Stock Code: 6525

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements with CPA's Audit Report

Second Quarter of 2023 and 2022

Address: PO Box 472, 2nd Floor, Harbour Place, Grand Cayman, KY1-1106, Cayman Island

Tel: (02)22480680

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

§TABLE OF CONTENTS§

CPA's Audit Report

GEM Services, Inc.:

Qualified Opinion

Consolidated Balance Sheets of GEM Services, Inc. and its subsidiaries (GEM Group) as of June 30, 2023 and 2022, in addition to the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2023 and 2022, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies), have been audited by us.

Except for the potential influence as stated in the "Basis for a qualified conclusion" paragraph, according to our opinion, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC, with a fair presentation of the GEM Group's consolidated financial position as of June 30, 2023 and 2022, consolidated financial performance for the three and six months ended June 30, 2023 and 2022, and consolidated cash flows for six months ended June 30, 2023 and 2022.

Basis for a Qualified Opinion

As stated in Note 10 to the consolidated financial statements, the GEM Group's investments using the equity method as of June 30, 2023 and 2022 totaled NT$102,654 thousand and NT$86,910 thousand, respectively, and share of profit/loss of subsidiaries and associates accounted for using the equity method for the three and six months ended June 30, 2023 and 2022 amounted to NT$3,016 thousand, NT$(2,823) thousand, NT$7,914 thousand, and NT$(399) thousand, respectively. As we did not have access to the investees' financial information and management teams, we were unable to obtain sufficient and appropriate evidence to audit the said amounts. Therefore, we were unable to judge whether necessary adjustments should be made to the said amounts.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the period ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters stated in the "Basis for a qualified opinion" paragraph, we determined the following matters as key audit matters:

Key audit matters for the GEM Group's consolidated financial statements for the period ended June 30, 2023 are stated as follows:

<u>The veracity of the sales revenue of specific customers</u>

The GEM Group's consolidated operating revenue for the six months ended June 30, 2023 was NT$2,155,021 thousand, a decrease by about 18% compared with the six-month period ended June 30, 2022. The total revenue of the customers with significant sales volume and continuous growth in sales accounted for about 32% of the consolidated operating revenue, resulting in significant influence on the consolidated financial statements. Thus, we believe that the main risk lies in the veracity of the sales revenue of the customers with significant sales volume and continuous growth in sales in the first half of 2023 and included it in the key audit matters of the consolidated financial statements for the period ended June 30, 2023. Please refer to Note 4 (14) "Revenue recognition" to the 2022 Consolidated Financial Statements for the description of the revenue recognition policy.

Our audit procedures for this include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control

procedure during the sales transactions for whether the design and implementation are effective.

2. We obtain the list of the above-mentioned customers for the six months ended June 30, 2023, and evaluate whether their relevant background, transaction amount, credit line and company size are reasonable.
3. We select samples from the above-mentioned customer sales details, examine the sales slips, customs declarations, bills of lading, sales invoices, post-period collections, and post-period major sales returns to confirm the veracity of the sales revenue.

Responsibilities of Management and Governing Units for Consolidated Financial Statements

The responsibility of management is to prepare properly represented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC and maintain the necessary internal control related to the preparation of the consolidated financial statements to ensure no significant misrepresentation are contained in the consolidated financial statements resulting from fraud or error.

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

The GEM Group's governance units (including the Audit Committee) are responsible for overseeing the financial reporting process.

CPA's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the GEM Group's consolidated financial statements for the period ended June 30, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

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

August 9, 2023

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

June 30, 2023 and December 31 and June 30, 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	June 30, 2023 Amount	%	December 31, 2022 (After restatement) Amount	%	June 30, 2022 (After restatement) Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 1,577,078	25	$ 1,973,637	29	$ 1,897,218	26
1140	Current contract assets (Notes 5 and 19)	100,702	2	90,632	1	116,797	2
1170	Accounts receivable (Notes 5, 7, 19 and 24)	772,485	12	823,024	12	1,155,915	16
1180	Accounts receivable due from related parties (Notes 5, 19 and 26)	6,102	-	9,583	-	7,697	-
1200	Other receivables (Notes 5 and 7)	161,010	3	148,357	2	171,181	2
1210	Other receivables due from related parties (Notes 5 and 26)	80	-	43	-	256	-
1220	Current tax assets (Note 4)	-	-	10,082	-	-	-
130X	Inventories (Note 8)	176,157	3	200,519	3	293,104	4
1410	Prepayments (Note 15)	35,712	-	23,353	-	75,180	1
11XX	Total current assets	2,829,326	45	3,279,230	47	3,717,348	51
	Non-current assets						
1550	Investments accounted for using equity method (Note 10)	102,654	2	101,489	1	86,910	1
1600	Property, plant and equipment (Notes 11 and 23)	3,081,830	49	2,914,089	42	2,796,900	38
1755	Right-of-use assets (Note 12)	88,092	1	106,165	2	118,630	1
1760	Investment property (Note 13)	52,220	1	57,214	1	61,259	1
1780	Other intangible assets (Note 14)	1,109	-	1,827	-	3,057	-
1840	Deferred tax assets (Notes 3 and 4)	44,802	1	55,265	1	45,892	1
1990	Other non-current assets (Notes 15 and 26)	31,939	1	415,496	6	518,202	7
15XX	Total non-current assets	3,402,646	55	3,651,545	53	3,630,850	49
1XXX	Total assets	$ 6,231,972	100	$ 6,930,775	100	$ 7,348,198	100
Code	**Liabilities and equity**						
	Current liabilities						
2130	Current contract liabilities (Notes 19 and 26)	$ 34,556	1	$ 11,679	-	$ 9,438	-
2170	Accounts payable	609,282	10	678,568	10	785,801	11
2180	Accounts payable due to related parties (Note 26)	-	-	1,907	-	-	-
2200	Other payables (Notes 16 and 24)	811,590	13	997,311	14	1,699,954	23
2230	Current tax liabilities (Note 4)	63,443	1	96,994	1	101,444	1
2250	Current provisions (Note 17)	30,000	-	30,000	1	30,000	1
2281	Current lease liabilities (Note 12)	30,625	1	30,947	1	28,789	-
2282	Current lease liabilities - related parties (Notes 12 and 26)	-	-	-	-	117	-
2300	Other current liabilities (Notes 16 and 24)	152,824	2	143,607	2	130,192	2
21XX	Total current liabilities	1,732,320	28	1,991,013	29	2,785,735	38
	Non-current liabilities						
2570	Deferred tax liabilities (Notes 3 and 4)	17,504	-	18,977	-	23,086	-
2581	Non-current lease liabilities (Note 12)	20,688	1	36,935	-	49,207	1
2582	Non-current lease liabilities - related parties (Notes 12 and 26)	-	-	-	-	267	-
2670	Other non-current liabilities (Notes 16 and 26)	570,540	9	540,041	8	545,992	7
25XX	Total non-current liabilities	608,732	10	595,953	8	618,552	8
2XXX	Total liabilities	2,341,052	38	2,586,966	37	3,404,287	46
	Equity attributable to owners of the Company (Notes 3 and 18)						
	Share capital						
3110	Common stock	1,290,474	20	1,290,474	19	1,290,474	18
3200	Capital surplus	624,536	10	624,536	9	624,536	9
	Retained earnings						
3310	Legal reserve	565,513	9	472,481	7	472,481	6
3320	Special reserve	209,037	3	203,112	3	203,112	3
3350	Unappropriated earnings	1,468,743	24	1,962,243	28	1,552,478	21
3300	Total retained earnings	2,243,293	36	2,637,836	38	2,228,071	30
3400	Other equity	(267,383)	(4)	(209,037)	(3)	(199,170)	(3)
3XXX	Total equity	3,890,920	62	4,343,809	63	3,943,911	54
	Total liabilities and equity	$ 6,231,972	100	$ 6,930,775	100	$ 7,348,198	100

