GEM SERVICES, INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements with CPA's Audit Report

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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.:

Opinion

We have audited the accompanying consolidated financial statements of GEM Services, Inc. and its subsidiaries (collectively, the "GEM Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the GEM Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for the audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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.

Key audit matters for the GEM Group's consolidated financial statements for the year ended December 31, 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 year ended December 31, 2023 was NT$4,418,989 thousand, a decrease by about 15% compared with the year ended December 31, 2022. The total revenue of the customers with significant sales volume and continuous growth in sales accounted for about 30% 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 2023 and included it in the key audit matters of the consolidated financial statements for the year ended December 31, 2023. Please refer to Note 4 (14) of the 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 in 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, payment collections, and major sales returns after the balance sheet date 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by FSC of the ROC, 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 2023 consolidated financial statements 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

March 12, 2024

GEM SERVICES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 (After restatement) Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,731,493	28	$ 1,973,637	29
1140	Current contract assets (Notes 4, 5 and 20)	116,493	2	90,632	1
1170	Accounts receivable (Notes 4, 5, 7 and 20)	780,906	13	823,024	12
1180	Accounts receivable due from related parties (Notes 4, 5, 20 and 28)	9,885	-	9,583	-
1200	Other receivables (Notes 4, 5 and 7)	108,801	2	148,357	2
1210	Other receivables due from related parties (Notes 4, 5 and 28)	45	-	43	-
1220	Current tax assets (Notes 4 and 22)	2,055	-	10,082	-
130X	Inventories (Notes 4 and 8)	172,243	3	200,519	3
1410	Prepayments (Note 15)	28,021	-	23,353	-
11XX	Total current assets	2,949,942	48	3,279,230	47
	Non-current assets				
1550	Investments accounted for using equity method (Notes 4 and 10)	116,704	2	101,489	1
1600	Property, plant and equipment (Notes 4, 11 and 24)	2,883,166	47	2,914,089	42
1755	Right-of-use assets (Notes 4 and 12)	72,997	1	106,165	2
1760	Investment property (Notes 4 and 13)	48,811	1	57,214	1
1780	Other intangible assets (Notes 4 and 14)	3,634	-	1,827	-
1840	Deferred tax assets (Notes 3, 4 and 22)	42,628	1	55,265	1
1990	Other non-current assets (Notes 4, 15 and 28)	29,097	-	415,496	6
15XX	Total non-current assets	3,197,037	52	3,651,545	53
1XXX	Total assets	$ 6,146,979	100	$ 6,930,775	100
Code	**Liabilities and equity**				
	Current liabilities				
2130	Current contract liabilities (Notes 4, 20 and 28)	$ 27,248	-	$ 11,679	-
2170	Accounts payable	592,455	10	678,568	10
2180	Accounts payable due to related parties (Note 28)	-	-	1,907	-
2200	Other payables (Notes 16 and 25)	594,417	10	997,311	14
2230	Current tax liabilities (Notes 4 and 22)	7,876	-	96,994	1
2250	Current provisions (Notes 4 and 17)	30,000	-	30,000	1
2281	Current lease liabilities (Notes 4 and 12)	30,832	-	30,947	1
2300	Other current liabilities (Notes 16 and 25)	158,251	3	143,607	2
21XX	Total current liabilities	1,441,079	23	1,991,013	29
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 3, 4 and 22)	14,897	-	18,977	-
2581	Non-current lease liabilities (Notes 4 and 12)	5,481	-	36,935	-
2670	Other non-current liabilities (Notes 16, 25 and 28)	530,253	9	540,041	8
25XX	Total non-current liabilities	550,631	9	595,953	8
2XXX	Total liabilities	1,991,710	32	2,586,966	37
	Equity attributable to owners of the Company (Notes 4 and 19)				
	Share capital				
3110	Common stock	1,290,474	21	1,290,474	19
3200	Capital surplus	624,536	10	624,536	9
	Retained earnings				
3310	Legal reserve	565,513	9	472,481	7
3320	Special reserve	209,037	4	203,112	3
3350	Unappropriated earnings	1,719,619	28	1,962,243	28
3300	Total retained earnings	2,494,169	41	2,637,836	38
3400	Other equity	(253,910)	(4)	(209,037)	(3)
3XXX	Total equity	4,155,269	68	4,343,809	63
	Total liabilities and equity	$ 6,146,979	100	$ 6,930,775	100

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

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

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

		2023		2022	
Code		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 20 and 28)	$ 4,418,989	100	$ 5,221,467	100
5000	Operating costs (Notes 8, 21, 24 and 28)	(3,466,447)	(78)	(3,970,230)	(76)
5900	Gross profit from operations	952,542	22	1,251,237	24
	Operating expenses (Notes 4, 7, 20, 21, 24 and 28)				
6100	Selling expenses	(19,979)	(1)	(17,980)	-
6200	Administrative expenses	(263,987)	(6)	(317,798)	(6)
6300	Research and development expenses	(47,786)	(1)	(52,749)	(1)
6450	Gain on reversal of expected credit impairment	2,067	-	2,494	-
6000	Total operating expenses	(329,685)	(8)	(386,033)	(7)
6900	Net operating income	622,857	14	865,204	17
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 21)	40,839	1	16,084	-
7010	Other income (Notes 4 and 21)	19,245	-	12,025	-
7020	Other gains and losses (Notes 4 and 21)	12,020	-	230,508	5
7050	Finance costs (Notes 4, 21 and 28)	(2,108)	-	(3,277)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 10)	21,650	1	14,635	-
7000	Total non-operating income and expenses	91,646	2	269,975	5

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Code		2023 Amount	2023 %	2022 Amount	2022 %
7900	Profit before income tax	$ 714,503	16	$ 1,135,179	22
7950	Income tax expense (Notes 4 and 22)	(148,409)	(3)	(204,856)	(4)
8200	Net income	566,094	13	930,323	18
	Other comprehensive income (loss) (Notes 4 and 19)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Translation differences from functional currency to presentation currency	(30,102)	(1)	399,495	8
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(14,771)	-	(405,420)	(8)
8300	Other comprehensive income (net amount after tax)	(44,873)	(1)	(5,925)	-
8500	Total comprehensive income	$ 521,221	12	$ 924,398	18
	Earnings per share (Note 23)				
	From continuing operations				
9710	Basic earnings per share	$ 4.39		$ 7.21	
9810	Diluted earnings per share	$ 4.34		$ 7.12	

