Stock Code: 6525

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements with CPA's Review Report

Third Quarter of 2022 and 2021

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CPA's Review Report

GEM Services, Inc.:

Foreword

Consolidated Balance Sheets of GEM Services, Inc. and its subsidiaries (GEM Group) for September 30, 2022 and 2021, in addition to the Consolidated Statements of Comprehensive Income for July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021. The statements from January 1 to September 30, 2022 and 2021 including the Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) have been reviewed by the CPAs., have been reviewed by the CPAs. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC recognized and published IAS 34 "Interim Financial Reporting", it is the management's responsibility to prepare a fair representation of the consolidated financial statements, and the CPA's responsibility to draw a conclusion on the consolidated financial statements based on the review results.

Scope of the report

With the exception of the matter described in the basis for qualified conclusion, the CPA has reviewed in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Statements". The procedures performed in reviewing the consolidated financial statements include inquiries (primarily with those responsible for financial and accounting matters), analytical procedures and other review procedures. The scope of the review is significantly smaller than that of the audit work, so the CPA may not be able to detect all the matters that can be identified through the audit work, and therefore cannot express an audit opinion.

Basis for qualified conclusion

As stated in Note 10 to the Consolidated Financial Statements, GEM Group's investments accounted using the equity method on September 30, 2022 and 2021 were NT$93,909 thousand and NT$83,420 thousand respectively. From July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021, the share of profits and losses of associates and joint ventures accounted using the equity method were NT$6,096 thousand, NT$2,326 thousand, NT$5,697 thousand and NT$6,427 thousand respectively. The relevant information disclosed in Note 30 to the consolidated financial statements is recognized and disclosed based on the investee company's financial statements for the same period that have not been reviewed by CPA.

Qualified Conclusion

Based on our review, except for the financial statements of the investee company and the related information described in the basis for qualified conclusion which may have an adjustment impact on the consolidated financial statements if they have been reviewed by the CPA, the consolidated financial statements in all material respects referred to above prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission, was prepared to adequately express the consolidated financial position of GEM Group in September 30, 2022 and 2021, as well as consolidated financial performance from July 1 to September 30, 2022 and 2021, and financial performance and consolidated cash flow from January 1 to September 30, 2022 and 2021.

Deloitte & Touche

CPA Keng-Hsi, Chang

CPA Chien-Hsin, Hsieh

Approved for recordation by Securities and Futures Commission, Ministry of Finance
Tai-Tsai-Cheng-Liu-Tzu No. 0920123784

Approved for recordation by Securities and Futures Commission, Ministry of Finance
Tai-Tsai-Cheng-Liu-Tzu No. 0920123784

November 9, 2022

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

September 30, 2022 and December 31 and September 30, 2021

(In Thousands of New Taiwan Dollars)

		September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
Code	Assets	Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 1,698,954	24	$ 1,652,649	25	$ 1,469,360	25
1140	Current contract assets (Notes 5 and 19)	93,485	1	125,648	2	118,346	2
1170	Accounts receivable (Notes 5, 7 and 19)	1,078,855	15	1,006,963	15	948,533	16
1180	Accounts receivable due from related parties (Notes 5, 19 and 27)	9,584	-	8,717	-	8,009	-
1200	Other receivables (Notes 5 and 7)	153,809	2	161,058	3	156,570	3
1210	Accounts receivable due from related parties (Notes 5 and 27)	57	-	110	-	1,600	-
130X	Inventories (Note 8)	250,623	4	288,713	4	260,926	4
1410	Prepayments (Note 15)	30,136	1	142,379	2	89,925	1
11XX	Total current assets	3,315,503	47	3,386,237	51	3,053,269	51
	Non-current assets						
1550	Investments accounted for using equity method (Note 10)	93,909	1	88,869	1	83,420	2
1600	Property, plant and equipment (Notes 11 and 24)	2,875,308	41	2,437,086	37	2,118,395	36
1755	Right-of-use assets (Note 12)	112,561	2	133,793	2	57,579	1
1760	Investment property (Note 13)	59,945	1	64,529	1	-	-
1780	Other intangible assets (Note 14)	2,428	-	3,721	-	4,319	-
1840	Deferred tax assets (Note 4)	25,927	1	24,867	-	18,554	-
1990	Other non-current assets (Notes 15 and 27)	515,837	7	538,220	8	611,402	10
15XX	Total non-current assets	3,685,915	53	3,291,085	49	2,893,669	49
1XXX	Total assets	$ 7,001,418	100	$ 6,677,322	100	$ 5,946,938	100
Code	Liabilities and equity						
	Current liabilities						
2130	Current contract liabilities (Notes 19 and 27)	$ 9,249	-	$ 9,139	-	$ 20,814	-
2170	Accounts payable	829,869	12	813,644	12	800,618	14
2200	Other payables (Notes 16 and 25)	1,006,836	14	938,371	14	618,117	10
2230	Current tax liabilities (Note 4)	85,509	1	110,237	2	81,045	1
2250	Current provisions (Note 17)	30,000	1	30,000	1	30,000	1
2281	Current lease liabilities (Note 12)	29,258	-	29,845	-	11,557	-
2282	Current lease liabilities - related parties (Notes 12 and 27)	-	-	116	-	116	-
2300	Other current liabilities (Note 16)	136,161	2	95,056	1	59,327	1
21XX	Total current liabilities	2,126,882	30	2,026,408	30	1,621,594	27
	Non-current liabilities						
2570	Deferred tax liabilities (Note 4)	7,700	-	3,809	-	3,374	-
2581	Non-current lease liabilities (Note 12)	43,657	1	62,329	1	146	-
2582	Non-current lease liabilities - related parties (Notes 12 and 27)	-	-	325	-	354	-
2645	Refundable deposits paid (Notes 16 and 27)	556,347	8	455,279	7	420,582	7
25XX	Total non-current liabilities	607,704	9	521,742	8	424,456	7
2XXX	Total liabilities	2,734,586	39	2,548,150	38	2,046,050	34
	Equity attributable to owners of the Company (Note 18)						
	Equity						
3110	Common stock	1,290,474	18	1,290,474	19	1,290,474	22
3200	Capital Surplus	624,536	9	624,536	10	624,536	11
	Retained earnings						
3310	Legal reserve	472,481	7	386,682	6	386,682	7
3320	Special reserve	203,112	3	205,656	3	205,656	3
3350	Unappropriated earnings	1,845,864	26	1,824,936	27	1,620,747	27
3300	Total retained earnings	2,521,457	36	2,417,274	36	2,213,085	37
3400	Other equity	(169,635)	(2)	(203,112)	(3)	(227,207)	(4)
3XXX	Total equity	4,266,832	61	4,129,172	62	3,900,888	66
	Total liabilities and equity	$ 7,001,418	100	$ 6,677,322	100	$ 5,946,938	100

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

(Please refer to the review report of Deloitte & Touche on November 9, 2022)

Chairman: Chu-Liang, Cheng　　General Manager: Yen-Chiang, Tang　　Head-Finance & Accounting: Jui-Ping ,Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021

(Reviewed only, not audited with generally accepted auditing standards)

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

		July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
Code		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 19 and 27)	$ 1,377,322	100	$ 1,245,860	100	$ 4,017,034	100	$ 3,463,659	100
5000	Operating costs (Notes 8 and 20)	(1,017,470)	(74)	(871,205)	(70)	(3,022,077)	(75)	(2,409,713)	(69)
5900	Gross profit from operations	359,852	26	374,655	30	994,957	25	1,053,946	31
	Operating expenses (Notes 7, 19, 20 and 27)								
6100	Selling expenses	(4,487)	(1)	(4,035)	-	(13,389)	(1)	(12,457)	(1)
6200	Administrative expenses	(86,882)	(6)	(59,897)	(5)	(242,052)	(6)	(178,820)	(5)
6300	Research and development expenses	(15,484)	(1)	(10,523)	(1)	(40,517)	(1)	(33,377)	(1)
6450	Expected credit impairment loss	(425)	-	(2,902)	-	(2,336)	-	(6,046)	-
6000	Total operating expenses	(107,278)	(8)	(77,357)	(6)	(298,294)	(8)	(230,700)	(7)
6900	Profit from operations	252,574	18	297,298	24	696,663	17	823,246	24
	Non-operating income and expenses								
7100	Interest income (Note 20)	4,660	-	1,085	-	8,557	-	4,888	-
7010	Other income (Note 20)	1,757	-	4,595	-	9,998	1	7,164	-
7020	Other gains and losses (Note 20)	106,006	8	17,218	2	285,132	7	(37,410)	(1)
7050	Finance costs (Notes 20 and 27)	(768)	-	(91)	-	(2,542)	-	(514)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	6,096	1	2,326	-	5,697	-	6,427	-
7000	Total non-operating income and expenses	117,751	9	25,133	2	306,842	8	(19,445)	(1)
7900	Profit before income tax	370,325	27	322,431	26	1,003,505	25	803,801	23
7950	Income tax expense (Notes 4 and 21)	(76,939)	(6)	(61,680)	(5)	(189,561)	(5)	(150,005)	(4)
8200	Profit	293,386	21	260,751	21	813,944	20	653,796	19
	Other comprehensive income (loss) (Note 18)								
8310	Items that will not be reclassified subsequently to profit or loss:								
8341	Translation differences from functional currency to presentation currency	268,576	19	(1,519)	-	538,359	13	(57,091)	(2)
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(239,041)	(17)	(19,859)	(2)	(504,882)	(12)	35,540	1
8300	Other comprehensive income in the current period (net amount after tax)	29,535	2	(21,378)	(2)	33,477	1	(21,551)	(1)
8500	Total comprehensive income in current period	$ 322,921	23	$ 239,373	19	$ 847,421	21	$ 632,245	18
	Earnings per share (Note 22)								
	From continuing operations								
9710	Basic earnings per share	$ 2.27		$ 2.02		$ 6.31		$ 5.07	
9810	Diluted earnings per share	$ 2.26		$ 2.01		$ 6.24		$ 5.03	

