage in derivative transactions, the results are reported to the Board of Directors on a regular basis.

1. Market Risk

The Group's operating activities exposed it primarily to the financial risks arising from changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below):

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

(1) Foreign Currency Risk

The Group engages in foreign currency-denominated sales and purchase transactions, therefore exposing the Group to foreign currency fluctuation risks.

The carrying amounts of the significant monetary assets and liabilities not denominated in functional currency (including those eliminated on consolidation) at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. If the loss of the financial asset measured at fair value through profit and loss reaches the 3% cap as laid out in the contract, the situation must be reported to the management, and a reassessment of the exchange rate fluctuation should be made. The sensitivity analysis included only outstanding foreign currency denominated monetary items plus forward exchange contracts designated as a cash flow hedge, and their translations are adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 1% against the relevant currency; a negative number below indicates a decrease in pre-tax profit associated with New Taiwan dollars weakens 1% against the relevant currency.

	Impact of USD	
	For the year 2020	For the year 2019
Profit or Loss	$ 66,925	$ 21,170

The impact of foreign currencies on profit and loss listed in the above table mainly derived from the USD-denominated non-derivative financial assets and liabilities of the Group that are still in circulation on the balance sheet date and have not undergone cash flow hedging.

There was no significant changes in the sensitivity analysis of the current year's foreign exchange rates when compared to the previous year.

(2) Interest rate risk

The Group is exposed to interest rate risk arising from borrowing at both fixed and floating interest rates.

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:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
—Financial assets	$ 82,364	$ 1,528,120
—Financial liabilities	2,261,397	1,523,882
Cash flow interest rate risk		
—Financial assets	1,884,043	1,280,899
—Financial liabilities	-	93,000

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 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. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points 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 increase by NT$18,840 thousand and NT$11,879 thousand, respectively. The main reason for the above derived from the net position of bank deposits and borrowings that are exposed to fluctuating interest rate risks and redeemable bonds attributable to the Group that are measured at fair value.

There was no significant changes in the sensitivity analysis of the current year's interest rates when compared to the previous year.

(3) Other market price risk

Equity price risk exposure arises from the Group's investments in domestic and foreign listed stocks, unlisted stocks, and convertible bonds. The Group assigns relevant personnel to monitor price flucutations and evaluate the timing to increase hedge positions.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity price risks at the end of the reporting period.

If equity prices of financial assets at FVTPL had been 1% higher/lower, profit or loss for the years ended December 31, 2020 and 2019 would increase/decrease by $1,201 thousand and $1,260 thousand, respectively. If equity prices of financial assets at FVTOCI had been higher/lower, other comprehensive income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by $9,253 thousand and $11,880 thousand, respectively.

There was no significant changes in the sensitivity analysis of the current year's equity prices when compared to the previous year.

2. Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Except for Company A, the largest customer of the Group, the Group does not have other sources of credit risk exposure from one or many counterparties that are grouped by similar characteristics. Associates of the Group are considered counterparties with similar characteristics.

The Group's concentration of credit risk of 60.38% and 38.63% of total accounts receivables as of December 31, 2020 and 2019, respectively, were related to the Group's largest customers A, B, and C.

3. Liquidity risk

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

The Group relies on bank borrowings as a substantial source of liquidity.
The detailed information of the Group's unused financing facilities as of December 31, 2020 and 2019 is further stated in (3) financing facilities below.

(1)Liquidity and interest risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed 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 included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

For interest cash flows paid at floating interest rates, the undiscounted amount of interest can be inferred by the yield curve on the balance sheet date.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 3,950,761	$ 1,936,013	$ 524,519	$ -
Lease liabilities	254	763	2,039	4,555
Fixed interest rate liabilities	881,296	2,293,484	1,179,157	-
	$ 4,832,311	$ 4,230,260	$ 1,705,715	$ 4,555

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5Years
Lease liabilities	$ 3,056	$ 4,555

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest	$ 3,111,150	$ 414,464	$ 278,887	$ -

bearing				
Lease liabilities	700	2,100	3,873	5,188
Floating interest rate liabilities	93,089	-	-	-
Fixed interest rate liabilities	365,616	-	-	1,162,082
	$ 3,570,555	$ 416,564	$ 282,760	$ 1,167,270

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5Years
Lease liabilities	$ 6,673	$ 5,188

The aforementioned non-derivative financial liabilities were caluculatedby floating interest rates, therefore the results may differ from the interest rate accounted for the balance sheet date.

(2) Liquidity and interest risk tables for derivative financial liabilities

For the liquidity analysis of derivative financial instruments, for derivative instruments that are settled on a net basis, they are compiled on the basis of undiscounted contract net cash inflows and outflows; for derivatives that are settled on a gross basis, they are compiled on the basis of undiscounted net cash inflows and outflows. It is prepared based on the current total cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed is determined based on the interest rate estimated by the yield curve on the balance sheet date.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years	Above 5 Years
Netting settlement					
Forward exchange	($ 7,278)	$ -	$ -	$ -	$ -

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years	Above 5 Years
Netting settlement					
Forward exchange	($ 3,423)	$ -	$ -	$ -	$ -

(3) Financing facilities Credit Lines

	December 31, 2020	December 31, 2019
Unsecured bank Loan facility		
－Amount used	$ 1,082,240	$ 454,800
－Amount unused	2,661,360	3,903,580
	$ 3,743,600	$ 4,358,380
Secured Bank Loan Facilities		
－Amount used	$ -	$ -
－Amount unused	-	30,000
	$ -	$ 30,000

XXXII. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(I) Name of the related parties and relationship

Name of related party	Relationship with the Group
AMPAK Technology Inc.	Associates(AMPAK Technology Inc. was a former subsidiary of Gemtek Technologies Co., Ltd. and became an associate on August 10, 2020.）
SparkLAN Communications, Inc.	Associates（SparkLAN Communications, Inc. was a former subsidiary of Gemtek Technologies Co., Ltd. and became an associate on August 10, 2020.）

BROWAN COMMUNICATIONS INCORPORATION	Associates
ANTEK NETWORKS INC.	Associates
BandRich Inc.	Associates

(II) Sales Revenue

Type/Name of related party	For the year ended 2020	For the year ended 2019
Associate		
Others	$ 352,971	$ 185,680

Sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties.

(III) Purchase and Processing Fee

Type/Name of related party	For the year ended 2020	For the year ended 2019
Associate		
Others	$ -	$ 7,714

The sales prices and trade term with related parties are not comparable to those with thirdparty customers for certain transactions due to different product specifications; other than that, the determination of sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties.

(IV) Receivables from related parties

Account	Type/Name of related party	December 31, 2020	December 31, 2019
Accounts receivables – related parties	Associates		
	BROWAN COMMUNICATI	$ 91,686	$ 53,008

	ONS INCORPORATION		
	ANTEK NETWORKS INC.	7,929	7,961
	Others	12,922	-
		$ 112,537	$ 60,969
Notes receivables – related parties	Associates		
	BROWAN COMMUNICATIONS INCORPORATION	$ 11,250	$ -

No guarantee is received for the outstanding accounts receivable from related parties. No allowance for losses is provided for accounts receivable from related parties in 2020 and 2019.

(V) Other receivables from related parties

Type/Name of related party	December 31, 2020	December 31, 2019
Associates		
ANTEK NETWORKS INC.	$ 189	$ 23

Other receivables of the Group to be collected from related parties are the advance payments and purchases of raw materials on behalf of the related parties.

(VI) Payables to related parties

Account	Type/Name of related party	December 31, 2020	December 31, 2019
Accounts payable-related parties	Associates		
	BROWAN COMMUNICATIONS	$ 304	$ -

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No guarantees were available for outstanding accounts payables to related parties.

(VII) Other trade payables to related parties

Type/Name of related party	December 31, 2020	December 31, 2019
Associates		
BROWAN COMMUNICATIONS INCORPORATION	$ -	$ 10

Other payables of the Group to be paid to related parties are the advance payments made on behalf of the related parties.

(VIII) Disposal of property, plant, and equipment

Type/Name of related party	For the year ended 2020		For the year ended 2019	
	Disposal of proceeds	Disposal of gain (loss)	Disposal of proceeds	Disposal of gain (loss)
Associates				
BROWAN COMMUNICATIONS INCORPORATION	$ -	$ -	$ 359	$ 359

(IX) Other trades with related parties

Type/Name of related party	For the year ended 2020	For the year ended 2019
Rent income		
Associates		
AMPAK Technology Inc.	$ 1,772	$ -
BROWAN COMMUNICATIONS INCORPORATION	213	258
Others	252	215
	$ 2,237	$ 473
Other income		
Associates		
AMPAK Technology Inc.	$ 251	$ -

Research & development fee		
Associates		
Others	$ -	$ 3

Rental income of the Group collected from associates were based on the market price.

(X) Compensation of key management personnel

	For the year ended 2020	For the year ended 2019
Short-term employee benefits	$ 41,165	$ 54,014
Post-employment benefits	771	1,121
	$ 41,936	$ 55,135

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXXIII. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for tariffs on imported raw materials:

	December 31, 2020	December 31, 2019
Pledged bank deposits (included in financial assets measured at amortized cost)	$ 43,274	$ 80,248

XXXV. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency asset			
Monetary items			
USD	$ 315,929	28.48(USD:NTD)	$ 8,997,667
USD	239,820	6.5249(USD:RMB)	6,830,084
			$15,827,751
Non-monetary items			
Investments accounted for using equity method			
USD	1,317	28.48(USD:NTD)	$ 37,494
Financial asset measured at fair value through other comprehensive income			
USD	6,692	28.48(USD:NTD)	190,594
Financial asset measures at amortized cost			
USD	4,658	28.48(USD:NTD)	132,652
			$ 360,740
Foreign currency liabilities			
Monetary items			
USD	205,324	28.48(USD:NTD)	$ 5,847,622
USD	115,437	6.5249(USD:RMB)	3,287,639
			$ 9,135,261

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency asset			
Monetary items			
USD	$ 176,365	29.98(USD:NTD)	$ 5,287,415
USD	107,295	6.9762(USD:RMB)	3,216,711
			$ 8,504,126
Non-monetary items			
Investments accounted for using equity method			
USD	1,625	29.98(USD:NTD)	$ 48,715
Financial asset measured at fair value through other comprehensive income			
USD	11,883	29.98(USD:NTD)	356,266
Financial asset measured at amortized cost			
USD	4,709	29.98(USD:NTD)	141,167
			$ 546,148
Foreign currency liabilities			
Monetary items			
USD	125,003	29.98(USD:NTD)	$ 3,747,594
USD	88,043	6.9762(USD:RMB)	2,639,521
			$ 6,387,115

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

	For the year ended 2020		For the year ended 2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1（NTD:NTD）	$ 11,288	1（NTD:NTD）	($ 63,687)
RMB	4.3648（RMB:NTD）	(62,220)	4.2975（RMB:NTD）	20,374
		($ 50,932)		($ 43,313)

XXXVI. SEPARATELY DISCLOSED ITEMS

(I) Information About Significant Transactions and (II) Investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided. (None)
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the share capital. (Table 3)
5. Acquisition of individual real estate at costs 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. (Note 7 and 31)
10. Other: Intercompany relationships and significant intercompany transactions. (Table 8)
11. Information on investees. (Table 6)

(III) Information on investments in mainland China:

1. 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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
2. Any of the following 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: (Tables 4, 5, 7, and 8)

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

(3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

(5) The highest balance during the year, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.

(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.

(IV) Information on significant shareholders: The name, number of shares held, and shareholding percentage of shareholders who possess 5% or more of the total number of shares. (None)

XXXVII. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segment is the wireless telecommunication products department.

(I) Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenue	Segment Profit

	For the year ended 2020	For the year ended 2019	For the year ended 2020	For the year ended 2019
Wireless telecommunication products department	$19,929,372	$18,057,131	$ 1,001,225	$ 562,472
Central administration cost			(533,312)	(510,973)
Interest income			27,033	43,839
Other income			117,205	54,105
Other gains and losses			960,490	219,506
Finance cost			(30,843)	(54,964)
Share of profit of associates accounted for using the equity method			31,374	(31,430)
Profit before tax			$ 1,573,172	$ 282,555

Segment revenues reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended December 31, 2020 and 2019.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs, interest income, other income, other gains or losses, finance cost, share of profit of associates accounted for using the equity method, and income tax expense. This was the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(II) Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

(III) Other information

	Depreciation and amortization	
	For the year ended 2020	For the year ended 2019
Wireless telecommunication product department	$419,129	$355,987

(IV) Revenue from major products and services

	For the year ended 2020	For the year ended 2019
CARD	$ 2,515,961	$ 449,468
GATEWAY	14,924,532	13,031,635
Wireless Telecommunication Module	1,208,154	2,003,784
Others	1,280,725	2,572,244
	$ 19,929,372	$ 18,057,131

(V) Geographical information

The Group operates in three principal geographical areas – Taiwan, China, and the Czech Republic.

The Group's revenue from continuing operations from external customers by location of operations was detailed below:

	Revenues from External Customers	
	For the year ended 2020	For the year ended 2019
Taiwan	$ 17,960,631	$ 16,675,321
China	1,968,569	1,381,614
Vietnam	70	-
Czech Republic	102	196
	$ 19,929,372	$ 18,057,131

(VI) Information about major customers

Revenues from individual customers that exceeded 10% of the Group's revenue for the years ended December 31, 2020 and 2019:

	For the year ended 2020		For the year ended 2019	
Customer	Sales revenue	% of total income	Sales revenue	% of total income
A Company	$ 4,278,475	21	$ 8,023	-
B Company	2,759,107	14	3,224,002	18
C Company	2,569,367	13	5,473,384	30

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 1

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

No.	Financing Company Name	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing（Note 2）	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limit (Note 1)
													Item	Value		
1	Gemtek Electronics (Suzhou) Co. Ltd.	Gemtek Electronics (ChangShu) Co., Ltd.	Short-term financing	Yes	$ 52,524	$ 52,524	$ 52,524	3.60	2	$ -	Operating capital	$ -	-	-	$ 85,377	$ 85,377

Note 1：Pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” of Gemtek Electronics (Suzhou) Co. Ltd., when the parent company directly and indirectly holds 100% of the voting shares of foreign companies engaged in fund loans, the aggregate amount of loans shall not exceed 100% of the lending company's net worth, and the maximum amount permitted to a single borrower shall not exceed 100% of the lending company's net worth.

Note 2：Nature for financing -

1.Enter 1 for Business relationship.

2.Enter 2 for Short-term financing purpose.

Note 3：Converted by the exchange rate recorded on the financial reporting date - RMB: New Taiwan Dollar = 1:4.377.

Note 4：: The above transactions were eliminated during the compilation of this consolidated financial report.

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 2

Unit:In Thousands of New Taiwan Dollars/ US Dollars/ RMB.Unless Stated Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance on December 31, 2020				Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership%	Fair Value	
Gemtek Technologies Co.,Ltd.	Stock							
	ITEQ CORPORATION	The Corporation serves as corporate director	Financial assets measured at fair value through profit and loss - current	871	$ 120,131	0.29	$ 120,131	
	TAI-SAW TECHNOLOGY CO., LTD.	〃	Financial assets measured at fair value through other comprehensive income – non-current	691	15,270	0.68	15,270	
	Green Packet Bhd.	None	〃	26,273	74,926	2.81	74,926	
	LIONIC CORP.	The Corporation serves as corporate director	〃	225	419	1.40	419	
	Tempo Semiconductor, Inc.	〃	〃	3,276	-	-	-	Preferred stock
	SKSpruce Holding Limited	None	〃	2,241	29,297	2.81	29,297	Common stock/Preferred stock
	Greenwave holding, Inc.	〃	〃	3,965	86,371	3.30	86,371	Preferred stock
Gemtek Investment Co.,Ltd	Stock							
	Sky Phy Networks Limited	〃	Financial assets measured at fair value through other comprehensive income – non-current	4,943	-	13.82	-	Preferred stock
	Ingenu Inc.	〃	〃	1,754	-	3.99	-	Preferred stock
	SanJet Corp	The Corporation serves as corporate director	〃	3,882	47,052	12.33	47,052	
	TSKY CO., LTD.	None	〃	1,500	31,355	8.49	31,355	
	LIONIC CORP.	The Corporation serves as corporate director	〃	841	1,563	5.25	1,563	
	Polaris Group	〃	〃	8,675	135,812	1.33	135,812	
	AIPTEK, Inc.	None	〃	186	679	0.16	679	
	TAI-SAW TECHNOLOGY CO., LTD.	〃	〃	2,312	51,090	2.26	51,090	
	PYRAS TECHNOLOGY INC.	The Corporation serves as corporate director	〃	3,000	21,180	18.45	21,180	

G-Technology Investment Co., Ltd.	Convertible Bond							
	Greenwave Holding, Inc.	None	Financial assets measured at fair value through profit and loss - current	-	15,592 (USD 547)	-	15,592 (USD 547)	
	Stock							
	Polaris Group	None	Financial assets measured at fair value through other comprehensive income – non-current	26,467	$ 430,274 (USD 15,108)	4.05	$ 430,274 (USD 15,108)	
	Tianhan Technology （Wujiang） Limited Company	〃	〃	-	-	11.54	-	
	Ingenu Inc.	〃	〃	860	-	2.61	-	Preferred stock
	UBITUS Inc.	〃	〃	200	-	2.32	-	
	Bond							
	Standard Chartered Bank Subordinate Bond	〃	Financial assets measured at amortized cost－non-current	-	132,652 (USD 4,658)	-	132,652 (USD 4,658)	
Gemtek Electronics (ChangShu) Co., Ltd.	Finance products							
	CCB Suzhou Branch “Qianyuan Xinyi Jiangnan”	None	Financial assets measured at fair value through profit and loss - current	-	437 (RMB 100)	-	437 (RMB 100)	
Gemtek Electronics (Suzhou) Co. Ltd.	Finance products							
	CCB Suzhou Branch “Qianyuan Xinyi Jiangnan”	None	Financial assets measured at fair value through profit and loss - current	-	23,308 (RMB 5,340)		23,308 (RMB 5,340)	

Note 1: See Tables 6 and 7 for information on investments in subsidiaries, associates and joint ventures.

Note 2: Converted by the exchange rate recorded on the financial reporting date - USD: NTD = 1: 28.48; RMB: NTD = 1：4.377

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE SHARE CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 3

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount (Note 5)	Shares/Units (In Thousands)	Amount (Note 2)	Carrying Amount	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount (Note 1)
	Stock													
Gemtek Technologies Co., Ltd.	AMPAK Technology Inc.	Investment Accounted for Using Equity Method	-	Subsidiary	36,124,794	$950,845	20,100,595	$ 1,045,230	36,124,794	$830,760	$ 1,039,487	$833,061 (Note 3)	20,100,595	$1,048,268
Gemtek Investment Co.,Ltd	AMPAK Technology Inc.	Investment Accounted for Using Equity Method	-	Subsidiary	8,975,801	242,434	-	-	8,975,801	465,341	264,381	200,496 (Note 4)	-	-

Note 1: The amount of long-term equity investment using the equity method includes investment gains and losses recognized by the equity method and adjustment items related to shareholder equity.

Note 2: The disposal price has been deducted from relevant transaction costs.

Note 3: Disposal benefits include the recognition of conversion loss of NT$3,444 thousand from financial statements of foreign operating institutions using the equity method.

Note 4: Disposal benefits include the recognition of conversion loss of NT$464 thousand from financial statements of foreign operating institutions using the equity method.

Note 5: The current purchase is the fair value of the remaining equity.

GEMTEK TECHNOLOGIES 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

TABLE 4

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Gemtek Technologies Co., Ltd.	Gemtek Electronics (Kunshan) Co., Ltd.	Investment in subsidiary through third region	Purchase and processing expenses	$ 4,758,107	26%	Note 1	Note 1	Note 1	($ 2,710,405)	(58%)	Note 2
	Gemtek Electronics (ChangShu) Co., Ltd.	Investment in subsidiary through third region	Purchase and processing expenses	3,743,950	21%	Note 1	Note 1	Note 1	(264,649)	(6%)	Note 2
	Gemtek CZ., s.r.o.	Investment in subsidiary through third region	Purchase and processing expenses	195,307	1%	Note 1	Note 1	Note 1	9,003	-	Note 2
	Gemtek Vietnam Co., Ltd.	Subsidiary	Purchase and processing expenses	1,613,251	9%	Note 1	Note 1	Note 1	1,135,169	17%	Note 2
Gemtek Electronics (Kunshan) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(4,758,107)	(69%)	Note 1	Note 1	Note 1	2,710,405	86%	Note 2
Gemtek Electronics (ChangShu) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(3,743,950)	(77%)	Note 1	Note 1	Note 1	264,649	57%	Note 2
Gemtek CZ., s.r.o.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(195,307)	(99%)	Note 1	Note 1	Note 1	(9,003)	(19%)	Note 2
Gemtek Vietnam Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(1,613,251)	(100%)	Note 1	Note 1	Note 1	(1,135,169)	(71%)	Note 2

Note 1: The company purchases goods from related parties or entrusts related parties to process and repurchase finished products, which is a corporate strategy used for the purpose of cooperation and division of labor. The transaction price has no significant parties to compare. Payment terms are determined by the actual status of the company’s assets.

Note 2：Accounts receivables collected from and accounts payables paid to Gemtek Electronics (Kunshan) Co., Ltd., Gemtek Electronics (ChangShu) Co., Ltd., Gemtek CZ., s.r.o., and Gemtek Vietnam Co., Ltd. are expressed in net amount.