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

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

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company						
		Share capital		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 19)							
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 income in 2022	-	-	-	-	930,323	-	930,323
D3	Other comprehensive income in 2022	-	-	-	-	-	(5,925)	(5,925)
D5	Total comprehensive income in 2022	-	-	-	-	930,323	(5,925)	924,398
Z1	Balance as of December 31, 2022	1,290,474	624,536	472,481	203,112	1,962,243	(209,037)	4,343,809
	Distribution of 2022 earnings (Note 19)							
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 income in 2023	-	-	-	-	566,094	-	566,094
D3	Other comprehensive income in 2023	-	-	-	-	-	(44,873)	(44,873)
D5	Total comprehensive income in 2023	-	-	-	-	566,094	(44,873)	521,221
Z1	Balance as of December 31, 2023	$ 1,290,474	$ 624,536	$ 565,513	$ 209,037	$ 1,719,619	($ 253,910)	$ 4,155,269

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

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

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flows from operating activities		
A10000	Profit before tax	$ 714,503	$ 1,135,179
A20010	Adjustments for:		
A20100	Depreciation expense	645,515	546,240
A20200	Amortization expense	1,355	2,545
A20300	Gain on reversal of expected credit impairment	(2,067)	(2,494)
A20900	Finance costs	2,108	3,277
A21200	Interest income	(40,839)	(16,084)
A22300	Share of (profit) loss of subsidiaries and associates accounted for using equity method	(21,650)	(14,635)
A22500	Losses (gains) on disposal of property, plant and equipment	239	(2,846)
A23700	Loss on decline in market value and obsolete and slow-moving inventories	173	5,030
A24100	Foreign currency exchange (gain) loss	7,551	(143,741)
A29900	Liability provisions	1,570	666
A29900	Profit from lease modification	(1)	(7)
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	(26,186)	38,314
A31150	Accounts receivable	(28,013)	132,351
A31160	Accounts receivable due from related parties	(473)	(734)
A31180	Other receivables	41,833	14,121
A31200	Inventories	25,236	88,214
A31230	Prepayments	(5,160)	121,960
A32125	Contract liabilities	15,636	2,481
A32150	Accounts payable	(81,820)	(142,507)
A32160	Accounts payable due to related parties	(1,914)	1,918
A32180	Other payables	(39,677)	51,429
A32200	Liability provisions	(1,570)	(666)
A32230	Other current liabilities	2	(1)
A33000	Net cash inflows generated from operating activities	1,206,351	1,820,010
A33100	Interest received	39,172	14,868
A33300	Interest paid	(2,108)	(3,277)
A33500	Income taxes paid	(221,270)	(243,264)
AAAA	Net cash generated from operating activities	1,022,145	1,588,337

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Code		2023	2022
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	($ 557,823)	($ 457,850)
B02800	Proceeds from disposal of property, plant and equipment	761	12,302
B03700	Increase in refundable deposits	(885)	(355)
B03800	Decrease in refundable deposits	15	369
B04300	Increase in other receivables due from related parties	(2)	-
B04400	Decrease in other receivables due from related parties	-	68
B04500	Acquisition of intangible assets	(3,231)	(578)
B07100	Increase in prepayments for equipment	(15,438)	(399,142)
B07600	Dividends received	4,387	3,398
BBBB	Net cash used in investing activities	(572,216)	(841,788)
	Cash flows from financing activities		
C03000	Increase in guarantee deposits received	61,445	178,352
C03100	Decrease in guarantee deposits received	-	(89)
C04020	Repayment of the principal portion of lease liabilities	(31,096)	(31,267)
C04500	Cash dividends	(709,801)	(709,701)
CCCC	Net cash used in financing activities	(679,452)	(562,705)
DDDD	Effect of exchange rate changes on cash and equivalents	(12,621)	137,144
EEEE	Net (decrease) increase in cash and cash equivalents	(242,144)	320,988
E00100	Opening balance of cash and cash equivalents	1,973,637	1,652,649
E00200	Ending balance of cash and cash equivalents	$ 1,731,493	$ 1,973,637

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

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

FOR THE YEARS ENDED DECEMBER 31, 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 December 31, 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 March 12, 2024.

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, "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except as stated below, the application of the amendments to the IFRS Accounting Standards 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

	December 31, 2023
Increase in deferred tax assets	$ 8,587
Increase in assets	$ 8,587
Increase in deferred tax liabilities	$ 8,589
Increase in liabilities	$ 8,589
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
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) Applicable FSC-approved IFRS Accounting Standards in 2024

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
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 (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: When the amendments apply for the first time, some requirements for disclosure are exempted.

As of the publication date of this consolidated financial statement, the Consolidated Company has concluded that there is no material impact of amendments of above standards and interpretations on the consolidated financial position and consolidated financial performance.

(3) New IFRS Accounting Standards 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
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025 (Note 2)

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: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. When the amendments apply for the first time, the effects will be recognized in retained earnings on the initial application date. When the Consolidated Company adopts a non-functional currency as the presentation currency, the effects will be reclassified as the exchange differences arising from the translation of the financial statements of foreign operations under equity on the initial application date.

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. <u>Summary of significant accounting policies</u>

(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 the IFRS Accounting Standards endorsed and issued into effect by the FSC.

(2) Basis of preparation

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

(3) Criteria for classifying assets and liabilities into current and non-current.

Current assets:

A. Assets held primarily for the purpose of trading;
B. Assets expected to be realized within 12 months after the balance sheet date; and
C. Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities:

A. Liabilities held primarily for the purpose of trading;
B. Liabilities expected to be settled within 12 months of the balance sheet date, and
C. Liabilities for which does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities other than those stated above are classified as non-current assets or non-current liabilities.

(4) 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 31.

(5) Foreign currency

When preparing financial statements for each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) shall be converted into functional currency at the exchange rate on the transaction day. Monetary items denominated in foreign currencies are translated at the closing rates at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and shall not be re-translated.

In preparing the consolidated financial statements, the assets and liabilities of the Company and its foreign operation (including subsidiaries, affiliates or branches that operate in a foreign country or use a currency different from that of the Company) are translated into the functional currency (USD) at the exchange rate on each balance sheet date, and translated to the presentation currency (TWD) of the consolidated financial report. Income and expense items are translated at the average exchange rate for the current period, the resulting currency translation differences are recognized in other comprehensive income, which belong to the exchange differences arising from the conversion of the functional currency (USD) to the presentation currency (TWD), and will not be recognized in the future to profit and loss.

(6) Inventories

Inventories include raw materials and supplies. Inventories shall be measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value is based on individual items except for inventories of the same category. Net realizable value is the estimated selling price under normal circumstances less the estimated cost to complete the project and the estimated cost to complete the sale. The calculation of inventory cost adopts the weighted average method.

(7) Investments in associates

An affiliated company is an entity over which the Consolidated Company has significant influence, but are not subsidiaries or joint ventures of the Consolidated Company.

The Consolidated Company adopts the equity method when accounting for investments in affiliated companies.