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

(Please refer to the audit report of Deloitte & Touche on August 9, 2023)

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

April 1 to June 30, 2023 and 2022 and January 1 to June 30, 2023 and 2022

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

		April 1 to June 30, 2023		April 1 to June 30, 2022		January 1 to June 30, 2023		January 1 to June 30, 2022	
Code		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 19 and 26)	$ 1,087,763	100	$ 1,373,555	100	$ 2,155,021	100	$ 2,639,712	100
5000	Operating costs (Notes 8 and 20)	(864,820)	(79)	(1,076,797)	(78)	(1,658,544)	(77)	(2,004,607)	(76)
5900	Gross profit from operations	222,943	21	296,758	22	496,477	23	635,105	24
	Operating expenses (Notes 7, 19, 20 and 26)								
6100	Selling expenses	(5,732)	(1)	(4,744)	-	(9,919)	-	(8,902)	-
6200	Administrative expenses	(67,354)	(6)	(79,817)	(6)	(130,338)	(6)	(155,170)	(6)
6300	Research and development expenses	(12,152)	(1)	(13,415)	(1)	(20,085)	(1)	(25,033)	(1)
6450	(Impairment loss) impairment gain and reversal of impairment lossdetermined in accordance with IFRS 9	(2,961)	-	624	-	(1,893)	-	(1,911)	-
6000	Total operating expenses	(88,199)	(8)	(97,352)	(7)	(162,235)	(7)	(191,016)	(7)
6900	Net operating income	134,744	13	199,406	15	334,242	16	444,089	17
	Non-operating income and expenses								
7100	Interest income (Note 20)	13,074	1	2,716	-	23,738	1	3,897	-
7010	Other income (Note 20)	8,176	1	2,218	-	9,199	-	8,241	-
7020	Other gains and losses (Note 20)	45,661	4	119,956	9	31,438	2	179,126	7
7050	Finance costs (Notes 20 and 26)	(564)	-	(849)	-	(1,219)	-	(1,774)	-
7060	Share of profit (loss) of subsidiaries and associates accounted for using equity method (Note 10)	3,016	-	(2,823)	-	7,914	-	(399)	-
7000	Total non-operating income and expenses	69,363	6	121,218	9	71,070	3	189,091	7
7900	Profit before income tax	204,107	19	320,624	24	405,312	19	633,180	24
7950	Income tax expense (Notes 4 and 21)	(48,831)	(5)	(52,754)	(4)	(90,094)	(4)	(112,622)	(4)
8200	Profit	155,276	14	267,870	20	315,218	15	520,558	20
	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	85,107	8	140,079	10	33,348	1	269,783	10
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(139,989)	(13)	(205,813)	(15)	(91,694)	(4)	(265,841)	(10)
8300	Other comprehensive income in the current period (net amount after tax)	(54,882)	(5)	(65,734)	(5)	(58,346)	(3)	3,942	-
8500	Total comprehensive income in current period	$ 100,394	9	$ 202,136	15	$ 256,872	12	$ 524,500	20
	Earnings per share (Note 22)								
	From continuing operations								
9710	Basic earnings per share	$ 1.20		$ 2.07		$ 2.44		$ 4.03	
9810	Diluted earnings per share	$ 1.19		$ 2.06		$ 2.42		$ 4.00	

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

(Please refer to the audit report of Deloitte & Touche on August 9, 2023)

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to June 30, 2023 and 2022

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company						
				Retained earnings			Other equity	
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Total equity
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 June 30, 2022	-	-	-	-	520,558	-	520,558
D3	Other comprehensive income from January 1 to June 30, 2022	-	-	-	-	-	3,942	3,942
D5	Total comprehensive income from January 1 to June 30, 2022	-	-	-	-	520,558	3,942	524,500
Z1	Balance as of June 30, 2022	$ 1,290,474	$ 624,536	$ 472,481	$ 203,112	$ 1,552,478	($ 199,170)	$ 3,943,911
A1	Balance as of January 1, 2023	$ 1,290,474	$ 624,536	$ 472,481	$ 203,112	$ 1,962,243	($ 209,037)	$ 4,343,809
	Distribution of 2022 earnings (Note 18)							
B1	Legal reserve	-	-	93,032	-	(93,032)	-	-
B3	Special reserve	-	-	-	5,925	(5,925)	-	-
B5	Cash dividends	-	-	-	-	(709,761)	-	(709,761)
		-	-	93,032	5,925	(808,718)	-	(709,761)
D1	Net profit from January 1 to June 30, 2023	-	-	-	-	315,218	-	315,218
D3	Other comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	(58,346)	(58,346)
D5	Total comprehensive income from January 1 to June 30, 2023	-	-	-	-	315,218	(58,346)	256,872
Z1	Balance as of June 30, 2023	$ 1,290,474	$ 624,536	$ 565,513	$ 209,037	$ 1,468,743	($ 267,383)	$ 3,890,920

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

(Please refer to the audit report of Deloitte & Touche on August 9, 2023)

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 June 30, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code		January 1 to June 30, 2023	January 1 to June 30, 2022
	Cash flows from operating activities		
A10000	Profit before tax	$ 405,312	$ 633,180
A20010	Adjustments for:		
A20100	Depreciation expense	313,267	252,547
A20200	Amortization expense	817	1,319
A20300	Expected credit impairment loss	1,893	1,911
A20900	Finance costs	1,219	1,774
A21200	Interest income	(23,738)	(3,897)
A22300	Share of (profit) loss of subsidiaries and associates accounted for using equity method	(7,914)	399
A22500	Losses (gains) on disposal of property, plant and equipment	143	(720)
A23700	Loss on decline in market value and obsolete and slow-moving inventories	173	2,156
A24100	Foreign currency exchange gain	(28,294)	(121,852)
A29900	Profit from lease modification	(1)	-
A29900	Liability provisions	531	398
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	(11,347)	7,181
A31150	Accounts receivable	49,628	(132,082)
A31160	Accounts receivable due from related parties	3,341	1,196
A31180	Other receivables	(13,536)	(5,923)
A31200	Inventories	20,115	(776)
A31230	Prepayments	(13,181)	70,112
A32125	Contract liabilities	22,969	224
A32150	Accounts payable	(66,096)	(49,559)
A32160	Accounts payable due to related parties	(1,908)	-
A32180	Other payables	(57,295)	12,353
A32200	Liability provisions	(531)	(398)
A32230	Other current liabilities	8	(1)
A33000	Net cash inflows generated from operating activities	595,575	669,542
A33100	Interest received	24,995	3,828