Note 3：The above transactions were eliminated during the compilation of this consolidated financial report.

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 5

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment
					Amount	Actions Taken		
Gemtek Electronics (Kunshan) Co., Ltd	Gemtek Technologies Co., Ltd.	Parent company	$ 2,710,405	1.80	$ -	-	$ 1,321,266	$ -
Gemtek Electronics (ChangShu) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	264,649	14.52	-	-	264,649	-
Gemtek Technologies Co., Ltd.	Gemtek Vietnam Co., Ltd.	Subsidiary	1,135,169	2.84	-	-	432,085	-

Note: The above transactions were eliminated during the compilation of this consolidated financial report.

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 6

Unit:In Thousands of New Taiwan Dollars/ US Dollars.Unless Stated Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares/Units (In Thousands)	%	Carrying Amount			
Gemtek Technologies Co., Ltd.	Gemtek Investment Co.,Ltd	Hsinchu County, Taiwan	Investment	$ 769,457	$ 769,457	76,946	100.00	$ 846,419	$ 188,980	$ 188,980	Note 3
	G-Technology Investment Co., Ltd.	Cayman Islands	Investment	2,484,452 (USD 78,600)	2,484,452 (USD 78,600)	78,600	100.00	4,313,409	(31,037)	(31,037)	Note 3
	Brightech International Co., Ltd.	Republic of Mauritius	Investment	207,969 (USD 6,145)	207,969 (USD 6,145)	6,145	100.00	69,191	(619)	(619)	Note 3
	AMPAK Technology Inc.	Hsinchu County, Taiwan	Telecommunications	512,854	917,203	20,101	33.37	1,048,268	286,468	131,171 (Note 1)	
	Wi Tek Investment Co., Ltd.	Cayman Islands	Investment	132,155 (USD 4,000)	132,155 (USD 4,000)	4,000	100.00	20,950	(9,621)	(9,621)	
	BROWAN COMMUNICATIONS INCORPORATION	Hsinchu County, Taiwan	Telecommunications	144,826	144,826	11,191	24.33	10,656	6,898	1,678	
	Gemtek Vietnam Co., Ltd.	Vietnam	Telecommunications	616,034 (USD 20,000)	616,034 (USD 20,000)	-	100.00	514,927	53,960	53,960	Note 3
G-Technology Investment Co., Ltd.	Ampak International Holdings Ltd.	Independent State of Samoa	Investment	1,099,843 (USD 35,561)	1,099,843 (USD 35,561)	36,000	100.00	1,064,287 (USD 37,370)	18,945 (USD 721)	18,945 (USD 721)	Note 3
	Gemtek CZ., s.r.o.	Czech Republic	Telecommunications	25,351 (USD 692)	25,351 (USD 692)	12,000	100.00	6,783 (USD 238)	4,692 (USD 161)	4,692 (USD 161)	Note 3
	Primax Communication (B.V.I.) Inc.	British Virgin Islands	Investment	73,886 (USD 2,297)	73,886 (USD 2,297)	2,297	100.00	16,683 (USD 586)	(125) (USD -4)	(125) (USD -4)	Note 3
	PT. South Ocean	Indonesia	Telecommunications	7,838 (USD 238)	7,838 (USD 238)	24	95.00	2,613 (USD 92)	- (USD -)	- (USD -)	
	Free PP Worldwide Co.,Ltd.	Republic of Seychelles	Investment	30,260 (USD 1,000)	30,260 (USD 1,000)	1,002	30.00	13,930 (USD 489)	(1,404) (USD -46)	(421) (USD -14)	
Gemtek Investment Co.,Ltd	AMPAK Technology Inc.	Hsinchu County, Taiwan	Telecommunications	-	219,689	-	-	-	207,747	22,327	
	BROWAN COMMUNICATIONS INCORPORATION	Hsinchu County, Taiwan	Telecommunications	141,825	141,825	9,826	21.36	9,335	6,898	1,473	
	BandRich Inc.	New Taipei City, Taiwan	Telecommunications	55,000	55,000	5,500	27.04	5,389	(10,116)	(2,735)	
	5V TECHNOLOGIES, TAIWAN LTD.	Taipei City, Taiwan	Telecommunications	90,000	-	9,000	97.92	79,052	(12,023)	(10,948) (Note 2)	Note 3

Note 1: Based on the equity holding ratio, the amount is recognized by the net profit of the investee company NT$ 135,470 thousand, less the identifiable intangible assets adjusted amortization of the current period NT$4,593 thousand, and add the adjusted unrealized and realized benefits of upstream transactions NT$294 thousand.

Note 2: Based on the equity holding ratio, the amount is recognized by the net loss of the investee company NT$ 8,934 thousand, and add the identifiable intangible assets adjusted amortization of the current period NT$2,014 thousand.

Note 3: The above transactions were eliminated during the compilation of this consolidated financial report.

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 7

Unit:In Thousands of New Taiwan Dollars/ US Dollars.Unless Stated Otherwise

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 01, 2020	Investment Flow		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Gemtek Electronics (Suzhou) Co. Ltd.	Manufacturing of wireless telecommunication products such as wireless network cards and wireless gateways	$ 237,808 (USD 8,350)	Indirect investment in Mainland China through a holding company established in other countries－Brightech International Co Ltd 及 Primx Communication (BVI) Inc	$ 236,925 (USD 8,319)	$ -	$ -	$ 236,925 (USD 8,319)	($ 650) (USD -22)	100.00	($ 650) (USD -22)	$ 85,377 (USD 2,998)	$ -	Note 3
Gemtek Electronics (Kunshan) Co., Ltd	Manufacturing of wireless telecommunication products such as wireless network cards and wireless gateways	427,200 (USD 15,000)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd.	427,200 (USD 15,000)	-	-	427,200 (USD 15,000)	($ 38,118) (USD -1,279)	100.00	($ 38,118) (USD -1,279)	2,555,154 (USD 89,717)	-	Note 3
Browan Communications (Xi'An) Inc.	R&D, production, sales and provision of technical consulting and related services for wireless network products	113,920 (USD 4,000)	Indirect investment in Mainland China through a holding company established in other countries－Wi Tek Investment Co Ltd.	113,920 (USD 4,000)	-	-	113,920 (USD 4,000)	($ 9,621) (USD -327)	100.00	($ 9,621) (USD -327)	20,945 (USD 735)	-	
AIPTEK Technology (Wujiang) Co., Ltd.	Manufacturing of digital products	444,288 (USD 15,600)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd	25,632 (USD 900)	-	-	25,632 (USD 900)	-	11.54	-	-	-	
Gemtek Electronics (ChangShu) Co., Ltd.	R&D, production, sales and provision of technical consulting and related services for wireless network products	1,025,280 (USD 36,000)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd	1,025,280 (USD 36,000)	-	-	1,025,280 (USD 36,000)	18,944 (USD 721)	100.00	18,944 (USD 721)	1,064,287 (USD 37,370)	-	Note 3

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
$ 1,844,934 USD 64,780 （Note 1）	$ 1,844,934 USD 63,780	$ 5,630,402

Note 1: (1) The investment amount remitted at the end of the period exceeds the USD 1,000 thousand investment amount approved by the Investment Commission of the Ministry of Economic Affairs.
The remittance was made by AMPAK Technology Inc., the parent company of Gemtek Electronics (ChangShu) Co., Ltd., Ltd. from the previous period.

(2) In July 2009, the Company acquired 100% shareholding of AMPAK International Holdings Ltd., an overseas holding company of Gemtek Electronics (ChangShu) Co., Ltd., through an overseas company G-Technology Investment Co., Ltd. for US$561,000 (NT$17,413 thousand), which has been approved by the Investment Commission of the Ministry of Economic Affairs Letter-2 No. 09800283840.

(3) The conversion rate is based on the average spot buying/selling exchange rate of the Bank of Taiwan on December 31, 2020.

Note 2: See Tables 4, 5 and 6 for the information about significant transactions with investees in the mainland China, either directly or indirectly through a third area.

Note 3: Amount was recognized based on the audited financial statements of the investee as of December 31, 2020

GEMTEK TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND BETWEE EACH SUBSIDIARY, AND THE CIRCUMSTANCES AND AMOUNTS OF ANY SIGNIFICANT TRANSACTIONS BETWEEN THEM

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 8

Unit:In Thousands of New Taiwan Dollars.Unless Stated Otherwise

No.	Name of Company Engaged in Business Transaction	Counterparty	Relationship	Business Transaction Status			
				Account	Amount	Transaction Terms	% to Total Asset
	January 01, 2020 to December 31, 2020						
0	Gemtek Technologies Co., Ltd.	Gemtek Electronics (ChangShu) Co., Ltd.	Parent company to subsidairy	Sales revenue－processing expense	$ 3,743,950	Note 1	34%
				Accounts payable	264,649	Note 1	2%
		Gemtek Electronics (Kunshan) Co., Ltd	Parent company to subsidairy	Sales revenue－processing expense	4,758,107	Note 1	33%
				Accounts payable	2,710,405	Note 1	17%
		Gemtek CZ., s.r.o.	Parent company to subsidairy	Sales revenue－processing expense	195,307	Note 1	1%
				Other receivables	9,003	Note 1	-
		Gemtek Vietnam Co., Ltd.	Parent company to subsidairy	Sales revenue－processing expense	1,613,251	Note 1	8%
				Accounts receivable	1,135,169	Note 1	6%
1	AMPAK Technology Inc.	Gemtek Technologies Co., Ltd.	Subsidiary to parent company	Sales revenue－processing expense	16,524	Note 1	-
		Gemtek Electronics (ChangShu) Co., Ltd.	Subsidiary to subsidiary	Sales revenue－processing expense	169,843	Note 1	1%

Note 1: The company purchases goods from related parties or entrusts related parties to process and repurchase finished products, which is a corporate strategy used for the purpose of cooperation and division of labor. The transaction price has no significant parties to compare. Payment terms are determined by the actual status of the company’s assets.

Note 2: The above transactions were eliminated during the compilation of this consolidated financial report.

V.Individual Financial Statement

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Gemtek Technologies Co., Ltd.

Opinion

We have audited the accompanying individual financial statements of Gemtek Technologies Co., Ltd. (the "Company"), which comprise the individual balance sheets as of December 31, 2020 and 2019, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies (collectively referred to as the "individual financial statements").

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of the Company as of December 31, 2020 and 2019, and its individual financial performance and its individual 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).

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 Individual Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We hereby summarize the Key Audit Matters of the 2020 Individual Financial Statements of the Company as follows:

Revenue Recognition

The 2020 operating income of Gemtek Technology Co., Ltd. is NT$16,484,007 thousand, in which NT$4,278,268 thousand sales revenue is attributed to the sale of a major customer product, accounting for 26% of the operating income. Due to the fact that the sales revenue makes up a consequential part of the operating income in contrast to the year 2019, the operating income for the sale to the specific customer product is listed as a Key Audit Matter. For related accounting policies pertaining to revenue recognition, please refer to Note 4 and 21.

Main Audit Procedures conducted by the CPA are as follows:

1.Assess the quality of composition and implementation of the Company's Internal Control Policy that are related to sales income conjointly with the Company's Sales Revenue Recognition Policy.

2.Conduct inspections on selected materials acquired from income reports that are related to sales transactions and receivables, etc. to verify whether the origins of the operating income are documented truthfully.

3.Verify whether the customer has received any substantial sales return or discounts after the transaction.

Additional Matters:

As of December 31, 2020, in relation to investee companies that have adopted the equity method for investments, due to the differences in the respective financial reporting structures, the audit engagement for the financial statements of Gemtek Vietnam Co., Ltd. was performed by a separate CPA firm other than us. The financial statements of Gemtek Vietnam Co., Ltd. was audited by a designated CPA in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Therefore, our opinion for the financial statements of Gemtek Vietnam Co., Ltd. derives from the audit report given by its designated CPA where the equity method had been applied to investments and recognized comprehensive income. The total amount of investments by investee companies that have adopted the equity method as of December 31, 2020 was NT$514,927 thousand, accounting for 3% of the total assets of the individual. The recognized comprehensive income of investments by investee companies as of December 31, 2020 was NT$53,960 thousand, accounting for 5% total comprehensive income of the individual.

Duties and Responsibilities of Management and Corporate Governance

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

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

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

Auditors’ Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual 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 individual 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 individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the individual 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 individual 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.

Deloitte & Touche Taiwan Certified Public Accountant Ching-zen Yang	Deloitte & Touche Taiwan Certified Public Accountant Jing-ting Yang
Securities and Futures Commission Approved Document Number: 6-0920123784	Securities and Futures Commission Approved Document Number: 6-0930128050

Date: March 25, 2021

GEMTEK TECHNOLOGY CO., LTD.
Parent Company Only Balance Sheets
December 31,2020and 2019
(Expressed in thousands of New Taiwan Dollars)

		December 31,2020		December 31,2019	
	ASSETS	AMOUNT	%	AMOUNT	%
	CURRENT ASSETS				
1100	Cash and cash equivalents（note 4 and 6）	$ 855,028	5	$ 1,158,589	8
1110	Financial assets at fair value through profit or loss - current（note 4 and 7）	120,971	1	110,990	1
1150	Notes receivable（note 4、10 and 21）	-	-	43,346	-
1160	Notes receivable from related parties , net（note 4、21 and 30）	11,250	-	-	-
1170	Accounts receivable, net（note 4、10 and 21）	5,468,334	32	3,333,540	24
1180	Accounts receivable from related parties（note 4、21 and 30）	1,327,557	8	68,754	1
1200	Other receivables	66,284	-	20,567	-
1210	Other receivables from related parties（note 4 and 30）	9,516	-	20,779	-
1220	Current tax assets（note 4 and 23）	1,236	-	5,165	-
130X	Inventories（note 4 and 11）	787,994	4	655,721	5
1470	Other current assets（note 4 and 15）	121,574	1	99,423	1
11XX	Total current assets	8,769,744	51	5,516,874	40
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current（note 4 and 8）	206,283	1	326,649	2
1535	Financial assets at amortized cost - non-current（note 4、9 and 31）	40,000	-	20,000	-
1550	Investments accounted for using the equity method（note 4 and 12）	6,823,820	39	6,672,832	48
1600	Property, plant and equipment（note 4、13 and 30）	1,321,057	8	1,131,078	8
1755	Right-of-use assets（note 4 and 14）	7,705	-	1,838	-
1840	Deferred tax assets（note 4 and 23）	37,713	-	62,638	1
1990	Other non-current assets（note 4、15 and 19）	127,235	1	113,436	1
15XX	Total non-current assets	8,563,813	49	8,328,471	60
1XXX	Total assets	$ 17,333,557	100	$ 13,845,345	100
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings（note 16）	$ 1,082,240	6	$ 299,800	2
2120	Financial liabilities at fair value through profit or loss - current（note 4 and 7）	7,278	-	6,063	-
2130	Contract liabilities - current（note 4 and 21）	191,941	1	230,022	2
2150	Notes payable	-	-	21,345	-
2170	Accounts payable	1,714,603	10	352,776	3
2180	Accounts payable to related parties（note 30）	2,975,357	17	2,827,444	20
2219	Other payables（note 18 and 30）	474,098	3	286,661	2
2230	Current tax liabilities（note 4 and 23）	51,830	-	-	-
2280	Current lease liabilities（note 4 and 14）	2,746	-	1,851	-
2321	Current portion of bonds payable（note 17）	1,179,157	7	-	-
2399	Other current liabilities（note 18）	56,499	1	31,291	-
21XX	Total current liabilities	7,735,749	45	4,057,253	29
	NON-CURRENT LIABILITIES				
2530	Bonds payable（note 17）	-	-	1,162,082	8
2580	Non-current lease liabilities（note 4 and 14）	4,161	-	-	-
2570	Deferred tax liabilities（note 4 and 23）	208,820	1	208,462	2
2670	Other non-current liabilities（note 18）	824	-	29	-
25XX	Total non-current liabilities	213,805	1	1,370,573	10
2XXX	Total liabilities	7,949,554	46	5,427,826	39
	EQUITY（note 4、17and 20）				
	Share capital				
3110	Ordinary shares	3,575,905	21	3,568,835	26
3200	Capital surplus	4,606,007	26	4,761,281	34
	Retained earnings				
3310	Legal reserve	750,939	4	730,820	5
3320	Special reserve	559,574	3	375,960	3
3350	Unappropriated earnings	1,273,304	8	203,733	2
3300	Total retained earnings	2,583,817	15	1,310,513	10
3490	Other equity	(1,381,726)	(8)	(1,223,110)	(9)
3XXX	Total equity	9,384,003	54	8,417,519	61
	Total liabilities and equity	$ 17,333,557	100	$ 13,845,345	100

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

GEMTEK TECHNOLOGY CO., LTD.

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31,2020and 2019

(Expressed in thousands of New Taiwan Dollars, Except Earnings Per Share)

		2020		2019	
		AMOUNT	%	AMOUNT	%
4000	Operating revenue (note 4、21 and 30)	$ 16,484,007	100	$ 14,530,958	100
5000	Operating costs (note 11、19、22 and 30)	(14,915,008)	(91)	(13,350,544)	(92)
5900	Gross profit	1,568,999	9	1,180,414	8
	Operating expenses (note 19、22 and 30)				
6100	Selling expenses	(305,037)	(2)	(266,435)	(2)
6200	General and administrative expenses	(267,323)	(1)	(256,387)	(2)
6300	Research and development expenses	(765,731)	(5)	(724,072)	(5)
6000	Total operating expenses	(1,338,091)	(8)	(1,246,894)	(9)
6900	Profit/(Loss) from operations	230,908	1	(66,480)	(1)
	Non-operating income and expenses				
7100	Interest income (note 22)	5,720	-	7,977	-
7010	Other income (note 22 and 30)	77,870	1	24,110	-
7020	Other gains and losses (note 22 and 30)	840,986	5	85,336	1
7050	Finance costs	(30,356)	-	(53,361)	-
7070	Share of profit of subsidiaries and associates (note 4 and 12)	334,512	2	204,489	1
7000	Total non-operating income and expenses	1,228,732	8	268,551	2

(Continued)

		2020		2019	
		AMOUNT	%	AMOUNT	%
7900	Profit before income tax	$ 1,459,640	9	$ 202,071	1
7950	Income tax（note 4 and 23）	(89,485)	(1)	(878)	-
8200	Net profit for the period	1,370,155	8	201,193	1
	Other comprehensive income /(loss)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans（note 19）	(1,928)	-	(3,818)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(143,312)	(1)	(10,967)	-
8330	Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(16,531)	-	(315,587)	(2)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations	(21,747)	-	(142,959)	(1)
8370	Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(32)	-	(838)	-
8300	Other comprehensive loss	(183,550)	(1)	(474,169)	(3)
8500	Total comprehensive income	$ 1,186,605	7	($ 272,976)	(2)
	Earnings per share（note 24）				
9750	Basic earnings per share	$ 3.86		$ 0.57	
9850	Diluted earnings per share	$ 3.36		$ 0.53	

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

GEMTEK TECHNOLOGY CO., LTD

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31,2020and 2019

(Expressed in thousands of New Taiwan Dollars)

Code		Share Capital（note17 and 20） Shares（in thousands）	Share Capital（note17 and 20） Common Stock	Share Capital（note17 and 20） Advance Receipts for Share Capital	Capital Surplus（note4、17 and 20）	Retained Earnings（note20） Legal Reserve	Retained Earnings（note20） Special Reserve	Retained Earnings（note20） Unappropriated Earnings	Other Equity（note4and 20） Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity（note4and 20） Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Other Equity（note4and 20） Unearned Employee Compensation	Other Equity（note4and 20） Total	Treasury Shares	Total Equity
A1	BALANCE AT JANUARY 1, 2019	351,162	$ 3,511,620	$ 53,920	$ 4,669,276	$ 730,820	$ 195,278	$ 180,682	($ 351,769)	($ 386,694)	$ -	($ 738,463)	$ -	$ 8,603,133
	Appropriation of 2018 earnings													
B3	Legal reserve	-	-	-	-	-	180,682	(180,682)	-	-	-	-	-	-
C5	Equity component of convertible bonds issued by the Company	-	-	-	45,527	-	-	-	-	-	-	-	-	45,527
C7	Changes in equity of subsidiaries and associates accounted for using the equity method	-	-	-	(6,513)	-	-	(6,422)	833	-	-	833	-	(12,102)
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	-	201,193	-	-	-	-	-	201,193
D3	Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	-	(4,088)	(143,797)	(326,284)	-	(470,081)	-	(474,169)
D5	Total comprehensive income/(loss) for the year ended December 31, 2019	-	-	-	-	-	-	197,105	(143,797)	(326,284)	-	(470,081)	-	(272,976)
I1	Convertible bonds converted to ordinary shares	5,722	57,215	(53,920)	2,475	-	-	-	-	-	-	-	-	5,770
M7	Changes in percentage of ownership interests in subsidiaries	-	-	-	50,516	-	-	-	(2,349)	-	-	(2,349)	-	48,167
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	13,050	-	(13,050)	-	(13,050)	-	-
Z1	BALANCE AT DECEMBER 31, 2019	356,884	3,568,835	-	4,761,281	730,820	375,960	203,733	(497,082)	(726,028)	-	(1,223,110)	-	8,417,519
	Appropriation of 2019 earnings													
B1	Legal reserve	-	-	-	-	20,119	-	(20,119)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	183,614	(183,614)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	20,119	183,614	(203,733)	-	-	-	-	-	-
C15	Cash distribution from capital surplus	-	-	-	(177,911)	-	-	-	-	-	-	-	-	(177,911)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,370,155	-	-	-	-	-	1,370,155
D3	Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	-	-	(1,855)	(21,779)	(159,916)	-	(181,695)	-	(183,550)
D5	Total comprehensive income/(loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,368,300	(21,779)	(159,916)	-	(181,695)	-	1,186,605
L1	Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(68,767)	(68,767)
L3	Cancelation of treasury shares	(3,293)	(32,930)	-	(35,837)	-	-	-	-	-	-	-	68,767	-
M3	Disposals of subsidiaries	-	-	-	-	-	-	(4,636)	3,908	4,636	-	8,544	-	3,908
N1	Issuance of restricted share plan for employees	4,000	40,000	-	58,474	-	-	-	-	-	(98,474)	(98,474)	-	-
T1	Share-based payment expenses	-	-	-	-	-	-	-	-	-	22,649	22,649	-	22,649
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(90,360)	-	90,360	-	90,360	-	-
Z1	BALANCE AT DECEMBER 31, 2020	357,591	$ 3,575,905	$ -	$ 4,606,007	$ 750,939	$ 559,574	$ 1,273,304	($ 514,953)	($ 790,948)	($ 75,825)	($ 1,381,726)	$ -	$ 9,384,003