Under the equity method, on initial recognition the investment in an affiliated company is recognized at cost, and the carrying amount is increased or decreased to recognise the Consolidated Company's share of the profit or loss of the affiliated company after the date of acquisition. The Consolidated Company's share of the affiliated company's profit or loss is recognised in the Consolidated Company's profit or loss.

When assessing impairment, the Consolidated Company regards the overall carrying amount of the investment as a single asset and compares the recoverable amount with the carrying amount for impairment testing. The recognized impairment loss is viewed as the carrying amount of the investment. Any reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of the investment.

Gains and loss arising from upstream, downstream, and sidestream transactions between the Consolidated Company and affiliated companies shall be recognized in the consolidated financial statement only to the extent that it is unrelated Consolidated Company's interest in the affiliated company.

(8) Property, plant and equipment

Property, plant and equipment shall be recognized at cost, and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately portion with a straight-line method over their useful lives. The Consolidated Company shall review the estimated useful life, residual value and depreciation method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively.

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

(9) Investment property

Investment property is property (including right-of-use assets that meet the definition of investment property) held to earn rentals or for capital appreciation or both.

Investment property shall be initially measured at cost (including transaction costs), and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses.

Investment property shall be depreciated with a straight-line method.

Property, plant and equipment and right-of-use assets are transferred to investment property at the carrying amount at the end of owner-occupation.

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

(10) Intangible assets

A. Additions

Intangible assets with a limited useful life acquired separately shall be initially measured at cost, and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses. Intangible assets shall be amortized with a straight-line method within the useful life where the Consolidated Company shall review the estimated useful life, residual value and amortization method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively. Intangible assets with indefinite useful lives are recognized at cost subtracted by accumulated impairment losses.

B. Derecognition

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

(11) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

The Consolidated Company assess at the date of statement property, plant and equipment, right-of-use assets, investment property and intangible assets project whether there is any indication of impairment. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Consolidated Company shall determine the recoverable amount of the cash-generating unit to which the asset belongs. If groups of assets can be allocated to cash-generating units on a reasonable and consistent basis, they will be allocated to individual cash-generating units; otherwise, they will be allocated to the smallest group of cash-generating units that can be allocated on a reasonable and consistent basis.

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

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. (net of amortisation or depreciation) A reversal of an impairment loss is recognized immediately in profit or loss.

(12) Financial instrument

Financial assets and liabilities shall be presented in the consolidated balance sheet when the Consolidated Company becomes a party to the contractual provisions of the instruments.

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

A. Financial asset

The Consolidated Company adopts trade-date accounting to recognize and derecognize financial assets.

(A) Category of financial assets and measurement

The types of financial assets held by the Consolidated Company are financial assets measured at amortized cost.

Financial assets measured at amortized cost

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

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

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

(i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets.

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

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

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

(B) Impairment of financial assets and contract assets

On each balance sheet date, the Consolidated Company evaluates the impairment loss of financial assets (including accounts receivable, other receivables and deposits) and contract assets measured at amortized cost based on expected credit losses.

Accounts receivable and contract assets are recognized as allowance losses based on lifetime expected credit losses. Other financial assets are evaluated on whether the credit risk has increased significantly since the original recognition. If there is no significant increase, the loss provision shall be recognized as the 12-month expected credit loss, and if there has been a significant increase, the loss provision shall be recognized as the expected credit loss during the duration.

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

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

(i) Internal or external information show that the debtor is unlikely to pay its creditors.

(ii) When a financial asset is due longer than 180 days, unless the Consolidated Company has reasonable and corroborative information to support a more lagged default criterion.

As for the impairment losses on all financial assets, the carrying amounts there are reduced directly or through an allowance account.

(C) Derecognition of financial assets

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

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

B. Financial liabilities

(A) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method, except where the recognition of interest on short-term payables is not material.

(B) Derecognition of financial liabilities

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

(13) Liability provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

<u>Warranty</u>

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management's best estimate of the expense required to be settled the obligations of the Consolidated Company.

(14) Revenue recognition

When a performance obligation is satisfied, the Consolidated Company shall recognize as revenue the amount of the transaction price that is allocated to that performance obligation.

Revenue

A. Service revenue

Revenue from packaging and testing

The Consolidated Company's packaging service creates or enhances an asset that the customer controls as the asset is created or enhanced; the customer simultaneously receives and consumes the benefits provided by the Consolidated Company's performance as the Consolidated Company performs.

The relevant revenue will be transferred to the customer with the promised goods or services, and the sales revenue will be recognized when the performance obligations are met over time. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

B. Other

Other revenue is recognized as revenue when the service contract conditions are met in accordance with the relevant contract when the economic benefits are likely to flow into the Consolidated Company and the revenue can be measured reliably. The revenue received before meeting the above-mentioned performance obligations are recognized as contract liabilities.

(15) Lease

The Consolidated Company assesses whether the contract is a lease on the contract establishment date.

A. The Consolidated Company as a lessor

When the lease terms are to transfer substantially all the risks and rewards associated with the ownership of an asset to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

When the Consolidated Company subleases right-of-use assets, the said assets (rather than the underlying assets) are adopted to classify the sublease. However, if the main lease is a short-term lease to which the Consolidated

Company can apply a recognition exemption, the sublease is classified as an operating lease.

Lease payments under operating leases are recognized as income on a straight-line basis over a given lease term.

B. The Consolidated Company as lessee

Except for leases of low-value assets to which the recognition exemption applies and lease payments for short-term leases, which are recognized as expenses on a straight-line basis over the lease term, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease commencement date), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be presented separately in the consolidated balance sheet.

The lessee shall depreciate the right-of-use asset on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments). The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. After the commencement date, the Consolidated Company shall remeasure the lease liability to reflect changes to the lease payments and shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities shall be presented separately in the consolidated balance sheet.

(16) Government subsidy

A government grant is not recognized until there is reasonable assurance that the Consolidated Company will comply with the conditions attaching to it, and that the grant will be received.

Government grants related to income are recognized on a systematic basis as a reduction in related costs over the periods in which the Consolidated Company recognizes as expenses the related costs that the grants intend to compensate. Government grants whose primary condition is that the Consolidated Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

Government grants that are receivables as compensation for expenses already incurred are recognized as profit or loss in the period in which they become receivables.

(17) Employee benefits

A. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Post-employment benefits

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

(18) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

A. Current income tax

The Consolidated Company determines income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

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

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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and loss deductible that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

C. Current and deferred income tax

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

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

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

The Consolidated Company will take the possible impact of 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 20 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

	December 31, 2023	December 31, 2022
Cash on hand and working fund	$ 243	$ 1,419
Bank demand deposit	1,200,053	1,459,360
Cash Equivalent (Investments with original maturity within 3 months)		
Bank fixed deposit	531,197	512,858
	$ 1,731,493	$ 1,973,637

As of December 31, 2023 and 2022, the interest rate ranges for bank deposits were 0.05% to 5.45%, and 0.05% to 4.60%, respectively.