(Continued)

(Continued from previous page)

Code		January 1 to June 30, 2023	January 1 to June 30, 2022
A33300	Interest paid	($ 1,219)	($ 1,774)
A33500	Income taxes paid	(105,066)	(122,910)
AAAA	Net cash generated from operating activities	514,285	548,686
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(248,456)	(144,448)
B02800	Proceeds from disposal of property, plant and equipment	761	722
B03700	Increase in refundable deposits	-	(354)
B03800	Decrease in refundable deposits	15	-
B04300	Increase in other receivables due from related parties	(39)	(144)
B04500	Acquisition of intangible assets	(123)	(578)
B07100	Increase in prepayments for equipment	(37,216)	(359,272)
B07600	Dividends received	4,387	3,398
BBBB	Net cash used in investing activities	(280,671)	(500,676)
	Cash flows from financing activities		
C03000	Increase in guarantee deposits received	61,445	132,348
C03100	Decrease in guarantee deposits received	-	(7,286)
C04020	Repayment of the principal portion of lease liabilities	(15,434)	(16,281)
C04500	Cash dividends	(660,518)	-
CCCC	Net cash (used in) generated from financing activities	(614,507)	108,781
DDDD	Effect of exchange rate changes on cash and equivalents	(15,666)	87,778
EEEE	Net (decrease) increase in cash and cash equivalents	(396,559)	244,569
E00100	Cash and cash equivalents at beginning of period	1,973,637	1,652,649
E00200	Cash and cash equivalents at end of period	$ 1,577,078	$ 1,897,218

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

(Please refer to the audit report of Deloitte & Touche on August 9, 2023)

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 June 30, 2023 and 2022

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

1. 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 June 30, 2023, 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.

2. Dates and procedures for the financial statement approval

The consolidated financial statements were approved by the Company's Board of Directors on August 9, 2023.

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

(1) 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).

Except as stated below, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have a significant effect on the accounting policies of the Company and its subsidiaries (collectively as the "Consolidated Company"):

A. Amendments to IAS 1 - Disclosure of Accounting Policies

When this amendment is applied, 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. In addition:

- 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.

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

(A) 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;

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

(C) 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;

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

(E) 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.

Please refer to Note 4 for the disclosure of relevant accounting policies.

B. Amendments to IAS 8 - Definition of Accounting Estimates

The Consolidated Company has applied the amendment since January 1, 2023, and 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.

C. Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Consolidated Company shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations will be retrospectively adjusted on January 1, 2022. The Consolidated Company shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022. When the amendment of IAS 12 is applied, the Consolidated Company shall restate the comparative information retrospectively and recognize the cumulative effect on January 1, 2022.

The impact of adjustment on the relevant items and balances of the Consolidated Company in 2023 with the IAS 12 amendment is as follows:

Impact of assets, liabilities, and equity items in the 2023 consolidated financial statement

	June 30, 2023
Increase in deferred tax assets	$ 12,279
Increase in assets	$ 12,279
Increase in deferred tax liabilities	$ 12,281
Increase in liabilities	$ 12,281
Decrease in retained earnings	($ 2)
Decrease in equity	($ 2)

When the amendment of IAS 12 is applied, the impact on 2022 consolidated financial statement is summarized as follows:

Impact on assets and liabilities in the 2022 consolidated financial statement

	Amount before restatement	Adjustment for initial application	Restated amount
December 31, 2022			
Deferred tax assets	$ 38,834	$ 16,431	$ 55,265
Impact on assets	$ 38,834	$ 16,431	$ 55,265
Deferred tax liabilities	$ 2,546	$ 16,431	$ 18,977
Impact on liabilities	$ 2,546	$ 16,431	$ 18,977
June 30, 2022			
Deferred tax assets	$ 26,625	$ 19,267	$ 45,892
Impact on assets	$ 26,625	$ 19,267	$ 45,892
Deferred tax liabilities	$ 3,819	$ 19,267	$ 23,086
Impact on liabilities	$ 3,819	$ 19,267	$ 23,086

	Amount before restatement	Adjustment for initial application	Restated amount
January 1, 2022			
Deferred tax assets	$ 24,867	$ 23,043	$ 47,910
Impact on assets	$ 24,867	$ 23,043	$ 47,910
Deferred tax liabilities	$ 3,809	$ 23,043	$ 26,852
Impact on liabilities	$ 3,809	$ 23,043	$ 26,852

(2) 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	January 1, 2023

17 and IFRS 9 - Comparative Information	
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
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules	Note 3

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.

Note 3. After the publication of the said amendments, the exceptions and disclosed facts to which the said amendments have been applied will be applied immediately and will be applied retrospectively in accordance with IAS 8, other requirements for disclosure will apply to the annual reporting period starting on or after January 1, 2023, and other requirements for disclosure do not apply to the interim financial reporting for an interim period with the end date prior to December 31, 2023.

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.

4. Summary of significant accounting policies

(1) 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.

(2) Basis of preparation

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

(3) 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 29.

(4) Other significant accounting policies

In addition to the following descriptions, please refer to the Summary of Significant Accounting Policies in the 2022 consolidated financial statement.

A. Income tax expenses

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.

B. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, and the transaction did not generate equivalent taxable and deductible temporary differences, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

5. <u>Major sources of uncertainty in significant accounting judgments, estimations, and assumptions</u>

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 possible impact on the economic environment, inflation, and market interest rate fluctuations into consideration when making 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.

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

The estimated impairment of accounts receivable, other receivables and contract assets is based on the Consolidated Company's assumptions of probability of default and loss given 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.

6. Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and working fund	$ 183	$ 1,419	$ 472
Bank demand deposit	1,483,475	1,459,360	1,569,828
Cash Equivalent (Investments with original maturity within 3 months)			
Bank fixed deposit	93,420	512,858	326,918
	$ 1,577,078	$ 1,973,637	$ 1,897,218

As of June 30, 2023 and December 31 and June 30, 2022, the interest rate ranges for bank deposits were 0.05% to 5.00%, 0.05% to 4.60%, and 0.05% to 2.47%, respectively.