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

GEMTEK TECHNOLOGY CO., LTD

Parent Company Only Statements of Cash Flows

For the Years Ended December 31,2020and 2019

(Expressed in thousands of New Taiwan Dollars)

		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Income before income tax	$ 1,459,640	$ 202,071
A20010	Adjustments for:		
A20100	Depreciation expense	85,173	79,239
A20200	Amortization expense	51,308	48,091
A20400	Net (gain)/loss on fair value changes of financial [assets/liabilities] at fair value through profit or loss	9,201	(127,483)
A20900	Finance costs	30,356	53,361
A21200	Interest income	(5,720)	(7,977)
A21300	Dividend income	(4,491)	(5,839)
A21900	Share-based payment expenses	22,649	-
A22400	Share of profit of subsidiaries and associates	(334,512)	(204,489)
A22500	Gain on disposal of property, plant and equipment	(113)	(242)
A23200	Gain on disposal of subsidiaries	(833,061)	-
A23800	(Reversal of) write-down of inventories	(3,121)	8,427
A24100	Net gain on foreign currency exchange	(2,772)	(13,908)
A30000	Changes in operating assets and liabilities		
A31115	financial assets at fair value through profit or loss	(17,967)	105,365
A31130	Notes receivable	43,346	4,636
A31140	Notes receivable from related parties	(11,250)	-
A31150	Accounts receivable	(2,191,227)	1,965,066
A31160	Accounts receivable from related parties	(1,317,036)	(56,539)
A31180	Other receivables	(34,706)	1,721
A31200	Inventories	(129,152)	(470,903)
A31240	Other current assets	(22,350)	(10,784)
A31990	Prepaid pension	(2,246)	(2,278)
A32125	Contract liabilities	(14,743)	144,879
A32130	Notes payable	(21,345)	(2,366)
A32150	Accounts payable	1,388,758	146,173
A32160	Accounts payable to related parties	208,585	(64,018)
A32180	Other payables	187,965	42,127
A32230	Other current liabilities	27,603	(16,764)

（Continued）

Code	Item	2020	2019
A33000	Cash generated from/(used in) operations	($ 1,431,228)	$ 1,817,566
A33100	Interest received	5,972	7,663
A33200	Dividends received	4,491	5,839
A33300	Interest paid	(13,437)	(40,499)
A33500	Income tax paid	(8,443)	(4,009)
AAAA	Net cash generated from/(used in) operating activities	(1,442,645)	1,786,560
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(22,953)	-
B00020	Proceeds from sale of financial assets at fair value through other comprehensive income	7	8,484
B00040	Purchase of financial assets at amortized cost	(20,000)	-
B01800	Acquisition of investments accounted for using the equity method	-	(61,690)
B02400	Capital reduction in subsidiary and refund to shareholders	-	289,206
B02700	Payments for property, plant and equipment	(278,072)	(38,581)
B02300	Net cash inflow on disposal of subsidiary	830,760	-
B02800	Proceeds from disposal of property, plant and equipment	6,381	2,101
B03700	Decrease (Increase) in refundable deposits	737	(30)
B05350	Payments for right-of-use assets	(943)	-
B06700	Increase in other non-current assets	(65,526)	(106,572)
B07600	Dividends received from subsidiaries	151,422	44,035
BBBB	Net cash generated from investing activities	601,813	136,953
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase（Decrease）short-term borrowings	786,370	(2,352,300)
C01200	Proceeds from issuance of convertible bonds	-	1,197,316
C04020	Repayment of the principal portion of lease liabilities	(3,216)	(3,533)
C04300	Increase（Decrease）in other non-current liabilities	795	(1)
C04500	Cash dividends paid	(177,911)	-
C04900	Payments for buy-back of ordinary shares	(68,767)	-
CCCC	Net cash generated from/(used in) financing activities	537,271	(1,158,518)
EEEE	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(303,561)	764,995
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,158,589	393,594
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 855,028	$ 1,158,589

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

GEMTEK TECHNOLOGIES CO., LTD.

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. COMPANY HISTORY

Gemtek Technologies Co., Ltd. (the "Company") was incorporated on June 29, 1988. It researches, develops, manufactures, purchases, sells, exports, and imports electronic components, semi-finished products, finished products, computer software, hardware and peripheral equipment. The Company's shares were listed on the Taipei Exchange (OTC) in January of 2002, and have been listed on the Taiwan Stock Exchange (TWSE) since June 30, 2003.

The individual financial statements of Gemtek Technologies Co., Ltd. are presented in the Company's functional currency, the New Taiwan dollar.

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

(2) New, Amended and Revised Standards and Interpretions of IFRSs endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretions	Effective Date per IASB
Amendments to IFRS 4--Extension of the Temporary Exemption from Applying IFRS 9	Effective per announcement date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16--Interest Rate Benchmark Reform — Phase 2	The amendment is effective for annual reporting periods beginning on or after January 01, 2021
Amendments to IFRS 9 --Covid-19-Related Rent Concessions	The amendment is effective for annual reporting periods beginning on or after June 01, 2020

As of the date that the accompanying individual financial statements were approved and authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

(3) New, Amended and Revised Standards and Interpretions of IFRSs Announced by the IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretions	Effective Date per IASB (Note1)
Annual Improvements to IFRS Standards 2018–2020	January 01, 2022 (Note 2)
Amendments to IFRS 3 -- Reference to the Conceptual Framework	January 01, 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
IFRS 17 Insurance Contracts	January 01, 2023
Amendments to IFRS 17	January 01, 2023
Amendments to IAS 1 -- Classification of Liabilities as Current or Non-current	January 01, 2023

New, Amended and Revised Standards and Interpretions	Effective Date per IASB (Note1)
Annual Improvements to IFRS Standards 2018–2020	January 01, 2022 (Note 2)
Amendments to IFRS 3 -- Reference to the Conceptual Framework	January 01, 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
IFRS 17 Insurance Contracts	January 01, 2023
Amendments to IAS 1 and IFRS Practice Statement 2IAS 1 -- Disclosure of Accounting Policies	January 01, 2023 (Note 6)
Amendments to IAS 8 -- Definition of Accounting Estimates	January 01, 2023 (Note 7)
Amendments to IAS 16 -- Property, Plant and Equipment — Proceeds before Intended Use	January 01, 2022 (Note 4)
Amendments to IAS 37 -- Onerous Contracts — Cost of Fulfilling a Contract	January 01, 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 Group shall apply IFRS9 amendments prospectively for annual reporting periods beginning on or after January 01, 2022; the Group shall apply IAS41 amendments prospectively for annual reporting periods beginning on or after January 01, 2022; the Group shall apply IFRS1 amendments prospectively for annual reporting periods beginning on or after January 01, 2022.

Note 3: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 and to asset acquisitions that occur on or after the beginning of that period.

Note 4: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 01, 2021.

Note 5: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2022.

Note 6: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2023.

Note 7: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 01, 2023.

As of the date the accompanying individual financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of Compliance

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

(II) Basis of Preparation

The individual financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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.

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

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within twelve 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 twelve months after the reporting period.

Current liabilities include:
1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within twelve months after the reporting period, 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 Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

(IV) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For each business combination, the Company measures the non-controlling interests at either fair value or the share in the recognized amounts of the acquiree's identifiable net assets. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(V) Foreign Currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting individual financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries that use currencies that are 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; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(VI) Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the end of reporting period.

(VII)Investment in subsidiaries

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

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee’s financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company’s parent company only

(VIII) Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Company's share of the equity of associates and joint ventures.

Any excess of the cost of an acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in that associate and joint venture. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates and joint ventures. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(IX)Property, plant and equipment

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

Depreciation is recognized using the straight-line method with their estimated useful lives. Each significant part is depreciated separately. If the lease term is shorter than its estimated useful life, an item of property, plant and equipment is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at least once at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(X) Impairment of tangible assets (property, plant, and equipment), right-of-use assets, and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets (property, plant and equipment), right-of-use assets, and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Company assets are allocated to 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 an asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) 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.

(XI) Financial instruments

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

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

1.Financial assets

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

(1)Measurement categories

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

A.Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

B.Financial assets at amortized cost

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

a.The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b.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, note receivables, account receivables, account receivables-related party, other receivables, other receivables-related party, financial asset measured at amortized cost, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

a.Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

b.Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties

Cash equivalents include time deposits and bank acceptances 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.

C.Investments in equity instruments at FVTOCI

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

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

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

(2)Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

For internal credit risk management purposes, the Company determines that the following situation indicate that a financial asset is in default (without taking into account any collateral held by the Company):
A.Internal or external information shows that the debtor is unlikely to pay its creditors.
B.When a financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investmens in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in the other comprehensive income and does not reduce the carrying amount of the financial assets.

(3)Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which 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

(1)Subsequent measurement
All the financial liabilities are measures at amortized cost using the effective interest method.

<u>Financial liabilities at FVTPL.</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 29.

(2)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.

4. Convertible bonds
The component parts of compound instruments (i.e. convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5. Derivative financial instruments

The Company enters into foreign exchange forward to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

(XII)Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of wireless gateways and wlan cards. Sales of wireless gateways and wlan cards are recognized as revenue when the goods are shipped 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. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the customer acquires control of the good.

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

(XIII)Leasing

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

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1.The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operatin leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2.The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the individual balance sheets.

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

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

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

(XIV)Borrowing costs

Borrowing costs directly attributable to the 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XV)Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related cost for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit of loss in the period in which they become receivable.

(XVI) 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 an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs and net interest on the net defined benefit liability (asset) are recognized as an 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 retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Company’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

(XVII)Share-based payment arrangements

Restricted stock units

The fair value at the grant date of the restricted stock units is expensed on a straight-line basis over the vesting period, based on the Company’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding adjustment in other equity items –unearned compensation; it is recognized as an expense in full at the grant date if vested immediately. The grant date for the company’s cash capital increase reserved for employee subscription was approved by the board of directors on August 7, 2020.

At the end of each reporting period, the Company revises its estimates of the number of employee restricted stock units expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus- employee restricted stock units.

(XVIII)Taxation

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

1.Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2.Deferred tax

Deferred tax is recognized on temporary differences between the consolidated financial statement 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, unused loss carryforwards and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deferred tax assets arising from deductible temporary differences associated with such investments and equity, the 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 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 year in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.Current and deferred taxes for the year

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

V. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company takes the economic impact caused by the COVID-19 into consideration as part of a key source of estimation uncertainty. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

VI. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand	$ 1,624	$ 1,812
Checking accounts and demand deposits	831,519	375,532
Cash equivalents		
Time deposits with original maturities of less than 3 months	21,885	781,245
	$ 855,028	$1,158,589

Market rate intervals of cash in banks at the end of the reporting period	0.001%~2.75%	0.001%~2.90%

VII. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
Financial assets - current		
Derivative instruments（non-hedge accounting）		
－Convertible option	840	-
Non-derivative financial assets		
－Domestic listed shares	$ 120,131	$ 110,990
	$ 120,971	$ 110,990
Financial liabilities - current		
Held for trading		
Derivative instruments（non-hedge accounting）		
－ Foreign Exchange Forward Contract	$ 7,278	$ 3,423
－Convertible option	-	2,640
	$ 7,278	$ 6,063

(I)At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting for the balance sheet were as follows:

December 31, 2020	Currency	Maturity Date	Notional Amount（In Thousands）
Sell	USD/NTD	2020.11.05~2021.01.11	USD 20,000/NTD 571,840
Sell	USD/NTD	2020.11.19~2021.01.25	USD 10,000/NTD 285,060

December 31, 2019	Currency	Maturity Date	Notional Amount（In Thousands）
Sell	USD/NTD	2019.12.02~2020.01.06	USD 10,000/NTD 304,870

The Company entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

VIII. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - OTHERS

	December 31, 2020	December 31, 2019
Non-current		
Domestic Investments		
Listed shares	$ 15,270	$ 17,964
Unlisted shares	419	0
Total	15,689	17,964
Overseas Investment		
Listed shares	74,926	127,498
Unlisted shares	115,668	181,187
Total	190,594	308,685
	$ 206,283	$ 326,649

Foreign investments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

IX. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31, 2020	December 31, 2019
Non-current		
Time deposits with original maturities of more than 3 months	$ 40,000	$ 20,000
Interest Rate	0.18%~0.35%	0.48%

Please see Note 31 for more details on financial assets pledged as collateral measured at amortized cost.

X. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Notes Receivable		
Arising from operations	$ -	$ 43,346

Accounts Receivables		
At Amortized Cost	$ 5,468,843	$3,334,049
Less: Allowance for impairment loss	(509)	(509)
	$5, 468,334	$3, 333,540

Trade receivables measured at amortized cost.

The average credit period on sales of goods is 90 days with no accrued interest. The allowance for doubtful receivables was assessed by referring to the collectability of receivables based on an individual trade term analysis, aging analysis, the historical payment behavior and current financial condition of customers.

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

In the event there is an evidence indicating that the customer is under severe financial difficulty and the Company cannot reasonably estimate the recoverable amounts, the Company writes off relevant accounts receivable. However, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, the recoverable amounts are recognized in profit or loss.

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

December 31, 2020

	Less than 180 Days	181～365 Days	Over 366 Days	Total
Expected Credit Loss Rate	0.01%	0.33%	100.00%	
Gross carrying amount	$ 5, 468,472	$ 304	$ 67	$ 5, 468,843
Loss allowance (Lifetime ECL）	(441)	(1)	(67)	(509)
Amortized cost	$ 5, 468,031	$ 303	$ -	$ 5, 468,334

December 31, 2019

	Less than 180 Days	181～365 Days	Over 366 Days	Total
Expected Credit Loss Rate	0.01%	0.28%	100.00%	
Gross carrying amount	$ 3,375,536	$ 1,792	$ 67	$ 3,377,395
Loss allowance (Lifetime ECL）	(437)	(5)	(67)	(509)
Amortized cost	$ 3,375,099	$ 1,787	$ -	$ 3,376,886

The movements of the loss allowance of account receivables were as follows:

	December 31, 2020	December 31, 2019
Balance, beginning of year and end of year	$ 509	$ 509

XI. INVENTORIES

	December 31, 2020	December 31, 2019
Finished goods	$ 6,039	$ 32,013
Work in process	211,369	22,244
Raw materials and supplies	570,586	601,464
	$787,994	$655,721

As of December 31, 2020 and 2019, the cost of inventories recognized as cost of goods sold were NT$14,915,008 thousand and NT$13,350,544 thousand, respectively. Loss (gain) on reversal of write-downs were $(3,121) thousand and $8,427 thousand, respectively. Increase in net realisable value of inventories was due to inventory write-off.

XII. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2020	December 31, 2019
Investment in subsidiaries	$ 5,764,896	$ 6,663,527
Investment in associates	1,058,924	9,305
	$ 6,823,820	$ 6,672,832

(I) Subsidiaries

	December 31, 2020	December 31, 2019
AMPAK Technology Inc.	$ -	$ 950,844
Gemtek Investment Co.,Ltd.	846,419	791,526
G-Technology Investment Co.,Ltd.	4,313,409	4,332,992
Gemtek Vietnam Co., Ltd.	514,927	484,140
Brightech International Co., Ltd.	69,191	73,749
Wi Tek Investment Co., Ltd	20,950	30,276
	$ 5,764,896	$ 6,663,527

Proportion of ownership and voting rights:

Subsidiaries	December 31, 2020	December 31, 2019
AMPAK Technology Inc.	-	59.98%
Gemtek Investment Co.,Ltd.	100%	100%
G-Technology Investment Co.,Ltd.	100%	100%
Brightech International Co., Ltd.	100%	100%
WiTek Investment Co., Ltd.	100%	100%
Gemtek Vietnam Co., Ltd.	100%	100%

On June 9, 2020, the shareholders meeting of the Company passed the resolution proposed by the Company and Gemtek Investment Co.,Ltd. to release a total of 25,000 thousand shares from AMPAK Technology Inc. In August 2020, 26.61% and 14.90% of the shareholdings of AMPAK Technology Inc. were sold respectively, and the subscription of shares was completed, decreasing its shareholding ratio from 74.88% to 33.37%. As a result, the Group lost control over AMPAK Technology Inc. and its subsidiaries, hence, the above companies are excluded from the combined entity. Please see Note 26 for more details regarding equity shares of AMPAK Technology Inc.

In August 2019, Ampak Technology Inc. obtained 100% shareholdings of SparkLAN Communications Inc. by means of cash and issuance of equity instrument; in November 2019, issued new stocks due to employees exercising stock options. However, the Company did not subscribe for the new shares issued by Ampak Technology Inc. based on the shareholding ratio, as a result, its comprehensive shareholding ratio decreased from 76.79% to 59.98% as of December 31, 2019.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2020 and 2019 was based on the subsidiaries' financial statements which have been audited for the same year.

(II) Investments in associates

	December 31, 2020	December 31, 2019
Investor has significant influence over associate		
AMPAK Technology Inc.	$ 1,048,268	$ -
Investor as no significant influence over associate		
BROWAN COMMUNICATIONS INCORPORATION	10,656	9,305
	$1, 058,924	$ 9,305

1. Investor has significant influence over associate：

Company Name	Proportion of ownership and voting rights December 31, 2020
AMPAK Technology Inc.	33.37%

For more information regarding the nature of activities, principal place of business and country of incorporation of the associates, please refer to Table 6.。

In August 2020, the Company sold 26.61% of the shareholdings of AMPAK Technology Inc., its shareholding ratio was decreased to 33.37% as a result. The dramatic change in ownership percentage is presumed to have significant influence over the investee, therefore the change of percentage was included in the investment in associates using the equity method.

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

AMPAK Technology Inc.

	December 31, 2020
Current assets	$ 1,336,964
Non-current assets	524,035
Current liabilities	(619,704)
Non-current liabilities	(8,511)
Equity	$ 1,232,784
Proportion of the Group's ownership	33.37%
Equity attributable to the Group	$ 411,397
Goodwill	636,871
Carrying amount	$ 1,048,268

（Continued）

(Continued)

	December 31, 2020
Operating revenue	$ 2,417,460
Net profit for the year	$ 286,468
Other comprehensive income	4,158
Total comprehensive income for the year	$ 290,626
Equity obtained from AMPAK Technology Inc.	$ 40,201

2. Investor has no significant influence over associate：

	2020	2019
Shares attributable to the Company		
Total comprehensive income for the year	$ 1,678	($ 8,992)

BROWAN COMMUNICATIONS INCORPORATION, an investee of the Company, increased its capital by NT$60,000 thousand in cash in January 2019. The Company did not participate in the subscription of shares based on its existing shareholding proportion, resulting in the shareholding percentage to decrease to 24.33%.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments attributable to the Company for the year ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same year.

