

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements with CPA's Audit Report

Second Quarter of 2024 and 2023

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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.

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CPA's Audit Report

GEM Services, Inc.:

Qualified Opinion

Consolidated Balance Sheets of GEM Services, Inc. and its subsidiaries (GEM Group) as of June 30, 2024 and 2023, in addition to the Consolidated Statements of Comprehensive Income for the three and the six months ended June 30, 2024 and 2023, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies), have been audited by us.

Except for the potential influence as stated in the Basis for Qualified Conclusion paragraph, according to our opinion, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC, with a fair presentation of the GEM Group's consolidated financial position as of June 30, 2024 and 2023, consolidated financial performance for the three months ended June 30, 2024 and 2023, and consolidated cash flows for six months ended June 30, 2024 and 2023.

Basis for a Qualified Opinion

As stated in Note 10 to the consolidated financial statements, the GEM Group's investments using the equity method as of June 30, 2024 and 2023 totaled NT\$124,883 thousand and NT\$102,654 thousand, respectively, and share of profit/loss of subsidiaries and associates accounted for using the equity method for the three and six months ended June 30, 2024 and 2023 amounted to NT\$3,547 thousand, NT\$3,016 thousand, NT\$8,870 thousand, and NT\$7,914 thousand, respectively. As we did not have access to the investees' financial information and management teams, we were unable to obtain sufficient and appropriate evidence to audit the said amounts. Therefore, we were unable to judge whether necessary adjustments should be made to the said amounts.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the period ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters stated in the "Basis for a qualified opinion" paragraph, we determined the following matters as key audit matters:

Key audit matters for the GEM Group's consolidated financial statements for the period ended June 30, 2024 are stated as follows:

The veracity of the sales revenue of specific customers

The GEM Group's consolidated operating revenue for the six months ended June 30, 2024 was NT\$2,247,342 thousand, with the consolidated revenue growth rate at approximately 4%. However, among the customers with significant sales volume in the first half of the year, the total operating revenue of the customers with larger revenue growth accounted for approximately 33% of the consolidated operating revenue, which resulted 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 larger revenue growth in the first half of 2024 and included it in the key audit matters of the consolidated financial statements for the period ended June 30, 2024. Please refer to Note 4 (14) "Revenue recognition" to the 2023 Consolidated Financial Statements for the description of the revenue recognition policy.

Our audit procedures for this include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.

2. We obtain the list of the above-mentioned customers for the six months ended June 30, 2024, 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 IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC and maintain the necessary internal control related to the preparation of the consolidated financial statements to ensure no significant misrepresentation are contained in the consolidated financial statements resulting from fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the GEM Group's consolidated financial statements for period ended June 30, 2024 and are therefore the key audit matters. We describe

these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Keng-Hsi, Chang

CPA Chien-Hsin, Hsieh

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

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

August 7, 2024

GEM SERVICES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
June 30, 2024 and December 31 and June 30, 2023

(In Thousands of New Taiwan Dollars)