7. Accounts receivable and other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable			
Measured at amortized cost			
Total amount	$ 773,136	$ 823,731	$ 1,156,266
Less: loss allowances	(651)	(707)	(351)
	$ 772,485	$ 823,024	$ 1,155,915
Other receivables			
OEM collection and payment	$ 152,733	$ 144,672	$ 169,667
Scrap receivable	5,440	13	-
Interest receivable	-	1,257	110
Other	2,837	2,415	1,404
	$ 161,010	$ 148,357	$ 171,181

(1) 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:

June 30, 2023

	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	0.0002%～ 0.0116%	0.0037%～ 6.69%	0.3%～ 13.68%	0.81%～ 25.52%	45.10%～ 100%	
Total amount	$ 736,159	$ 35,909	$ 163	$ 372	$ 533	$ 773,136
Loss allowance (lifetime expected credit losses)	(38)	(166)	(16)	(1)	(430)	(651)
Measured at amortized cost	$ 736,121	$ 35,743	$ 147	$ 371	$ 103	$ 772,485

December 31, 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	0.0063%	5.03%	0.02%～ 9.29%	14.25%	22.76%～ 100%	
Total amount	$ 779,381	$ 39,600	$ 4,196	$ 4	$ 550	$ 823,731
Loss allowance (lifetime expected credit losses)	(41)	(44)	(375)	(1)	(246)	(707)
Measured at amortized cost	$ 779,340	$ 39,556	$ 3,821	$ 3	$ 304	$ 823,024

June 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	0.01%	0.0001%～ 6.42%	0.03%～ 13.34%	0.01%～ 19.41%	0.17%～ 100%	
Total amount	$1,088,624	$ 61,591	$ 4,792	$ 1,215	$ 44	$1,156,266
Loss allowance (lifetime expected credit losses)	(99)	(176)	(2)	(70)	(4)	(351)
Measured at amortized cost	$1,088,525	$ 61,415	$ 4,790	$ 1,145	$ 40	$1,155,915

Changes in lose allowance for accounts receivable is as follows:

	January 1 to June 30, 2023	January 1 to June 30, 2022
Opening balance	$ 707	$ 1,067
Less: Reversal of impairment loss for the current period	(55)	(724)
Effect of exchange rate changes	(1)	8
Ending balance	$ 651	$ 351

(2) 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. If there is evidence that the counterparty has signs of breach of contract or the termination so 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. As of June 30, 2023 and December 31 and June 30, 2022, the Consolidated Company assessed other receivables without the need to report expected credit losses.

8. Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw material	$ 176,157	$ 200,519	$ 293,104

The nature of cost of goods sold is as follows:

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Cost of inventories sold	$ 862,633	$ 1,072,191	$ 1,654,278	$ 1,997,578
Lease cost	2,032	2,450	4,093	4,873
Loss on decline in market value and obsolete and slow-moving inventories	155	2,156	173	2,156
	$ 864,820	$ 1,076,797	$ 1,658,544	$ 2,004,607

9. Subsidiary

Subsidiaries included in the consolidated financial statements

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

			Shareholding percentage		
Investor	Subsidiary	Nature of business	June 30, 2023	December 31, 2022	June 30, 2022
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%

10. Investments accounted for using equity method

Investments in associates

	June 30, 2023	December 31, 2022	June 30, 2022
Individually insignificant associates			
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 102,654	$ 101,489	$ 86,910

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	June 30, 2023	December 31, 2022	June 30, 2022
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

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Attributable to the Consolidated Company				
Net income (loss) from continuing operations	$ 3,016	($ 2,823)	$ 7,914	($ 399)
Other comprehensive income	-	-	-	-
Total comprehensive income	$ 3,016	($ 2,823)	$ 7,914	($ 399)

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 audited by CPA during the same period.

11. Property, plant and equipment

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, 2023	$ 520,760	$ 5,686,703	$ 10,543	$ 59,668	$ 71,710	$ 89,863	$ 112,158	$ 6,551,405
Enhancements	-	2,315	-	-	-	80	72,218	74,613
Reclassification (Note)	671	305,779	-	123	-	230	113,583	420,386
Disposals	-	(8,285)	-	(105)	-	(72)	-	(8,462)
Effect of exchange rate changes	(11,811)	(76,508)	(86)	(1,332)	(1,624)	(2,040)	(5,058)	(98,459)
Balance as of June 30, 2023	$ 509,620	$ 5,910,004	$ 10,457	$ 58,354	$ 70,086	$ 88,061	$ 292,901	$ 6,939,483
Accumulated depreciation and impairment								
Balance as of January 1, 2023	$ 133,440	$ 3,366,972	$ 8,188	$ 53,166	$ 7,864	$ 67,686	$ -	$ 3,637,316
Depreciation expense	11,582	258,791	421	1,493	16,424	4,684	-	293,395
Disposals	-	(7,381)	-	(105)	-	(72)	-	(7,558)
Effect of exchange rate changes	(3,290)	(58,712)	(81)	(1,220)	(558)	(1,639)	-	(65,500)
Balance as of June 30, 2023	$ 141,732	$ 3,559,670	$ 8,528	$ 53,334	$ 23,730	$ 70,659	$ -	$ 3,857,653
Net amount as of June 30, 2023	$ 367,888	$ 2,350,334	$ 1,929	$ 5,020	$ 46,356	$ 17,402	$ 292,901	$ 3,081,830
Net amount as of December 31, 2022 and January 1, 2023	$ 387,320	$ 2,319,731	$ 2,355	$ 6,502	$ 63,846	$ 22,177	$ 112,158	$ 2,914,089
Cost								
Balance as of January 1, 2022	$ 177,784	$ 4,566,798	$ 10,484	$ 56,076	$ -	$ 124,113	$ 925,928	$ 5,861,183
Enhancements	74,791	4,667	-	354	-	9,282	87,358	176,452
Reclassification (Note)	267,413	929,538	-	459	-	454	(815,989)	381,875
Disposals	(18,503)	(180,388)	-	-	-	(29,867)	-	(228,758)
Effect of exchange rate changes	3,269	49,047	75	1,108	-	2,504	24,886	80,889
Balance as of June 30, 2022	$ 504,754	$ 5,369,662	$ 10,559	$ 57,997	$ -	$ 106,486	$ 222,183	$ 6,271,641
Accumulated depreciation and impairment								
Balance as of January 1, 2022	$ 131,226	$ 3,140,034	$ 6,682	$ 49,274	$ -	$ 96,881	$ -	$ 3,424,097
Depreciation expense	6,942	213,024	767	1,540	-	7,675	-	229,948
Disposals	(18,503)	(180,388)	-	-	-	(29,865)	-	(228,756)
Effect of exchange rate changes	2,634	43,817	66	979	-	1,956	-	49,452
Balance as of June 30, 2022	$ 122,299	$ 3,216,487	$ 7,515	$ 51,793	$ -	$ 76,647	$ -	$ 3,474,741
Net amount as of June 30, 2022	$ 382,455	$ 2,153,175	$ 3,044	$ 6,204	$ -	$ 29,839	$ 222,183	$ 2,796,900

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

No impairment losses were recognized or reversed from January 1 to June 30, 2023 and 2022.