XIII. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Construction in progress	Total
Cost						
Balance on January 01, 2019	$ 259,279	$ 1,417,864	$ 257,920	$ 365,742	$ -	$ 2,300,805
Additions	-	-	2,496	26,745	9,340	38,581

Disposals	-	(3,489)	(8,376)	(26,950)	-	(38,815)
Balance on December 31, 2019	$ 259,279	$ 1,414,375	$ 252,040	$ 365,537	$ 9,340-	$ 2,300,571
Accumulated depreciation						
Balance on January 01, 2019	$ -	$ 585,787	$ 221,577	$ 323,392	$ -	$ 1,130,756
Disposals	-	(3,240)	(7,760)	(25,956)	-	(36,956)
Depreciation expenses	-	44,693	9,754	21,246	-	75,693
Balance on December 31, 2019	$ -	$ 627,240	$ 223,571	$ 318,682	$ -	$ 1,169,493
Net value on December 31, 2019	$ 259,279	$ 787,135	$ 28,469	$ 46,855	$ 9,340	$ 1,131,078
Cost						
Balance on January 01, 2020	$ 259,279	$ 1,414,375	$ 252,040	$ 365,537	$ 9,340	$ 2,300,571
Additions	-	18,748	161,672	79,445	18,207	278,072
Disposals	-	(1,990)	(74,775)	(19,818)	-	(96,583)
Reclassification of construction in progress	-	16,248	-	7,330	(23,578)	-
Balance on December 31, 2020	$ 259,279	$ 1,447,381	$ 338,937	$ 432,494	$ 3,969	$ 2,482,060
Accumulated depreciation						
Balance on January 01, 2020	$ -	$ 627,240	$ 223,571	$ 318,682	$ -	$ 1,169,493
Disposals	-	(1,990)	(69,630)	(18,695)	-	(90,315)
Depreciation expenses	-	37,172	16,337	28,316	-	81,825
Balance on December 31, 2020	$ -	$ 662,422	$ 170,278	$ 328,303	$ -	$ 1,161,003
Net value on December 31, 2020	$ 259,279	$ 784,959	$ 168,659	$ 104,191	$ 3,969	$ 1,321,057

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	50 years
Others	5~50 years
Machinery and equipment	2~6 years
Miscellaneous equipment	2~5 years

XIV. LEASE ARRANGEMENTS

(I) Right-of-use Assets

	December 31, 2020	December 31, 2019
Carrying amounts		
Building	$6,893	$1,380
Transportation equipment	812	458
	$ 7,705	$ 1,838

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 9,215	$ -
Depreciation charge for right-of-use assets		
Buildings	$ 2,759	$ 2,761
Transportation equipment	589	785
	$ 3,348	$ 3,546

(II) Lease Liabilities

	December 31, 2020	December 31, 2019
Carrying amounts		
Current	$ 2,746	$ 1,851
Non-current	$ 4,161	$ -

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Buildings	0.79%~1.39%	1.39%
Transportation equipment	0.79%~1.39%	1.39%

(III) Other lease information

	For the year ended 2020	For the year ended, 2019
Total cash outflow for leases	($ 3,254)	($ 3,585)

XV. OTHER ASSETS

	December 31, 2020	December 31, 2019
Current		
Prepaid expenses	$ 11,273	$ 10,311
Prepayments	3,168	1,754
Excess business tax paid (or Net Input VAT)	97,606	76,944

Temporary debits	9,527	10,414
	$ 121,574	$ 99,423
Non-current		
Net defined benefit asset(Note19)	$ 10,596	$ 10,278
Overdue receivables	196,741	196,741
Allowance for uncollectible accounts －Overdue receivables	(196,741)	(196,741)
Deferred expenses	85,085	97,145
Other	31,554	6,013
	$ 127,235	$ 113,436

XVI.BORROWINGS

Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured borrowings		
Line of credit borrowings	$ 1,082,240	$ 299,800
Rate of interest per annum (%)	0.64%~0.75%	2.15%

XVII.BONDS PAYABLE

	December 31, 2020	December 31, 2019
5th Domestic unsecured convertible bonds	$ 1,179,157	$ 1,162,082
Due within 1 year	(1,179,157)	-
	$ -	$ 1,162,082

On March 15, 2019, the Company issued its 5th domestic unsecured convertible bond in the amount of $1,200,000 thousand at 100.2% of its par value for 12 thousand units, in which the denomination for the bond is NT$100 thousand. The maturity period is 3 years, with a zero coupon rate.

On December 31, 2020, the conversion price was NT$26.3 per common share, conversion period was from June 16, 2019 to March 15, 2022. After the convertible bonds are issued for 2 years, bondholders may request the Company to redeem the convertible bonds in cash at 100.5% of the bond's face value per sale base date. After 3 months following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the closing price of the Company’s common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. After 3 months following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the outstanding balance of the convertible bonds is less than 10% of the total amount issued, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. Except for conversions into common stock and early redemptions made by the Company, a lump-sum payment will be given in cash upon maturity.

This convertible bond includes liability and equity components. The equity components are expressed as capital reserve-stock options under equity. The effective interest rate originally recognized for the liability component is 1.46%.

Proceeds from issuance (Less: NT$5,084 thousand transaction cost)	$ 1,197,316
Equity component (Less: NT$193 thousand transaction cost allocated to equity component)	(45,527)
Financial liabilities at fair value through profit or loss－current (Less: NT$13 thousand transaction cost)	(3,107)
Liability component at issue date (Less: NT$4,878 thousand transaction cost allocated to liability component)	1,148,682
Interest charged at Effective interest rate 1.46%	13,400
Liability component on December 31, 2019	1,162,082
Interest charged at Effective interest rate 1.46%	17,075
Liability component on December 31, 2020	$ 1,179,157

On March 15, 2016, the Company issued its 4th domestic unsecured convertible bond in the amount of $1,000,000 thousand, in which the denomination for the bond is NT$100 thousand. The maturity period is 3 years, with a zero coupon rate.

On December 31, 2018, the conversion price was NT$17.6 per common share, conversion period was from March 15, 2016 to March 15, 2019. After the convertible bonds are issued for 2 years, bondholders may request the Company to redeem the convertible bonds in cash, based on the bond's face value per sale base date. After 1 month following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the closing price of the Company's common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. After 1 month following the offering date of the convertible bonds and up until 40 days prior to its maturity date, if the outstanding balance of the convertible bonds is less than 10% of the total amount issued, the Company may, based on the face value of the bond, exercise its rights to redeem all convertible bonds in cash. Except for conversions into common stock and early redemptions made by the Company, a lump-sum payment will be given in cash upon maturity.

This convertible bond includes liability and equity components. The equity components are expressed as capital reserve-stock options under equity. The effective interest rate originally recognized for the liability component is 1.87%.

Proceeds from issuance (Less: NT$4,829 thousand transaction cost)	$ 994,920
Equity component (Less: NT$220 thousand transaction cost allocated to equity component)	(43,080)
Financial liabilities at fair value through profit or loss－current (Less: NT$31 thousand transaction cost)	(6,169)
Liability component at issue date (Less: NT$4,829 thousand transaction cost allocated to liability component)	945,671
Interest charged at Effective interest rate 1.87%	31,621
Gain on valuation of financial asset	(748)
Bonds payable converted to common shares	(970,836)
Liability component on December 31, 2018	5,708
Interest charged at Effective interest rate 1.87%	62
Bonds payable converted to common shares	(5,770)
Liability component on December 31, 2019	$ -

XVIII. OTHER LIABILITIES

	December 31, 2020	December 31, 2019
Other payables-current		
Payables for salaries and bonuses	$ 340,147	$ 203,764
Payables for other expenses	131,769	80,747
Other payables – related parties (Note 30)	2,182	2,150

	$ 474,098	$ 286,661
Other liabilities－current		
Temporary credits	$ 47,583	$ 21,319
Others	8,916	9,972
	$ 56,499	$ 31,291
Other liabilities－non-current		
Deposits received	$ 824	$ 29

XIX. RETIREMENT BENEFIT PLANS

(I) Defined contribution plans

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

(II) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% 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") and the Company has no right to influence the investment policy and strategy.

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

	December 31, 2020	December 31, 2019
Present Value of the Defined Benefit Obligation	$ 64,604	$ 62,877
Fair Value of the Plan Assets	(75,200)	(73,155)
Net Defined Benefit Asset	($ 10,596)	($ 10,278)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance on January 01, 2019	$ 55,622	($ 67,440)	($ 11,818)
Service cost			
Current service cost	570	-	570
Interest expense(Income)	626	(774)	(148)
Recognized in profit or loss	1,196	(774)	422
Remeasurement			
Return on plan assets	-	(2,241)	(2,241)
Actuarial gains and losses			
—changes in demographic assumptions	318	-	318
—changes in financial assumptions	1,590	-	1,590
—experience adjustments	4,151	-	4,151
Recognized in other comprehensive income	$ 6,059	($ 2,241)	$ 3,818
Contributions from the employer	-	(2,700)	(2,700)
Balance on December 31, 2019	62,877	(73,155)	(10,278)
Service cost			
Current service cost	573	-	573
Interest expense(income)	503	(585)	(82)
Recognized in profit or loss	1,076	(585)	491
Remeasurement			
Return on plan assets	-	(2,313)	(2,313)
Actuarial gains and losses			
—changes in demographic assumptions	444	-	444
—changes in financial assumptions	2,219	-	2,219
—experience	1,578	-	1,578

adjustments			
Recognized in other comprehensive income	4,241	(2,313)	1,928
Contributions from the employer	-	(2,737)	(2,737)
Benefits paid	(3,590)	3,590	-
Balance on December 31, 2020	$ 64,604	($ 75,200)	($ 10,596)

The amounts of defined benefit plans recognized in profit or loss by function were as follows:

	December 31, 2020	December 31, 2019
Operation cost	$ 154	$ 126
Promotion expense	36	31
Management expense	104	98
R&D expense	197	167
	$ 491	$ 422

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

1. Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2020	December 31, 2019
Discount rate	0.350%	0.800%
Expected rates of future salary increase	3.250%	3.250%

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

	December 31, 2020	December 31, 2019
Discount rate		
Increase 0.25%	($ 1,254)	($ 1,245)
Decrease 0.25%	$ 1,298	$ 1,288
Expected rates of future salary increase		
Increase 0.25%	$ 1,227	$ 1,223
Decrease0.25%	($ 1,193)	($ 1,189)

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

	December 31, 2020	December 31, 2019
The expected contributions to the plan for the next year	$ 2,737	$ 2,700
The average duration of the defined benefit obligation	12years	12 years

XX. EQUITY

(I) Share capital

Common stock

	December 31, 2020	December 31, 2019
Authorized shares（in thousands）	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000
Issued and paid shares (in thousands)	357,591	356,884
Issued capital	$ 3,575,905	$ 3,568,835

A holder of issued ordinary shares with par value of NT$10 is entitled to the proportional rights to vote and to dividends.

Bondholders had exercised the right to convert the Company’s 4th domestic unsecured convertible bonds, the number of ordinary shares exchanged were 5,722 thousand shares, 2,125 thousand shares, 4,722 thousand shares and 23,595 thousand shares, in which the capital increase base dates were on March 21, 2019, November 8, 2018, August 10, 2018, and March 19, 2018, respectively..

On June 09, 2020, the Company’s regular shareholders’ meeting approved the issuance of employee restricted stock at an estimated total of 4,000 thousand shares, with a par value of NT$10, which the total amount is NT$40,000 thousand.The above transaction was approved by the FSC, under Authorization Letter Jinguanzheng Fazi No. 1090349323 effective on July 14, 2020, and the subscription base date was to be set on August 07, 2020 as determined by the Board of Directors. In addition, on August 7, 2020, the Company's Board of Directors resolved to reduce capital by cancelling 3,293 thousand treasury shares. The base date for capital reduction was on August 7, 2020.

(II) Capital Surplus

	December 31, 2020	December 31, 2019
Shares premium from issuance	$ 1,448,441	$ 1,662,189
Conversion premium	2,846,020	2,846,020
Recognition of changes in ownership interests in	50,516	50,516

subsidiaries		
Recognition of changes in investment in subsidiaries and associates by using the equity method	5,990	5,990
Share option	45,527	45,527
Employee restricted stock	58,474	-
Expired share option	150,566	150,566
Others	473	473
	$ 4,606,007	$ 4,761,281

The capital surplus arising from shares issued in excess of par value (including share premium from issuance of ordinary shares), and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus arising from investments, employee share options, and convertible bonds options accounted for equity method may not be used for any purpose.

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For information on the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 22-8 employee benefits and remuneration of directors.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash

Under FSC Authorization Letters Jinguanzheng Fazi No. 1010012865 and No. 1010047490, and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriation of earnings for 2019 and 2018 were approved by the shareholders' general meetings on June 09, 2020 and June 18, 2019, respectively. The appropriations were as follows:

	Appropriation of Earnings	
	For the year ended 2019	For the year ended 2018
Legal reserve	$ 20,119	$ -
Special reserve	183,614	180,682

In addition, the shareholders' meeting on June 09, 2020 resolved to distribute NT$177,911 thousand capital reserve, and to allocate NT$0.5 per share in cash.

The appropriation of the 2020 earnings had been proposed by the Company's board of directors on March 25, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends per share (NT$)
Legal reserve	$127,330	
Special Reserve	746,328	
Cash dividend	357,666	$ 1

The Company's board of directors proposed to issue cash dividends from capital surplus of $357,666 thousand, and to allocate NT$1 per share. The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting that is to be held on June 18, 2021.

(IV) Special reserve

	For the year ended 2020	For the year ended 2019
Beginning balance	$375,960	$195,278
Appropriated special reserve		
Other deducted equity items	183,614	180,682
Ending balance	$559,574	$375,960

Upon the initial adoption of the IFRSs, the reversal of special reserve appropriated due to exchange differences resulting from translation of financial statements of a foreign operation (including subsidiaries) shall be based on the Company's disposal of ownership. In the event that the Company loses significant influence, the special reserve will be fully reversed. When distributing the earnings, the difference between the net deduction of other shareholders' equity and the special reserve appropriated during the initial adoption of the IFRSs should be added to the special reserve at the end of the reporting period. Thereafter, earnings may be distributed based on the reversal of the deduction balance of other shareholders' equity.

(V)Other equity items

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

	For the year ended 2020	For the year ended 2019
Beginning balance	($ 497,082)	($ 351,769)
Recognized for the year		
Exchange differences on translating the financial statements of foreign	(21,747)	(142,959)

operations		
Changes in investments in subsidiaries	-	(2,349)
Share of subsidiaries and associates accounted for using the equity method	($ 32)	($ 838)
Changes in investments in subsidiaries and associates accounted for using the equity method	-	833
Disposal of subsidiaries	3,908	-
Ending balance	($ 514,953)	($ 497,082)

2. Unrealized gain (loss) on financial assets at FVTOCI (fair value through other comprehensive income)

	For the year ended 2020	For the year ended 2019
Beginning balance	($ 726,028)	($ 386,694)
Recognized for the year		
Unrealized gain or loss		
Equity instruments	(143,312)	(10,967)
Share of subsidiaries and associates accounted for using the equity method	(16,604)	(315,317)
Disposal of subsidiaries	4,636	-
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	90,360	(13,050)
Ending balance	($ 790,948)	($ 726,028)

3. Unearned compensation

On June 9, 2020, the shareholders' meeting resolved to issue employee restricted stocks. Please see Note 25 for more details.

	For the year ended	For the year ended

	2020	2019
Beginning balance	$ -	$ -
Issued for the year	(98,474)	-
Recognized share-based payment expenses	22,649	-
Ending balance	($ 75,825)	$ -

(VI) Treasury Stock

Purpose	Cancelled after repurchase （in thousands of shares）
To maintain the company's credit and shareholders' rights and interests	
Number of shares on January 01, 2020	-
Increased for the period	3,293
Decreased for the period	(3,293)
Number of shares on December 31, 2020	-

In order to maintain the Company’s credit and shareholders’ rights and interests, on March 23, 2020, the Company’s board of directors decided to buy back and cancel 20,000 thousand treasury shares from the centralized securities exchange market beginning from March 24, 2020 to May 23, 2020. The repurchase price was set between NT$13.8~26 per share. In the case that the stock price should be lower than the lowest repurchase price, the company may continue to execute the repurchasing of shares. The total amount of shares repurchased is expected to be capped at NT$5,593,801 thousand.

As of December 31, 2020, the Company has repurchased a total of 3,293 thousand shares, amounting to NT$68,767 thousand. On August 7, 2020, the board of directors resolved to cancel the 3,293 thousand treasury shares, in addition to the completion of relevant changes in registration with the authority.

According to the provisions of the Securities Exchange Law, treasury stocks cannot be pledged by the corporation, nor have the eligibility to claim dividends and voting rights

XXI.REVENUE

	For the year ended 2020	For the year ended 2019
Revenue from contracts		
Revenue from product sales	$ 16,484,007	$ 14,530,958

Contract balance

	December 31, 2020	December 31, 2019	January 01, 2019
Notes receivable (Note 10)	$ -	$ 43,346	$ 48,507
Notes receivable－related parties (Note 30)	11,250	-	-
Account receivable (Note10)	5,468,334	3,333,540	5,371,221
Account receivable - related parties (Note 30)	1,327,557	68,754	28,038
	$ 6,807,141	$ 3,445,640	$ 5,447,766
Contract liabilities - current			
Product sales	$ 191,941	$ 230,022	$ 95,988

XXII. PROFIT BEFORE INCOME TAX

Net profit (loss) from continuing operations include the following items:

(I) Interest income

	For the year ended 2020	For the year ended 2019
Bank deposit	$ 5,720	$ 7,977

(II) Other income

	For the year ended 2020	For the year ended 2019
Rental incomes	$ 6,122	$ 6,699
Dividend	4,491	5,839
Government grant	53,402	-
Other income	13,855	11,572
	$ 77,870	$ 24,110

(III) Other gains and losses

	For the year ended 2020	For the year ended 2019
Gain (loss) on disposal of property, plant and equipment	$ 113	$ 242
Gain (loss) on disposal of subsidiaries	833,061	-
Foreign currency exchange gain (loss)	21,828	(41,995)
Gain (loss) on financial assets and liabilities measured at FVTPL	(9,201)	127,483
Others	(4,815)	(394)
	$ 840,986	$ 85,336

(IV) Finance costs

	For the year ended 2020	For the year ended 2019
Interest from bank loans	$ 30,318	$ 53,309
Interest from lease liabilities	38	52
	$ 30,356	$ 53,361

(V) Impairment loss（reverse）

	For the year ended 2020	For the year ended 2019
Inventory（includes operating cost）	($ 3,121)	$ 8,427

(VI) Depreciation and amortization

	For the year ended 2020	For the year ended 2019
Property, plant and equipment	$ 81,825	$ 75,693
Right-of-use assets	3,348	3,546

Deferred expenses	51,308	48,091
	$ 136,481	$ 127,330
Depreciation Expenses by Function		
Operating costs	$ 29,819	$ 24,592
Operating expenses	55,354	54,647
	$ 85,173	$ 79,239
Amortization expenses by function		
Operating costs	$ 345	$ 342
Operating expenses	50,963	47,749
	$ 51,308	$ 48,091

(VII) Employee Benefits Expenses

	For the year ended 2020	For the year ended 2019
Post-employment benefits		
Defined contribution plans	$ 37,160	$ 35,379
Defined benefit plans (Note 19）	491	422
	37,651	35,801
Share-based payments		
Equity-settled	22,649	-
Other employee benefit	1,135,277	979,312
Total employee benefits expenses	$ 1,195,577	$ 1,015,113
Employee benefits expense by function		
Operating cost	$ 215,152	$ 140,642
Operating expense	980,425	874,471
	$ 1,195,577	$ 1,015,113

(VIII) Employee compensation and Remuneration of Board of Directors

In compliance with the Articles of incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate at least 13.5% for employee profit sharing bonuses and no more than 1.8% for the renumeration benefits of directors. The board of directors have resolved the accrual of employee compensation and remuneration of board of directors for the years ended December 31, 2020 and 2019 on March 25, 2021 and March 10, 2020, respectively, as follows:

Accrual Rate

	For the year ended 2020	For the year ended 2019
Employee compensation	13.5%	13.5%
Remuneration of Directors	1.8%	1.8%

Amount

	For the year ended 2020	For the year ended 2019
	Cash	Cash
Employee compensation	$232,646	$ 32,207
Remuneration of Directors	31,019	4,294

If there is a change in the proposed amounts after the annual individual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meetings and the amounts recognized in the individual financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

XXIII. INCOME TAXES

(I) Major components of tax income recognized in profit or loss:

	For the year ended 2020	For the year ended 2019
Current income tax		
In respect of the current year	$ 60,273	$ -
Adjustments for prior years	3,929	1,678
	64,202	1,678
Deferred tax		
In respect of the current year	7,661	(800)
Adjustments for prior years	17,622	-
Income tax expense recognized in profit or loss	$ 89,485	$ 878

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

	For the year ended 2020	For the year ended 2019
Income before income tax from continuing operations	$ 1,459,640	$ 202,071
Income tax expense calculated at the statutory rate	$ 291,928	$ 40,414
Nondeductible expenses in determining taxable income	10,775	10,054
Tax-exempt income	(232,232)	(47,678)
Unrecognized temporary differences	(2,537)	(3,590)
Adjustments for prior years' tax	21,551	1,678
Income tax expense recognized in profit or loss	$ 89,485	$ 878

(II) Current tax asset and liability

	For the year ended 2020	For the year ended 2019
Current tax asset		
Tax refund receivable	$ 1,236	$ 5,165
Current tax liability		
Income tax payable	$ 51,830	$ -

(III) Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences			
Write-down of inventories	$ 3,111	($ 624)	$ 2,487
Allowance for loss exceeded	12,221	(6,679)	5,542
Loss carryforwards	47,306	(17,622)	29,684
	$ 62,638	($ 24,925)	$ 37,713
Deferred tax liabilities			
Temporary differences			
Profit and loss from investments in overseas investees accounted for using the equity method	$ 205,313	$ -	$ 205,313
Unrealized exchange gains and losses	1,623	(787)	836
Others	1,526	1,145	2,671
	$ 208,462	$ 358	$ 208,820

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporary differences			
Write-down of inventories	$ 1,426	$ 1,685	$ 3,111
Allowance for loss exceeded	8,246	3,975	12,221
Loss carryforwards	53,199	(5,893)	47,306
	$ 62,871	($ 233	$ 62,638
Deferred tax liabilities			
Temporary differences			
Profit and loss from investments in overseas investees accounted for using the equity method	$ 205,313	$ -	$ 205,313
Unrealized exchange gains and losses	3,205	(1,582)	1,623
Others	977	549	1,526
	$ 209,495	($ 1,033	$ 208,462

(IV) Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets.

	As of December 31, 2020	As of December 31, 2019
Deductible temporary differences		
Impairment loss on financial assets measured by cost	$ 93,665	$ 93,665

(V) Details on unused loss carryforwards, unused investment tax credits, and tax exemptions.