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

(Please refer to the review report of Deloitte & Touche on November 9, 2022)

Chairman: Chu-Liang, Cheng General Manager: Yen-Chiang, Tang Head-Finance & Accounting: Jui-Ping ,Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to September 30, 2022 and 2021

(Reviewed only, not audited with generally accepted auditing standards)

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company						
		Equity		Retained earnings			Other equity: Exchange differences on translation of foreign financial statements	
Code		Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings		Total equity
A1	Balance as of January 1, 2021	$ 1,290,474	$ 624,536	$ 318,216	$ 209,559	$ 1,612,227	($ 205,656)	$ 3,849,356
	Distribution of 2020 earnings (Note 18)							
B1	Legal reserve	-	-	68,466	-	(68,466)	-	-
B3	Special reserve	-	-	-	(3,903)	3,903	-	-
B5	Cash dividends	-	-	-	-	(580,713)	-	(580,713)
		-	-	68,466	(3,903)	(645,276)	-	(580,713)
D1	Net profit from January 1 to September 30, 2021	-	-	-	-	653,796	-	653,796
D3	Other comprehensive income from January 1 to September 30, 2021	-	-	-	-	-	(21,551)	(21,551)
D5	Total comprehensive income from January 1 to September 30, 2021	-	-	-	-	653,796	(21,551)	632,245
Z1	Balance as of September 30, 2021	$ 1,290,474	$ 624,536	$ 386,682	$ 205,656	$ 1,620,747	($ 227,207)	$ 3,900,888
A1	Balance as of January 1, 2022	$ 1,290,474	$ 624,536	$ 386,682	$ 205,656	$ 1,824,936	($ 203,112)	$ 4,129,172
	Distribution of 2021 earnings (Note 18)							
B1	Legal reserve	-	-	85,799	-	(85,799)	-	-
B3	Special reserve	-	-	-	(2,544)	2,544	-	-
B5	Cash dividends	-	-	-	-	(709,761)	-	(709,761)
		-	-	85,799	(2,544)	(793,016)	-	(709,761)
D1	Net profit from January 1 to September 30, 2022	-	-	-	-	813,944	-	813,944
D3	Other comprehensive income from January 1 to September 30, 2022	-	-	-	-	-	33,477	33,477
D5	Total comprehensive income from January 1 to September 30, 2022	-	-	-	-	813,944	33,477	847,421
Z1	Balance as of September 30, 2022	$ 1,290,474	$ 624,536	$ 472,481	$ 203,112	$ 1,845,864	($ 169,635)	$ 4,266,832

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

(Please refer to the review report of Deloitte & Touche on November 9, 2022)

Chairman: Chu-Liang, Cheng General Manager: Yen-Chiang, Tang Head-Finance & Accounting: Jui-Ping ,Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to September 30, 2022 and 2021

(Reviewed only, not audited with generally accepted auditing standards)

(In Thousands of New Taiwan Dollars)

Code		January 1 to September 30, 2022	January 1 to September 30, 2021
	Cash flows from operating activities		
A10000	Profit before tax	$ 1,003,505	$ 803,801
A20010	Adjustments for:		
A20100	Depreciation expense	396,269	282,452
A20200	Amortization expense	1,976	1,642
A20300	Expected credit impairment loss	2,336	6,046
A20900	Finance costs	2,542	514
A21200	Interest income	(8,557)	(4,888)
A22300	Share of profit of subsidiaries and associates accounted for using equity method	(5,697)	(6,427)
A22500	Gains on disposal of property, plant and equipment	(671)	-
A23700	Loss on decline in market value and obsolete and slow-moving inventories	4,588	11,774
A24100	Foreign currency exchange (gain) or loss	(203,210)	6,514
A29900	Liability provisions	633	1,949
A24600	Profit from lease modification	(7)	-
A30000	Changes in operating assets and liabilities:		
A31125	Contract assets	32,401	(26,150)
A31150	Accounts receivable	(17,553)	(168,842)
A31160	Accounts receivable due from related parties	(602)	(81)
A31180	Other receivables	15,242	(17,039)
A31200	Inventories	41,833	(158,449)
A31230	Prepayments	115,670	(17,856)
A32125	Contract liabilities	(21)	6,376
A32150	Accounts payable	(19,552)	226,162
A32180	Other payables	19,454	(8,557)
A32200	Liability provisions	(633)	(1,949)
A32230	Other current liabilities	-	(3,992)
A33000	Net cash inflows generated from operating activities	1,379,946	933,000
A33100	Interest received	8,244	5,434
A33300	Interest paid	(2,542)	(514)
A33500	Income taxes paid	(211,104)	(147,068)
AAAA	Net cash generated from operating activities	1,174,544	790,852

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Code		January 1 to September 30, 2022	January 1 to September 30, 2021
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	($ 239,125)	($ 505,822)
B02800	Proceeds from disposal of property, plant and equipment	1,206	-
B03700	Increase in refundable deposits	(355)	(21)
B03800	Decrease in refundable deposits	24	1,405
B04300	Increase in other receivables due from related parties	-	(1,462)
B04400	Decrease in other receivables due from related parties	56	-
B04500	Acquisition of intangible assets	(578)	(1,443)
B07100	Increase in prepayments for equipment	(465,599)	(539,680)
B07600	Dividends received	3,398	3,376
BBBB	Net cash used in investing activities	(700,973)	(1,043,647)
	Cash flows from financing activities		
C03000	Increase in guarantee deposits received	159,818	474,418
C03100	Decrease in guarantee deposits received	(19,036)	(2)
C04020	Repayment of the principal portion of lease liabilities	(24,017)	(22,862)
C04500	Cash dividends	(707,740)	(579,041)
CCCC	Net cash used in financing activities	(590,975)	(127,487)
DDDD	Effect of exchange rate changes on cash and equivalents	163,709	(27,432)
EEEE	Net increase (decrease) in cash and cash equivalents	46,305	(407,714)
E00100	Cash and cash equivalents at beginning of period	1,652,649	1,877,074
E00200	Cash and cash equivalents at end of period	$ 1,698,954	$ 1,469,360

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

(Please refer to the review report of Deloitte & Touche on November 9, 2022)

Chairman: Chu-Liang, Cheng

General Manager: Yen-Chiang, Tang

Head-Finance & Accounting: Jui-Ping ,Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

January 1 to September 30, 2022 and 2021

(Reviewed only, not audited with generally accepted auditing standards)

(Otherwise stated, all amounts are in thousands of NTD)

I. Company history

GEM Services, Inc. (hereinafter referred to as "the Company") was established in the Cayman Islands in April 1998. On June 23, 2015, with the resolution of the shareholders' meeting, the Company changed the denomination of shares to New Taiwan Dollars to be listed where the face value per share is NT$10. As of September 30, 2022, the Company's paid-in capital was $1,290,474 thousand, and its business activities include 1. Semiconductor packaging and testing foundry; 2. Plant leasing, etc.

The Company's functional currency is US dollars, but the Company's stock was listed TWSE on April 12, 2016. To increase the comparability and consistency of the financial statement, this consolidated financial statement is presented in New Taiwan Dollar.

II. Dates and procedures for the financial statement approval

The financial statements were approved by the Company's Board of Directors on November 9, 2022.

III. Application of new and revised standards, amendments, and interpretations

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the Company and its subsidiaries (collectively as the "Consolidated Company").

(II) Applicable FSC-approved IFRSs in 2023

New, revised or amended standards and interpretations	Effective date issued by IASB
Amendments to IAS 1 - Disclosure of Accounting Policies	January 1, 2023 (Note 1)
Amendments to IAS 8 - Definition of Accounting Estimates	January 1, 2023 (Note 2)
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

Note 1: This amendment applies for annual reporting periods beginning after January 1, 2023.

Note 2: The amendment applies to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred tax on temporary differences in lease and decommissioning obligations on January 1, 2022, the amendment applies to transactions occurring after January 1, 2022.

1. Amendments to IAS 1 - Disclosure of Accounting Policies

The amendments stipulate that the Consolidated Company should determine the material accounting policy information that should be disclosed according to the definition of materiality. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments and descriptions:

- The Consolidated Company is not required to disclose accounting policy information related to immaterial transactions, other events or circumstances that is immaterial.
- The Consolidated Company may judge the relevant accounting policy information to be material due to the nature of the transaction, other event or circumstance, even if the amount is immaterial.
- Not all accounting policies relating to material transactions, other events or conditions are themselves material.

In addition, an accounting policy is likely to be considered material to its financial statements if that accounting policy relates to material transactions, other events or conditions and:

(1) was changed during the reporting period because the Consolidated Company was required to or chose to change its policy and this change resulted in a material change to the amounts included in the financial statements;

(2) was chosen from one or more alternatives in an IFRS Standard;

(3) was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;

(4) relates to an area for which the Consolidated Company is required to make significant judgments or assumptions in applying an accounting policy; or

(5) applies the requirements of an IFRS Standard in a way that reflects the entity's specific circumstances, for example, by explaining how the requirements of a Standard are applied to the facts and circumstances of a material class of transactions, other events or conditions.

2. Amendments to IAS 8 - Definition of Accounting Estimates

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". When applying accounting policies, the Consolidated Company may be required to measure financial statement items by monetary amounts that cannot be directly observed but must be estimated, and therefore must use a measurement technique or to develop an accounting estimate for this purpose. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

In addition to the above impacts, as of the reporting date of this consolidated financial statement, the Consolidated Company continues to assess the impact of amendments to other standards and Interpretations on the consolidated financial position and consolidated financial performance, and the relevant impact will be disclosed when the assessment is completed.