7. Accounts receivable and other receivables

	December 31, 2023	December 31, 2022
Accounts receivable		
Measured at amortized cost		
Total amount	$ 781,161	$ 823,731
Less: loss allowances	(255)	(707)
	$ 780,906	$ 823,024
Other receivables		
OEM collection and payment	$ 104,675	$ 144,672
Interest receivable	2,924	1,257
Other	1,202	2,428
	$ 108,801	$ 148,357

(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:

December 31, 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	0.01%～ 0.1%	0.05%～ 14.79%	6.33%～ 26.41%	16.71%～ 48.39%	39.23%～ 100%	
Total amount	$ 732,587	$ 48,303	$ 67	$ 175	$ 29	$ 781,161
Loss allowance (lifetime expected credit losses)	(84)	(134)	(15)	-	(22)	(255)
Measured at amortized cost	$ 732,503	$ 48,169	$ 52	$ 175	$ 7	$ 780,906

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

Changes in lose allowance for accounts receivable is as follows:

	2023	2022
Opening balance	$ 707	$ 1,067
Less: Reversal of impairment loss for the year	(452)	(369)
Effect of exchange rate changes	-	9
Ending Balance	$ 255	$ 707

(2) Other receivables

The Consolidated Company accounts for other receivables, such as OEM collection and payment and interest receivable and etc.. 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 December 31, 2023 and 2022, the Consolidated Company assessed other receivables without the need to report expected credit losses.

8. Inventories

	December 31, 2023	December 31, 2022
Raw material	$ 172,243	$ 200,519

The nature of cost of goods sold is as follows:

	2023	2022
Cost of inventories sold	$ 3,458,065	$ 3,956,210
Lease cost	8,209	8,990
Loss on decline in market value and obsolete and slow-moving inventories	173	5,030
	$ 3,466,447	$ 3,970,230

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	December 31, 2023	December 31, 2022
The Company	GEM Electronics Company Limited	Holding company business	100.00%	100.00%
	GEM Tech Ltd.	Sales of electronic parts	100.00%	100.00%
GEM Electronics Company Limited	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	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%

10. Investments accounted for using equity method

Investments in associates

	December 31, 2023	December 31, 2022
Individually insignificant associates		
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 116,704	$ 101,489

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	December 31, 2023	December 31, 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%

Information of individually insignificant associates

	2023	2022
Attributable to the Consolidated Company		
Net income from continuing operations	$ 21,650	$ 14,635
Other comprehensive income	-	-
Total comprehensive income	$ 21,650	$ 14,635

Share of profit of associates accounted for using equity method is recognized based on the financial statements of the associates that have 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	7,404	45,369	-	880	8,903	2,931	131,303	196,790
Reclassification (Note)	673	453,599	-	261	-	2,972	(54,220)	403,285
Disposals	-	(29,990)	-	(213)	-	(3,891)	-	(34,094)
Effect of exchange rate changes	(8,928)	(56,575)	(64)	(1,007)	(1,386)	(1,552)	(2,934)	(72,446)
Balance as of December 31, 2023	$ 519,909	$ 6,099,106	$ 10,479	$ 59,589	$ 79,227	$ 90,323	$ 186,307	$ 7,044,940
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	24,163	532,349	843	2,538	36,800	9,159	-	605,852

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
Disposals	-	(28,994)	-	(213)	-	(3,887)	-	(33,094)
Effect of exchange rate changes	(2,731)	(42,464)	(62)	(928)	(870)	(1,245)	-	(48,300)
Balance as of December 31, 2023	$ 154,872	$ 3,827,863	$ 8,969	$ 54,563	$ 43,794	$ 71,713	$ -	$ 4,161,774
Net amount as of December 31, 2023	$ 365,037	$ 2,271,243	$ 1,510	$ 5,026	$ 35,433	$ 18,610	$ 186,307	$ 2,883,166

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
Cost								
Balance as of January 1, 2022	$ 177,784	$ 4,566,798	$ 10,484	$ 56,076	$ -	$ 124,113	$ 925,928	$ 5,861,183
Enhancements	48,657	147,950	-	799	72,122	7,445	180,872	457,845
Reclassification (Note)	312,003	1,227,997	-	1,954	-	654	(1,019,712)	522,896
Disposals	(18,513)	(267,111)	-	(14)	-	(44,498)	-	(330,136)
Effect of exchange rate changes	829	11,069	59	853	(412)	2,149	25,070	39,617
Balance as of December 31, 2022	$ 520,760	$ 5,686,703	$ 10,543	$ 59,668	$ 71,710	$ 89,863	$ 112,158	$ 6,551,405
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	18,675	458,227	1,456	3,156	7,909	13,609	-	503,032
Disposals	(18,513)	(257,657)	-	(14)	-	(44,496)	-	(320,680)
Effect of exchange rate changes	2,052	26,368	50	750	(45)	1,692	-	30,867
Balance as of December 31, 2022	$ 133,440	$ 3,366,972	$ 8,188	$ 53,166	$ 7,864	$ 67,686	$ -	$ 3,637,316
Net amount as of December 31, 2022	$ 387,320	$ 2,319,731	$ 2,355	$ 6,502	$ 63,846	$ 22,177	$ 112,158	$ 2,914,089

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

No impairment losses were recognized or reversed in 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	3 to 10 years

12. Leasing agreement

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Land (Note)	$ 38,639	$ 40,442
Building	33,307	64,368
Office equipment	1,051	1,355
	$ 72,997	$ 106,165

	2023	2022
Addition of right-of-use assets		
Lease additions	$ 190	$ 5,308
Depreciation expense on right-of-use assets		
Land	$ 1,145	$ 1,148
Building	30,639	33,427
Office equipment	286	261
	$ 32,070	$ 34,836

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.

No impairment losses were recognized or reversed in 2023 and 2022.

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts of lease liabilities		
Current	$ 30,832	$ 30,947
Non-current	$ 5,481	$ 36,935

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

	December 31, 2023	December 31, 2022
Building	4.35%	4.35%
Office equipment	4.35%	4.35%

(3) Important lease activities and terms

The lease period of the buildings and office equipment leased by the Consolidated Company is 1 to 10 years. At the end of the lease period, the Consolidated Company has no bargain purchase price option to purchase the leased buildings and office equipment.