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 10 years
Other	5 to 10 years

12. <u>Leasing agreement</u>

(1) Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of right-of-use assets			
Land (Note)	$ 38,968	$ 40,442	$ 41,188
Building	47,939	64,368	77,379
Office equipment	1,185	1,355	63
	$ 88,092	$ 106,165	$ 118,630

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Addition of right-of-use assets				
Lease addition	$ -	$ -	$ 190	$ 188
Depreciation expense on right-of-use assets				
Land	$ 283	$ 289	$ 571	$ 574
Building	7,632	8,714	15,372	17,335
Office equipment	71	63	143	126
	$ 7,986	$ 9,066	$ 16,086	$ 18,035

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.

Part of the land leased by the Consolidated Company in Hefei, Anhui Province, China has been sub-leased to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing from January 1, 2022, and 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 and recognition of depreciation expenses, there was no impairment of the right-of-use assets for the Consolidated Company from January 1 to June 30, 2023 and 2022.

(2) Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts of lease liabilities			
Current (including related parties) (Note 26)	$ 30,625	$ 30,947	$ 28,906
Non-current (including related parties) (Note 26)	$ 20,688	$ 36,935	$ 49,474

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

	June 30, 2023	December 31, 2022	June 30, 2022
Building	4.35%	4.35%	1.09%～4.35%
Office equipment	4.35%	4.35%	1.09%～4.35%

(3) Other lease information

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Expense on short-term lease	($ 1,259)	($ 1,786)	($ 2,616)	($ 3,175)
Total cash outflow from lease	($ 9,457)	($ 10,793)	($ 19,269)	($ 21,230)

13. Investment property

	June 30, 2023	December 31, 2022	June 30, 2022
Building	$ 47,418	$ 52,231	$ 56,184
Right-of-use assets- Land	4,802	4,983	5,075
	$ 52,220	$ 57,214	$ 61,259

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:

	June 30, 2023	December 31, 2022	June 30, 2022
Year 1	$ 47,140	$ 48,232	$ 48,439
Year 2	47,140	48,232	48,439
Year 3	47,140	48,232	48,439
Year 4	23,570	48,232	48,439
Year 5	-	-	24,219
	$ 164,990	$ 192,928	$ 217,975

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 June 30, 2023 and 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value	$ 266,594	$ 283,872	$ 292,197

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

14. Other intangible assets

	Computer software
Cost	
Balance as of January 1, 2023	$ 6,292
Additions	123
Disposals	(2,579)
Effect of exchange rate changes	(84)
Balance as of June 30, 2023	$ 3,752
Accumulated amortization and impairment	
Balance as of January 1, 2023	$ 4,465
Amortization expense	817
Disposals	(2,579)
Effect of exchange rate changes	(60)
Balance as of June 30, 2023	$ 2,643
Net amount as of June 30, 2023	$ 1,109
Net amount as of December 31, 2022 and January 1, 2023	$ 1,827
Cost	
Balance as of January 1, 2022	$ 8,091
Additions	578
Disposals	(750)
Effect of exchange rate changes	164
Balance as of June 30, 2022	$ 8,083
Accumulated amortization and impairment	
Balance as of January 1, 2022	$ 4,370
Amortization expense	1,319
Disposals	(750)
Effect of exchange rate changes	87
Balance as of June 30, 2022	$ 5,026
Net amount as of June 30, 2022	$ 3,057

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

Computer software	3 to 5 years

15. Other assets

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Prepayments			
Tax credit	$ 24,285	$ 12,799	$ 56,847
Other	11,427	10,554	18,333
	$ 35,712	$ 23,353	$ 75,180
Non-current			
Prepayments for equipment	$ 23,540	$ 406,888	$ 509,190
Refundable deposits paid (Note 26) (Note)	8,399	8,608	9,012
	$ 31,939	$ 415,496	$ 518,202

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 June 30, 2023 and December 31 and June 30, 2022, the Consolidated Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

16. Other liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Other payables			
Cash dividends (Note 24)	$ 49,414	$ 171	$ 709,872
Payable for equipment (Note 24)	352,211	526,054	558,063
Remuneration to the employees and directors	115,829	145,656	165,079
Salary and bonus	102,622	135,327	114,617
OEM collection and payment	70,748	74,259	39,000
Insurance premium	38,785	42,430	33,717
Pension	21,061	15,358	13,789
Professional service fee	4,274	3,361	2,662
Utility bill	747	964	3,944
Business tax	1,950	2,303	2,635
Contract service payment	1,277	1,277	2,554
Other	52,672	50,151	54,022
	$ 811,590	$ 997,311	$ 1,699,954

	June 30, 2023	December 31, 2022	June 30, 2022
Other current liabilities			
Guarantee deposit - payments received to retain capacity (Note 24) (Note)	$ 152,751	$ 143,542	$ 130,142
Temporary receipts	73	65	50
	$ 152,824	$ 143,607	$ 130,192
Non-current			
Guarantee deposits and margins received			
Payments received to retain capacity (Note)	$ 550,965	$ 526,626	$ 532,542
Other (Note 26)	19,575	13,415	13,450
	$ 570,540	$ 540,041	$ 545,992

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.

17. Liability provisions

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Warranty	$ 30,000	$ 30,000	$ 30,000

	January 1 to June 30, 2023	January 1 to June 30, 2022
Opening balance	$ 30,000	$ 30,000
Warranty expense for this period	531	398
Used during this period	(531)	(398)
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.

18. Equity

(1) Share capital

Common stock

	June 30, 2023	December 31, 2022	June 30, 2022
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

(2) Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note)			
Share premium	$ 530,686	$ 530,686	$ 530,686
Treasury shares	93,850	93,850	93,850
	$ 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.

(3) 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:

A. the Company shall set aside all taxes that legally required to be paid;

B. offset its losses in previous years that have not been previously offset;

C. set aside a Legal Reserve in accordance with the Applicable Public Company Rules, unless the accumulated amount of such Legal Reserve has reached the total paid-up capital of the Company;

D. set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge.

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 equal 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 2022 and 2021 earnings distribution proposals are as follows:

	2022	2021
Legal reserve	$ 93,032	$ 85,799
Special reserve	$ 5,925	($ 2,544)
Cash dividends	$ 709,761	$ 709,761
Cash dividend per share (NTD)	$ 5.5	$ 5.5

The above cash dividends have been distributed by the resolution of the Board of Directors on March 22, 2023 and March 22, 2022, respectively, and the remaining earning distribution items were also resolved at the shareholders' general meeting on May 31, 2023 and June 27, 2022, respectively.