(III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NA
Amendments to IFRS 16 -Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to IAS 1 -Non-current Liabilities with Covenants	January 1, 2024

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: A seller-lessee applies the amendments retrospectively to IFRS 16 to sale and leaseback transactions entered into after the date of initial application.

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

IV. Summary of significant accounting policies

(I) Statement of compliance

This consolidated financial statement has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" approved and issued by the FSC. This consolidated financial statement does not contain all the IFRSs disclosures required by the annual report.

(II) Basis of Preparation

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

(III) Consolidation basis

This consolidated financial statement includes the financial statement of the Company and the entities (subsidiaries) controlled by the Company. The financial statements of subsidiaries have been adjusted to ensure the accounting policies are line with those of the Consolidated Company. Transactions between entities, account balances, profit and losses have been fully eliminated in preparing the consolidated financial statements.

For details of subsidiaries, shareholding ratio and business activities, please refer to Note 9 and Table 4 and Table 5 of Note 30.

(IV) Other significant accounting policies

In addition to the following descriptions, please refer to the Summary of Significant Accounting Policies in the 2021 consolidated financial statement.

Income tax

Income tax expense is the sum of current income tax and deferred income tax. Income tax for the interim period is assessed on an annual basis and is calculated on the interim pre-tax profit at the tax rate applicable to the expected total annual earnings.

V. Major sources of uncertainty in significant accounting judgments, estimations, and assumptions

When Consolidated Company adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the information that is not easily obtained from other sources. Actual results may differ from estimates.

The Consolidated Company will take the recent development of the COVID-19 epidemic and the possible impact on the economic environment into consideration of major accounting estimates such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions. If the revision to the estimate affects only the current period, it will be revised and recognized in the current period; if the revision to the estimate affects both the current period and future periods, it will be revised and recognized in the current period and future periods.

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

The estimated impairment of account receivables, other receivables and contract assets is based on the Consolidated Company's assumptions about the loss given default and probability of default. The Consolidated Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 7 and Note 19 for the key assumptions and inputs used. If the actual future cash flow is less than the Consolidated Company's expectations, there may be significant impairment losses.

VI. Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and working fund	$ 282	$ 327	$ 132
Bank demand deposit	1,190,672	1,347,842	1,329,977
Cash Equivalent (Investments with original maturity within 3 months)			
Bank fixed deposit	508,000	304,480	139,251
	$ 1,698,954	$ 1,652,649	$ 1,469,360

As of September 30, 2022 and December 31 and September 30, 2021, the interest rate ranges for bank deposits were 0.05% to 3.74%, 0.01% to 0.3%, and 0.01% to 1.61%, respectively.

VII. Account receivables and other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable			
Measured at amortized cost			
Total amount	$ 1,079,632	$ 1,008,030	$ 950,160
Less: loss allowances	(777)	(1,067)	(1,627)
	$ 1,078,855	$ 1,006,963	$ 948,533
Other receivables			
OEM collection and payment	$ 150,956	$ 159,348	$ 153,160
Scrap receivable	451	920	722
Interest receivable	354	41	9
Other	2,048	749	2,679
	$ 153,809	$ 161,058	$ 156,570

(I) Accounts receivable

The Consolidated Company's average credit period for commodity sales is 30 to 90 days, and the collection policy does not add interest to overdue accounts receivable. When determining the recoverability of accounts receivable, the Consolidated Company considers any changes in the quality of accounts receivable from the original credit date to the balance sheet date. Experience shows that most accounts receivable are recovered well.

To mitigate credit risk, the management of the Consolidated Company performs credit limit determination, credit approval and other monitoring procedures for each counterparty to ensure appropriate actions have been taken to recover overdue accounts receivable. In addition, the Consolidated Company will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure the unrecoverable accounts receivable are recognized as impairment losses. Accordingly, the management of the Consolidated Company believes that the credit risk of the Consolidated Company has been significantly reduced.

The Consolidated company recognizes loss allowance for accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which considers experience, current market conditions and business outlook. As the Consolidated Company's credit loss experience shows that there is no significant difference in the provision matrix of different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on the number of days overdue for accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Consolidated Company cannot reasonably expect the recoverable amount, the Consolidated Company will write off the relevant accounts receivable, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

The Consolidated Company measures the loss allowance of accounts receivable according to the provision matrix as follows:

September 30, 2022

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0%～ 0.01%	0%～ 4.71%	0.001%～ 9.33%	0.03%～ 12.91%	0.35%～ 100%	
Total amount	$1,040,008	$ 32,001	$ 728	$ 986	$ 5,909	$1,079,632
Loss allowance (lifetime expected credit losses)	(44)	(88)	(35)	(127)	(483)	(777)
Measured at amortized cost	$1,039,964	$ 31,913	$ 693	$ 859	$ 5,426	$1,078,855

December 31, 2021

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0.0004%～ 0.04%	0.0021%～ 11.3%	0.04%～ 21.48%	0.35%～ 29.72%	32.35%～ 100%	
Total amount	$ 947,254	$ 53,641	$ 6,503	$ -	$ 632	$1,008,030
Loss allowance (lifetime expected credit losses)	(280)	(130)	(423)	-	(234)	(1,067)
Measured at amortized cost	$ 946,974	$ 53,511	$ 6,080	$ -	$ 398	$1,006,963

September 30, 2021

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0%～ 0.04%	0%～ 9.77%	0.01%～ 18.48%	0.07%～ 23.25%	24.76%～ 100%	
Total amount	$ 897,438	$ 49,796	$ 27	$ 1,470	$ 1,429	$ 950,160
Loss allowance (lifetime expected credit losses)	(266)	(124)	(5)	(12)	(1,220)	(1,627)
Measured at amortized cost	$ 897,172	$ 49,672	$ 22	$ 1,458	$ 209	$ 948,533

Changes in lose allowance for accounts receivable is as follows:

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	$ 1,067	$ 935
Add: Impairment losses for the current period	-	692
Less: Reversal of impairment loss for the current period	(299)	-
Exchange differences on translation of foreign currency	9	-
Ending balance	$ 777	$ 1,627

(II) Other receivables

The Consolidated Company accounts for other receivables such as OEM collection and payment, unrecovered amount from the sale of scraps and interest receivable. The Consolidated Company's policy is to only conduct business with customers with good credit. The Consolidated Company continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of other receivables has increased significantly since the original recognition and to measure expected credit losses. As of September 30, 2022 and December 31 and September 30, 2021, the Consolidated Company assessed other receivables without the need to report expected credit losses.

VIII. Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw material	$ 250,623	$ 288,713	$ 260,926

The nature of cost of goods sold is as follows:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Cost of inventories sold	$1,012,921	$ 861,158	$3,010,499	$2,390,979
Lease cost	2,117	2,303	6,990	6,960
Loss on decline in market value and obsolete and slow-moving inventories	2,432	7,744	4,588	11,774
	$1,017,470	$ 871,205	$3,022,077	$ 2,409,713

IX. Subsidiary company

Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

			Shareholding percentage			
Investment Company	Subsidiary	Nature of business	September 30, 2022	December 31, 2021	September 30, 2021	Description
The Company	GEM Electronics Company Limited	Holding company business	100.00%	100.00%	100.00%	-
	GEM Tech Ltd.	Sales of electronic parts	100.00%	100.00%	100.00%	-
GEM Electronics Company Limited	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	100.00%	100.00%	100.00%	-
GEM Electronics (Shanghai) Co., Ltd.	GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	100.00%	100.00%	100.00%	Note

Note: GEM Electronics (Shanghai) Co., Ltd. was approved by the Board of Directors on February 17, 2021, to participate in the cash capital increase of GEM Electronics (Hefei) Co., Ltd. to invest RMB 50,000 thousand which was completed on March 11, 2021.

X. Investments accounted for using equity method

Investments in associates

	September 30, 2022	December 31, 2021	September 30, 2021
Individually insignificant associates			
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 93,909	$ 88,869	$ 83,420

Shareholding and voting rights of the Consolidated Company in the associates at the balance sheet date are as follows:

			Shareholding and voting rights		
Company Name	Nature of business	Main business site	September 30, 2022	December 31, 2021	September 30, 2021
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	Hefei City, Anhui Province, China	20%	20%	20%

Information of individually insignificant associates

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Attributable to the Consolidated Company				
Profit from continuing operations	$ 6,096	$ 2,326	$ 5,697	$ 6,427
Other comprehensive income	-	-	-	-
Total comprehensive income	$ 6,096	$ 2,326	$ 5,697	$ 6,427

Share of profit of associates and joint ventures accounted for using equity method is recognized based on the financial statements of the associates that have not been reviewed by CPAs during the same period.