(4) Other lease information

	2023	2022
Expense on short-term lease	$ 5,259	$ 6,258
Total cash outflow from lease	($ 38,463)	($ 40,802)

The Consolidated Company has chosen to apply the recognition exemption to building leases that qualify as short-term leases and will not recognize the related right-of-use assets and lease liabilities.

13. Investment property

	Building	Right-of-use assets- Land	Total
Cost			
Balance as of January 1, 2023	$ 213,400	$ 5,546	$ 218,946
Effect of exchange rate changes	(3,592)	(93)	(3,685)
Balance as of December 31, 2023	$ 209,808	$ 5,453	$ 215,261
Accumulated depreciation and impairment			
Balance as of January 1, 2023	$ 161,169	$ 563	$ 161,732
Depreciation expense	7,452	141	7,593
Effect of exchange rate changes	(2,862)	(13)	(2,875)
Balance as of December 31, 2023	$ 165,759	$ 691	$ 166,450
Net amount as of December 31, 2023	$ 44,049	$ 4,762	$ 48,811
Cost			
Balance as of January 1, 2022	$ 210,112	$ 5,461	$ 215,573
Effect of exchange rate changes	3,288	85	3,373
Balance as of December 31, 2022	$ 213,400	$ 5,546	$ 218,946
Accumulated depreciation and impairment			
Balance as of January 1, 2022	$ 150,628	$ 416	$ 151,044
Depreciation expense	8,231	141	8,372
Effect of exchange rate changes	2,310	6	2,316
Balance as of December 31, 2022	$ 161,169	$ 563	$ 161,732
Net amount as of December 31, 2022	$ 52,231	$ 4,983	$ 57,214

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:

	December 31, 2023	December 31, 2022
Year 1	$ 47,420	$ 48,232
Year 2	47,420	48,232
Year 3	47,420	48,232
Year 4	-	48,232
Year 5	-	-
	$ 142,260	$ 192,928

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.

No impairment losses were recognized or reversed in 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 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:

	December 31, 2023	December 31, 2022
Fair value	$ 258,103	$ 283,872

14. Other intangible assets

	Computer software
Cost	
Balance as of January 1, 2023	$ 6,292
Additions	3,231
Disposals	(4,387)
Effect of exchange rate changes	(83)
Balance as of December 31, 2023	$ 5,053
Accumulated amortization and impairment	
Balance as of January 1, 2023	$ 4,465
Amortization expense	1,355
Disposals	(4,387)
Effect of exchange rate changes	(14)
Balance as of December 31, 2023	$ 1,419
Net amount as of December 31, 2023	$ 3,634
Cost	
Balance as of January 1, 2022	$ 8,091
Additions	578
Disposals	(2,517)
Effect of exchange rate changes	140
Balance as of December 31, 2022	$ 6,292
Accumulated amortization and impairment	
Balance as of January 1, 2022	$ 4,370
Amortization expense	2,545
Disposals	(2,517)
Effect of exchange rate changes	67
Balance as of December 31, 2022	$ 4,465
Net amount as of December 31, 2022	$ 1,827

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

Computer software	3 to 5 years

15. Other assets

	December 31, 2023	December 31, 2022
Current		
Prepayments		
Tax credit	$ 12,831	$ 12,799
Prepayments to suppliers	11,392	1,085
Other	3,798	9,469
	$ 28,021	$ 23,353

	December 31, 2023	December 31, 2022
Non-current		
Prepayments for equipment	$ 19,781	$ 406,888
Refundable deposits paid (Note 28) (Note)	9,316	8,608
	$ 29,097	$ 415,496

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

16. Other liabilities

	December 31, 2023	December 31, 2022
Current		
Other payables		
Payable for equipment (Note 25)	$ 165,021	$ 526,054
Remuneration to the employees and directors	125,728	145,656
Salary and bonus	127,127	135,327
OEM collection and payment	70,421	74,259
Insurance premium	38,937	42,430
Pension	16,088	15,358
Professional service fee	4,094	3,361
Business tax	1,906	2,303
Utility bill	2,211	964
Contract service payment	1,277	1,277
Cash dividends (Note 25)	131	171
Other	41,476	50,151
	$ 594,417	$ 997,311
Other current liabilities		
Guarantee deposit - payments received to retain capacity (Note 25) (Note)	$ 158,181	$ 143,542
Temporary receipts	70	65
	$ 158,251	$ 143,607
Non-current		
Guarantee deposits and margins received		
Payments received to retain capacity (Note)	$ 510,561	$ 526,626
Other (Note 28)	19,692	13,415
	$ 530,253	$ 540,041

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

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

	2023	2022
Opening balance	$ 30,000	$ 30,000
Additional provisions recognized	1,570	666
Usage during the period	(1,570)	(666)
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. Retirement benefit plans

Determined appropriation plan

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

The employees of the subsidiaries of the Consolidated Company in Mainland China are enrolled in the pension system operated by the local government. These subsidiaries are required to contribute a specified percentage of payroll to fund the pension system. The Consolidated Company's obligation to this government-operated pension system is only to contribute the specified amount.

19. Equity

(1) Share capital

Common stock

	December 31, 2023	December 31, 2022
Number of shares authorized (in thousands)	250,000	250,000
Authorized capital amount (NTD in thousand)	$ 2,500,000	$ 2,500,000
Issued and paid shares (in thousands)	129,047	129,047
Issued capital (NTD in thousand)	$ 1,290,474	$ 1,290,474

(2) Capital surplus

	December 31, 2023	December 31, 2022
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note)		
Share premium	$ 530,686	$ 530,686
Treasury shares	93,850	93,850
	$ 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 21 (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 the IFRSs (IFRS Accounting Standards)".

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.

On March 12, 2024, the Company's Board of Directors proposed the 2023 earnings distribution as follows:

	2023
Legal reserve	$ 56,609
Special reserve	$ 44,873
Cash dividends	$ 451,666
Cash dividend per share (NTD)	$ 3.5

The above-mentioned cash dividends have been distributed with the resolution of the Board of Directors, and the rest will be resolved at the shareholders' meeting on May 27, 2024.

(4) Special reserve

	2023	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:

	2023	2022
Opening balance	($ 209,037)	($ 203,112)
Recognized in the current period		
Translation differences in presentation currency	(30,102)	399,495
Exchange differences on translation	(14,771)	(405,420)
Other comprehensive income in the current period	(44,873)	(5,925)
Ending Balance	($ 253,910)	($ 209,037)

20. Revenue

	2023	2022
Revenue from customer contracts		
Packaging and testing	$ 4,267,097	$ 5,073,719
Other revenue		
Other (Note 28)	151,892	147,748
	$ 4,418,989	$ 5,221,467

(1) Detail of customer contracts

A. Packaging and testing

The customer contract signed by the Consolidated Company includes two performance obligations of packaging and testing services. The customer pays the contract transaction price after obtaining the packaged or tested product. Since the time interval between the transfer of labor services and the customer's payment is less than a year, the significant financial component of the contract transaction price will not be adjusted. The stand-alone selling prices for packaging and testing services are determined using the expected cost plus a margin approach and are used to allocate the transaction price to each performance obligation.