	For the year ended 2020	For the year ended 2019
Loss carryforwards		
2027	$140,306	$177,283
2029	8,109	59,244
	$148,415	$236,527

(VI) The information of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with subsidiaries for which no deferred tax liabilities have been recognized were NT$109,181 thousand and NT$96,498 thousand, respectively.

(VII) Income tax assesments

The tax return filing of the Company as of 2018 and previous years have been assessed by the tax authorities.

XXIV. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the year ended 2020	For the year ended 2019
Basic earnings per share from continuing operations	$ 3.86	$ 0.57
Diluted earnings per share from continuing operations	$ 3.36	$ 0.53

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

Current net income

	For the year ended 2020	For the year ended 2019
Net income in computation of basic earnings per share	$ 1,370,155	$ 201,193
Effect of potentially dilutive ordinary shares:		
Interest after tax for convertible bonds	13,660	10,769
Net income in computation of diluted earnings per share	$ 1,383,815	$ 211,962

Ordinary shares

Unit: Thousand Shares

	For the year ended 2020	For the year ended 2019
Weighted average number of ordinary shares in computation of basic earnings per share	354,868	355,629
Effect of potentially dilutive ordinary shares:		
Convertible bonds	45,627	45,864
Employee restricted stock	4,000	-
Employee compensation	7,909	1,248
Weighted average number of ordinary shares used in the computation of diluted earnings per share	412,404	402,741

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

XXV. SHARE-BASED PAYMENT ARRANGEMENTS

New Employee Restricted Stock

On June 09, 2020, the annual shareholders' meeting of the Company approved the issuance of New Employee Restricted Stocks with a total amount of NT$40,000 thousand, that is 4,000 thousand shares to be issued at issue price of NT$10 per share. Followed by the approval letter Jinguanzheng Fazi No. 1090349323 issued by the Financial Supervisory Commission, Executive Yuan on July 14, 2020, the board of directors therefore determined August 7, 2020 as the capital increase base date.

If an employee still serves the Company after the subscription of New Employee Retricted Stock, provided that the employee has not violated the Company's labor contract, work rules, or company regulations, and under the circumstance that the overall business operations and employee performances have reached the reasonable targets set out by the Company for the preceding year, the following ratio of shares for each vesting anniversary are:

(I) 1st anniversary： 30% of subscription；

(II)2nd anniversary：30% of subscription；

(III)3rd anniversary：40% of subscription。

Vesting restrictions if conditions have not been fulfilled:

(I) Measures to be taken when employees fail to meet the vesting conditions:

1. Before vesting conditions are met, employee restricted stocks received by the employee are not to be sold, mortgaged, transferred, gifted, pledged, or otherwise sanctioned except in the event of inheritance.

2. The attendance, proposal, speech, and voting rights of the shareholders meeting shall be implemented in accordance with the trust custody agreement. Any cash dividends, stock dividends, and capital reserve cash (stocks) allocated to the New Employee Restricted Stocks shall be placed under the custody of the trust. For those New Employee Restricted Stocks whom their owners have not yet fulfilled the vesting conditions, the cash dividends, stock dividends, and capital reserves (stocks) generated shall be forfeited and being reclaimed or cancelled by the Company in accordance with relevant laws and regulations.

(II) Based upon the above trust custody agreement, employees who have received New Employee Restricted Stocks are eligible to retain certain rights, including but not limited to: the right to receive dividends, bonuses, and capital reserves, the right to subscribe shares for cash increase, and voting rights, which are equivalent to the rights of common shares issued by the Company.

(III) New Employee Restricted Stocks that are issued in accordance with this arrangement shall be handled via trust and custody before vesting conditions are fulfilled.

XXVI.DISPOSAL OF INVESTMENTS IN SUBSIDIARIES – LOSS OF CONTROLLING INTEREST

Please see note 28 of the 2020 consolidated financial report for details on disposal of investments in subsidiaries.

XXVII. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investment activities:

(I) On June 9, 2020, the annual shareholders meeting of the Company resolved the proposed issuance of 4,000 thousand shares of New Employee Restricted Stock, totaling NT$40,000 thousand, which was then approved by the board of directors on August 7, 2020. The cost of the 2020 New Employee Restricted Stock was NT$22,649 thousand.

(II) The Company did not recognize long-term equity investment NT$(12,102) thousand in accordance with the shareholding ratio in 2019.

(III) In 2019, the Company acquired a portion of AMPAK Technology Inc.'s shareholdings via the disposal of NT$22,218 thousand financial assets measured at fair value through other comprehensive gains and losses.

XXVIII. CAPITAL RISK MANAGEMENT

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

Key management personnel of the Company review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

XXIX. FINANCIAL INSTRUMENTS

(I) Fair value of financial instruments that are measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	$ 120,131	$ -	$ -	$ 120,131
Convertible options	-	840	-	840
Total	$ 120,131	$ 840	$ -	$ 120,971
Financial liabilities at FVTPL				
Forward Exchange Contract	$ -	$ 7,278	$ -	$ 7,278
Financial assets at FVTOCI				
Equity instrument investment				
—Domestic and overseas listed stock	$ 90,196	$ -	$ -	$ 90,196
—Domestic and overseas unlisted stock	-	-	116,087	116,087
Total	$ 90,196	$ -	$ 116,087	$ 206,283

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at				

	Level 1	Level 2	Level 3	Total
FVTPL				
Domestic listed stock	$ 110,990	$ -	$ -	$ 110,990
Financial liabilities at FVTPL				
Forward Exchange Contract	$ -	$ 3,423	$ -	$ 3,423
Convertible options	-	2,640	-	2,640
Total	$ -	$ 6,063	$ -	$ 6,063
Financial assets at FVTOCI				
Equity instrument investment				
－Domestic and overseas listed stock	$ 145,462	$ -	$ -	$ 145,462
－Domestic and overseas unlisted stock	-	-	181,187	181,187
Total	$ 145,462	$ -	$ 181,187	$ 326,649

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

2. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows 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.
Derivatives- convertible options	Binomial Tree Model for Convertible Bonds Pricing: Evaluated based on the volatility of the conversion price, the risk-free interest rate, the risk of discount rate, and the years until maturity.

3. Valuation techniques and inputs applied for Level 3 fair value measurement

For stocks of unlisted companies without an active market, their fair value is assessed by using the market method and the income method.

The market approach refers to the market price and related information of listed companies that share a similar background as the unlisted stock in order to estimate its fair value; the income approach uses the discounting cash flow method to calculate the present value of the expected return from holding the investment target.

Hybrid financial assets - Convertible corporate bonds have no market price for reference. The Company’s evaluation of fair value is based on the Binomial Tree Model for Convertible Bond Pricing, which factors in the volatility of the conversion price, the risk-free interest rate, the risk of discount rate, and the periods until maturity.

(II) Categories of financial instrument

	December 31, 2020	December 31, 2019
Financial assets		
Fair value through profit or loss	$ 120,971	$ 110,990
Fair value through other comprehensive income	206,283	326,649
Fair value after amortized cost （Note 1）	7,778,988	4,667,330
Financial liabilities		
Fair value through profit or loss	7,278	6,063
Fair value after amortized cost （Note 2）	7,426,279	4,950,137

Note 1: Financial assets measured at fair value after amortized cost include cash and cash equivalents, notes receivables, accounts receivables, notes receivables -related parties, accounts receivables -related parties ,other receivables, other receivables -related parties and refundable deposits etc.

Note 2: Financial liabilities measured at fair value after amortized cost include short-term loans, notes receivables, accounts receivables, notes receivables -related parties, accounts receivables -related parties ,other receivables, other receivables -related parties, and refundable deposits etc.

(III) Financial risk management objective and policies

The Company's major financial instruments include equity instrument investment, accounts receivable, accounts payable, bonds payable, loans and lease liabilities. The Company's Financial Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Company's Finance Department seeks to mitigate the effect of these risks by using derivative financial instruments to hedge risk exposures under the policies approved by the board of directors. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls.

If the Finance Department should engage in derivative transactions, the results are reported to the Board of Directors on a regular basis.

1. Market Risk

The Company's operating activities exposed it primarily to the financial risks arising from changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below):

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

(1) Foreign Currency Risk

The Company engages in foreign currency-denominated sales and purchase transactions, therefore exposing the Company to foreign currency fluctuation risks.

The carrying amounts of the significant monetary assets and liabilities not denominated in functional currency and the carrying amounts of derivatives that are exposed to foreign currency risks at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. If the sensitivity rate increases or decreases 3%, the situation must be reported to the core management, which also indicates that a reassessment of the exchange rate fluctuation should be made. The sensitivity analysis includes only outstanding foreign currency denominated monetary items plus forward exchange contracts designated as a cash flow hedge, and their translations are adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit or equity associated with New Taiwan dollars strengthening 1% against the relevant currency; a negative number below indicates a decrease in pre-tax profit or equity associated with New Taiwan dollars weakening 1% against the relevant currency.

	Impact of USD	
	For the year 2020	For the year 2019
Profit or Loss	31,350	$ 7,807

The impact of foreign currencies on profit and loss listed in the above table mainly derived from the USD-denominated non-derivative financial assets and liabilities of the Company that are still in circulation on the balance sheet date and have not undergone cash flow hedging.

The sensitivity analysis of the current year's foreign exchange rates has gone up when compared to the previous year due to an increase in USD-denominated account receivables.

(2) Interest rate risk

The Company is exposed to interest rate risk arising from borrowing at both fixed and floating interest rates.

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
－Financial assets	$ 61,886	$ 801,245
－Financial liabilities	2,261,397	1,461,882
Cash flow interest rate risk		
－Financial assets	831,518	375,532
－Financial liabilities		

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. For floating rate 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. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would increase by NT$8,315 thousand and NT$3,755 thousand, respectively. The main reason for the above derived from the net position of bank deposits measured at fair value interest rate risk of the Company.

There was no significant changes in the sensitivity analysis of the current year's interest rates when compared to the previous year.

(3) Other market price risk

Equity price risk exposure arises from the Company's investments in equity securities investment. The Company assigns a designated team to monitor price flucutations and evaluate the timing to increase hedge positions.

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to equity price risks at the end of the reporting period.

If equity prices of financial assets at FVTPL had been 1% higher/lower, profit or loss for the years ended December 31, 2020 and 2019 would increase/decrease by $1,201 thousand and $1,110 thousand, respectively. If equity prices of financial assets at FVTOCI had been higher/lower, other comprehensive income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by $2,063 thousand and $3,266 thousand, respectively.

There was no significant changes in the sensitivity analysis of the current year's equity prices when compared to the previous year.

2. Credit risk

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

3. Liquidity risk

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

The Company relies on bank borrowings as a substantial source of liquidity. The detailed information of the Company's unused financing facilities as of December 31, 2020 and 2019 is further stated in (3) financing facilities below.

(1)Liquidity and interest risk tables for non-derivative financial liabilities

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

For interest cash flows paid at floating interest rates, the undiscounted amount of interest can be inferred by the yield curve on the balance sheet date.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 815,549	$ 4,044,599	$ 303,911	$ -
Lease liabilities	233	698	1,861	4,187
Fixed interest rate liabilities	881,296	2,293,484	1,179,157	-
	$ 1,697,078	$ 6,338,781	$ 1,484,929	$ 4,187

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5Years
Lease liabilities	$ 2,792	$ 4,187

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 942,828	$ 2,417,636	$ 127,762	$ -
Lease liabilities	299	896	664	-
Floating interest rate liabilities				
Fixed interest rate liabilities	300,391	-	-	1,162,082
	$ 1,243,518	$ 2,418,532	$ 128,426	$ 1,162,082

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5Years
Lease liabilities	$ 1,859	$ -

(2) Liquidity and interest risk tables for derivative financial liabilities

For the liquidity analysis of derivative financial instruments, for derivative instruments that are settled on a net basis, they are compiled on the basis of undiscounted contract net cash inflows and outflows; for derivatives that are settled on a gross basis, they are compiled on the basis of undiscounted net cash inflows and outflows. It is prepared based on the current total cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed is determined based on the interest rate estimated by the yield curve on the balance sheet date.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years	Above 5 Years
Netting settlement					
Forward exchange	($ 7,278)	$ -	$ -	$ -	$ -

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months -1 Year	1-5 Years	Above 5 Years
Netting settlement					
Forward exchange	($ 3,423)	$ -	$ -	$ -	$ -

(3) Financing facilities Credit Lines

	December 31, 2020	December 31, 2019
Unsecured bank Loan facility		
—Amount used	$ 1,082,240	$ 299,800
—Amount unused	2,661,360	3,488,840
	$ 3,743,600	$ 3,788,640

XXX. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

(I) Name of the related parties and relationship

Name of related party	Relationship with the Group
AMPAK Technology Inc.	Associates(AMPAK Technology Inc. was a former subsidiary of Gemtek Technologies Co., Ltd. and became an associate on August 10, 2020.）
SparkLAN Communications, Inc.	Associates（SparkLAN Communications, Inc. was a former subsidiary of Gemtek Technologies Co., Ltd. and became an associate on August 10, 2020.）
Gemtek Electronics (Kunshan) Co., Ltd.	Subsidiary
Gemtek Electronics (ChangShu) Co., Ltd.	Subsidiary
Gemtek Vietnam Co., Ltd.	Subsidiary
Gemtek CZ., s.r.o.	Subsidiary
5V TECHNOLOGIES, TAIWAN LTD	Subsidiary (Became an associate on January 30, 2020.）
BROWAN COMMUNICATIONS INCORPORATION	Associates
ANTEK NETWORKS INC.	Associates
BandRich Inc.	Associates

(II) Sales Revenue

Type/Name of related party	For the year ended 2020	For the year ended 2019
Subsidiary		
Others	$ 171,297	$ 46,475
Associate		
Others	297,708	182,683
	$ 469,005	$ 229,158

Sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties.

(III) Purchase and Processing Fee

Type/Name of related party	For the year ended	For the year ended

	2020	2019
Subsidiary		
Gemtek Electronics (Kunshan) Co., Ltd.	$ 4,758,107	$ 5,991,826
Gemtek Electronics (ChangShu) Co., Ltd.	3,743,950	6,132,694
Gemtek Vietnam Co., Ltd.	1,613,251	-
Others	195,315	184,916
	10,310,623	12,309,436
Associate		
Others	-	1,192
	$ 10,310,623	$ 12,310,628

The company purchases goods from related parties or entrusts related parties to process and repurchase finished products, which is a corporate strategy used for the purpose of cooperation and division of labor. The transaction prices have no significant objects for comparison. Payment terms are determined by the actual status of the company's assets.

(IV) Receivables from related parties

Account	Type/Name of related party	December 31, 2020	December 31, 2019
Notes receivables – related parties	Associates		
	BROWAN COMMUNICATIONS INCORPORATION	$ 11,250	$ -
Accounts receivables – related parties	Subsidiary		
	Gemtek Vietnam Co., Ltd.	$ 1,135,169	$ -
	Others	85,880	357
		1,221,049	357
	Associates		
	Others	106,508	68,397
		$ 1,327,557	$ 68,754

No guarantee is received for the outstanding accounts receivable from related parties. No allowance for losses is provided for accounts receivable from related parties in 2020 and 2019.

(V) Other receivables from related parties

Type/Name of related party	December 31, 2020	December 31, 2019
Subsidiary		
Gemtek CZ., s.r.o.	$ 9,003	$ 18,289
Gemtek Electronics (Kunshan) Co., Ltd.	-	2,141
Others	-	326
	9,003	20,756
Associates		
Others	513	23
	$ 9,516	$ 20,779

Other receivables of the Company to be collected from related parties are the advance payments and purchases of raw materials on behalf of the related parties.

(VI) Payables to related parties

Account	Type/Name of related party	December 31, 2020	December 31, 2019
Accounts payable-related parties	Subsidiary		
	Gemtek Electronics (Kunshan) Co., Ltd.	$ 2,710,405	$ 2,576,352
	Others	264,649	251,092
		2,975,054	2,827,444
	Associates		
	Others	303	-
		$ 2,975,357	$ 2,827,444

No guarantees were available for outstanding accounts payables to related parties.

(VII) Other trade payables to related parties

Type/Name of related party	December 31, 2020	December 31, 2019
Subsidiary		
Gemtek Electronics (Kunshan) Co., Ltd.	$ 2,182	$ 2,141
Associates		
BROWAN COMMUNICATIONS INCORPORATION	-	9
Others	$ 2,182	$ 2,150

Other payables of the Company to be paid to related parties are the advance payments made on behalf of the related parties.

(VIII) Acquired property, plant, and equipment

Type/Name of related party	Acquired Proceeds	
	For the year ended 2020	For the year ended 2019
Subsidiary		
Gemtek Electronics (ChangShu) Co., Ltd.	$ 1,738	$ 2,296
Gemtek Electronics (Kunshan) Co., Ltd.	4,534	755
	$ 6,272	$ 3,051

(IX)Disposal of property, plant, and equipment

Type/Name of related party	Disposal of proceeds		Disposal of gain (loss)	
	For the year ended 2020	For the year ended 2019	For the year ended 2020	For the year ended 2019
Subsidiary				
Gemtek Electronics (ChangShu) Co.,	$ -	$ 1,085	$ -	$ -

Ltd.				
Gemtek Vietnam Co., Ltd.	1,236	631	114	137
Gemtek Electronics (Kunshan) Co., Ltd.	5,145	26	-	26
	6,381	1,742	114	163
Associates				
BROWAN COMMUNICATIONS INCORPORATION	-	359	-	359
	$ 6,381	$ 2,101	$ 114	$ 522

(X) Other trades with related parties

Type/Name of related party	For the year ended 2020	For the year ended 2019
Rent income		
Subsidiary		
AMPAK Technology Inc.	$ 2,487	$ 5,616
Others	181	-
	2,668	5,616
Associates		
AMPAK Technology Inc.	1,772	-
Others	465	473
	$ 4,905	$ 6,089
Other income		
Subsidiary	$ 352	$ 603
Associates	251	-
	$ 603	$ 603

Type/Name of related party	For the year ended 2020	For the year ended 2019
Research & development fee		
Associates		
Others	$ -	$ 3

Rental income of the Company collected from associates were based on the market price.

(XI) Compensation of key management personnel

	For the year ended 2020	For the year ended 2019
Short-term employee benefits	$ 40,325	$ 42,984
Post-employment benefits	771	856
	$ 41,096	$ 43,840

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXXI. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for tariffs on imported raw materials:

	December 31, 2020	December 31, 2019
Pledged bank deposits (included in financial assets measured at amortized cost)	$ 40,000	$ 20,000

XXXII. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of the balance sheet date were as follows:

As of the year December 31, 2020 and 2019, the financial guarantee for tariff covenants were NT$40,000 thousand and NT$20,000 thousand, respectively.

XXXIII. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency asset			
Monetary items			
USD	$ 311,474	28.48(USD:NTD)	$ 8,870,768
Non-monetary items			
Investments accounted for using equity method			
USD	$ 172,699	28.48(USD:NTD)	$ 4,918,477
Financial asset measured at fair value through other comprehensive income			
USD	6,692	28.48(USD:NTD)	190,594
			$ 5,109,071
Foreign currency liabilities			
Monetary items			
USD	201,393	28.48(USD:NTD)	$ 5,735,670

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency asset			
Monetary items			
USD	$ 140,328	29.98(USD:NTD)	$ 4,207,035
Non-monetary items			
Financial asset measured at fair value through other comprehensive income			
USD	164,148	29.98(USD:NTD)	$ 4,921,157
Financial asset measured at amortized cost			
USD	10,296	29.98(USD:NTD)	308,685
			$ 5,229,842
Foreign currency liabilities			
Monetary items			
USD	114,288	29.98(USD:NTD)	$ 3,426,356

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

	For the year ended 2020		For the year ended 2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.48（USD:NTD）	$ 21,828	29.980（USD:NTD）	($ 41,995)

XXXIV. SEPARATELY DISCLOSED ITEMS

(I) Information About Significant Transactions and (II) Investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided. (None)
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the share capital. (Table 3)
5. Acquisition of individual real estate at costs 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. (Note 7 and 29)
10. Information on investees. (Table 6)

(III) Information on investments in mainland China:

1. 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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
2. Any of the following 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: (Tables 4, 5, and 7)

   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

(3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

(5) The highest balance during the year, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.

(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.

(IV) Information on significant shareholders: The name, number of shares held, and shareholding percentage of shareholders who possess 5% or more of the total number of shares. (None)

GEMTEK TECHNOLOGIES CO., LTD.

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 1

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

No.	Financing Company Name	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limit (Note 1)
													Item	Value		
1	Gemtek Electronics (Suzhou) Co. Ltd.	Gemtek Electronics (ChangShu) Co., Ltd.	Short-term financing	Yes	$ 52,524	$ 52,524	$ 52,524	3.60	2	$ -	Operating capital	$ -	-	-	$ 85,377	$ 85,377

Note 1：Pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” of Gemtek Electronics (Suzhou) Co. Ltd., when the parent company directly and indirectly holds 100% of the voting shares of foreign companies engaged in fund loans, the aggregate amount of loans shall not exceed 100% of the lending company's net worth, and the maximum amount permitted to a single borrower shall not exceed 100% of the lending company's net worth.

Note 2：Nature for financing -

1.Enter 1 for Business relationship.

2.Enter 2 for Short-term financing purpose.

Note 3：Converted by the exchange rate recorded on the financial reporting date - RMB: New Taiwan Dollar = 1:4.377.