XI. Property, plant and equipment

	September 30, 2022	December 31, 2021	September 30, 2021
Used for its own	$ 2,875,308	$ 2,437,086	$ 2,024,244
Operational leasing	-	-	94,151
	$ 2,875,308	$ 2,437,086	$ 2,118,395

(I) Used for its own

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
Cost								
Balance as of January 1, 2022	$ 177,784	$ 4,566,798	$ 10,484	$ 56,076	$ -	$ 124,113	$ 925,928	$5,861,183
Enhancements	48,703	55,781	-	679	8,591	13,899	143,537	271,190
Reclassification (Note)	312,302	1,104,711	-	1,956	-	654	(926,394)	493,229
Disposal	(18,531)	(185,108)	-	-	-	(29,913)	-	(233,552)
Net exchange difference	7,885	57,356	113	1,683	64	3,616	26,047	96,764
Balance as of September 30, 2022	$ 528,143	$ 5,599,538	$ 10,597	$ 60,394	$ 8,655	$ 112,369	$ 169,118	$6,488,814
Accumulated depreciation and impairment								
Balance as of January 1, 2022	$ 131,226	$ 3,140,034	$ 6,682	$ 49,274	$ -	$ 96,881	$ -	$3,424,097
Disposal	(18,531)	(184,576)	-	-	-	(29,910)	-	(233,017)
Depreciation expense	12,727	334,135	1,138	2,339	600	12,079	-	363,018
Net exchange difference	3,900	51,137	100	1,488	5	2,778	-	59,408
Balance as of September 30, 2022	$ 129,322	$ 3,340,730	$ 7,920	$ 53,101	$ 605	$ 81,828	$ -	$3,613,506
Net amount as of September 30, 2022	$ 398,821	$ 2,258,808	$ 2,677	$ 7,293	$ 8,050	$ 30,541	$ 169,118	$2,875,308
Net amount as of December 31, 2021 and January 1, 2022	$ 46,558	$ 1,426,764	$ 3,802	$ 6,802	$ -	$ 27,232	$ 925,928	$2,437,086
Cost								
Balance as of January 1, 2021	$ 156,994	$ 4,122,542	$ 10,504	$ 57,101	$ -	$ 117,773	$ 224,659	$4,689,573
Enhancements	1,306	138,602	-	207	-	8,705	440,766	589,586
Reclassification (Note)	-	252,444	-	119	-	5,826	-	258,389
Disposal	-	(83,116)	-	(2,427)	-	(2,306)	-	(87,849)
Net exchange difference	(2,557)	(40,289)	(60)	(893)	-	(2,070)	(6,234)	(52,103)
Balance as of September 30, 2021	$ 155,743	$ 4,390,183	$ 10,444	$ 54,107	$ -	$ 127,928	$ 659,191	$5,397,596
Accumulated depreciation and impairment								
Balance as of January 1, 2021	$ 140,608	$ 2,973,601	$ 4,956	$ 48,877	$ -	$ 79,610	$ -	$3,247,652
Disposal	-	(83,116)	-	(2,427)	-	(2,306)	-	(87,849)
Depreciation expense	3,305	225,862	1,333	2,299	-	20,277	-	253,076
Net exchange difference	(2,308)	(34,944)	(50)	(777)	-	(1,448)	-	(39,527)

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
Balance as of September 30, 2021	$ 141,605	$ 3,081,403	$ 6,239	$ 47,972	$ -	$ 96,133	$ -	$3,373,352
Net amount as of September 30, 2021	$ 14,138	$ 1,308,780	$ 4,205	$ 6,135	$ -	$ 31,795	$ 659,191	$2,024,244

Note: It was transferred from other non-current assets - prepaid equipment.

No impairment losses were recognized or reversed from January 1 to September 30, 2022 and 2021.

Depreciation expense is accrued on a straight-line basis for the following economic life:

Building	
Factory main building	20 years
Building improvement	10 to 20 years
Machinery equipment	3 to 15 years
Transportation equipment	5 years
Office equipment	3 to 7 years
Leasehold improvements	2.5 to 4.5 years
Other	5 to 10 years

(II) Operational leasing

	Building
Cost	
Balance as of January 1, 2021	$ 231,676
Net exchange difference	(3,745)
Balance as of September 30, 2021	$ 227,931
Accumulated depreciation and impairment	
Balance as of January 1, 2021	$ 128,975
Depreciation expense	6,960
Net exchange difference	(2,155)
Balance as of September 30, 2021	$ 133,780
Net amount as of September 30, 2021	$ 94,151

No impairment losses were recognized or reversed from January 1 to September 30, 2021.

The Consolidated Company leases out the buildings under operational leasing for a period of 6 years. At the end of the lease period, the lessee will not have the bargain purchase price option to purchase the real estate.

The total lease payments for operational leasing to be received in the future are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	$ -	$ -	$ 7,762

Depreciation expense is accrued on a straight-line basis for the following economic life:

Building	
Factory main building	20 years
Building improvement	10 to 20 years

XII. Leasing agreement

(I) Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of right-of-use assets			
Land (Note)	$ 41,305	$ 40,942	$ 45,800
Building	69,809	92,666	11,535
Office equipment	1,447	185	244
	$ 112,561	$ 133,793	$ 57,579

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Addition of right-of-use assets				
Lease addition	$ 1,886	$ 3,725	$ 2,074	$ 4,217
Depreciation expense on right-of-use assets				
Land	$ 288	$ 313	$ 862	$ 946
Building	8,390	7,088	25,725	21,285
Office equipment	63	61	189	185
	$ 8,741	$ 7,462	$ 26,776	$ 22,416

Note: For the land use right in mainland China, the Consolidated Company has obtained the Land Use Certificates for State Owned Land, and the lease period is 50 years.

A lease agreement was signed on December 31, 2021 for part of the land leased by the Consolidated Company located in Hefei, Anhui Province, China, which is sub-leased to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing from January 1, 2022. The relevant right-of-use assets are presented as investment properties, please refer to Note 13. The relevant amount of the above right-of-use assets does not include the right-of-use assets that meet the definition of investment properties.

Except for the above-mentioned additions, recognition of depreciation expenses and transfer of investment properties, there was no impairment of the right-of-use assets for the Consolidated Company from January 1 to September 30, 2022 and 2021.

(II) Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts of lease liabilities			
Current (including related parties) (Note 27)	$ 29,258	$ 29,961	$ 11,673
Non-current (including related parties) (Note 27)	$ 43,657	$ 62,654	$ 500

The range of discount rates for lease liabilities is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Building	4.35%	1.09%~4.35%	1.09%~4.35%
Office equipment	4.35%	1.09%~4.35%	1.09%~4.35%

(III) Other lease information

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Expense on short-term lease	($ 1,352)	($ 4)	($ 4,527)	($ 4)
Total cash outflow from lease	($ 9,856)	($ 7,781)	($ 31,086)	($ 23,380)

XIII. Investment property

	September 30, 2022	December 31, 2021	September 30, 2021
Building	$ 54,855	$ 59,484	$ -
Right-of-use assets- Land	5,090	5,045	-
	$ 59,945	$ 64,529	$ -

The right-of-use asset in the investment property is the subleasing of the leased land located in Hefei City, Anhui Province, China to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing.

The lease term of the investment property is 5 years with an option to extend the lease term for 2 years. The lessee does not have the bargain purchase price option at the end of the lease period.

The total lease payments for operational leasing of investment property to be received in the future are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	$ 48,916	$ 47,489	$ -
Year 2	48,916	47,489	-
Year 3	48,916	47,489	-
Year 4	48,916	47,489	-
Year 5	12,229	47,489	-
	$ 207,893	$ 237,445	$ -

Except for the recognition of depreciation expenses, there was no significant addition, disposal or impairment of the investment properties of the Consolidated Company from January 1 to September 30, 2022. Investment properties are depreciated on a straight-line basis over the following economic life:

Building	
Factory main building	20 years
Right-of-use assets- Land	50 years

The Consolidated Company implements a general risk management policy to reduce the residual risk of the leased buildings and right-of-use assets upon expiry of the lease term.

The fair value of the investment properties is measured by the independent appraisal company Anhui Huateng Property Assessment Office as a Level 3 input on the balance sheet date. The evaluation is based on market evidence of similar property transaction prices and the cash flow method, and the important unobservable input used include discount rate. The fair value obtained from the evaluation is as follows:

	September 30, 2022	December 31, 2021
Fair value	$ 291,339	$ 299,771

The above fair value measurement has taken into account the uncertainty of the impact of the subsequent development of the COVID-19 epidemic on market fluctuations.

XIV. Other intangible assets

	Computer software
Cost	
Balance as of January 1, 2022	$ 8,091
Enhancements	578
Disposal	(750)
Net exchange difference	243
Balance as of September 30, 2022	$ 8,162
Accumulated amortization and impairment	
Balance as of January 1, 2022	$ 4,370
Amortization expense	1,976
Disposal	(750)
Net exchange difference	138
Balance as of September 30, 2022	$ 5,734
Net amount as of September 30, 2022	$ 2,428
Net amount as of December 31, 2021 and January 1, 2022	$ 3,721
Cost	
Balance as of January 1, 2021	$ 6,682
Enhancements	1,443
Net exchange difference	(123)
Balance as of September 30, 2021	$ 8,002
Accumulated amortization and impairment	
Balance as of January 1, 2021	$ 2,091
Amortization expense	1,642
Net exchange difference	(50)
Balance as of September 30, 2021	$ 3,683
Net amount as of September 30, 2021	$ 4,319

Amortization expenses are accrued on a straight-line basis over the economic life:

Computer software	3 to 5 years

XV. Other assets

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Prepayments			
Tax credit	$ 19,378	$ 110,184	$ 58,480
Other	10,758	32,195	31,445
	$ 30,136	$ 142,379	$ 89,925
Non-current			
Prepayments for equipment (Note 27)	$ 506,761	$ 529,731	$ 603,338
Refundable deposits paid (Note 27) (Note)	9,076	8,489	8,064
	$ 515,837	$ 538,220	$ 611,402

Note: The Consolidated Company considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the refundable deposit paid. As of September 30, 2022 and December 31 and September 30, 2021, the Consolidated Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

XVI. Other liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Other payables			
Payable for equipment (Note 25)	$ 558,124	$ 526,059	$ 273,207
Remuneration to the employees and directors	132,495	126,200	75,975
Salary and bonus	126,029	105,896	92,647
OEM collection and payment	77,642	73,018	66,088
Insurance premium	38,107	31,156	37,617
Pension	15,223	13,072	12,419
Professional service fee	2,839	2,448	3,693
Contract service payment	1,277	2,554	2,554
Business tax	917	2,346	1,170
Utility bill	2,192	226	217
Cash dividends (Note 25)	2,132	111	1,738
Other	49,859	55,285	50,792
	$ 1,006,836	$ 938,371	$ 618,117

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	September 30, 2022	December 31, 2021	September 30, 2021
Other current liabilities			
Guarantee deposit - payments received to retain capacity (Note)	$ 136,107	$ 95,002	$ 59,260
Temporary receipts	54	54	67
	$ 136,161	$ 95,056	$ 59,327
Non-current			
Guarantee deposits and margins received			
Payments received to retain capacity (Note)	$ 542,764	$ 442,006	$ 407,368
Other (Note 27)	13,583	13,273	13,214
	$ 556,347	$ 455,279	$ 420,582

Note: To expand the production capacity in response to the increase in customer demand, the Consolidated Company has signed a production capacity agreement with its customers and collected a production capacity deposit which the customers can offset the payment for shipments in phases during the production capacity guarantee period according to the conditions stipulated in the agreement.