Code	Assets	June 30, 2024		December 31, 2023		June 30, 2023	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 1,834,084	30	\$ 1,731,493	28	\$ 1,577,078	25
1140	Current contract assets (Notes 5 and 19)	128,757	2	116,493	2	100,702	2
1170	Accounts receivable (Notes 5, 7, 19 and 24)	888,922	14	780,906	13	772,485	12
1180	Accounts receivable due from related parties (Notes 5, 19 and 26)	9,223	-	9,885	-	6,102	-
1200	Other receivables (Notes 5 and 7)	105,373	2	108,801	2	161,010	3
1210	Other receivables due from related parties (Notes 5 and 26)	179	-	45	-	80	-
1220	Current tax assets (Note 4)	-	-	2,055	-	-	-
130X	Inventories (Note 8)	172,680	3	172,243	3	176,157	3
1410	Prepayments (Note 15)	21,344	-	28,021	-	35,712	-
11XX	Total current assets	<u>3,160,562</u>	<u>51</u>	<u>2,949,942</u>	<u>48</u>	<u>2,829,326</u>	<u>45</u>
	Non-current assets						
1550	Investments accounted for using equity method (Note 10)	124,883	2	116,704	2	102,654	2
1600	Property, plant and equipment (Notes 11 and 23)	2,672,219	43	2,883,166	47	3,081,830	49
1755	Right-of-use assets (Note 12)	60,402	1	72,997	1	88,092	1
1760	Investment property (Note 13)	47,358	1	48,811	1	52,220	1
1780	Other intangible assets (Note 14)	2,972	-	3,634	-	1,109	-
1840	Deferred tax assets (Note 4)	36,130	1	42,628	1	44,802	1
1990	Other non-current assets (Notes 15 and 26)	40,900	1	29,097	-	31,939	1
15XX	Total non-current assets	<u>2,984,864</u>	<u>49</u>	<u>3,197,037</u>	<u>52</u>	<u>3,402,646</u>	<u>55</u>
1XXX	Total assets	<u>\$ 6,145,426</u>	<u>100</u>	<u>\$ 6,146,979</u>	<u>100</u>	<u>\$ 6,231,972</u>	<u>100</u>
	Liabilities and equity						
	Current liabilities						
2130	Current contract liabilities (Note 19)	\$ 4,276	-	\$ 23,353	-	\$ 30,685	1
2170	Accounts payable	662,052	11	592,455	10	609,282	10
2200	Other payables (Notes 16 and 24)	511,937	8	594,417	10	811,590	13
2230	Current tax liabilities (Note 4)	72,899	1	7,876	-	63,443	1
2250	Current provisions (Note 17)	30,000	1	30,000	-	30,000	-
2281	Current lease liabilities (Note 12)	17,434	-	30,832	-	30,625	-
2300	Other current liabilities (Notes 16, 24 and 26)	180,930	3	162,146	3	156,695	3
21XX	Total current liabilities	<u>1,479,528</u>	<u>24</u>	<u>1,441,079</u>	<u>23</u>	<u>1,732,320</u>	<u>28</u>
	Non-current liabilities						
2570	Deferred tax liabilities (Note 4)	10,415	-	14,897	-	17,504	-
2581	Non-current lease liabilities (Note 12)	4,424	-	5,481	-	20,688	1
2670	Other non-current liabilities (Notes 16, 24 and 26)	480,393	8	530,253	9	570,540	9
25XX	Total non-current liabilities	<u>495,232</u>	<u>8</u>	<u>550,631</u>	<u>9</u>	<u>608,732</u>	<u>10</u>
2XXX	Total liabilities	<u>1,974,760</u>	<u>32</u>	<u>1,991,710</u>	<u>32</u>	<u>2,341,052</u>	<u>38</u>
	Equity attributable to owners of the Company (Note 18)						
	Share capital						
3110	Common stock	1,290,474	21	1,290,474	21	1,290,474	20
3200	Capital surplus	624,536	10	624,536	10	624,536	10
	Retained earnings						
3310	Legal reserve	622,122	10	565,513	9	565,513	9
3320	Special reserve	253,910	4	209,037	4	209,037	3
3350	Unappropriated earnings	1,484,952	25	1,719,619	28	1,468,743	24
3300	Total retained earnings	<u>2,360,984</u>	<u>39</u>	<u>2,494,169</u>	<u>41</u>	<u>2,243,293</u>	<u>36</u>
3400	Other equity	(105,328)	(2)	(253,910)	(4)	(267,383)	(4)
3XXX	Total equity	<u>4,170,666</u>	<u>68</u>	<u>4,155,269</u>	<u>68</u>	<u>3,890,920</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 6,145,426</u>	<u>100</u>	<u>\$ 6,146,979</u>	<u>100</u>	<u>\$ 6,231,972</u>	<u>100</u>

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

(Please refer to the audit report of Deloitte & Touche on August 7, 2024)

Chairman:

Chu-Liang, Cheng

General Manager:

Yen-Chiang, Tang

Head-Finance & Accounting:

Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

April 1 to June 30, 2024 and 2023 and January 1 to June 30, 2024 and 2023

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

Code		April 1 to June 30, 2024		April 1 to June 30, 2023		January 1 to June 30, 2024		January 1 to June 30, 2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 19 and 26)	\$ 1,185,916	100	\$ 1,087,763	100	\$ 2,247,342	100	\$ 2,155,021	100
5000	Operating costs (Notes 8 and 20)	(915,450)	(77)	(864,820)	(79)	(1,758,483)	(78)	(1,658,544)	(77)
5900	Gross profit from operations	<u>270,466</u>	<u>23</u>	<u>222,943</u>	<u>21</u>	<u>488,859</u>	<u>22</u>	<u>496,477</u>	<u>23</u>
	Operating expenses (Notes 7, 19, 20 and 26)								
6100	Selling expenses	(4,712)	(1)	(5,732)	(1)	(9,229)	(1)	(9,919)	-
6200	Administrative expenses	(71,542)	(6)	(67,354)	(6)	(143,511)	(6)	(130,338)	(6)
6300	Research and development expenses	(12,620)	(1)	(12,152)	(1)	(24,208)	(1)	(20,085)	(1)
6450	Expected credit (loss) gain	<u>708</u>	<u>-</u>	(2,961)	<u>-</u>	<u>35</u>	<u>-</u>	(1,893)	<u>-</u>
6000	Total operating expenses	(88,166)	(8)	(88,199)	(8)	(176,913)	(8)	(162,235)	(7)
6900	Net operating income	<u>182,300</u>	<u>15</u>	<u>134,744</u>	<u>13</u>	<u>311,946</u>	<u>14</u>	<u>334,242</u>	<u>16</u>
	Non-operating income and expenses								
7100	Interest income (Note 20)	12,752	1	13,074	1	23,773	1	23,738	1
7010	Other income (Note 20)	2,296	-	8,176	1	3,038	-	9,199	-
7020	Other gains and losses (Note 20)	(814)	-	45,661	4	48,936	2	31,438	2
7050	Finance costs (Note 20)	(237)	-	(564)	-	(553)	-	(1,219)	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	<u>3,547</u>	<u>1</u>	<u>3,016</u>	<u>-</u>	<u>8,870</u>	<u>1</u>	<u>7,914</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>17,544</u>	<u>2</u>	<u>69,363</u>	<u>6</u>	<u>84,064</u>	<u>4</u>	<u>71,070</u>	<u>3</u>
7900	Profit before income tax	199,844	17	204,107	19	396,010	18	405,312	19
7950	Income tax expense (Notes 4 and 21)	(37,816)	(3)	(48,831)	(5)	(77,529)	(4)	(90,094)	(4)
8200	Profit	<u>162,028</u>	<u>14</u>	<u>155,276</u>	<u>14</u>	<u>318,481</u>	<u>14</u>	<u>315,218</u>	<u>15</u>
	Other comprehensive income (loss) (Note 18)								
8310	Items that will not be reclassified subsequently to profit or loss:								
8341	Translation differences from functional currency to presentation currency	57,008	5	85,107	8	221,599	10	33,348	1
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(7,212)	(1)	(139,989)	(13)	(73,017)	(3)	(91,694)	(4)
8300	Other comprehensive income in the current period (net amount after tax)	<u>49,796</u>	<u>4</u>	(54,882)	(5)	<u>148,582</u>	<u>7</u>	(58,346)	(3)
8500	Total comprehensive income in current period	<u>\$ 211,824</u>	<u>18</u>	<u>\$ 100,394</u>	<u>9</u>	<u>\$ 467,063</u>	<u>21</u>	<u>\$ 256,872</u>	<u>12</u>
	Earnings per share (Note 22)								
	From continuing operations								
9710	Basic earnings per share	<u>\$ 1.26</u>		<u>\$ 1.20</u>		<u>\$ 2.47</u>		<u>\$ 2.44</u>	
9810	Diluted earnings per share	<u>\$ 1.25</u>		<u>\$ 1.19</u>		<u>\$ 2.45</u>		<u>\$ 2.42</u>	

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

(Please refer to the audit report of Deloitte & Touche on August 7, 2024)

Chairman: Chu-Liang, Cheng

General Manager: Yen-Chiang, Tang

Head-Finance & Accounting: Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
January 1 to June 30, 2024 and 2023

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company						
		Retained earnings				Other equity		
						Exchange differences on translation of foreign financial statements		
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings		Total equity
A1	Balance as of January 1, 2023	\$ 1,290,474	\$ 624,536	\$ 472,481	\$ 203,112	\$ 1,962,243	(\$ 209,037)	\$ 4,343,809
	Distribution of 2022 earnings (Note 18)							
B1	Legal reserve	-	-	93,032	-	(93,032)	-	-
B3	Special reserve	-	-	-	5,925	(5,925)	-	-
B5	Cash dividends	-	-	-	-	(709,761)	-	(709,761)
		-	-	93,032	5,925	(808,718)	-	(709,761)
D1	Net profit from January 1 to June 30, 2023	-	-	-	-	315,218	-	315,218
D3	Other comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	(58,346)	(58,346)
D5	Total comprehensive income from January 1 to June 30, 2023	-	-	-	-	315,218	(58,346)	256,872
Z1	Balance as of June 30, 2023	<u>\$ 1,290,474</u>	<u>\$ 624,536</u>	<u>\$ 565,513</u>	<u>\$ 209,037</u>	<u>\$ 1,468,743</u>	(<u>\$ 267,383</u>)	<u>\$ 3,890,920</u>
A1	Balance as of January 1, 2024	\$ 1,290,474	\$ 624,536	\$ 565,513	\$ 209,037	\$ 1,719,619	(\$ 253,910)	\$ 4,155,269
	Distribution of 2023 earnings (Note 18)							
B1	Legal reserve	-	-	56,609	-	(56,609)	-	-
B3	Special reserve	-	-	-	44,873	(44,873)	-	-
B5	Cash dividends	-	-	-	-	(451,666)	-	(451,666)
		-	-	56,609	44,873	(553,148)	-	(451,666)
D1	Net profit from January 1 to June 30, 2024	-	-	-	-	318,481	-	318,481
D3	Other comprehensive income from January 1 to June 30, 2024	-	-	-	-	-	148,582	148,582
D5	Total comprehensive income from January 1 to June 30, 2024	-	-	-	-	318,481	148,582	467,063
Z1	Balance as of June 30, 2024	<u>\$ 1,290,474</u>	<u>\$ 624,536</u>	<u>\$ 622,122</u>	<u>\$ 253,910</u>	<u>\$ 1,484,952</u>	(<u>\$ 105,328</u>)	<u>\$ 4,170,666</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the audit report of Deloitte & Touche on August 7, 2024)