B. Other

The other service contracts signed by the Consolidated Company come from the electroplating processing services and building leasing services contracted to the Consolidated Company, and the transaction prices of the services are negotiated in accordance with these contracts.

(2) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 7)	$ 780,906	$ 823,024	$ 1,006,963
Accounts receivable due from related parties (Note 28)	9,885	9,583	8,717
	$ 790,791	$ 832,607	$ 1,015,680
Contract assets			
Packaging and testing	$ 123,426	$ 100,175	$ 137,277
Less: loss allowances	(6,933)	(9,543)	(11,629)
Current contract assets	$ 116,493	$ 90,632	$ 125,648
Contract liabilities (including related parties) (Note 28)			
Packaging and testing	$ 27,248	$ 11,679	$ 9,139

Changes in contract assets are due to the difference between the timing of meeting performance obligations and the timing of payment. Other major changes are as follows:

	2023	2022
Contract assets		
Balance at beginning of the period transfers to accounts receivable	($ 99,631)	($ 136,077)

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.

	December 31, 2023	December 31, 2022
Expected credit loss rate	5.6%	9.5%
Total amount	$ 123,426	$ 100,175
Loss allowance (lifetime expected credit losses)	(6,933)	(9,543)
	$ 116,493	$ 90,632

Information on changes in the loss allowance on contract assets:

	2023	2022
Opening balance	$ 9,543	$ 11,629
Less: Reversal of impairment loss for the current period	(1,615)	(2,125)
Write-off for the year (Note)	(996)	-
Effect of exchange rate changes	1	39
Ending Balance	$ 6,933	$ 9,543

Note: As some orders have reached termination in 2023, the Consolidated Company directly wrote off the relevant contract assets and loss allowance.

The amount recognized as revenue in the current year from the contract liabilities at the beginning of the period and the performance obligations that have been satisfied in the previous period is as follows:

	2023	2022
Contract liabilities in beginning of the period	$ 9,421	$ 6,894

(3) Detail of revenue from customer contracts

Type of service	2023	2022
Packaging and testing	$ 4,267,097	$ 5,073,719
Electroplating services	97,371	93,222
Lease and other services	54,521	54,526
	$ 4,418,989	$ 5,221,467

21. Profit from continuing operations

(1) Interest income

	2023	2022
Bank deposit	$ 40,839	$ 16,084

(2) Other income

	2023	2022
Government subsidy	$ 17,090	$ 5,521
Other	2,155	6,504
	$ 19,245	$ 12,025

(3) Other gains and losses

	2023	2022
Gain on foreign exchange	$ 9,232	$ 227,904
Gain or (loss) on disposal of property, plant and equipment	(239)	2,846
Profit from lease modification	1	7
Other	3,026	(249)
	$ 12,020	$ 230,508

(4) Finance costs

	2023	2022
Interest expense on lease liability (Note 28)	$ 2,108	$ 3,277

(5) Depreciation and amortization

	2023	2022
Depreciation expenses summarized by function		
Operating costs	$ 606,765	$ 506,422
Operating expenses	38,750	39,818
	$ 645,515	$ 546,240
Amortization expenses summarized by function		
Operating costs	$ -	$ 157
Administrative expenses	1,355	2,388
	$ 1,355	$ 2,545

(6) Direct operating expenses of investment property

	2023	2022
Related to lease revenue		
Depreciation expense	$ 7,593	$ 8,372
Other	616	618
	$ 8,209	$ 8,990

(7) Employee benefits expenses

	2023	2022
Post-employment benefits		
Determined appropriation plan	$ 132,263	$ 118,406
Other employee benefits	1,176,458	1,311,165
Total employee benefits expenses	$ 1,308,721	$ 1,429,571

Summarized by function		
Operating costs	$ 1,116,423	$ 1,221,709
Operating expenses	192,298	207,862
	$ 1,308,721	$ 1,429,571

(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. Employee remuneration and director remuneration in 2023 and 2022 were approved by the Board of Directors on March 12, 2024 and March 22, 2023 as follows:

Estimated ratio

	2023	2022
Remuneration to employees	9.77%	7.31%
Remuneration to directors	2.93%	2.70%

Amount

	2023	2022
	Cash	Cash
Remuneration to employees	$ 80,000	$ 92,200
Remuneration to directors	$ 24,000	$ 34,000

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.

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

	2023	2022
Total foreign currency exchange gain	$ 256,343	$ 488,307
Total foreign currency exchange loss	(247,111)	(260,403)

	2023	2022
Net gain	$ 9,232	$ 227,904

22. Income tax for continuing operation

(1) Income tax recognized in profit or loss

Detail of income tax expenses:

	2023	2022
Current income tax		
Current tax expenses recognized for the current period	$ 143,515	$ 220,679
Prior years' adjustment	(3,336)	(740)
	140,179	219,939
Deferred income tax		
Current tax expenses recognized for the current period	8,230	(15,083)
Income tax expense recognized in profit or loss	$ 148,409	$ 204,856

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

	2023	2022
Profit before income tax	$ 714,503	$ 1,135,179
Income tax expense calculated at the statutory rate (25%)	$ 178,626	$ 283,795
Nondeductible items in determining taxable income	42	152
Unrecognized deductible temporary differences/ loss deduction	(4,396)	(30,757)
Effect of different tax rates applicable to consolidated entities	(19,649)	(39,379)
Temporary differences arising from prior years recognized for the year	4,419	-
Adjustments for prior years' tax	(3,336)	(740)
Investment tax credits	(7,297)	(8,215)
Income tax expense recognized in profit or loss	$ 148,409	$ 204,856

(2) Current tax assets and liabilities

	December 31, 2023	December 31, 2022
Current tax assets		
Tax refund receivable	$ 2,055	$ 10,082
Current tax liabilities		
Income tax payable	$ 7,876	$ 96,994

(3) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Opening balance	Recognized in profit or loss	Effect of exchange rate changes	Ending Balance
Deferred tax assets				
Temporary difference				
Liability provisions	$ 6,000	$ -	$ -	$ 6,000
Unrealized exchange loss	7,048	(3,794)	-	3,254
Loss on decline in market value and obsolete and slow-moving inventories	7,958	(2,687)	(81)	5,190
Revenue from customer contracts	-	1,019	(20)	999
Lease liabilities	16,972	(7,764)	(129)	9,079
Allowance for losses - contract assets	1,999	(603)	1	1,397
Employee compensation payable	15,120	(1,381)	(227)	13,512
Unrealized sales allowance	168	3,029	-	3,197
	$ 55,265	($ 12,181)	($ 456)	$ 42,628
Deferred tax liabilities				
Temporary difference				
Revenue from customer contracts	$ 2,546	$ 3,768	($ 6)	$ 6,308
Right-of-use assets	16,431	(7,719)	(123)	8,589
	$ 18,977	($ 3,951)	($ 129)	$ 14,897