XVII. Liability provisions

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Warranty	$ 30,000	$ 30,000	$ 30,000

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	$ 30,000	$ 30,000
Warranty expense for this period	633	1,949
Used during this period	(633)	(1,949)
Ending balance	$ 30,000	$ 30,000

The warranty provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranty obligations by the management of the Consolidated Company according to the contract for the sale of goods. This estimate is based on historical warranty and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

XVIII. Equity

(I) Equity

Common stock

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands)	250,000	250,000	250,000
Authorized capital amount (NTD in thousand)	$ 2,500,000	$ 2,500,000	$ 2,500,000
Issued and paid shares (in thousands)	129,047	129,047	129,047
Issued capital (NTD in thousand)	$ 1,290,474	$ 1,290,474	$ 1,290,474

(II) Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note)			
Share premium	$ 476,824	$ 476,824	$ 476,824
Treasury shares	93,850	93,850	93,850
Options - expired	53,862	53,862	53,862
Total	$ 624,536	$ 624,536	$ 624,536

Note: Such capital surplus can be used to offset a deficit, and can be used to distribute cash or transfer to capital when the Company has no deficit. However, the appropriation to the share capital is limited to a certain ratio of the paid-in share capital each year.

(III) Retained earning and dividend policy

According to the earnings distribution policy of the Company's Articles of Association, if there is a surplus in the annual final statement, the Board of Directors shall formulate an earning distribution proposal in the following manner and sequence. In the case of share distribution, a resolution shall be submitted to the shareholders' meeting; in the case of cash distribution, the Board of Directors may be authorized to make a special resolution and report to the shareholders' meeting:

1. Taxes payable in accordance with the law;
2. Make up for accumulated losses from previous years (if any);
3. 10% is allocated as legal reserve in accordance with the regulations of Company Act of the Republic of China, but this limit is not applicable when the legal reserve has reached the Company's paid-in capital;
4. Appropriation of special reserve in accordance with the regulations of Company Act of the Republic of China or the requirements of the competent authority;

The Company is in the growth stage. Based on the needs of capital expenditure, business expansion and sound financial planning for sustainable development, the Company's dividend policy will be appropriated in cash dividends or stock dividends according to the Company's future capital expenditure budget and capital needs. The proportion of cash dividends distributed to shareholders of the Company shall not be less than 10% of the total dividends to shareholders.

Please refer to Note 20 (8) Employee Remuneration and Director Remuneration for the employees and directors remuneration policy stipulated in the Articles of Association of the Company.

According to Article 237 of the Company Act of the Republic of China, when allocating surplus profits after having paid all taxes and dues, shall first set aside 10% of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. The legal reserve can be used to make up for losses. When the Company has no losses, the portion of the legal reserve exceeding 25% of the total paid-in capital can be allocated in cash in addition to being accounted as share capital.

The Company set aside the special reserve in accordance with the Official Letter Chin-Kuan-Cheng-Fa-Tzu No. 1090150022 and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

The Company's 2021 and 2020 earnings distribution proposals are as follows:

	2021	2020
Legal reserve	$ 85,799	$ 68,466
Special reserve	($ 2,544)	($ 3,903)
Cash dividends	$ 709,761	$ 580,713
Cash dividend per share (NTD)	$ 5.5	$ 4.5

The above-mentioned cash dividends have been distributed by the resolution of the Board of Directors on March 22, 2022 and March 18, 2021, respectively, and the remaining earning distribution items were also resolved at the shareholders' general meeting on June 27, 2022 and July 21, 2021 respectively. However, the remaining earning distribution items in 2020 through electronic voting on June 16, 2021 have reached the statutory resolution threshold and the Consolidated Company has adjusted and recorded.

(IV) Special reserve

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	$ 205,656	$ 209,559
(Reversal of) Reduction of other equity items	(2,544)	(3,903)
Ending balance	$ 203,112	$ 205,656

(V) Other equity

Exchange differences on translation of foreign financial statements:

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	($ 203,112)	($ 205,656)
Recognized in the current period		
Exchange differences on translation	(504,882)	35,540
Translation differences in presentation currency	538,359	(57,091)
Other comprehensive income in the current period	33,477	(21,551)
Ending balance	($ 169,635)	($ 227,207)

XIX. Revenue

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Revenue from customer contracts				
Packaging and testing	$1,338,905	$1,212,142	$3,908,007	$3,366,870
Other revenue				
Other (Note 27)	38,417	33,718	109,027	96,789
	$1,377,322	$1,245,860	$4,017,034	$3,463,659

(I) Contract balance

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Accounts receivable (Note 7)	$1,078,855	$1,006,963	$ 948,533	$ 774,727
Accounts receivable due from related parties (Note 27)	9,584	8,717	8,009	8,059
	$1,088,439	$1,015,680	$ 956,542	$ 782,786
Contract assets				
Packaging and testing	$ 106,182	$ 137,277	$ 129,951	$ 103,664
Less: loss allowances	(12,697)	(11,629)	(11,605)	(6,281)
Current contract assets	$ 93,485	$ 125,648	$ 118,346	$ 97,383
Contract liabilities (Note 27)				
Packaging and testing	$ 9,249	$ 9,139	$ 20,814	$ 14,506

The Consolidated Company recognizes loss allowance for contract assets based on lifetime expected credit losses. The average process duration of the packaging and testing service contracts signed by the Consolidated Company is 20 to 30 days. When determining the possibility of obtaining an unconditional right of payment for contract assets in the future, the policy adopted by the Consolidated Company refers to the historical experience of the counterparty's relevant contract assets, current market conditions and business outlook, considers the contracts that are still under obligations on the balance sheet date, examines each contract for stagnation, and recognizes the loss allowance for contract assets according to the expected credit losses during the duration. If there is evidence that the obligation of the contract have been stagnant for more than 30 days, the Consolidated Company will recognize the loss allowance at full amount, but will continue to pursuit the stagnation of the contract, and carry out the obligation when the stagnation has been eliminated. If there is evidence that the counterparty has signs of breach of contract or the contract is terminated where the recoverable amount cannot be reasonably estimated, the Consolidated Company will directly write off the relevant contract assets and loss allowance, but will continue to pursue for recovery. The amount recovered by the pursuit will be recognized in profit or loss.

	September 30, 2022	December 31, 2021	September 30, 2021
Expected credit loss rate	12%	8%	9%
Total amount	$ 106,182	$ 137,277	$ 129,951
Loss allowance (lifetime expected credit losses)	(12,697)	(11,629)	(11,605)
	$ 93,485	$ 125,648	$ 118,346

Information on changes in the loss allowance on contract assets:

	January 1 to September 30, 2022	January 1 to September 30, 2021
Opening balance	$ 11,629	$ 6,281
Add: Impairment losses for the current period	2,635	5,354
Less: write-off in the current period (Note)	(1,635)	-
Exchange differences on translation of foreign currency	68	(30)
Ending balance	$ 12,697	$ 11,605

Note: From January 1 to September 30, 2022, as some orders have reached termination, the Consolidated Company directly wrote off the relevant contract assets and loss allowance.

(II) Detail of customer contracts

Type of service	January 1 to September 30, 2022	January 1 to September 30, 2021
Packaging and testing	$ 3,908,007	$ 3,366,870
Electroplating services	67,988	51,445
Lease and other services	41,039	45,344
	$ 4,017,034	$ 3,463,659

XX. Non-operating income and expenses

(I) Interest income

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Bank deposit	$ 4,660	$ 1,085	$ 8,557	$ 4,888

(II) Other income

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Government subsidy	$ 363	$ 3,134	$ 5,027	$ 3,977
Other	1,394	1,461	4,971	3,187
	$ 1,757	$ 4,595	$ 9,998	$ 7,164

(III) Other gains and losses

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Gains (loss) on disposal of property, plant and equipment	($ 49)	$ -	$ 671	$ -
Net foreign currency exchange gain and loss	106,071	17,564	284,536	(35,586)
Profit from lease modification	7	-	7	-
Other	(23)	(346)	(82)	(1,824)
	$ 106,006	$ 17,218	$ 285,132	($ 37,410)

(IV) Finance costs

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Interest expense on lease liability (Note 27)	$ 768	$ 91	$ 2,542	$ 514

(V) Depreciation and amortization

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Depreciation expenses summarized by function				
Operating costs	$ 133,667	$ 89,511	$ 366,413	$ 257,142
Operating expenses	10,055	8,351	29,856	25,310
	$ 143,722	$ 97,862	$ 396,269	$ 282,452
Amortization expenses summarized by function				
Operating costs	$ 43	$ 42	$ 129	$ 126
Administrative expenses	614	531	1,847	1,516
	$ 657	$ 573	$ 1,976	$ 1,642

(VI) Direct operating expenses of investment property

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Related to lease revenue				
Depreciation expense	$ 1,911	$ -	$ 6,475	$ -
Other	206	-	515	-
	$ 2,117	$ -	$ 6,990	$ -

(VII) Employee benefits expenses

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Post-employment benefits				
Determined appropriation plan	$ 30,478	$ 24,960	$ 84,426	$ 71,753
Other employee benefits	315,146	280,745	1,002,862	801,573
Total employee benefits expenses	$ 345,624	$ 305,705	$ 1,087,288	$ 873,326
Summarized by function				
Operating costs	$ 294,812	$ 260,423	$ 935,048	$ 738,606
Operating expenses	50,812	45,282	152,240	134,720
	$ 345,624	$ 305,705	$ 1,087,288	$ 873,326

(VIII) Remuneration to the employees and directors

According to the Articles of Association, the Company appropriates the remuneration of employees and directors according to the pre-tax profit before deducting the remuneration of employees and directors of the current year at a rate of 5% to 10% and less than or equal to 3% respectively. Estimated employee remuneration and director remuneration from July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021 are as follows:

Estimated ratio

	January 1 to September 30, 2022	January 1 to September 30, 2021
Remuneration to employees	6.3%	6.3%
Remuneration to directors	2.3%	2.3%

Amount

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Remuneration to employees	$ 23,050	$ 18,450	$ 69,150	$ 55,350
Remuneration to directors	$ 8,500	$ 6,875	$ 25,500	$ 20,625

If there is still a change in the amount after the annual consolidated financial statement is approved, it will be treated as a change in accounting estimates and adjusted and recorded in the following year.