(4) Special reserve

	January 1 to June 30, 2023	January 1 to June 30, 2022
Opening balance	$ 203,112	$ 205,656
Reduction of other equity items	5,925	-
(Reversal of) Reduction of other equity items	-	(2,544)
Ending balance	$ 209,037	$ 203,112

(5) Other equity

Exchange differences on translation of foreign financial statements:

	January 1 to June 30, 2023	January 1 to June 30, 2022
Opening balance	($ 209,037)	($ 203,112)
Recognized in the current period		
Exchange differences on translation	(91,694)	(265,841)
Translation differences in presentation currency	33,348	269,783
Other comprehensive income in the current period	(58,346)	3,942
Ending balance	($ 267,383)	($ 199,170)

19. Revenue

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Revenue from customer contracts				
Packaging and testing	$ 1,053,992	$ 1,339,962	$ 2,081,836	$ 2,569,102
Other revenue				
Other (Note 26)	33,771	33,593	73,185	70,610
	$ 1,087,763	$ 1,373,555	$ 2,155,021	$ 2,639,712

(1) Contract balance

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Accounts receivable (Note 7)	$ 772,485	$ 823,024	$ 1,155,915	$ 1,006,963
Accounts receivable due from related parties (Note 26)	6,102	9,583	7,697	8,717
	$ 778,587	$ 832,607	$ 1,163,612	$ 1,015,680
Contract assets				
Packaging and testing	$ 112,153	$ 100,175	$ 131,107	$ 137,277

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Less: loss allowances	(11,451)	(9,543)	(14,310)	(11,629)
Current contract assets	$ 100,702	$ 90,632	$ 116,797	$ 125,648
Contract liabilities (including related parties) (Note 26)				
Packaging and testing	$ 34,556	$ 11,679	$ 9,438	$ 9,139

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 is facing serious financial difficulties 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.

	June 30, 2023	December 31, 2022	June 30, 2022
Expected credit loss rate	10%	9.5%	11%
Total amount	$ 112,153	$ 100,175	$ 131,107
Loss allowance (lifetime expected credit losses)	(11,451)	(9,543)	(14,310)
	$ 100,702	$ 90,632	$ 116,797

Information on changes in the loss allowance on contract assets:

	January 1 to June 30, 2023	January 1 to June 30, 2022
Opening balance	$ 9,543	$ 11,629
Add: Impairment losses for the current period	1,948	2,635
Effect of exchange rate changes	(40)	46
Ending balance	$ 11,451	$ 14,310

(2) Detail of revenue from customer contracts

Type of service	January 1 to June 30, 2023	January 1 to June 30, 2022
Packaging and testing	$ 2,081,836	$ 2,569,102
Electroplating services	46,179	43,152
Lease and other services	27,006	27,458
	$ 2,155,021	$ 2,639,712

20. Profit from continuing operations

(1) Interest income

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Bank deposit	$ 13,074	$ 2,716	$ 23,738	$ 3,897

(2) Other income

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Government subsidy	$ 7,396	$ 935	$ 7,505	$ 4,664
Other	780	1,283	1,694	3,577
	$ 8,176	$ 2,218	$ 9,199	$ 8,241

(3) Other gains and losses

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Gain on foreign exchange	$ 47,729	$ 117,719	$ 33,470	$ 178,465
Gain or (loss) on disposal of property, plant and equipment	(226)	720	(143)	720
Profit from lease modification	1	-	1	-
Other	(1,843)	1,517	(1,890)	(59)
	$ 45,661	$ 119,956	$ 31,438	$ 179,126

(4) Finance costs

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Interest expense on lease liability (Note 26)	$ 564	$ 849	$ 1,219	$ 1,774

(5) Depreciation and amortization

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Depreciation expenses summarized by function				
Operating costs	$ 148,115	$ 124,180	$ 293,571	$ 232,746
Operating expenses	9,801	9,971	19,696	19,801
	$ 157,916	$ 134,151	$ 313,267	$ 252,547
Amortization expenses summarized by function				
Operating costs	$ -	$ 43	$ -	$ 86
Administrative expenses	305	613	817	1,233
	$ 305	$ 656	$ 817	$ 1,319

(6) Direct operating expenses of investment property

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Related to lease revenue				
Depreciation expense	$ 1,880	$ 2,295	$ 3,786	$ 4,564
Other	152	155	307	309
	$ 2,032	$ 2,450	$ 4,093	$ 4,873

(7) Employee benefits expenses

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Post-employment benefits				
Determined appropriation plan	$ 32,301	$ 27,313	$ 62,908	$ 53,948
Other employee benefits	293,751	369,634	589,593	687,716
Total employee benefits expenses	$ 326,052	$ 396,947	$ 652,501	$ 741,664
Summarized by function				
Operating costs	$ 276,463	$ 346,533	$ 551,603	$ 640,236
Operating expenses	49,589	50,414	100,898	101,428
	$ 326,052	$ 396,947	$ 652,501	$ 741,664

(8) 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 for the three and six months ended June 30, 2023 and 2022 are as follows:

Estimated ratio

	January 1 to June 30, 2023	January 1 to June 30, 2022
Remuneration to employees	9.9%	6.6%
Remuneration to directors	2.9%	2.4%

Amount

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Remuneration to employees	$ 23,050	$ 23,050	$ 46,100	$ 46,100
Remuneration to directors	$ 6,700	$ 8,500	$ 13,400	$ 17,000

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 2022 and 2021 were approved by the Board of Directors on March 22, 2023 and March 22, 2022 as follows:

Amount

	2022	2021
	Cash	Cash
Remuneration to employees	$ 92,200	$ 92,200
Remuneration to directors	$ 34,000	$ 34,000

There is no difference between the actual distributed amounts of employee remuneration and director remuneration in 2022 and 2021 and the recognized amounts in the consolidated financial statement for 2022 and 2021.

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

(9) Foreign currency exchange gain and loss

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Total foreign currency exchange gain	$ 96,367	$ 158,159	$ 181,834	$ 237,406

Total foreign currency exchange loss	(48,638)	(40,440)	(148,364)	(58,941)
Net gain	$ 47,729	$ 117,719	$ 33,470	$ 178,465

21. Income tax for continuing operation

(1) Income tax recognized in profit or loss

Detail of income tax expenses:

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Current income tax				
Current period	$ 50,468	$ 59,351	$ 84,933	$ 114,857
Prior years' adjustment	(3,336)	(740)	(3,336)	(740)
	47,132	58,611	81,597	114,117
Deferred income tax				
Current period	1,699	(5,857)	8,497	(1,495)
Income tax expense recognized in profit or loss	$ 48,831	$ 52,754	$ 90,094	$ 112,622

(2) 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 2021.

The Consolidated Company had no pending tax litigation as of June 30, 2023.

22. Earnings per share

Unit: NTD per share

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Earnings per share - basic				
From continuing operations	$ 1.20	$ 2.07	$ 2.44	$ 4.03
Earnings per share - diluted				
From continuing operations	$ 1.19	$ 2.06	$ 2.42	$ 4.00

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

Profit

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Net profit attributable to owners of the Company	$ 155,276	$ 267,870	$ 315,218	$ 520,558
Net profit used to calculate basic earnings per share and diluted earnings per share	$ 155,276	$ 267,870	$ 315,218	$ 520,558

Quantity

Unit: thousand shares

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
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:				
Remuneration to employees	640	581	1,176	1,032
Weighted average number of common shares used to calculate diluted earnings per share	129,687	129,628	130,223	130,079

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.