2022

	Opening balance	Effect of retroactive application of amendments to IAS 12	Opening balance (After restatement)	Recognized in profit or loss	Effect of exchange rate changes	Ending Balance
Deferred tax assets						
Temporary difference						
Liability provisions	$ 6,000	$ -	$ 6,000	$ -	$ -	$ 6,000
Unrealized exchange loss	591	-	591	6,457	-	7,048
Loss on decline in market value and obsolete and slow-moving inventories	-	-	-	8,003	(45)	7,958
Lease liabilities	-	23,043	23,043	(6,067)	(4)	16,972
Allowance for losses - contract assets	2,366	-	2,366	(375)	8	1,999
Allowance for losses - accounts receivable	1	-	1	(1)	-	-
Employee compensation payable	15,909	-	15,909	(1,044)	255	15,120
Unrealized sales allowance	-	-	-	168	-	168
	$ 24,867	$ 23,043	$ 47,910	$ 7,141	$ 214	$ 55,265
Deferred tax liabilities						
Temporary difference						
Revenue from customer contracts	$ 3,153	$ -	$ 3,153	($ 660)	$ 53	$ 2,546
Right-of-use assets	-	23,043	23,043	(6,612)	-	16,431
Unrealized exchange gain	656	-	656	(670)	14	-
	$ 3,809	$ 23,043	$ 26,852	($ 7,942)	$ 67	$ 18,977

(4) Deductible temporary difference not recognized in the consolidated balance sheet

Deductible temporary difference	December 31, 2023	December 31, 2022
Unrealized asset impairment loss	$ 129,546	$ 146,099

(5) 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 December 31, 2023.

23. Earnings per share

Unit: NTD per share

	2023	2022
Earnings per share - basic		
From continuing operations	$ 4.39	$ 7.21
Earnings per share - diluted		
From continuing operations	$ 4.34	$ 7.12

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

Net income

	2023	2022
Net profit attributable to owners of the Company	$ 566,094	$ 930,323
Net profit used to calculate basic earnings per share and diluted earnings per share	$ 566,094	$ 930,323

Quantity

Unit: thousand shares

	2023	2022
Weighted average number of common shares used to calculate basic earnings per share	129,047	129,047
Effect of potential dilutive common shares:		
Remuneration to employees	1,436	1,576
Weighted average number of common shares used to calculate diluted earnings per share	130,483	130,623

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.

24. Government subsidy

GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Consolidated Company, met the subsidy conditions of the local government and received a subsidy of $71,508 thousand after filing an application for the buildings built and the machinery and equipment purchased by the subsidiary.

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. In 2023 and 2022, the depreciation expenses were reduced by $7,606 thousand and $2,148 thousand respectively.

25. Cash flow

(1) Non-cash transaction

The Consolidated Company conducted the following non-cash investment and financing activities in 2023 and 2022:

A. As of December 31, 2023 and 2022, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were $165,021 thousand and $526,054 thousand respectively, and were accounted as other payables.

B. As of December 31, 2023 and 2022, there were $131 thousand and $171 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 2023 and 2022, $55,428 thousand and $45,449 thousand, respectively, were used to offset the accounts receivable to offset the security deposits.

(2) Changes in liabilities from financing activities

2023

	January 1, 2023	Cash flows	Non-cash changes					Other	December 31, 2023
			Lease additions	Lease modification	Finance costs	Offsetting accounts receivable	Effect of exchange rate change		
Guarantee deposits and margins received	$ 683,583	$ 61,445	$ -	$ -	$ -	($ 55,428)	($ 1,166)	$ -	$ 688,434
Lease liabilities	67,882	(31,096)	190	(142)	2,108	-	(521)	(2,108)	36,313
	$ 751,465	$ 30,349	$ 190	($ 142)	$ 2,108	($ 55,428)	($ 1,687)	($ 2,108)	$ 724,747

2022

			Non-cash changes						
	January 1, 2022	Cash flows	Lease additions	Lease modification	Finance costs	Offsetting accounts receivable	Effect of exchange rate change	Other	December 31, 2022
Guarantee deposits and margins received	$ 550,281	$ 178,263	$ -	$ -	$ -	($ 45,449)	$ 488	$ -	$ 683,583
Lease liabilities (including related parties)	92,615	(31,267)	5,308	(364)	3,277	-	1,590	(3,277)	67,882
	$ 642,896	$ 146,996	$ 5,308	($ 364)	$ 3,277	($ 45,449)	$ 2,078	($ 3,277)	$ 751,465

26. Capital risk management

The Consolidated Company conducts capital management to ensure that companies in the group can continue to operate, and maximize shareholder returns with the best mix of debt and equity.

The capital structure of the Consolidated Company consists of the equity attributable to the owners of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

The Consolidated Company is not subject to any externally imposed capital requirements.

27. 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

	December 31, 2023	December 31, 2022
Financial asset		
Financial assets measured at amortized cost (Note 1)	$ 2,640,446	$ 2,963,252
Financial liabilities		
Financial liabilities measured at amortized cost (Note 2)	896,647	1,349,956

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 employee remuneration and director remuneration payable, salaries and bonuses payable, insurance premiums payable, pensions payable, business tax payable and dividends payable) and guarantee deposit measured at amortized cost.

(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 (1) below) and the interest rate risk (see (2) 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 30.

<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	
	2023	2022	2023	2022
Gain or (loss)	$ 13,261 (i)	$ 16,513 (i)	($ 1,117) (ii)	($ 1,376) (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 of cash and cash equivalents 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:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
- Financial assets	$ 531,197	$ 512,858
- Financial liabilities	36,313	67,882
Cash flow interest rate risk		
- Financial assets	1,200,053	1,459,360
- 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 income before tax in 2023 and 2022 will increase/decrease by $12,001 thousand and $14,594 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 December 31, 2023 and 2022, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 56% 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.