Employee remuneration and director remuneration in 2021 and 2020 were approved by the Board of Directors on March 22, 2022 and March 18, 2021 as follows:

Amount

	2021	2020
	Cash	Cash
Remuneration to employees	$ 92,200	$ 73,800
Remuneration to directors	$ 34,000	$ 27,500

There is no difference between the actual distributed amounts of employee remuneration and director remuneration in 2021 and 2020 and the recognized amounts in the consolidated financial statement for 2021 and 2020.

For information on employee remuneration and director remuneration as approved by the Board of Directors, please visit the "MOPS" of the TWSE.

(IX) Foreign currency exchange gain and loss

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Total foreign currency exchange gain	$ 139,127	$ 32,753	$ 376,533	$ 114,607
Total foreign currency exchange loss	(33,056)	(15,189)	(91,997)	(150,193)
Net (loss) gain	$ 106,071	$ 17,564	$ 284,536	($ 35,586)

XXI. Income tax for continuing operation

(I) Income tax recognized in profit or loss

Detail of income tax expenses:

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Current income tax				
Current period	$ 72,259	$ 68,546	$ 187,116	$ 155,992
Prior years' adjustment	-	-	(740)	(9,774)
	72,259	68,546	186,376	146,218
Deferred income tax				
Current period	4,680	(6,866)	3,185	3,787
Income tax expense recognized in profit or loss	$ 76,939	$ 61,680	$ 189,561	$ 150,005

(II) Income tax assessment

The Taiwan branch of the Company's subsidiary GEM Tech Ltd.'s profit-seeking enterprise income tax has been approved by the tax authority until 2020.

The Consolidated Company had no pending tax litigation as of September 30, 2022.

XXII. Earnings per share

Unit: NTD per share

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Earnings per share - basic				
From continuing operations	$ 2.27	$ 2.02	$ 6.31	$ 5.07
Earnings per share - diluted				
From continuing operations	$ 2.26	$ 2.01	$ 6.24	$ 5.03

Earnings and the weighted average number of common shares used to calculate earnings per share:

Profit

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Net profit attributable to owners of the Company	$ 293,386	$ 260,751	$ 813,944	$ 653,796
Net profit used to calculate basic earnings per share and diluted earnings per share	$ 293,386	$ 260,751	$ 813,944	$ 653,796

Quantity

Unit: thousand shares

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Weighted average number of common shares used to calculate basic earnings per share	129,047	129,047	129,047	129,047
Effect of potential dilutive common shares:				
Stock option	-	-	-	71
Remuneration to employees	1,002	569	1,302	811
Weighted average number of common shares used to calculate diluted earnings per share	130,049	129,616	130,349	129,929

If the Consolidated Company can choose to pay employee remuneration in shares or cash, when calculating diluted earnings per share, assumed that employee remuneration will be issued in shares, the weighted average number of outstanding shares shall be included in the potentially dilutive common shares to calculate the diluted EPS. When calculating the diluted EPS before deciding on the number of shares for employee remuneration in the following year, the potentially dilutive common shares will also be considered.

XXIII. Share-based payment agreement

The Company has issued a share option plan in 2000

On February 28, 2000, the Company approved the proposal of the Board of Directors to issue the share option plan. The share option plan has been revised several times since the issuance, and the total amount of shares issued was 6,722 thousand units. The plan is granted to employees of the Company and its 100%-owned subsidiaries and those who provide services to the Company and its subsidiaries and meet certain conditions. The above-mentioned share option plan grants those who meet certain conditions to exercise the share options in a certain schedule and proportion in one year after obtaining the stock warrant. The duration of the above-mentioned warrants is ten years. After ten years, the unexercised share options shall be deemed to be waived, and the warrantee shall no longer claim his or her share option. Among the issued share option, there were 200 thousand units expired on June 27, 2021, and all lapsed due to non-exercise. As of September 30, 2022, there was 0 unit in circulation.

From January 1 to September 30, 2021, the relevant information of the issued share options is as follows:

	January 1 to September 30, 2021			
	Employee stock option (in thousands)	Weighted average strike price (USD)	Other option (in thousands)	Weighted average strike price (USD)
Circulation at the beginning of the period	-	$ -	200	$ 1.250
Expired in the current period	-	-	(200)	1.250
Circulation at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

	January 1 to September 30, 2021			
	Employee stock option (in thousands)	Weighted average strike price (USD)	Other option (in thousands)	Weighted average strike price (USD)
Weighted average fair value of the stock options in the current period (NTD)	$ -		$ -	

XXIV. Government subsidy

The building constructed by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Consolidated Company, was approved for a subsidy of $7,674 thousand by the local government in March 2021 after meeting the subsidy conditions set by the No.6 (2020) of the Government of Hefei Municipality February, 2021.

The building constructed and facilities purchased by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Consolidated Company, was approved for a subsidy of $31,190 thousand by the local government in July 2022 after meeting the subsidy conditions set by the No.8 (2021) of the Government of Hefei Municipality March, 2022.

This amount has been deducted from the relevant asset’s carrying amount and carried forward to profit or loss over the asset’s economic life by reducing the depreciation expense. From July 1 to September 30, 2022 and 2021, and January 1 to September 30, 2022 and 2021, the depreciation expense was reduced by $592 thousand, $0, $689 thousand and $0 respectively.

XXV. Cash flow

(I) Non-cash transaction

Unless disclosed in other notes, the Consolidated Company conducted the following non-cash investment and financing activities from January 1 to September 30 2022 and 2021:

1. As of September 30, 2022 and December 31 and September 30, 2021, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were $558,124 thousand, $526,059 thousand and $273,207 thousand respectively, and were accounted as other payables.
2. As of September 30, 2022 and December 31 and September 30, 2021, there were $2,132 thousand, $111 thousand and $1,738 thousand of declared cash dividends that had not been distributed and were accounted under other payables.

(II) Changes in liabilities from financing activities

January 1 to September 30, 2022

	January 1, 2022	Cash flow	Non-cash changes: Lease addition	Non-cash changes: Lease modification	Non-cash changes: Finance costs	Non-cash changes: Change in exchange rate	Other	September 30, 2022
Guarantee deposits and margins received	$ 550,281	$ 140,782	$ -	$ -	$ -	$ 1,391	$ -	$ 692,454
Lease liabilities (including related parties)	92,615	(24,017)	2,074	(364)	2,542	2,607	(2,542)	72,915
	$ 642,896	$ 116,765	$ 2,074	($ 364)	$ 2,542	$ 3,998	($ 2,542)	$ 765,369

January 1 to September 30, 2021

	January 1, 2021	Cash flow	Non-cash changes: Lease addition	Non-cash changes: Lease modification	Non-cash changes: Finance costs	Non-cash changes: Change in exchange rate	Other	September 30, 2021
Guarantee deposits and margins received	$ 5,859	$ 474,416	$ -	$ -	$ -	($ 433)	$ -	$ 479,842
Lease liabilities (including related parties)	31,170	(22,862)	4,217	(43)	514	(309)	(514)	12,173
	$ 37,029	$ 451,554	$ 4,217	($ 43)	$ 514	($ 742)	($ 514)	$ 492,015

XXVI. Financial instrument

(I) Fair value information - financial instruments not measured at fair value

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

(II) Types of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
Financial Asset			
Financial assets measured at amortized cost (Note 1)	$ 2,950,335	$ 2,837,986	$ 2,592,136
Financial liabilities			
Financial liabilities measured at amortized cost (Note 2)	1,535,385	1,486,507	1,210,383

Note 1: The balance includes cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits and other financial assets measured at amortized cost.

Note 2: The balance includes financial liabilities such as accounts payable, other payables (excluding employee remuneration and director remuneration payable, salaries and bonuses payable, insurance premiums payable, pensions payable, business tax payable and dividends payable) and guarantee deposit measured at amortized cost.

(III) Financial risk management objectives and policies

The major financial instruments of the Consolidated Company include cash and cash equivalents, receivables, payables and lease liabilities. Among the financial instruments held by the Consolidated Company, financial risks related to operations include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The main financial risks borne by the Consolidated Company's operating activities are the exchange rate risk (see (1) below) and the interest rate risk (see (2) below).

(1) Currency risk

The Consolidated Company is engaged in foreign currency-denominated sales and purchase transactions, thus causing the Consolidated Company to be exposed to exchange rate risk. The Consolidated Company regularly evaluates the net risk position of the sales amount and cost amount denominated in non-functional currency, and adjusts the cash holding position of the non-functional currency accordingly to achieve hedging.

For the carrying amounts of monetary assets and liabilities of the Consolidated Company denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements), please refer to Note 29.

<u>Sensitivity analysis</u>

The Consolidated Company is mainly affected by fluctuations in the exchange rates of US dollars and New Taiwan Dollars.