23. Government subsidy

The building constructed and facilities purchased by GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Consolidated Company, was approved for a subsidy of NT$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. The depreciation expenses during the three and six months ended June 30, 2023 and 2022 were reduced by NT$631 thousand, NT$0, NT$1,128 thousand, and NT$0, respectively.

24. Cash flow

(1) Non-cash transaction

Unless disclosed in other notes, the Consolidated Company conducted the following non-cash investment and financing activities from January 1 to June 30, 2023 and 2022:

A. As of June 30, 2023 and December 31 and June 30, 2022, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were NT$352,211 thousand, NT$526,054 thousand and NT$558,063 thousand respectively, and were accounted as other payables.

B. As of June 30, 2023 and December 31 and June 30, 2022, there were NT$49,414 thousand, NT$171 thousand and NT$709,872 thousand of declared cash dividends that had not been distributed and were accounted under other payables.

C. The Consolidated Company signed a production capacity guarantee agreement with the customer and offset the security deposit by offsetting the payment according to the conditions stipulated in the contract. In the six months ended June 30, 2023, NT$20,103 thousand offset the security deposit by offsetting accounts receivable.

(2) Changes in liabilities from financing activities

January 1 to June 30, 2023

			Non-cash changes						
	January 1, 2023	Cash flows	Lease additions	Lease modification	Finance costs	Offsetting accounts receivable	Effect of exchange rate change	Other	June 30, 2023
Guarantee deposits and margins received	$683,583	$ 61,445	$ -	$ -	$ -	($ 20,103)	($ 1,634)	$ -	$723,291
Lease liabilities	67,882	(15,434)	190	(142)	1,219	-	(1,183)	(1,219)	51,313
	$751,465	$ 46,011	$ 190	($ 142)	$ 1,219	($ 20,103)	($ 2,817)	($ 1,219)	$774,604

January 1 to June 30, 2022

			Non-cash changes				
	January 1, 2022	Cash flows	Lease additions	Finance costs	Effect of exchange rate change	Other	June 30, 2022
Guarantee deposits and margins received	$ 550,281	$ 125,062	$ -	$ -	$ 791	$ -	$ 676,134
Lease liabilities (including related parties)	92,615	(16,281)	188	1,774	1,858	(1,774)	78,380
	$ 642,896	$ 108,781	$ 188	$ 1,774	$ 2,649	($ 1,774)	$ 754,514

25. Financial instrument

(1) 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.

(2) Types of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
Financial asset			
Financial assets measured at amortized cost (Note 1)	$ 2,525,154	$ 2,963,252	$ 3,241,279
Financial liabilities			
Financial liabilities measured at amortized cost (Note 2)	1,110,786	1,349,956	1,459,496

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 (including related parties), other payables (excluding cash dividends payable, employee remuneration and director remuneration payable, salaries and bonuses payable, insurance premiums payable, pensions payable and business tax payable) and guarantee deposit measured at amortized cost.

(3) 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.

A. Market risk

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

(A) Foreign currency risk

The Consolidated Company is engaged in foreign currency-denominated sales and purchase transactions, thus causing the Consolidated Company to be exposed to foreign currency 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 book values 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 28.

<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 June 30, 2023	January 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Gain or (loss)	$ 8,936 (i)	$ 12,177 (i)	($ 1,200)(ii)	($ 7,828)(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 USD exchange rate decreased in the current period, which was due to the decrease in receivables denominated in USD.

(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 decreased in the current period, which was due to the decreased in payables denominated in NTD.

(B) 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 book values of financial assets and financial liabilities of the Consolidated Company subject to interest rate risk exposure on the balance sheet date are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
- Financial assets	$ 93,420	$ 512,858	$ 326,918
- Financial liabilities	51,313	67,882	78,380
Cash flow interest rate risk			
- Financial assets	1,483,475	1,459,360	1,569,828
- 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 June 30, 2023 and 2022 will increase/decrease by NT$7,417 thousand and NT$7,849 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.

B. 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 June 30, 2023, and December 31 and June 30, 2022, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 53%, 57% and 57%, respectively.

C. 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.

Liquidity and Interest Rate Risk for Non-Derivative Financial Liabilities

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.

June 30, 2023

	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	$ 245,872	$ 410,913	$ 483,840	$ 19,575	$ -
Lease liabilities	7,998	108	23,912	21,089	-
	$ 253,870	$ 411,021	$ 507,752	$ 40,664	$ -

December 31, 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	$ 195,984	$ 422,001	$ 718,727	$ 13,415	$ -
Lease liabilities	8,281	111	24,655	37,889	-
	$ 204,265	$ 422,112	$ 743,382	$ 51,304	$ -

June 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	$ 201,458	$1,148,322	$ 806,138	$ 13,450	$ -
Lease liabilities	8,344	124	23,145	51,158	-
	$ 209,802	$1,148,446	$ 829,283	$ 64,608	$ -

26. 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 June 30, 2023 and December 31 and June 30, 2022.

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.

(1) 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

(2) Revenue

Account	Related party categories	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Electroplating services	Associate	$ 20,315	$ 19,999	$ 46,179	$ 43,152
Lease revenue	Associate	$ 11,805	$ 12,010	$ 23,778	$ 23,890
Other	Associate	$ 1,651	$ 1,584	$ 3,228	$ 3,568

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

(3) Contract liabilities

Categories/ Related party	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 3,871	$ 3,961	$ 3,978

(4) Receivables from related parties

Account	Related party categories	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable due from related parties	Associate	$ 6,102	$ 9,583	$ 7,697
Other receivables - related parties	Associate	$ 80	$ 43	$ 256

The outstanding receivables from related parties are not overdue, and no guarantee has been received. No allowance for losses was provided for receivables from related parties

(5) Payables due to related parties

Account	Related party categories	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable due to related parties	Associate	$ -	$ 1,907	$ -

The outstanding balance of payables due to related parties has not been guaranteed.

(6) Lease agreement

Account	Related party categories	June 30, 2023	December 31, 2022	June 30, 2022
Current lease liabilities - related parties	Ultimate parent entity	$ -	$ -	$ 117
Non-current lease liabilities - related parties	Ultimate parent entity	-	-	267
		$ -	$ -	$ 384

Related party categories	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Interest expenses				
Ultimate parent entity	$ -	$ 2	$ -	$ 3
Lease expense				
Ultimate parent entity	$ 45	$ 10	$ 85	$ 21

The Consolidated Company leased parking spaces from the Ultimate Parent Entity on August 31, 2021 which took effect from September 1, 2021. The lease period is 1 year. The rent is signed according to the general market conditions and rents are paid monthly.

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 and rents are 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 and rents are paid monthly.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Total lease payments to be paid in the future	$ 97	$ 108	$ 7

(7) 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 years. The rent is signed according to the general market conditions and rents are 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 June 30, 2023 and December 31 and June 30, 2022, the total lease payments to be received in the future are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Year 1	$ 47,140	$ 48,232	$ 48,439
Year 2	47,140	48,232	48,439
Year 3	47,140	48,232	48,439
Year 4	23,570	48,232	48,439
Year 5	-	-	24,219
	$ 164,990	$ 192,928	$ 217,975

The lease revenue recognized for the three and six months ended June 30, 2023 and 2022 was NT$11,805 thousand, NT$12,010 thousand, NT$23,778 thousand, and NT$23,890 thousand, respectively.