GEMTEK TECHNOLOGIES CO., LTD.
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 2

Unit:In Thousands of New Taiwan Dollars/ US Dollars/ RMB.Unless Stated Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance on December 31, 2020				Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership%	Fair Value	
Gemtek Technologies Co.,Ltd.	Stock							
	ITEQ CORPORATION	The Corporation serves as corporate director	Financial assets measured at fair value through profit and loss - current	871	$ 120,131	0.29	$ 120,131	
	TAI-SAW TECHNOLOGY CO., LTD.	〃	Financial assets measured at fair value through other comprehensive income – non-current	691	15,270	0.68	15,270	
	Green Packet Bhd.	None	〃	26,273	74,926	2.81	74,926	
	LIONIC CORP.	The Corporation serves as corporate director	〃	225	419	1.40	419	
	Tempo Semiconductor, Inc.	〃	〃	3,276	-	-	-	Preferred stock
	SKSpruce Holding Limited	None	〃	2,241	29,297	2.81	29,297	Common stock/Preferred stock
	Greenwave holding, Inc.	〃	〃	3,965	86,371	3.30	86,371	Preferred stock
Gemtek Investment Co.,Ltd.	Stock							
	Sky Phy Networks Limited	〃	Financial assets measured at fair value through other comprehensive income – non-current	4,943	-	13.82	-	Preferred stock
	Ingenu Inc.	〃	〃	1,754	-	3.99	-	Preferred stock
	SanJet Corp	The Corporation serves as corporate director	〃	3,882	47,052	12.33	47,052	
	TSKY CO., LTD.	None	〃	1,500	31,355	8.49	31,355	
	LIONIC CORP.	The Corporation serves as corporate director	〃	841	1,563	5.25	1,563	
	Polaris Group	〃	〃	8,675	135,812	1.33	135,812	
	AIPTEK, Inc.	None	〃	186	679	0.16	679	
	TAI-SAW TECHNOLOGY CO., LTD.	〃	〃	2,312	51,090	2.26	51,090	
	PYRAS TECHNOLOGY INC.	The Corporation serves as	〃	3,000	21,180	18.45	21,180	

		corporate director						
G-Technology Investment Co., Ltd.	Convertible Bond Greenwave Holding, Inc.	None	Financial assets measured at fair value through profit and loss - current	-	15,592 (USD 547)	-	15,592 (USD 547)	
	Stock Polaris Group	None	Financial assets measured at fair value through other comprehensive income – non-current	26,467	$ 430,274 (USD 15,108)	4.05	$ 430,274 (USD 15,108)	
	Tianhan Technology （Wujiang） Limited Company	〃	〃	-	-	11.54	-	
	Ingenu Inc.	〃	〃	860	-	2.61	-	Preferred stock
	UBITUS Inc.	〃	〃	200	-	2.32	-	
	Bond Standard Chartered Bank Subordinate Bond	〃	Financial assets measured at amortized cost－non-current	-	132,652 (USD 4,658)	-	132,652 (USD 4,658)	
Gemtek Electronics (ChangShu) Co., Ltd.	Finance products							
	CCB Suzhou Branch “Qianyuan Xinyi Jiangnan”	None	Financial assets measured at fair value through profit and loss - current	-	437 (RMB 100)	-	437 (RMB 100)	
Gemtek Electronics (Suzhou) Co. Ltd.	Finance products							
	CCB Suzhou Branch “Qianyuan Xinyi Jiangnan”	None	Financial assets measured at fair value through profit and loss - current	-	23,308 (RMB 5,340)		23,308 (RMB 5,340)	

Note 1: See Tables 6 and 7 for information on investments in subsidiaries, associates and joint ventures.

Note 2: Converted by the exchange rate recorded on the financial reporting date - USD: NTD = 1: 28.48; RMB: NTD = 1：4.377

GEMTEK TECHNOLOGIES CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE SHARE CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 3

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount (Note 5)	Shares/Units (In Thousands)	Amount (Note 2)	Carrying Amount	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount (Note 1)
	Stock													
Gemtek Technologies Co., Ltd.	AMPAK Technology Inc.	Investment Accounted for Using Equity Method	-	Subsidiary	36,124,794	$ 950,845	20,100,595	$ 1,045,230	36,124,794	$ 830,760	$ 1,039,487	$ 833,061 (Note 3)	20,100,595	$1,048,268
Gemtek Investment Co.,Ltd.	AMPAK Technology Inc.	Investment Accounted for Using Equity Method	-	Subsidiary	8,975,801	242,434	-	-	8,975,801	465,341	264,381	200,496 (Note 4)	-	-

Note 1: The amount of long-term equity investment using the equity method includes investment gains and losses recognized by the equity method and adjustment items related to shareholder equity.

Note 2: The disposal price has been deducted from relevant transaction costs.

Note 3: Disposal benefits include the recognition of conversion loss of NT$3,444 thousand from financial statements of foreign operating institutions using the equity method.

Note 4: Disposal benefits include the recognition of conversion loss of NT$464 thousand from financial statements of foreign operating institutions using the equity method.

Note 5: The current purchase is the fair value of the remaining equity.

GEMTEK TECHNOLOGIES CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 4

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Gemtek Technologies Co., Ltd.	Gemtek Electronics (Kunshan) Co., Ltd.	Investment in subsidiary through third region	Purchase and processing expenses	$ 4,758,107	26%	Note 1	Note 1	Note 1	($ 2,710,405)	(58%)	Note 2
	Gemtek Electronics (ChangShu) Co., Ltd.	Investment in subsidiary through third region	Purchase and processing expenses	3,743,950	21%	Note 1	Note 1	Note 1	(264,649)	(6%)	Note 2
	Gemtek CZ., s.r.o.	Investment in subsidiary through third region	Purchase and processing expenses	195,307	1%	Note 1	Note 1	Note 1	9,003	-	Note 2
	Gemtek Vietnam Co., Ltd.	Subsidiary	Purchase and processing expenses	1,613,251	9%	Note 1	Note 1	Note 1	1,135,169	17%	Note 2
Gemtek Electronics (Kunshan) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(4,758,107)	(69%)	Note 1	Note 1	Note 1	2,710,405	86%	Note 2
Gemtek Electronics (ChangShu) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(3,743,950)	(77%)	Note 1	Note 1	Note 1	264,649	57%	Note 2
Gemtek CZ., s.r.o.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(195,307)	(99%)	Note 1	Note 1	Note 1	(9,003)	(19%)	Note 2
Gemtek Vietnam Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	Sale and processing income	(1,613,251)	(100%)	Note 1	Note 1	Note 1	(1,135,169)	(71%)	Note 2

Note 1: The company purchases goods from related parties or entrusts related parties to process and repurchase finished products, which is a corporate strategy used for the purpose of cooperation and division of labor. The transaction prices have no significant objects for comparison. Payment terms are determined by the actual status of the company’s assets.

Note 2： Accounts receivables collected from and accounts payables paid to Gemtek Electronics (Kunshan) Co., Ltd., Gemtek Electronics (ChangShu) Co., Ltd., Gemtek CZ., s.r.o., and Gemtek Vietnam Co., Ltd. are expressed in net amount.

GEMTEK TECHNOLOGIES CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 5

Unit:In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment
					Amount	Actions Taken		
Gemtek Electronics (Kunshan) Co., Ltd	Gemtek Technologies Co., Ltd.	Parent company	$ 2,710,405	1.80	$ -	-	$ 1,321,266	$ -
Gemtek Electronics (ChangShu) Co., Ltd.	Gemtek Technologies Co., Ltd.	Parent company	264,649	14.52	-	-	264,649	-
Gemtek Technologies Co., Ltd.	Gemtek Vietnam Co., Ltd.	Subsidiary	1,135,169	2.84	-	-	432,085	-

GEMTEK TECHNOLOGIES CO., LTD.

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 6

Unit:In Thousands of New Taiwan Dollars/ US Dollars.Unless Stated Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares/Units (In Thousands)	%	Carrying Amount			
Gemtek Technologies Co., Ltd.	Gemtek Investment Co.,Ltd.	Hsinchu County, Taiwan	Investment	$ 769,457	$ 769,457	76,946	100.00	$ 846,419	$ 188,980	$ 188,980	Note 3
	G-Technology Investment Co., Ltd.	Cayman Islands	Investment	2,484,452 (USD 78,600)	2,484,452 (USD 78,600)	78,600	100.00	4,313,409	(31,037)	(31,037)	Note 3
	Brightech International Co., Ltd.	Republic of Mauritius	Investment	207,969 (USD 6,145)	207,969 (USD 6,145)	6,145	100.00	69,191	(619)	(619)	Note 3
	AMPAK Technology Inc.	Hsinchu County, Taiwan	Telecommunications	512,854	917,203	20,101	33.37	1,048,268	286,468	131,171 (Note 1)	
	Wi Tek Investment Co., Ltd.	Cayman Islands	Investment	132,155 (USD 4,000)	132,155 (USD 4,000)	4,000	100.00	20,950	(9,621)	(9,621)	
	BROWAN COMMUNICATIONS INCORPORATION	Hsinchu County, Taiwan	Telecommunications	144,826	144,826	11,191	24.33	10,656	6,898	1,678	
	Gemtek Vietnam Co., Ltd.	Vietnam	Telecommunications	616,034 (USD 20,000)	616,034 (USD 20,000)	-	100.00	514,927	53,960	53,960	Note 3
G-Technology Investment Co., Ltd.	Ampak International Holdings Ltd.	Independent State of Samoa	Investment	1,099,843 (USD 35,561)	1,099,843 (USD 35,561)	36,000	100.00	1,064,287 (USD 37,370)	18,945 (USD 721)	18,945 (USD 721)	Note 3
	Gemtek CZ., s.r.o.	Czech Republic	Telecommunications	25,351 (USD 692)	25,351 (USD 692)	12,000	100.00	6,783 (USD 238)	4,692 (USD 161)	4,692 (USD 161)	Note 3
	Primax Communication (B.V.I.) Inc.	British Virgin Islands	Investment	73,886 (USD 2,297)	73,886 (USD 2,297)	2,297	100.00	16,683 (USD 586)	(125) (USD -4)	(125) (USD -4)	Note 3
	PT. South Ocean	Indonesia	Telecommunications	7,838 (USD 238)	7,838 (USD 238)	24	95.00	2,613 (USD 92)	- (USD -)	- (USD -)	
	Free PP Worldwide Co.,Ltd.	Republic of Seychelles	Investment	30,260 (USD 1,000)	30,260 (USD 1,000)	1,002	30.00	13,930 (USD 489)	(1,404) (USD -46)	(421) (USD -14)	
Gemtek Investment Co., Ltd.	AMPAK Technology Inc.	Hsinchu County, Taiwan	Telecommunications	-	219,689	-	-	-	207,747	22,327	
	BROWAN COMMUNICATIONS INCORPORATION	Hsinchu County, Taiwan	Telecommunications	141,825	141,825	9,826	21.36	9,335	6,898	1,473	
	BandRich Inc.	New Taipei City, Taiwan	Telecommunications	55,000	55,000	5,500	27.04	5,389	(10,116)	(2,735)	
	5V TECHNOLOGIES, TAIWAN LTD.	Taipei City, Taiwan	Telecommunications	90,000	-	9,000	97.92	79,052	(12,023)	(10,948) (Note 2)	Note 3

Note 1: Based on the equity holding ratio, the amount is recognized by the net profit of the investee company NT$ 135,470 thousand, less the identifiable intangible assets adjusted amortization of the current period NT$4,593 thousand, and add the adjusted unrealized and realized benefits of upstream transactions NT$294 thousand.

Note 2: Based on the equity holding ratio, the amount is recognized by the net loss of the investee company NT$ 8,934 thousand, and add the identifiable intangible assets adjusted amortization of the current period NT$2,014 thousand.

GEMTEK TECHNOLOGIES CO., LTD.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 7

Unit:In Thousands of New Taiwan Dollars/ US Dollars.Unless Stated Otherwise

Investee Company	Main Businesses and Products	Share Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 01, 2020	Investment Flow		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Gemtek Electronics (Suzhou) Co. Ltd.	Manufacturing of wireless telecommunication products such as wireless network cards and wireless gateways	$ 237,808 (USD 8,350)	Indirect investment in Mainland China through a holding company established in other countries－Brightech International Co Ltd 及 Primx Communication (BVI) Inc	$ 236,925 (USD 8,319)	$ -	$ -	$ 236,925 (USD 8,319)	($ 650) (USD -22)	100.00	($ 650) (USD -22)	$ 85,377 (USD 2,998)	$ -	Note 3
Gemtek Electronics (Kunshan) Co., Ltd	Manufacturing of wireless telecommunication products such as wireless network cards and wireless gateways	427,200 (USD 15,000)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd.	427,200 (USD 15,000)	-	-	427,200 (USD 15,000)	($ 38,118) (USD -1,279)	100.00	($ 38,118) (USD -1,279)	2,555,154 (USD 89,717)	-	Note 3
Browan Communications (Xi'An) Inc.	R&D, production, sales and provision of technical consulting and related services for wireless network products	113,920 (USD 4,000)	Indirect investment in Mainland China through a holding company established in other countries－Wi Tek Investment Co Ltd.	113,920 (USD 4,000)	-	-	113,920 (USD 4,000)	($ 9,621) (USD -327)	100.00	($ 9,621) (USD -327)	20,945 (USD 735)	-	
AIPTEK Technology (Wujiang) Co., Ltd.	Manufacturing of digital products	444,288 (USD 15,600)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd	25,632 (USD 900)	-	-	25,632 (USD 900)	-	11.54	-	-	-	
Gemtek Electronics (ChangShu) Co., Ltd.	R&D, production, sales and provision of technical consulting and related services for wireless network products	1,025,280 (USD 36,000)	Indirect investment in Mainland China through a holding company established in other countries－G-Technology Investment Co Ltd	1,025,280 (USD 36,000)	-	-	1,025,280 (USD 36,000)	18,944 (USD 721)	100.00	18,944 (USD 721)	1,064,287 (USD 37,370)	-	Note 3

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
$ 1,844,934 USD 64,780 （Note 1）	$ 1,844,934 USD 63,780	$ 5,630,402

Note 1: (1) The investment amount remitted at the end of the period exceeds the USD 1,000 thousand investment amount approved by the Investment Commission of the Ministry of Economic Affairs.

The remittance was made by AMPAK Technology Inc., the parent company of Gemtek Electronics (ChangShu) Co., Ltd., Ltd. from the previous period.

(2) In July 2009, the Company acquired 100% shareholding of AMPAK International Holdings Ltd., an overseas holding company of Gemtek Electronics (ChangShu) Co., Ltd., through an overseas company G-Technology Investment Co., Ltd. for US$561,000 (NT$17,413 thousand), which has been approved by the Investment Commission of the Ministry of Economic Affairs Letter-2 No. 09800283840.

(3) The conversion rate is based on the average spot buying/selling exchange rate of the Bank of Taiwan on December 31, 2020.

Note 2: See Tables 4, 5 and 6 for the information about significant transactions with investees in the mainland China, either directly or indirectly through a third area.

Note 3: Amount was recognized based on the audited financial statements of the investee as of December 31, 2020.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT1

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Cash on hand	note 1	$ 1,624
Checking accounts and demand deposits	note 2	831,519
Time deposits	note 3	21,885
		$ 855,028

Note 1: Foreign currency included and their exchange rates were as follows:

Foreign Currency	Amount	Exchange Rate
USD	$ 19thousand	USD: NTD=1 : 28.48
RMB	$ 36 thousand	RMB: NTD=1 : 4.377
EUR	$ 21 thousand	EUR: NTD=1 : 35.02
JPY	$ 15 thousand	JPY: NTD=1 : 0.276
VND	$ 26,500 thousand	VND: NTD=1 : 0.001
Total Amount in NTD	$1,491 thousand	

Note 2: Foreign currency included and their exchange rates were as follows:

Foreign Currency	Amount	Exchange Rate
USD	$ 774thousand	USD: NTD=1 : 28.48
RMB	$ 245 thousand	RMB: NTD=1 : 4.377
CZK	$28,544 thousand	CZK: NTD=1 : 1.332
EUR	$ 1,925 thousand	EUR: NTD=1 : 35.02
JPY	$ 7 thousand	JPY: NTD=1 : 0.276
Total Amount in NTD	$128,552 thousand	

Note 3: Foreign currency included and their exchange rates were as follows:

Foreign Currency	Amount	Exchange Rate
RMB	$ 5,000 thousand	RMB: NTD=1 : 4.377
Total Amount in NTD	$21,885 thousand	

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT2

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Customer Name	Description	Amount
Non-Related Parties－		
Compamy A	Sale of goods	$ 1,630,544
Compamy B	Sale of goods	1,104,040
Compamy C	Sale of goods	693,895
Compamy D	Sale of goods	483,409
Others（note）	Sale of goods	1,556,955
Less：Loss allowance		(509)
		$ 5,468,334
Related Parties－		
Gemtek Vietnam Co., Ltd.	Sale of goods	$ 1,135,169
5V Technologies, Taiwan Ltd.	Sale of goods	85,880
Browan Communications Incorporation	Sale of goods	91,686
Others（note）	Sale of goods	14,822
		$ 1,327,557

Note: The amount for each individual client does not exceed 5% of the account balance.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT3

STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Cost	Net Realizable Value
Raw materials	PCB & IC	$ 581,968	$ 570,586
Work in progress	CARD & GATEWAY	212,409	211,369
Finished goods	CARD & GATEWAY	6,054	6,039
Less：provision for inventory devaluation loss		(12,437)	-
		$ 787,994	$ 787,994

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT4

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, In Thousands Shares/Units)

	Balance , January 1,2020		Additions（note 1）		Decrease（note 2）		Evaluation of Profit or	Balance , December 31,2020			
Name	Shares/Units	Fair Value	Shares/Units	Amounts	Shares/Units	Amounts	(Loss)	Shares/Units	Fair Value	Collateral	Note
TAI-SAW Technology Co., Ltd	691	$ 17,964	-	$ -	-	$ -	($ 2,694)	691	$ 15,270	None	
Green Packet Bhd.	26,273	127,498	-	-	-	-	(52,572)	26,273	74,926	〃	
Wakom Semiconductor Corporation	64	-	-	-	(64)	(7)	7	-	-	〃	
Golana Technology Corporation	-	-	-	-	-	-	-	-	-	〃	
Lionic Corporation	225	-	-	-	-	-	419	225	419	〃	
Tempo Semiconductor, Inc.	3,276	-	-	-	-	-	-	3,276	-	〃	
SKSpruce Holding Limited	1,107	38,708	1,134	22,953	-	-	(32,364)	2,241	29,297	〃	
Greenwave Holding Inc.	3,965	142,479	-	-	-	-	(56,108)	3,965	86,371	〃	
		$ 326,649		$ 22,953		($ 7)	($ 143,312)		$ 206,283		

Note 1: The increase derives from the purchase of SKSpruce Holding Limited preferred stock

Note 2: The decrease derives from the selling of 100% shareholdings from Wakom Semiconductor Corporation and Golana Technology Corporation.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT5

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, In Thousands Shares/Units)

	Balance , January 1,2020		Additions（note 3）		Decrease（note 4）			Investment Profit or Loss	Conversion Adjustment	Fair Value through Other Comprehensive income	Others	Balance , December 31,2020			Market Value or Net Assets Value（note 2）		
	Shares/Units	Amounts	Shares/Units	Amounts	Shares/Units	Amounts	Capital Surplus	（note 1）	（note 1）	（note 1）	（note4）	Shares/Units	%of ownership	Amounts	Unit Price（NT）	Total Amounts	Collateral
Investee																	
Gemtek Investment Co.,Ltd.	76,946	$ 791,526	-	$ -	-	($ 111,221)	$ -	$ 188,980	$ 145	($ 23,011)	$ -	76,946	100.00	$ 846,419	11.00	$ 846,419	None
G-Technology Investment Co., Ltd.	78,600	4,332,992	-	-	-	-	-	(31,037)	1,002	10,452	-	78,600	100.00	4,313,409	54.88	4,313,409	〃
Brightech International Co., Ltd.	6,145	73,749	-	-	-	-	-	(619)	1,011	(4,950)	-	6,145	100.00	69,191	11.26	69,191	〃
Ampak Technology, Inc.	36,125	950,844	20,101	1,045,231	(36,125)	(1,079,688)	-	131,171	(268)	978	-	20,101	33.37	1,048,268	67.6	1,358,828	〃
Wi Tek Investment Co., Ltd.	4,000	30,276	-	-	-	-	-	(9,621)	295	-	-	4,000	100.00	20,950	5.24	20,950	〃
Browan Communications Incorporation	11,191	9,305	-	-	-	-	-	1,678	(327)	-	-	11,191	24.33	10,656	0.95	10,656	〃
Gemtek Vietnam Co., Ltd.	-	484,140	-	-	-	-	-	53,960	(23,173)	-	-	-	100.00	514,927		514,927	〃
		$ 6,672,832		$ 1,045,231		($ 1,190,909)	$ -	$ 334,512	($ 21,315)	($ 16,531)	$ -			$ 6,823,820		$ 7,134,380	

Note 1. Amount was recognized based on the audited financial statements of the investee as of December 31, 2020.

Note 2. Equity holding ratio is based on the shareholding percentages as stated in the financial reports of the investee and the Company.