<u>Liquidity and Interest Rate Risk for Non-Derivative Financial Liabilities</u>

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

December 31, 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-derivative financial liabilities					
Non-interest bearing liabilities	$ 168,417	$ 225,183	$ 483,486	$ 19,692	$ -
Lease liabilities	7,910	109	23,529	5,704	-
	$ 176,327	$ 225,292	$ 507,015	$ 25,396	$ -

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-derivative financial liabilities					
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	$ -

28. 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 December 31, 2023 and 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	2023	2022
Electroplating services	Associate	$ 97,371	$ 93,222
Lease revenue	Associate	$ 47,691	$ 47,807
Other	Associate	$ 6,830	$ 6,719

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) Purchase

Related party categories	2023	2022
Associate	$ -	$ 1,955

The purchase price is based on the general market conditions and agreed by both parties. The payment terms are monthly T/T 30 days and the price is no significant difference with other non-related parties.

(4) Contract liabilities

Categories/ Related party	December 31, 2023	December 31, 2022
Associate		
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	$ 3,895	$ 3,961

(5) Receivables from related parties

Account	Related party categories	December 31, 2023	December 31, 2022
Accounts receivable due from related parties	Associate	$ 9,885	$ 9,583
Other receivables - related parties	Associate	$ 45	$ 43

The outstanding receivables from related parties are not overdue, and no guarantee has been received. The amount receivable from related parties in 2023 and 2022 has not been recognized as loss provision.

(6) Payables due to related parties

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

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

(7) Lease agreement

Related party categories	2023	2022
Interest expenses		
Ultimate parent entity	$ -	$ 3
Lease expense		
Ultimate parent entity	$ 187	$ 82

The Consolidated Company leased buildings and parking spaces from the Ultimate Parent Entity over a lease term of one 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:

	December 31, 2023	December 31, 2022
Total lease payments to be paid in the future	$ 115	$ 108

(8) 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 December 31, 2023 and 2022, the total lease payments to be received in the future are as follows:

	December 31, 2023	December 31, 2022
Year 1	$ 47,420	$ 48,232
Year 2	47,420	48,232
Year 3	47,420	48,232
Year 4	-	48,232
Year 5	-	-
	$ 142,260	$ 192,928

The lease revenue recognized in 2023 and 2022 was $47,691 thousand and $47,807 thousand respectively.

(9) Other related party transactions

Account	Related party categories	December 31, 2023	December 31, 2022
Guarantee deposits and margins received	Associate	$ 1,679	$ 1,708
Refundable deposits paid	Ultimate parent entity	$ 20	$ 20

(10) Remuneration for key managerial officers

	2023	2022
Short-term employee benefits	$ 70,335	$ 83,197
Post-employment benefits	216	216
	$ 70,551	$ 83,413

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

29. Material contingent liabilities and unrecognized contractual commitments

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

Unit: Foreign currency (thousand)

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment		
USD	$ 111	$ 1,082
RMB	$ 2,752	$ 3,188

30. 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:

December 31, 2023

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
Monetary items			
USD	$ 40,795	7.0827(USD: RMB)	$ 1,252,608
USD	38,240	30.7050(USD: NTD)	1,174,152

	Foreign currency (thousand)	Exchange rate	Carrying amount
Liabilities in foreign currency			
Monetary items			
USD	$ 11,685	7.0827(USD: RMB)	$ 358,782
USD	24,161	30.7050(USD: NTD)	741,851
NTD	39,993	0.0326(NTD: USD)	39,993
NTD	71,728	0.2307(NTD: RMB)	71,728

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

The Consolidated Company's Gain on foreign exchange gain (including realized and unrealized) in 2023 and 2022 were $9,232 thousand and $227,904 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.

31. 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 28)

(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)

32. <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.

(1) Revenue from key products and services

The revenue analysis of the key products and services of the continuing operations of the Consolidate Company is as follows:

	2023	2022
Semiconductor products	$ 4,364,468	$ 5,166,941
Other	54,521	54,526
	$ 4,418,989	$ 5,221,467

(2) Regional information

The Consolidated Company mainly operates in two regions - Taiwan and China.

The revenue of the Consolidated Company from external customers by location of operation and non-current assets by location of assets as listed below:

	Revenue from external customers		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	$ 3,185,792	$ 3,847,244	$ 1,550,195	$ 1,845,853
China	1,233,197	1,374,223	1,478,194	1,640,330
	$ 4,418,989	$ 5,221,467	$ 3,028,389	$ 3,486,183

Non-current assets exclude investments accounted for using equity method, deferred income tax assets and refundable deposits paid.

(3) Information of major customers

Customers accounted for more than 10% of the total revenue of the Consolidated Company are shown below:

Name	2023	2022
AC	$ 926,612	$ 1,115,607

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

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	($ 1,303,906)	(62%)	Net 90 days from the end of the month of delivery	—	—	$ 423,412	78%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,303,906	55%	"	—	—	(423,412)	(71%)	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	1,049,106	45%	"	—	—	(172,462)	(29%)	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	(1,049,106)	(70%)	"	—	—	172,462	78%	Notes 1, 2 and 3
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	(151,892)	(10%)	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	9,885	4%	Notes 2 and 4

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

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

Note 3: It has been eliminated when preparing the consolidated financial statements.

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

December 31, 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 $ 423,412	2.86	$ -	—	$ 215,249	$ -
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable 172,462	8.11	-	—	172,462	-

Note 1: Amount recovered from January 1 to March 12, 2024.

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

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	$ 1,303,906 (Note 4)	Net 90 days from the end of the month of delivery	30%
				Accounts receivable due from related parties	423,412	-	7%
				Contract assets - related parties	48,944	-	1%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	1,049,106 (Note 4)	Net 90 days from the end of the month of delivery	24%
				Accounts receivable due from related parties	172,462	-	3%
				Contract assets - related parties	29,062	-	-
3	GEM Tech Ltd.	The Company	Note 3 (2)	Remittance of earnings	651,319	-	11%

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 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

2023

Table 4

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

Investor	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	Remark
				End of the Current Period	End of Last Year	Quantity	Proportion	Carrying Amount			
The Company	GEM Electronics Company Limited	British Virgin Islands	Holding company business	$ -	$ -	100	100%	$ 2,728,488	$ 244,965	$ 244,965	Note 1
	GEM Tech Ltd.	Samoa	Sales of electronic parts	18,202 (USD 606)	18,202 (USD 606)	606,091	100%	1,411,440	348,072	348,072	Note 1

Note 1: The relevant investment profit and loss recognition 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

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 December 31, 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 December 31, 2023
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	$ 2,118,645 (USD 69,000) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	$ -	$ -	$ -	$ -	100%	$ 244,965	$ 244,965 (Note 2(2) 2.)	$ 2,728,488	$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,892,367 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	100%	154,655	154,655 (Note 2(2) 2.)	1,192,497	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	153,525 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	20%	108,250	21,650 (Note 2(2) 1.)	116,704	-

Accumulated Investment in Mainland China as of December 31, 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 CPA firm of 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

December 31, 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.