(8) Other related party transactions

Account	Related party categories	June 30, 2023	December 31, 2022	June 30, 2022
Guarantee deposits and margins received	Associate	$ 1,669	$ 1,708	$ 1,715
Refundable deposits paid	Ultimate parent entity	$ 20	$ 20	$ 20

(9) Remuneration for key managerial officers

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Short-term employee benefits	$ 19,229	$ 21,642	$ 40,946	$ 41,867
Post-employment benefits	54	54	108	108
	$ 19,283	$ 21,696	$ 41,054	$ 41,975

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

27. Material contingent liabilities and unrecognized contractual commitments

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

Unit: Foreign currency (thousand)

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment			
USD	$ 73	$ 1,082	$ 3,473
RMB	$ 4,792	$ 3,188	$ 14,410

28. 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:

June 30, 2023

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 34,719	7.2258 (USD: RMB)	$ 1,081,148
USD	32,254	31.1400 (USD: NTD)	1,004,379
Liabilities in foreign currency			
Monetary items			
USD	11,512	7.2258 (USD: RMB)	358,484
USD	26,763	31.1400 (USD: NTD)	833,400
NTD	78,834	0.0321 (NTD: USD)	78,834
NTD	41,179	0.2320 (NTD : RMB)	41,179

December 31, 2022

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 45,497	6.9646 (USD: RMB)	$ 1,397,206
USD	49,153	30.7100 (USD: NTD)	1,509,482
Liabilities in foreign currency			
Monetary items			
USD	8,906	6.9646 (USD: RMB)	273,505
USD	31,973	30.7100 (USD: NTD)	981,902
NTD	53,784	0.0326 (NTD: USD)	53,784
NTD	83,856	0.2268 (NTD : RMB)	83,856

June 30, 2022

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 41,590	6.7114 (USD: RMB)	$ 1,236,062
USD	44,893	29.7200 (USD: NTD)	1,334,218
Liabilities in foreign currency			
Monetary items			
USD	12,792	6.7114 (USD: RMB)	380,185

USD	32,718	29.7200 (USD: NTD)	972,364
NTD	738,678	0.0336 (NTD: USD)	738,678
NTD	44,084	0.2258 (NTD : RMB)	44,084

The Consolidated Company's gain on foreign exchange (including realized and unrealized) for the three and six months ended June 30, 2023 and 2022 were NT$47,729 thousand, NT$117,719 thousand, NT$33,470 thousand, and NT$178,465 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.

29. Notes to disclosures

(1) Information on significant transactions:

A. Lending funds to others. (None)

B. Providing endorsements or guarantees for others. (None)

C. 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)

D. Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of paid-in capital or more. (None)

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more. (None)

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more. (None)

G. The purchase and sale of goods with related parties reaching NT$100 million or 20% of paid-in capital or more. (Table 1)

H. Accounts receivable from related parties reaching NT$100 million or 20% of paid-in capital or more. (Table 2)

I. Trading in derivative instruments. (None)

J. Others: The relationship and circumstances and amounts of important transactions between the parent and subsidiary companies and between each subsidiary. (Table 3)

(2) Information on investees. (Table 4)

(3) Information of investment in Mainland China:

A. 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, profit or loss for the period, 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)

B. 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:

(A) 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)

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

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

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

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

(F) 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 26)

(4) 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)

30. <u>Department information</u>

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:

A. Similar product properties and process;

B. 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 June 30, 2023

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	($ 637,167)	(64%)	Net 90 days from the end of the month of delivery	—	—	$ 446,479	79%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	〃	Purchase	637,167	55%	〃	—	—	(446,479)	(83%)	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	〃	Purchase	511,441	45%	〃	—	—	(92,191)	(17%)	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	〃	Sales	(511,441)	(69%)	〃	—	—	92,191	70%	Notes 1, 2 and 3

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 eliminated when preparing the consolidated financial statements.

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

June 30, 2023

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 $ 446,479	2.72	$ -	—	$ 126,085	$ -

Note 1:Amount recovered from July 1 to August 8, 2023.

Note 2:It has been eliminated when preparing the consolidated financial statements.

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

January 1 to June 30, 2023

Table 3

(In Thousands of New Taiwan Dollars)

No.	Counterparty	Transaction Counterparty	Relationship to the Counterparty	Transaction Details			
				Account	Amount (Note 1)	Transaction terms	% of Total Sales or Assets (Note 2)
1	GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	$ 637,167 (Note 4)	Net 90 days from the end of the month of delivery	30%
				Accounts receivable due from related parties	446,479	—	7%
				Contract assets - related parties	44,231	—	1%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	511,441 (Note 4)	Net 90 days from the end of the month of delivery	24%
				Accounts receivable due from related parties	92,191	—	1%
				Contract assets - related parties	27,173	—	-
3	GEM Tech Ltd.	The Company	Note 3 (2)	Remittance of earnings	651,319	—	10%

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 eliminated when preparing 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 June 30, 2023

Table 4

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

Investor Company	Investee Company	Location	Business Scope	Original Investment Amount		Holding of Investment at the End of the Period			Net Income (Losses) of the Investee	Share of Profits (Losses) of Investee	Note
				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%	$ 2,616,785	$ 146,922	$ 146,922	Note 1
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202 (USD 606)	18,202 (USD 606)	606,091	100%	1,232,974	169,605	169,605	Note 1

Note 1: The share of profit (losses) of investee is based on the financial statements of the investee company audited by the CPA during the same period.

Note 2: It has been eliminated when preparing the consolidated financial statements.

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 June 30, 2023

Table 5

Unit: thousands of New Taiwan Dollars/ foreign currency

Investee Company in China	Business Scope	Paid-in Shares Capital	Investment Method	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	The Company's Direct or Indirect Holding Percentage	Net Income (Losses) of the Investee	Share of Profits (Losses) of Investee	Carrying Amount of Investments at the End of the Period	Accumulated Inward Remittance of Earnings as of June 30, 2023
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	$ 2,148,660 (USD 69,000) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	100%	$ 146,922	$ 146,922 (Note 2(2) 2.)	$ 2,616,785	$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,881,169 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	100%	87,255	87,255 (Note 2(2) 2.)	1,119,566	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	155,700 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	20%	39,568	7,914 (Note 2(2) 3.)	102,654	-

Accumulated Investment in Mainland China as of June 30, 2023	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 share of profits (losses) of investee

(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 audited by an international accounting firm that has a cooperative relationship with an accounting firm of the Republic of China.

2. Financial statements audited by the certified accounting firm by the parent company in Taiwan.

3. Based on the financial statements of the investee that have not been audited 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 eliminated when preparing the 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

June 30, 2023

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.