Note 3. The increase derives from the disposal of the remaining equity interest of Ampak Technology, Inc. measured at fair value

Note 4. The decrease derives from the acquisition of stock dividends from Gemtek Investment Co.,Ltd. and Ampak Technology, Inc., plus the disposal of stock dividends from Ampak Technology, Inc.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT6

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Balance, End of The Year	Contract Period	Range of Interest Rates （%）	Loan Commitments	Collateral
Unsecured borrowings					
KGI Bank	$ 370,240	109.12.07~110.01.07	0.75%	$ 400,000	None
HSBC Bank	284,800	109.12.07~110.03.03	0.70%	284,800	〃
Land Bank of Taiwan	28,480	109.12.29~110.03.29	0.70%	650,000	〃
Land Bank of Taiwan	113,920	109.12.29~110.02.01	0.65%	650,000	〃
E. Sun Bank	284,800	109.12.31~110.01.29	0.64%	300,000	〃
	$ 1,082,240			$ 2,284,800	

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT7

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Vendor Name	Description	Amount
Non-Related Parties		
Compamy A	Purchase of goods	$ 429,414
Others（note）	Purchase of goods	1,285,189
		$ 1,714,603
Related Parties		
Gemtek Electronics (Kunshan) Co., Ltd.	Purchase of goods	$ 2,710,405
Gemtek Electronics (ChangShu) Co., Ltd.	Purchase of goods	264,649
Others	Purchase of goods	303
		$ 2,975,357

Note: The amount for each individual client does not exceed 5% of the account balance.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT8

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

ITEM	Quantity (in thousands)	Amount
GATEWAY	10,345	$ 14,732,805
CARD	8,566	417,971
Others	34,686	1,333,231
		$ 16,484,007

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT9

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

ITEM	Amount
Raw materials	
Add: Raw materials, beginning of the year	$ 608,871
Purchase	3,024,488
Less：Raw materials, end of the year	(581,968)
Others	(2,142)
	3,049,249
Direct labor	60,931
Manufacturing expenses	245,396
Manufacturing cost	3,355,576
Add：Work in progress, beginning of the year	23,340
Purchase	65,197
Less：Transferred to expense and scrapped the inventory	(9,907)
Work in progress, end of the year	(212,409)
Cost of finished goods	3,221,797
Add：Finished goods, beginning of the year	39,068
Purchase	11,031,553
Less：Transferred to expense and scrapped the inventory	(4,668)
Finished goods, end of the year	(6,054)
Inventory devaluation loss	(3,121)
Others	636,433
Total	$ 14,915,008

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT10

STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

ITEM	Amount
Salary	$172,493
Export expense	40,740
Certification fee	18,007
Others（note）	73,797
	$305,037

Note: The amount for each individual client does not exceed 5% of the account balance.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT11

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

ITEM	Amount
Salary	$ 182,581
Others（note）	84,742
	$ 267,323

Note: The amount for each individual client does not exceed 5% of the account balance.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT12

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

ITEM	Amount
Salary	$ 549,929
Depreciation and amortization	78,356
Others（note）	137,446
	$ 765,731

Note: The amount for each individual client does not exceed 5% of the account balance.

GEMTEK TECHNOLOGY CO., LTD.

STATEMENT13

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Year Ended December 31,2020			Year Ended December 31,2019		
	Classified as Operating Costs	Classified as Operating expenses	Total	Classified as Operating Costs	Classified as Operating expenses	Total
Employee benefits（note）						
Salary	$ 169,391	$ 819,381	$ 988,772	$ 116,257	$ 762,631	$ 878,888
Share-based payment expenses	793	21,856	22,649	-	-	-
Labor and health insurance	14,656	55,314	69,970	11,878	55,599	67,477
Pension	6,048	31,603	37,651	4,811	30,990	35,801
Remuneration of directors	-	31,019	31,019	-	4,294	4,294
Others	24,264	21,252	45,516	7,696	20,957	28,653
	$ 215,152	$ 980,425	$ 1,195,577	$ 140,642	$ 874,471	$ 1,015,113
Depreciation	$ 29,819	$ 55,354	$ 85,173	$ 24,592	$ 54,647	$ 79,239
Amortization	$ 345	$ 50,963	$ 51,308	$ 342	$ 47,749	$ 48,091

Note 1: For the year ended December 31, 2020 and 2019, the average number of Company Employees are 958 and 915, respectively, which include 5 directors who are non-employees for both years.

Note 2: The average amount of Employee Benefit Expenses for the years 2020 and 2019 were NTD 1,221 thousand and NTD 1,111 thousand, respectively. The average amount of Salary for the years 2020 and 2019 were NTD 1,060 thousand and NTD 966 thousand, respectively. The average salary increased by 8% year over year.

Note 3: The Company no longer appoints supervisors as members of the Board, in which an audit committee shall be assigned to replace the role of the supervisor as required by law.

Note 4: Compensation and Remuneration of Employees and Directors:

(I) Directors

Pursuant to Article 20 of the Article of Incorporation, the Company shall, after deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits, allocate 13.5% for employee profit sharing bonuses and 1.8% for the renumeration benefits of directors and supervisors. The aforementioned percentages shall be resolved by a majority vote at a meeting attended by more than two thirds of the total number of directors, and such distribution shall be reported at the shareholders' meeting. Remuneration of Directors shall be determined by the Company's "Self-Evaluation of the Board of Directors of Gemtek Technology Co., Ltd".

(II) Managers

The average salary of the company's managers provided must be competitive in the industry in order to attract outstanding professionals and increase employee loyalty. Managerial remuneration is determined by the scope of personal responsibilities and performances while taking into account the company's long-term and short-term goals.

(III) Employees

The overall salary of the company's employees is based on the principle of internal fairness and external competitiveness, including both fixed salary and variable salary. Bonuses are provided to attract, motivate and retain talents. According to the Company's Articles of Incorporation, the total amount of employee remuneration is distributed by deducting the employee bonuses and renumeration benefits of directors from the current year's pre-tax benefits prior to the allocation of 13.5% for employee profit sharing bonuses. Employee remuneration is determined by the level of personal responsibilities and professional skills. Bonuses and employee compensations are incentives to encourage higher levels of performances and contributions.

VII.Review and Analysis of Financial Position, Financial Performance, and Risk Management

I. FINANCIAL POSITION ANALYSIS (CONSOLIDATED) - IFRS

Unit: NT$, All in thousands

Items \ Year	Dec. 31, 2020	Dec. 31, 2019	Difference	(%)
Current assets	12,673,645	9,548,019	3,125,626	32.74
Long-term equity investment	2,209,103	1,427,796	781,307	54.72
Property, plant, and equipment	3,325,158	2,867,476	457,682	15.96
Other assets	448,470	856,445	(407,975)	(47.64)
Total assets	18,656,376	14,699,736	3,956,640	26.92
Current liabilities	9,043,613	4,613,772	4,429,841	96.01
Non-current liabilities	228,628	1,398,089	(1,169,461)	(83.65)
Total liabilities	9,272,241	6,011,861	3,260,380	54.23
Share capital	3,575,905	3,568,835	7,070	0.20
Capital surplus	4,606,007	4,761,281	(155,274)	(3.26)
Retained earnings	2,583,817	1,310,513	1,273,304	97.16
Other items under equity	(1,381,726)	(1,223,110)	(158,616)	12.97
Non-controlling interests	132	270,356	(270,224)	(99.95)
Total equity	9,384,135	8,687,875	696,260	8.01

Analysis of Deviation over 20%

1. The increase in current assets totaling NT$3,125,626 thousand was mainly due to increase in inventory and cash equivalents and accounts receivable.
2. The increase in long-term investments totaling NT$781,307 thousand was mainly due to disposal of 41.51% of AMPAK Technology Inc.'s equity. The remaining equity will be recognized by fair value.
3. The decrease in other assets totaling NT$407,975 thousand was mainly due to loss of control in AMPAK Technology Inc. AMPAK was therefore excluded from the Group's consolidated financial report, resulting in the decrease in goodwill.
4. The increase in current liabilities totaling NT$4,429,841thousand was mainly due to increase in accounts payable, short-term loans, and corporate bonds maturing within one year reclassified to current liabilities.
5. The decrease in non-current liabilities totaling NT$169,461 thousand was mainly due to corporate bonds maturing within one year reclassified to current liabilities
6. The increase in retained earnings totaling NT$1,273,304 thousand was mainly due to increase in current net income.
7. The decrease in non-controlling interest totaling NT$270,224 thousand was mainly due to loss of control in AMPAK Technology Inc. AMPAK was therefore excluded from the Group's consolidated financial report.

II.FINANCIAL PERFORMANCE

(I)Financial Performance Analysis

Unit: NTD, All in thousands

Items \ Year	2020	2019	Difference	(%)
Net operating income	19,929,372	18,057,131	1,872,241	10.37
Operating cost	(17,663,796)	(16,284,640)	(1,379,156)	8.47
Gross profit	2,265,576	1,772,491	493,085	27.82
Operating expenses	(1,797,663)	(1,720,992)	(76,671)	4.46
Operating profit	467,913	51,499	416,414	808.59
Non-operating income and expenses	1,105,259	231,056	874,203	378.35
Income before taxation	1,573,172	282,555	1,290,617	456.77
Income tax expense	(165,598)	(72,582)	(93,016)	128.15
Net profits of the current year	1,407,574	209,973	1,197,601	570.36
Other comprehensive loss	(184,190)	(475,358)	291,168	(61.25)
Total comprehensive income	1,223,384	(265,385)	1,488,769	(560.98)

Analysis of Deviation over 20%

1.The increase in gross profit totaling NT$493,085 thousand was mainly due to increase in current revenue.

2.The increase in operating income totaling NT$416,414 thousand was mainly due to increase in gross profit.

3.The increase in non-operating income totaling NT$874,203 thousand was mainly due to profit from disposal of AMPAK Technology Inc.'s partial equity.

4.The increase in income tax totaling NT$93,016 thousand was mainly due to increase in net income.

5.To summarize the above, total net income increased by NT$1,197,601 thousand.

6.The increase in other comprehensive gain and loss totaling NT$291,168 thousand was mainly due to recognization of financial assets unrealized profit measured by fair value through other comprehensive gain and loss.

7.To summarize the above, total comprehensive gain and loss increased by NT$1,488,769 thousand.

(II)Gross Profit Variance Analysis:

Unit: NTD, All in thousands

Product	Factor Analysis	Year 2020/2019
Wireless Gateway	(I)Revenue Variance Analysis:	
	P(Q’－Q)	2,804,469
	Q(P’－P)	416,765
	(P’－P)(Q’－Q)	100,737
	P’Q’－PQ	3,321,971
	(II)Cost Variance Analysis:	
	P(Q’－Q)	2,597,529
	Q(P’－P)	389,073
	(P’－P)(Q’－Q)	94,043
	P’Q’－PQ	3,080,645
	(III) Difference:	241,326
Wireless Network Card	(I) Revenue Variance Analysis:	
	P(Q’－Q)	25,187,628
	Q(P’－P)	(405,358)
	(P’－P)(Q’－Q)	(22,715,776)
	P’Q’－PQ	2,066,494
	(II) Cost Variance Analysis:	
	P(Q’－Q)	20,635,963
	Q(P’－P)	(334,380)
	(P’－P)(Q’－Q)	(18,738,222)
	P’Q’－PQ	1,563,361
	(III) Difference:	503,133
Wireless Modules	(I) Revenue Variance Analysis:	
	P(Q’－Q)	(897,671)
	Q(P’－P)	184,853
	(P’－P)(Q’－Q)	(82,812)
	P’Q’－PQ	(795,630)
	(II) Cost Variance Analysis:	
	P(Q’－Q)	(789,766)
	Q(P’－P)	62,587
	(P’－P)(Q’－Q)	(28,038)
	P’Q’－PQ	(755,217)
	(III) Difference:	(40,413)
Others	Difference:	(210,961)
Total		493,085

Note: P’Q’: Current year’s price and quantity ; P Q: Prior year’s price and quantity

①Wireless Gateway

From the year 2019 to 2020, the Company’s sales volume increased, resulting in favorable sales volume variance of NT$ 2,804,469 thousand, favorable sales price variance of NT$ 416,765 thousand, and the favorable sales mix variance was NT$ 100,737 thousand. The unfavorable cost-volume variance derived from price changes was NT$ 2,597,529 thousand, the unfavorable price variance was NT$ 389,073 thousand, and the unfavorable mix variance was NT$ 94,043 thousand. To summarize the above, the gross profit of wireless gateway sales in 2020 compared with that in 2019 increased by NT$241,326 thousand.

②Wireless Network Card

For the year 2019, due to sales volume increase, resulting in favorable sales volume variance of NT$ 25,187,628 thousand, unfavorable sales price variance of NT$ 405,358 thousand, and the favorable sales mix variance was NT$ 22,715,776 thousand. The unfavorable cost-volume variance derived from sales volume-cost was NT$ 20,635,963 thousand, the favorable cost-price variance was NT$ 334,380 thousand, and the favorable mix variance was NT$ 18,738,222 thousand. To summarize the above, the gross profit of wireless gateway sales in 2020 compared with that in 2019 increased by NT$503,133 thousand.

③Wireless Modules

For the year 2019, due to sales volume decrease, resulting in unfavorable sales volume variance of NT$897,671 thousand, favorable sales price variance of NT$ 184,853 thousand, and the unfavorable sales mix variance was NT$ 82,812 thousand. The favorable cost-volume variance derived from sales volume-cost was NT$ 789,766 thousand, the unfavorable cost-price variance was NT$ 62,587 thousand, and the favorable mix variance was NT$ 28,038 thousand. To summarize the above, the gross profit of wireless gateway sales in 2020 compared with that in 2019 decreased by NT$40,413 thousand.

III.CASH FLOW

1.Cash Flow Analysis

Year / Items	2020	2019	(%)
Cash flow ratio	(10.03)	60.60	(116.55)
Cash flow adequacy ratio	40.41	163.63	(75.30)
Cash flow reinvestment ratio	(8.35)	21.47	(138.89)

Analysis of Deviation:

(1)In 2020, due to increase in net cash outflow from operating activites, resulting in 2019 cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio decrease by 117%, 75%, and 139% respectively.

(2)Remedial Actions for Liquidity Shortfall: As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

(3)Cash Flow Projection for Next Year:

Unit: NTD, All in Thousand

Beginning Cash Balance (A)	Cash Flow from operating activities (B)	Cash Outflow (C)	Cash Surplus (Deficit) (A)+(B)-(C)	Remedies for Cash Deficit	
				Investment Plans	Financing Plans
1,925,250	336,456	1,924,798	336,908	-	-

Analysis of Cash Flow:

(1)Operating Activities: Projected cash inflow from operatin activities is NT$336,456 thousand.

(2)Investment and Financing Plans: In the coming year, the Company is expected to invest approximately NT$338,446 thousand in Taipei Zhonghe District office, equipment, and software deferred assets, obtain long-term investment of NT$280,000 thousand, repay bank loans of NT$560,000 thousand, and issue cash dividends of NT$746,352 thousand.

IV.Impact of major capital expenditures on the Company’s financial operations for the most recent fiscal year: As of the date of this annual report’s publication, there are no major capital expenditures.

V. REINVESTMENT POLICIES, MAIN REASONS FOR PROFITS/LOSSES GENERATED, IMPROVEMENT PLANS, AND INVESTMENT PLANS FOR THE COMING YEAR:

Reinvestment Analysis

Unit: NTD/US, All in thousands

Investee	Plan	Long-term Investment Carrying Amount	Policy	Main Reasons for Profit/Loss	Improvement Plans	Future Investment Plans
Gemtek Investment Co.,Ltd.	Investment	846,419	Expand investments in telecommunications industry and related fields	Profit from financial investment.	Maintain initial investments	-
G-Technology Investment Co.,Ltd.	Investment	4,313,409	Reinvest in subsidiaries located in the Mainland Area	Recognition of profit and loss due to reinvestment in subsidiaries located in the Mainland Area	Maintain initial investments	-
Brightech International Co., Ltd	Investment	69,191	Reinvest in subsidiaries located in the Mainland Area	Recognition of profit and loss due to reinvestment in subsidiaries located in the Mainland Area	Maintain initial investments	-
Ampak Technology, Inc.	Packaging and testing of high-frequency wireless communication modules	1,048,268	Expand distribution channel	Achieved expectd profit	Continuous manufacturing process development	-
Wi Tek Investment Co.,Ltd	Investment	20,950	Reinvest in subsidiaries located in the Mainland Area	Focuses on research and development.	Maintain initial investments	-
Browan Communications Incorporation	Telecommunications Industry	10,656	Strategical alliance	Sales performances yet to be improved.	Maintain initial investments	-
Gemtek Vietnam Co., Ltd.	Telecommunications Industry	514,927	Part of corporate strategy to enhance competitiveness via business expansion, satisfying customer demands, and acquiring cost-effective labor and manufacturing plant.	Profit yet to be realized.	Maintain initial investments	-

VI.Organizational Risk Management

Risk Management Framework

Over the years, Gemtek has continued to strengthen its corporate risk management framework by adopting internal control practices that involve risk detection, evaluation, reporting, and handling.The Internal Control System developed by Gemtek is implemented on two levels. Corporate divisions and members form the Primary Level, which is the first line of defense, is to identify underlying risks, and to assess and manage ongoing risk mitigation policies. The Advanced Level consists of individuals from the upper level of the management hierarchy (i.e. Deputy General Manager and above) who are in charge of evaluating the feasibility of business and its risk factors, while final decisions are subject to the consideration of the chairman of the board.

Despite having comprehensive risk control measures in place, the Company has not established a permanent risk management division to overlook relevant matters. The plan is for all employees to be aware of risks and escalate matters at all times to prevent any avoidable events. In cases of emergencies, the Company shall activate its Business Continuity Management Plan to support business operations. The Company's risk management framework is as illustrated in the following chart.

Risk Management Framework

Evaluation of Risk Factors	Direct Risk Management (Divisions) (Primary Level)	Risk Assessment and Control (Advanced Level)
I. Climate change	Corporate Efficiency Division (Factory anagement, Human Resources, General Management, Corporate Safety)	Activation of Business Continuity Management Plan and Implementation: (General Manager, COO, Manufacturing Division, Sales Division, Logistics Division, Human Resources Division, General Management Division, Factory Management Division, Corporate Safety Division etc.) Final conclusions of the chairman shall be reported to the board of directors
II. Impact on production capacity caused by natural disasters	Manufacturing Division, Information Division	
III.Fire emergencies and power outages	Logistics Division,	
IV. Terrorist attack	Human Resources Division	
V. Supply shortages	Logistics Division	
VI. Financial risks	Finance Division	
VII. High-risk investments,lending funds to other parties, and derivative transactions	Finance Division	
VIII. Investment in the Mainland area and subsidiaries	Finance Division	
IX. Expansion of manufacturing plant and production	Factory Management Division	

Risk Management and Assessment:

(I) Impacts of interest and foreign exchange rate fluctuations and inflation on the Company's profit and loss, and countermeasures:

(1)Interest Rate

In March 2020, in response to the Covid-19 global outbreak, the US FED enacted an extremely loose monetary policy with measures such as unlimited quantitative easing and reduced interest rates. The FED had lowered interest rates twice by 100 basis points in an effort to prevent the financial market from crashing. The gesture restarted its near-zero interest rate policy to spur economic activity and bring financial order back on track. In the midst of the crisis, Gemtek continues to expand its business operations by seeking various sources of funding. In addition to raising equity capital, Gemtek also tries to offset foreign currency risks for its foreign currency denominated loans by borrowing at a fixed or floating rate based on forward guidance.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risks as of the Group's balance sheet date are as follows:

	December 31,2020	December 31,2019
Fair value interest rate risk		
－Financial assets	$ 82,364	$1,528,120
－Financial liabilities	2,261,397	1,523,882
Cash flow interest rate risk		
－Financial assets	1,884,043	1,280,899
－Financial liabilities	-	93,000

(2) Foreign Exchange Rate Fluctuations and Inflation

The Company's foreign currency positions are due to the selling of goods and purchasing of supplies abroad. In order to mitigate exposures to exchange rate fluctuations and inflation, the Company uses currency swaps to hedge currency risks. If the remaining foreign currency positions are higher than expected, the cash will be sold by spot transaction. The above measures should be sufficient for the Company to mitigate exposure to foreign exchange risks.

Significant foreign exchange gain and loss (Realized and unrealized), as follows:

	For the Year Ended December 31, 2020		**For the Year Ended December 31, 2019**	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Gains(Losses)**	**Exchange Rate**	**Net Foreign Exchange Gains(Losses)**
NTD	1（NTD：NTD）	$ 11,288	1（NTD：NTD）	($ 63,687)
RMB	4.3648（RMB：NTD）	(62,220)	4.2975（RMB：NTD）	20,374
		($ 50,932)		($ 43,313)

The impact of foreign currencies on gain and loss listed in the above table mainly derived from the USD-denominated non-derivative financial assets and liabilities of the Group that are still in circulation on the balance sheet date and have not undergone cash flow hedging.

(3)Countermeasures:

A. Accounts receivable and accounts payable are denominated in US dollars to reduce the impact of exchange rate fluctuations on overall profitability.

B. Derivative commodity transactions currently undertaken are to hedge assets and liabilities that are denominated in foreign currency. And in accordance with the "Procedures for Financial Derivatives Transactions", the Company conducts derivatives transactions through banks and regularly assesses the profits and losses to reduce the impact of exchange rate fluctuations on overall profitability.