Chairman: Chu-Liang, Cheng

General Manager: Yen-Chiang, Tang

Head-Finance & Accounting: Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to June 30, 2024 and 2023

(In Thousands of New Taiwan Dollars)

Code		January 1 to June 30, 2024	January 1 to June 30, 2023
	Cash flows from operating activities		
A10000	Profit before tax	\$ 396,010	\$ 405,312
A20010	Adjustments for:		
A20100	Depreciation expense	326,313	313,267
A20200	Amortization expense	833	817
A20300	(Gains on reversal of) expected credit impairment losses	(35)	1,893
A20900	Finance costs	553	1,219
A21200	Interest income	(23,773)	(23,738)
A22300	Share of (profit) loss of subsidiaries and associates accounted for using equity method	(8,870)	(7,914)
A22500	Loss on disposal of property, plant and equipment	365	143
A23700	Loss on decline in market value and obsolete and slow-moving inventories	876	173
A24100	Foreign currency exchange gain	(65,707)	(28,294)
A29900	Profit from lease modification	-	(1)
A29900	Liability provisions	325	531
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	(8,952)	(11,347)
A31150	Accounts receivable	(106,137)	49,628
A31160	Accounts receivable due from related parties	1,143	3,341
A31180	Other receivables	7,598	(13,536)
A31200	Inventories	7,234	20,115
A31230	Prepayments	7,967	(13,181)
A32125	Contract liabilities	(19,082)	22,969
A32150	Accounts payable	38,047	(66,096)
A32160	Accounts payable due to related parties	-	(1,908)
A32180	Other payables	(40,734)	(57,295)
A32200	Liability provisions	(325)	(531)
A32230	Other current liabilities	20	8
A33000	Net cash inflows generated from operating activities	513,669	595,575
A33100	Interest received	25,134	24,995

(Continued)

(Continued from previous page)

Code		January 1 to June 30, 2024	January 1 to June 30, 2023
A33300	Interest paid	(\$ 553)	(\$ 1,219)
A33500	Income taxes paid	(7,433)	(105,066)
AAAA	Net cash generated from operating activities	<u>530,817</u>	<u>514,285</u>
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(79,899)	(248,456)
B02800	Proceeds from disposal of property, plant and equipment	-	761
B03700	Increase in refundable deposits	(240)	-
B03800	Decrease in refundable deposits	783	15
B04300	Increase in other receivables due from related parties	(129)	(39)
B04500	Acquisition of intangible assets	-	(123)
B07100	Increase in prepayments for equipment	(21,288)	(37,216)
B07600	Dividends received	<u>6,500</u>	<u>4,387</u>
BBBB	Net cash used in investing activities	(<u>94,273</u>)	(<u>280,671</u>)
	Cash flows from financing activities		
C03000	Increase in guarantee deposits received	-	61,445
C04020	Repayment of the principal portion of lease liabilities	(16,055)	(15,434)
C04500	Cash dividends	(<u>449,851</u>)	(<u>660,518</u>)
CCCC	Net cash used in financing activities	(<u>465,906</u>)	(<u>614,507</u>)
DDDD	Effect of exchange rate changes on cash and equivalents	<u>131,953</u>	(<u>15,666</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	102,591	(396,559)
E00100	Cash and cash equivalents at beginning of period	<u>1,731,493</u>	<u>1,973,637</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 1,834,084</u>	<u>\$ 1,577,078</u>

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

(Please refer to the audit report of Deloitte & Touche on August 7, 2024)

Chairman:
Chu-Liang, Cheng

General Manager:
Yen-Chiang, Tang

Head-Finance & Accounting:
Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

January 1 to June 30, 2024 and 2023

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

1. Company history

GEM Services, Inc. (hereinafter referred to as “the Company”) was established in the Cayman Islands in April 1998. On June 23, 2015, with the resolution of the shareholders’ meeting, the Company changed the denomination of shares to New Taiwan Dollars to be listed where the face value per share is NT\$10. As of June 30, 2024, the Company’s paid-in capital was \$1,290,474 thousand, and its business activities include 1. Semiconductor packaging and testing foundry; 2. Plant leasing, etc.