The table below details the sensitivity analysis of the Consolidated Company when the exchange rate of each functional currency of each entity against each relevant foreign currency increases/decreases by 1%. 1% is the sensitivity rate used when reporting exchange rate risk within the Consolidated Company to key management, and also represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis only includes foreign currency monetary items in circulation which is translated at the end of the period with a 1% exchange rate adjustment.

When foreign currency monetary items are net assets, a positive number in the table below means that when the functional currency of each consolidated entity depreciates by 1% relative to each related currency (mainly US dollar and New Taiwan Dollar), the pre-tax net profit or equity will increase by a number of the same amount; when the functional currency of each consolidated entity appreciates by 1% relative to each relevant currency, its impact on pre-tax net profit or equity will be a negative number of the same amount.

	The impact of US Dollar		The impact of New Taiwan Dollar	
	January 1 to September 30, 2022	January 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Gain or (loss)	$ 13,215 (i)	$ 14,165 (i)	($ 1,075) (ii)	($ 807) (ii)

(i) Mainly from the Consolidated Company's USD-denominated cash and cash equivalents, receivables and payables that were in circulation on the balance sheet date without cash flow hedging.

The Consolidated Company's sensitivity to the US dollar exchange rate decreased in the current period, which was due to the increase in payables denominated in US dollars.

(ii) Mainly from the Consolidated Company's NTD-denominated payables that were still in circulation on the balance sheet date without cash flow hedging.

The Consolidated Company's sensitivity to the NTD exchange rate increased in the current period, which was due to the increase in payables denominated in New Taiwan Dollars.

(2) Interest rate risk

Interest rate risk exposure is incurred due to the bank deposits and lease liabilities within the Consolidated Company include fixed and floating interest rates.

The carrying amounts of financial assets and financial liabilities of the Consolidated Company subject to interest rate risk exposure on the balance sheet date are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value interest rate risk			
- Financial asset	$ 508,000	$ 304,480	$ 139,251
- Financial liabilities	72,915	92,615	12,173
Cash flow interest rate risk			
- Financial asset	1,190,672	1,347,842	1,329,977
- Financial liabilities	-	-	-

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. The analysis for floating rate liabilities assumes that the amounts of the liabilities outstanding at the balance sheet date were all outstanding during the reporting period. The rate of change used in reporting interest rates within the Consolidated Company to key management is a 1% increase or decrease in interest rates, which represents management’s assessment of the reasonably possible range of changes in interest rates.

If interest rates increased/decreased by 1% when all other variables are held constant, the Consolidated Company’s net profit before tax from January 1 to September 30, 2022 and 2021 will increase/ decrease by $8,930 thousand and $9,975 thousand respectively, mainly due to the interest rate risk with fluctuations arising from the bank deposits floating interest rate.

The Consolidated Company’s sensitivity to interest rates decreased in the current period, which is due to the decrease in bank deposits with floating interest rates.

2. Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations resulting in financial losses to the Consolidated Company. As of the balance sheet date, the maximum credit risk exposure of the Consolidated Company that may result in financial losses due to the counterparty’s failure to perform its obligations is from the carrying amount of financial assets recognized in the consolidated balance sheet.

The policy adopted by the Consolidated Company is to transact with reputable counterparties and to obtain adequate guarantees to mitigate the risk of financial loss due to default when necessary. The Consolidated Company rates major customers by creating complete customer profiles, using publicly available financial and non-financial information, and referring to past transaction records with the Consolidated Company. The Consolidated Company continuously monitors the credit exposure and the credit rating of the counterparty and controls the credit exposure through the counterparty’s credit limit which is reviewed and approved annually by the responsible supervisor.

The Consolidated Company continuously evaluates the financial status of customers with accounts receivable and contract assets and reviews the recoverable amounts of accounts receivable and contract assets to ensure that unrecoverable accounts receivable and contract assets have been properly set aside for impairment losses. When necessary, receipts in advance will be adopted as a transaction term to reduce credit risk. Thus, the credit risk on accounts receivable and contract assets is expected to be limited.

The credit risk of the Consolidated Company is concentrated in the top five customers. As of September 30, 2022, and December 31 and September 30, 2021, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 58%, 56% and 57%, respectively.

3. Liquidity risk

The Consolidated Company manages and maintains a sufficient position of cash and cash equivalents to support the Group’s operations and mitigate the impact of fluctuations in cash flow.

<u>Liquidity and interest rate risk for non-derivative financial liabilities</u>

The analysis of the remaining contractual maturity of non-derivative financial liabilities is based on the earliest date on which the Consolidated Company may be required to repay, and is prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

September 30, 2022

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-interest bearing liabilities	$ 213,822	$ 488,732	$ 821,380	$ 13,583	$ -
Lease liabilities	7,541	113	23,974	45,003	-
	$ 221,363	$ 488,845	$ 845,354	$ 58,586	$ -

December 31, 2021

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-interest bearing liabilities	$ 220,880	$ 396,365	$ 856,100	$ 13,273	$ -
Lease liabilities	8,789	122	24,205	65,423	-
	$ 229,669	$ 396,487	$ 880,305	$ 78,696	$ -

September 30, 2021

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-interest bearing liabilities	$ 236,463	$ 291,585	$ 670,859	$ 13,214	$ -
Lease liabilities	7,713	121	3,925	508	-
	$ 244,176	$ 291,706	$ 674,784	$ 13,722	$ -

XXVII. Related party transaction

The ultimate parent entity and ultimate controller of the Company is Elite Advanced Laser Corporation which held 51% of the Company’s shares on September 30, 2022 and December 31 and September 30, 2021.

Transactions, account balances, income and expenses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated upon consolidation, thus not disclosed in this note. Unless disclosed in other notes, the transactions between the Consolidated Company and other related parties are as follows.

(I) Name and relationship of related party

Related party	Relationship with the consolidated company
Elite Advanced Laser Corporation	Ultimate parent entity
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Associate

(II) Revenue

Item	Related party categories	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Electroplating services	Associate	$ 24,836	$ 18,861	$ 67,988	$ 51,445
Lease revenue	Associate	$ 12,000	$ 11,673	$ 35,890	$ 35,284
Other	Associate	$ 1,581	$ 3,184	$ 5,149	$ 10,060

There is no other comparable transaction of the same sales price and conditions of the related parties. The income from electroplating services is determined by the cost-plus pricing, and the payment terms are monthly T/T 45 days. The lease income is based on the contract signed according to the general market conditions, and the rent is collected on a monthly basis; the other service income is collected on a monthly basis according to the contract content.

(III) Contract liabilities

Categories/ Related party	September 30, 2022	December 31, 2021	September 30, 2021
Associate			
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 4,017	$ -	$ 3,881

(IV) Receivables from related parties

Item	Related party categories	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable due from related parties	Associate	$ 9,584	$ 8,717	$ 8,009
Other receivables - related parties	Associate	$ 57	$ 110	$ 1,600

The outstanding receivables from related parties are not overdue, and no guarantee has been received. From January 1 to September 30, 2022 and 2021, the receivables from related parties were not set aside for losses.

(V) Acquisition of property, plant and equipment (accounting for other non-current assets - prepayments for equipment)

	Trading price	
Related party categories	January 1 to September 30, 2022	January 1 to September 30, 2021
Ultimate parent entity	$ -	$ 1,397

(VI) Lease agreement

Item	Related party categories	September 30, 2022	December 31, 2021	September 30, 2021
Current lease liabilities - related parties	Ultimate parent entity	$ -	$ 116	$ 116
Non-current lease liabilities - related parties	Ultimate parent entity	-	325	354
		$ -	$ 441	$ 470

Related party categories	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Interest expenses				
Ultimate parent entity	$ -	$ 2	$ 3	$ 4
Lease expense				
Ultimate parent entity	$ 21	$ 4	$ 42	$ 4

The Consolidated Company leased the building from the Ultimate Parent Entity in October 2015 with a lease period of 10 years. The rent is signed according to the general market conditions which is paid monthly. An early termination agreement was signed on August 31, 2022, effective from August 31, 2022.

The Consolidated Company leased buildings and parking spaces from the Ultimate Parent Entity on August 31, 2022 which took effect from September 1, 2022. The lease period is 1 year. The rent is signed according to the general market conditions which is paid monthly.

The lease fee is a short-term lease, and the total lease payments to be paid in the future are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Total lease payments to be paid in the future	$ 149	$ 28	$ 39

(VII) Lease agreement

Operation lease/ sublease

The Consolidated Company leases the buildings and subleases the land use rights related to the buildings to its associate, Mitsubishi Electric GEM Power Semiconductor (Hefei) Co., Ltd., for a lease period of 5 to 6 years. The rent is signed according to the general market conditions which is paid monthly. At the end of the lease period, the lessee will not have the bargain purchase price option to purchase the real estate. As of September 30, 2022 and December 31 and September 30, 2021, the total lease payments to be received in the future are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	$ 48,916	$ 47,489	$ 7,762
Year 2	48,916	47,489	-
Year 3	48,916	47,489	-
Year 4	48,916	47,489	-
Year 5	12,229	47,489	-
	$ 207,893	$ 237,445	$ 7,762

From July 1 to September 30, 2022 and 2021, and January 1 to September 30, 2022 and 2021, the lease revenue recognized were $12,000 thousand, $11,673 thousand, $35,890 thousand and $35,284 thousand respectively.