C. The forex team collects market information on exchange rates, interest rates, and financial reports on a daily basis. Meetings are held to discuss strategies and measures to uphold movements from the market. In case of emergencies, matters are escalated immediately to senior executives to take appropriate actions.

D. Evaluate the interest rate of bank loans regularly. Maintain a good relationship with the bank to obtain more favorable terms or treatment with regard to rates and fees to alleviate the impact of interest rate changes on the Company's profit and loss.

E. In view of rising prices in raw materials, combating inflation has become a critical issue. Due to drastic changes in the market, the Company has drawn long-term plans to make advanced purchases with material suppliers in addition to finding alternative materials and implement more active procurement approaches. Since the supply chain can be threatened by the possible occurrence of a relatively longer material lead time, the question on how to satisfy soaring demands while responding to unpredictable factors, as in supply chain disruptions, shortage of labor, and cost control on various non-productive raw materials such as inventory, have become new topics for consideration. It now seems important to work with agents that are able to provide warehouse services to avoid the risks of supply shortages and cost fluctuations.

(II) Policies for high-risk, high-leverage investments, capital lending, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and countermeasures:

(1) The Company focuses on main business operations and does not engage in high-risk, high-leverage investments.

(2)Loaning of funds:

Unit: NTD/US thousands

Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Financing Limit for Each Borrower （note1）	Financing Company’s Total Financing Amount Limit （note 1）
Gemtek Electronics (Suzhou) Co., Ltd.	Gemtek Electronics (ChangShu) Co., Ltd.	Short-term borrowings	$52,524	$ 52,524	$52,524	3.60	$85,377	$85,377

(3)Endorsement: None

(4) The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. The purpose of currency hedging is to mitigate the impact of possible FX losses due to rate fluctuation other than profiting from currency arbitrage. If all elements of the Company's business operations and clients remain unchanged, the Company will continue to take similar financial measures to hedge currency risks. The Company focuses on main business operations and does not engage in other derivative transactions. The Company also abide by the "Procedures for Acquisition or Disposal of Assets" and relevant regulations to accurately disclose information on all transactions.

(III) Research and development (R&D) projects and estimated R&D expenditures:
Please see page for "Business Operation Overview – R&D".

(IV)Impacts of changes in domestic and foreign government policies and laws on the Company's financial operations, and future countermeasures:
The Company has gradually moved its low-margin productions to the Mainland.
Due to the fact that the Mainland still imposes trade and foreign exchange controls, the Company's Mainland operations may be at risk of being affected by possible changes from the Mainland's policy. The Company continues to study and follow closely with the relevant laws and regulations of the Mainland to mitigate any negative impacts caused by the changes.

(V) Impacts of industry and technology changes to the Company's financial operations, and future countermeasures:
As a sector of the high-tech industry, the rapid growth of the telecommunication industry has accelerated the innovative development and advancement of numerous wireless network communications products. Based upon this economic atmosphere, the Company should strive to keep up with the technology trends to continue to grow and expand its business. For decades, the Company's operations were mainly focused on the research and development of wireless network communications equipment. The Company has been a leader in the field propelled by a group of dedicated professionals, backed by cutting edge manufacturing equipment and technology. The Company is now working towards a more diversified R&D approach, and has continued to innovate over the years. Technological evolution will contribute to the development of the Company's business. However, successful business expansion must also be accompanied by a good management and cost control system, as well as a strong financial backbone to allow the Company to grow at a steady pace. Therefore, the Company has to strengthen its internal controls on all aspects to maintain business efficiency.

(VI) Impacts of changes in corporate image on the company's crisis management and future countermeasures:
The Company is dedicated to the development and manufacturing of wireless network products and has always upheld a good reputation throughout its years of doing business. The Company has no negative publicity and therefore the corporate image has never been affected.

(VII) Expected benefits and potential risks related to mergers and acquisitions:
The Company has no plans for mergers and acquisitions as of the publication of this report. However, if the Company does have plans in the future, it will take proactive

measures to assess whether the merger can bring synergies to the company as well as guarantee the rights and interests of shareholders.

(VIII) Expected benefits and potential risks of capacity expansion:
The Company has no plans for capacity expansion as of the date of the publication of this report.

(IX) Risk of procurement and sales concentration, and future countermeasures:

(1)Purchases:

The Company is a supplier of wireless network equipment and products, therefore, it is relatively important to maintain a close relationship with upstream and downstream manufacturers throughout the supply chain. And due to the fact that wireless network product specifications need to be certified in particular, in the process of strategic sourcing, the Company’s main approach is to partner with the selected few who are capable of developing the necessary chip modules firsthand. The Company is well aware that the approach would result in buyer concentration in which supply disruption may be a lurking issue, therefore, inventory management and advanced preparation of supplies and raw materials are the key measures to avoid such risks.

(2)Sales:

The Company’s major clients at present are retail distributors located in the United States and Europe on account of the region’s soaring demand for wireless communication products. In addition, the need for embedded modules found in products such as laptop computers is equally on the rise, resulting in the increase of the Company’s worldwide OEM sales volume over the years. In order to prevent sales concentration in the market, the Company plans to take proactive measures in building new marketing channels by strengthening cooperation with manufacturers located across Japan and Asia.

(X) Impacts and risks arising from major transfer or replacement of shares by Directors, Supervisors, or shareholders with over 10% of shares in the Company: None

(XI) Impact of change in Company management and associated risks:

The Company currently has 363,031,547 common shares outstanding. The total number of shares held by directors are 15,305,580 shares, accounting for approximately 4.22% of the aggregate number of issued shares. The directors of the Company are committed in ensuring the high standards and quality performance of the Company are continuously upheld and recognized by its shareholders.

(XII) Litigious or non-litigious matters:

(1) The major litigious, non-litigious or administrative disputes that have been concluded by means of a final and definitive judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of this annual report shall be disclosed:None

(2) The major litigious, non-litigious or administrative disputes that have been concluded by means of a final and definitive judgment, or are still under litigation that involves any director, any supervisor, the general manager, any person with actual responsibility of the Company, any major shareholder holding a stake greater than 10

%, and/or any company or companies controlled by Gemtek, and the status of the dispute as of the date of printing of this annual report shall be disclosed: None

(XIII) Other material risks and countermeasures:

(1) Macroeconomic deterioration may reduce the Company's profits
In recent years, the Company has experienced extremely high growth rates due to the rapid development of the wireless communications industry. However, in the event of economic reversal fueled by macroeconomic instability, consumer's willingness to pay and global demands may possibly decline, which would cause direct impact to the wireless communications market and the company's profitability.

(2) Consumer acceptance and use of new technology may not be as high as expected
Wireless communications is an emerging technology. The Company is a highly-dedicated wireless communications system manufacturer that focuses on the fundamental research and development of the technology as well as the creation of multiple trending products and components in the market. Nevertheless, if consumer acceptance and use of new technology does not turn out as high as expected, the market direction will bring adverse impacts to the Company's future business performances.

(3) Price wars will affect the Company's profit.
Competition among wireless communications system manufacturers has been intense over the past years. Business competitors have been cutting prices and finding ways to scale down profit margins in order to win clients. If the price war persists, low margins will cause a long-term impact on the Company's ability to profit.

(4) Downstream market size is relevant to the Company's sales outcome.
Embedded modules for laptop computers has contributed a fair share to the Company's sales revenue in recent years aside from conventional wireless network cards and routers sold to existing customer base. If demands for laptop computers should drop dramatically, the ensuing effects would not be optimistic for the Company.

(5) The Company adheres to its steady operation philosophy and has been able to maintain a high level of business growth in the past three years. Nevertheless, in truth, one cannot use the Company's past operating performances to earn a guaranteed profit from investing in the Company's stock as the market price is constantly fluctuating under the influence of systematic risk-factors. Economic cycles and price volatility may result in unfavorable outcomes for investors.

(6) The Company needs to draw an effective talent management strategy.
Talented people are the foundation of the Company's innovative drive, allowing the Company to constantly develop, operate, and maintain competitiveness in the industry. The Company must continue to improve and enhance its employee welfare and work environment as a means to retain and attract talents, keeping the source of innovative capacity abundant and secure.

(7) Natural disasters and severe infectious diseases may cause adverse impacts on the Company's operations
Taiwan has experienced large-scale earthquakes and severe hurricanes as well as mass infectious diseases in the past. Both natural disasters and epidemics have caused great damage to Taiwan's overall economic environment. The recurrence of such events will bring negative impacts to the Company's operations.

(8) Intellectual property disputes
R&D capabilities and manufacturing abilities are the core of the Company's operations. Therefore, protecting intellectual property rights is extremely vital to the Company. Patents applications are filed immediately once the Company finds the

results of a R&D project suitable for protection. As the number of the Company's patents continue to increase, potential disputes over intellectual property rights with companies who have similar endeavors in the industry may begin to emerge. Litigation may have a negative effect on the Company's bottom line.

(9) Business risks in China

The Company's manufacturing policies in recent years focuses on the development of more diversified, high value-added products made in limited quantities in Taiwan. Low-margin products are now mostly manufactured in the Mainland. In view of the unstable cross-strait relations, any deterioration of the status quo will inevitably cause an adverse effect on the Company's operations.

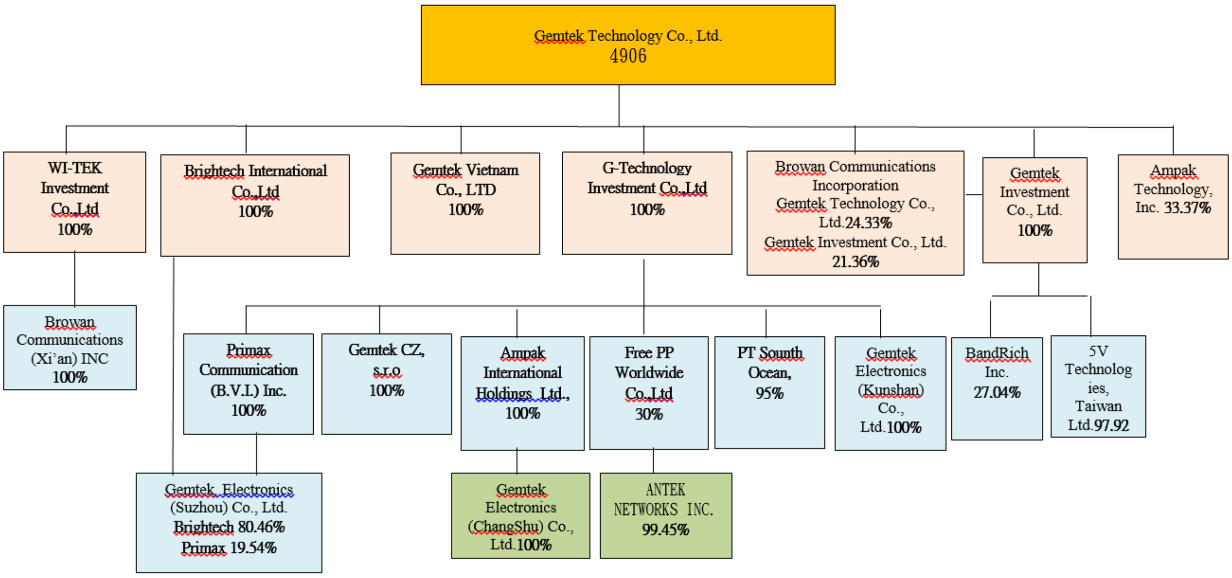
VII.Other Material Matters: None

VIII.Special Disclosure

I.Information on the Company Affiliates

(1) Corporate Organization Chart

Dec. 31, 2020



(2) Basic information on affiliates

Dec. 31, 2020; Unit: NTD/US thousands

Names of affiliates	Date of Incorporation	Address	Paid-in Capital	Principal business
Gemtek Investment Co., Ltd.	Mar 23,2001	15-1, Zhonghua Road, Hsinchu Industrial Park, Hukou, Hsinchu, Taiwan	NT$769,457	Investment
G-Technology Investment Co., Ltd	Oct 31,2002	PO BOX 1787, George Town,Grand Cayman	US$78,600	Investment
Brightech International Co.,Ltd	Oct 11,2002	Suite 802, St James Court St Denis Street, Port Louis,Mauritius	US$6,145	Investment
Ampak International Holdings Ltd	Oct 12,2005	Portcullis TrustNet Chambers P.O.Box 1225 Apia,SAMOA	US$36,000	Investment
WiTek Investment Co., Ltd	May 22,2007	4th Floor,Harbour Centre,P.O.Box613,Grand Cayman KY1-1107,Cayman Islands	US$4,000	Investment
Gemtek Vietnam Co.,Ltd	Nov 7,2018	Second Tongwen Industrial Zone, Baishang Township, Weixian County, Henan Province, Vietnam	USD20,000	Manufacturing
Gemtek CZ,s.r.o.	Nov 30,2009	Chebská 555/7, 322 00 Plze-Kimice Czech Republic	US$692	Manufacturing

Names of affiliates	Date of Incorporation	Address	Paid-in Capital	Principal business
Free PP Worldwide Co.,Ltd	Mar 6,2017	No.24,Lesperance Complex,Providence Industrial Estate,Mahe,Seychelles	US$3,340	Investment
Gemtek Electronics (Suzhou) Co., Ltd	Nov 11,2002	No. 58, Yangdong Road, Loufeng High-tech Development Zone, Suzhou Industrial Park	US$8,350	Manufacturing
Gemtek Electronics (Kunshan) Co., Ltd.	May 20,2004	88 Xinzhu Road, Export Processing Zone, Kunshan City, Jiangsu Province	US$15,000	Manufacturing
Gemtek Electronics (ChangShu) Co., Ltd	Feb 17,2006	NO.1, Zheng Wen Road. New & High Tech Industrial Park, Changshu Economic Development Zone , JiangSu	US$36,000	Manufacturing
ANTEK NETWORKS INC.	May 18,2000	15-1, Zhonghua Road, Hsinchu Industrial Park, Hukou, Hsinchu, Taiwan	NT$29,000	電器批發業
Ampak Technology, Inc.	Dec 14,2000	15-1, Zhonghua Road, Hsinchu Industrial Park, Hukou, Hsinchu, Taiwan	NT$602,329	Packaging and testing of high-frequency wireless communication modules
Sparklan Communications Inc.	Nov 13,2002	8F., No. 257, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City , Taiwan	NT$102,034	Communications industry
Browan Communications Incorporation	Oct 26,1999	15-1, Zhonghua Road, Hsinchu Industrial Park, Hukou, Hsinchu, Taiwan	NT$460,000	Communications industry
Browan Communications (Xi’an) Inc	Aug 24,2007	6 F, No. 72, Keji 2nd Road, High-tech Zone, Xi'an	US$4,000	Information Software Service Industry
Primax Communication (B.V.I.) Inc.	Jun 1,2001	P.O.Box3444,Road Town,Tortola,British Virgin Islands.	US$2,350	Investment
PT. South Ocean	Mar 12,2010	Menara Karya, 28th Floor, Jl. H.R. Rasuna Said Blok, X-5, Kav.1-5, Jakarta, 12950 Indonesia.	US$238	Communications industry
BandRich Inc.	Apr 11,2006	6F., No. 71, Zhouzi St., Neihu Dist., Taipei City Taiwan	NT$203,400	Communications industry
5V Technologies, Taiwan	Mar 28,2005	6F., No. 19-9, Sanchong Rd., Nangang Dist., Taipei City , Taiwan	NT$91,912	Communications industry

(3) Where there is considered to be a controlled and subordinate relation, the information of the same shareholders: None.

(4) Information on directors, supervisors, and presidents of affiliate.

Company name	Title	Names or representative	Shares	Ratio of shareholding
Gemtek Investment Co., Ltd.	Director	Gemtek Technology Co., Ltd. : Howard Chen 、Kevin Yang、Randy Hsu	76,945,670	100.00%
G-Technology Investment Co.,Ltd	Director	Gemtek Technology Co., Ltd. : Howard Chen	78,600,020	100.00%
Brightech International Co., Ltd	Director	Gemtek Technology Co., Ltd. : Jorson Tsai	6,145,000	100.00%
WiTek Investment Co.,LTD	Director	Gemtek Technology Co., Ltd. : Howard Chen	4,000,000	100.00%
Gemtek Vietnam Co., Ltd.	Director	Gemtek Technology Co., Ltd. : Randy Hsu	-	100.00%
Ampak International Holdings Ltd	Director	G-TECHNOLOGY INVESTMENT CO., LTD : Jorson Tsai	36,000,000	100.00%
Free PP Worldwide Co.,Ltd	Director	G-TECHNOLOGY INVESTMENT CO., LTD : Howard Chen	1,002,000	30.00%
Gemtek Electronics (Suzhou) Co., Ltd.	Director	BRIGHTECH INTERNATIONAL CO.,LTD : Jorson Tsai	6,718,410	80.46%
Gemtek Electronics (Kunshan) Co., Ltd.	Director	G-TECHNOLOGY INVESTMENT CO., LTD : Jorson Tsai	15,000,000	100.00%
ANTEK NETWORKS INC.	Director	Free PP Worldwide Co.,Ltd : Howard Chen 、Kevin Yang、Wala Tan	2,883,980	99.45%
Browan Communications (Xi’an) Inc	Director	WiTek Investment Co.,LTD : Howard Chen	4,000,000	100.00%
Ampak Technology, Inc.	Director	Gemtek Technology Co., Ltd. : Charlin Lin	20,100,595	33.37%
GemtekElectronics(ChangShu) Co., Ltd.	Director	Ampak International Holdings Ltd : Stephen Liao	36,000,000	100.00%
Browan Communications Incorporation	Director	Gemtek Technology Co., Ltd. : Howard Chen	21,017,219	45.69%
Gemtek CZ,s.r.o.	Director	G-TECHNOLOGY INVESTMENT CO., LTD	12,000,000	100.00%
Primax Communication (B.V.I.) Inc.	Director	G-TECHNOLOGY INVESTMENT CO., LTD: Jorson Tsai	2,297,000	100.00%
PT. South Ocean	Director	G-TECHNOLOGY INVESTMENT CO., LTD : Howard Chen	24,000	95.00%
BandRich Inc.	Director/ Supervisors	Gemtek Investment Co., Ltd. : Randy Hsu、 Fred Yeh 、 Charlin Lin	5,500,000	27.04%
5V Technologies, Taiwan	Director	Gemtek Investment Co., Ltd. : Arena Yao、Chungen Wu、Sunrise Ho	9,000,000	97.92%

II.Business Operations Overview

(1)Financial Status and Result of Affiliated Companies

Dec. 31, 2020 / Unit: NTD,USD,IDR,CZK thousands

Company name	Currency	Paid-in Capital	Total assets	Total liabilities	Net Value	Operating income	Operating profit	Current period net profit
Gemtek Investment Co., Ltd.	NTD	769,457	870,686	24,267	846,419	_	(229)	188,980
G-TECHNOLOGY INVESTMENT CO.,LTD	USD	78,600	151,515	61	151,454	_	(680)	(956)
BRIGHTECH INTERNATIONAL CO.,LTD	USD	6,145	2,429	_	2,429	_	(3)	(21)
Wi TEK INVESTMENT CO.,LTD	USD	4,000	736	_	736	_	_	(327)
Gemtek Vietnam Co., Ltd.	USD	20,000	78,391	60,310	18,081	180,557	2,015	1,932
AMPAK INTERNATIONAL HOLDINGS LTD.	USD	36,000	37,370	_	37,370	_	_	721
Gemtek Electronics (Suzhou) Co., Ltd.	RMB	68,870	19,561	1	19,560	_	(587)	(149)
Gemtek Electronics (Kunshan) Co., Ltd.	RMB	124,148	1,182,094	596,696	585,398	1,616,517	3,712	(9,131)
GemtekElectronics(ChangShu) Co., Ltd.	RMB	241,419	542,544	298,711	243,833	1,143,620	(332)	4,396
ANTEK NETWORKS INC.	NTD	29,000	5,236	46,203	(40,967)	703	(10,576)	(8,536)
Ampak Technology, Inc.	NTD	602,329	1,874,762	628,215	1,246,547	2,417,460	292,208	286,468
Sparklan Communications Inc.	NTD	102,034	369,857	49,740	320,117	256,097	78,371	66,361
Browan Communications Incorporation	NTD	460,000	165,069	121,271	43,798	417,189	10,320	6,898
Browan Communications (Xi'an) Inc	RMB	28,570	5,231	432	4,799	332	(2,259)	(2,245)

Free PP Worldwide Co.,Ltd	USD	3,340	1,637	_	1,637	_	(157)	(46)
Primax Communication (B.V.I.) Inc.	USD	2,350	586	_	586	_	_	(4)
PT. South Ocean	IDR	2,250,000	1,173,767	23,387	1,150,380	_	_	_
BandRich Inc.	NTD	203,400	24,170	2,615	21,555	8,882	(9,664)	(10,116)
Gemtek CZ,s.r.o.	CZK	12,000	50,082	44,988	5,094	152,778	8,020	4,010
5V Technologies, Taiwan	NTD	91,912	142,956	143,381	(425)	221,063	(13,088)	(12,195)

(2)Consolidated Financial Report of Affiliated Companies: Please see pages125 -235.

(3)Relationship Report of Affiliated Companies: None

III. Private placement of securities of the past year as of the publication date of this Annual Report: None.

IV.Holding or disposal of the Company's shares by the subsidiaries of the most recent year as of the publication date of this Annual Report: None.

V.Other necessary supplementary items to be included: None.

VI. Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year as of the publication date of this Annual Report: None.

Gemtek Technology Co., Ltd.

Chairman: Hong Wen Chen