(VIII) Other related party transactions

Item	Related party categories	September 30, 2022	December 31, 2021	September 30, 2021
Guarantee deposits and margins received	Associate	$ 1,732	$ 1,682	$ 589
Refundable deposits paid	Ultimate parent entity	$ 20	$ 20	$ 20

(IX) Remuneration for key managerial officers

	July 1 to September 30, 2022	July 1 to September 30, 2021	January 1 to September 30, 2022	January 1 to September 30, 2021
Short-term employee benefits	$ 20,591	$ 15,985	$ 62,458	$ 51,611
Post-employment benefits	54	54	162	162
	$ 20,645	$ 16,039	$ 62,620	$ 51,773

The remuneration of directors and other key managerial officers is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXVIII. Material contingent liabilities and unrecognized contractual commitments

The unrecognized contractual commitments of the Consolidated Company are as follows:

Unit: Foreign currency (thousand)

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisition of property, plant and equipment			
USD	$ 797	$ 6,551	$ 12,026
RMB	$ 9,283	$ 41,923	$ 61,106

XXIX. Information on significant foreign currency assets and liabilities

The following information is expressed in foreign currencies other than the functional currencies of the consolidated companies. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to functional currencies. Significant foreign currency assets and liabilities are as follows:

September 30, 2022

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 47,591	7.0998 (USD: RMB)	$ 1,511,014
USD	47,338	31.7500 (USD: NTD)	1,502,984
Liabilities in foreign currency			
Monetary items			
USD	16,054	7.0998 (USD: RMB)	509,715
USD	37,253	31.7500 (USD: NTD)	1,182,776
NTD	43,509	0.0315 (NTD: USD)	43,509
NTD	63,970	0.2236 (NTD : RMB)	63,970

December 31, 2021

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 45,621	6.3757 (USD: RMB)	$ 1,262,779
USD	60,274	27.6800 (USD: NTD)	1,668,386
Liabilities in foreign currency			
Monetary items			
USD	15,227	6.3757 (USD: RMB)	421,477
USD	22,970	27.6800 (USD: NTD)	635,823
NTD	48,266	0.0361 (NTD: USD)	48,266
NTD	77,876	0.2303 (NTD : RMB)	77,876

September 30, 2021

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 42,026	6.4854 (USD: RMB)	$ 1,170,417
USD	50,486	27.8500 (USD: NTD)	1,406,032
Liabilities in foreign currency			
Monetary items			
USD	12,498	6.4854 (USD: RMB)	348,059
USD	29,154	27.8500 (USD: NTD)	811,929
NTD	33,180	0.0359 (NTD: USD)	33,180
NTD	47,513	0.2329 (NTD : RMB)	47,513

The Consolidated Company’s foreign exchange gains and losses (realized and unrealized) from July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021 were $106,071 thousand, $17,564 thousand, $284,536 thousand and ($35,586) thousand respectively. Due to the wide variety of foreign currency transactions and functional currencies of the Group, it is not possible to disclose exchange gains and losses and significant impact for each currency.

XXX. Notes to disclosures

(I) Information on significant transactions:

1. Lending funds to others. (None)
2. Providing endorsements or guarantees for others. (None)
3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture). (None)
4. Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of paid-in capital or more. (None)
5. Acquisition of property reaching NT$300 million or 20% of paid-in capital or more. (None)
6. Disposal of property reaching NT$300 million or 20% of paid-in capital or more. (None)
7. The purchase and sale of goods with related parties reaching NT$100 million or 20% of paid-in capital or more. (Table 1)
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more. (Table 2)
9. Trading in derivative instruments. (None)
10. Others: The relationship and circumstances and amounts of important transactions between the parent and subsidiary companies and between each subsidiary companies. (Table 3)

(II) Information on investees. (Table 4)

(III) Information of investment in Mainland China:

1. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, current profit or loss, and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in Mainland China. (Table 5)
2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 1 and Table 3)

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

(3) The amount of property transactions and the amount of the resultant gains or losses. (None)

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Note 27)

(IV) Information of major shareholders: the names of shareholders with a shareholding ratio of more than 5% with the amount and proportion of shares held. (Table 6)

XXXI. Department information

Information provided to the operation decision maker to allocate resources and measure departmental performance, focusing on each type of product or service delivered or provided.

The operation decision maker regards semiconductor foundry and sales units in each region as individual operating departments, but when preparing financial statements, the Consolidated Company considers the following factors and aggregates these operating departments as a single department:

1. Similar product properties and process;
2. Similar product pricing strategy and sales model.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

The purchase and sale of goods with related parties reaching NT$100 million or 20% of paid-in capital or more

January 1 to September 30, 2022

Table 1

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Remark
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Sales	($1,248,440)	(65%)	Net 90 days from invoice date	-	-	$ 627,416	79%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,248,440	57%	"	-	-	(627,416)	(87%)	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	937,057	43%	"	-	-	(95,210)	(13%)	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	(937,057)	(71%)	"	-	-	95,210	61%	Notes 1, 2 and 3
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	(109,027)	(8%)	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	-	-	9,584	6%	Notes 2 and 4

Note 1: The transaction price is determined by the cost-plus pricing.

Note 2: There is no unrealized profit or loss for this period.

Note 3: It has been consolidated and written off in the preparation of this consolidated financial statement.

Note 4: The income from electroplating services is determined by the cost-plus method; the lease income is based on the contract signed according to the general market conditions; the income from other services is based on the content of the contract.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

September 30, 2022

Table 2

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable $ 627,416	3.03	$ -	-	$ 175,390	$ -

Note 1: Amount recovered from October 1 to November 8, 2022.

Note 2: It has been consolidated and written off in the preparation of this consolidated financial statement.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

The relationship and circumstances and amounts of important transactions between the parent and subsidiary companies and between each subsidiary companies.

January 1 to September 30, 2022

Table 3

(In Thousands of New Taiwan Dollars)

No.	Counterparty	Transaction Counterparty	Relationship to the Counterparty	Transaction Details			
				Classification	Amount (Note 1)	Transaction Terms	% of Total (Note 2)
1	GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	$ 1,248,440 (Note 4)	Net 90 days from invoice date	31%
				Accounts receivable due from related parties	627,416	-	9%
				Contract assets - related parties	46,070	-	1%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	937,057 (Note 4)	Net 90 days from invoice date	23%
				Accounts receivable due from related parties	95,210	-	1%
				Contract assets - related parties	18,328	-	-
3	GEM Tech Ltd.	The Company	Note 3 (2)	Remittance of earnings	884,504	-	13%

The business relationship between the parent and the subsidiaries:

The Company and GEM Electronics Company Limited are holding companies; GEM Electronics (Shanghai) Co., Ltd. is mainly engaged in the manufacture and sale of electronic parts; GEM Electronics (Hefei) Co., Ltd. is mainly engaged in the manufacture and sale of electronic parts and plant leasing; GEM Tech Ltd., Taiwan Branch and GEM Tech Ltd. sell electronic components.

Note 1: This table discloses information on one-way transactions only, which have been written off in the preparation of the consolidated financial statements.

Note 2: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets is calculated by the closing balance for the consolidated total assets if it is an asset-liability account or calculated by the interim accumulated amount for the consolidated total revenue if it is a profit and loss account

Note 3: Relationship to the counterparty:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 4: There is no unrealized profit or loss for this period.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Information, location... and other related information of subsidiaries

January 1 to September 30, 2022

Table 4

(Except for the number of shares, all denominated in thousands of New Taiwan Dollars and foreign currency)

Investment Company	Invested Company	Location	Business Scope	Original Investment Amount		Holding of Investment at the End of the Period			Invested Company's Profit and/or Loss this Term	Profit and/or Loss Recognized this Term	Remark
				End of the Current Period	End of last year	Quantity	Proportion	Carrying Amount			
The Company	GEM Electronics Company Limited	British Virgin Islands	Holding company business	$ -	$ -	100	100%	$2,527,693	$ 277,758	$ 277,758	Note 1
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202 (USD 606)	18,202 (USD 606)	606,091	100%	1,618,897	539,564	539,564	Note 1

Note 1: The relevant investment profit and loss recognition are based on the financial statements of the investee company reviewed by the CPAs during the same period.

Note 2: It has been consolidated and written off in the preparation of this consolidated financial statement.

Note 3: Please refer to Table 5 for relevant information on investment in Mainland China.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Information of investment in Mainland China

January 1 to September 30, 2022

Table 5

Unit: thousands of New Taiwan Dollars/ foreign currency

Invested Company in China	Business Scope	Paid-in Shares Capital	Investment Method	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2022	The Company's Direct or Indirect Holding Percentage	Invested Company's Profit and/or Loss this Term	Profit and/or Loss Recognized this Term	Carrying Amount of Investments at the End of the Period	Accumulated Inward Remittance of Earnings as of September 30, 2022
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	$ 2,190,750 (USD 69,000) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	100%	$ 277,758	$ 277,758 (Note 2(2) 2.)	$ 2,527,693	$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,952,058 (RMB436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	100%	121,632	121,632 (Note 2(2) 2.)	1,040,751	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	158,750 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	20%	28,486	5,697 (Note 2(2) 3.)	93,909	-

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
(Note 6)	(Note 6)	(Note 6)

Note 1: There are three types of investment methods, and they indicated below:

(1) Directly conduct investment in China.

(2) Reinvestment in Mainland China through a third regional company (GEM Electronics Company Limited).

(3) Other methods (reinvestment through GEM Electronics (Shanghai) Co., Ltd.).

Note 2: In the investment profit and loss recognized in the current period

(1) It shall be indicated if it is under preparation without investment profit or loss.

(2) The basis for recognition of investment gains and losses is divided into the following three types, which should be indicated.

1. Financial statements reviewed by an international accounting firm that has a cooperative relationship with an accounting firm of the Republic of China.
2. Financial statements reviewed by the certified accounting firm by the parent company in Taiwan.
3. Based on the financial statements of the invested company that have not been reviewed by accountants during the same period.

Note 3: Relevant figures in this table should be denominated in New Taiwan Dollars.

Note 4: It has been written-off in the preparation of these consolidated financial statements.

Note 5: Part of it is reinvested with surplus funds from the third region.

Note 6: The Company is not a company established by the Republic of China, so it is not applicable.

GEM Services, Inc.

Information of major shareholders

September 30, 2022

Table 6

Name of Major Shareholders:	Shareholding	
	Shares Held	Ratio of Shareholding
Elite Advanced Laser Corporation	65,809,451	51%

Note: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of the current quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.