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

2. Dates and procedures for the financial statement approval

The consolidated financial statements were approved by the Company’s Board of Directors on August 7, 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)

The application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC in this period does not have a significant effect on the accounting policies of the Company and its subsidiaries (collectively as the “Consolidated Company”).

(2) Applicable FSC-approved IFRS Accounting Standards in 2025

New, revised or amended standards and interpretations	Effective date issued by IASB
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025 (Note 1)

Note 1: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. When the amendments apply for the first time, the comparative period shall not be restated; instead, the effect shall be

recognized in the retained earnings or exchange differences arising from the translation of the financial statements of foreign operations under equity (as appropriate) and the relevant affected assets and liabilities on the initial application date.

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 IFRSs Accounting Standards in issue by IASB 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)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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
IFRS 18 - Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19 “Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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.

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 “Presentation of Financial Statements”. The main changes in this standard include:

- The statement of profit or loss should classify income and expenses in the operating, investing, financing, income taxes, and discontinued operations categories.

- An entity has to present totals and subtotals in the statement of profit or loss for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Requirements for provision of guidance to enhance aggregation and disaggregation: The Consolidated Company should identify assets, liabilities, equity, income, expenses, losses, and cash flows in each transaction or other events, and classify and aggregate them based on shared characteristics so that the main line items presented in the financial statements share at least one similar characteristic. Items should be disaggregated based on characteristics that are not shared. The Consolidated Company should label such items as "other" only if it cannot find a more informative title.
- Increasing the disclosure of management-defined performance measures (MPMs): When the Consolidated Company engages in public communications outside financial statements and communicate to management's view of an aspect of the financial performance of the entity as a whole, the Consolidated Company should disclose information about its MPMs in a single note to the financial statements, including a description of how the MPM is measured, how the MPM is calculated, and a reconciliation between the MPM and the total or subtotal required by IFRS Accounting Standards, including the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation.

In addition to the above impacts, as of the date the consolidated financial statements were authorized, the Consolidated Company is continuously assessing the other impacts that the application of the standards and interpretations will have on the Consolidated Company's financial position and financial performance and will disclose the relevant impacts when the assessment is completed.

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Consolidation basis

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

For details of subsidiaries, shareholding ratio and business activities, please refer to Note 9 and Table 4 and Table 5 of Note 29.

(4) Other significant accounting policies

In addition to the following descriptions, please refer to the Summary of Significant Accounting Policies in the 2023 consolidated financial statement.

A. 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 there is no substantive right at the balance sheet date 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.

B. Income tax expenses

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

Income tax for the interim period is assessed on an annual basis and is calculated

on the interim pre-tax profit at the tax rate applicable to the expected total annual earnings.

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 estimates, such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions.

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

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

6. Cash and cash equivalents

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand and working fund	\$ 188	\$ 243	\$ 183
Bank demand deposit	1,639,197	1,200,053	1,483,475
Cash Equivalent (Investments with original maturity within 3 months)			
Bank fixed deposit	194,699	531,197	93,420
	<u>\$ 1,834,084</u>	<u>\$ 1,731,493</u>	<u>\$ 1,577,078</u>

As of June 30, 2024, and December 31 and June 30, 2023, the interest rate ranges for bank deposits were 0.05% to 5.33%, 0.05% to 5.45%, and 0.05% to 5.00%, respectively.

7. Accounts receivable and other receivables

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Accounts receivable</u>			
Measured at amortized cost			
Total amount	\$ 889,142	\$ 781,161	\$ 773,136
Less: loss allowances	(<u>220</u>)	(<u>255</u>)	(<u>651</u>)
	<u>\$ 888,922</u>	<u>\$ 780,906</u>	<u>\$ 772,485</u>
<u>Other receivables</u>			
OEM collection and payment	\$ 99,413	\$ 104,675	\$ 152,733
Scrap receivable	2,186	2	5,440
Interest receivable	1,563	2,924	-
Other	<u>2,211</u>	<u>1,200</u>	<u>2,837</u>
	<u>\$ 105,373</u>	<u>\$ 108,801</u>	<u>\$ 161,010</u>

(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 directly write off the relevant accounts receivable and loss allowance, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

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

June 30, 2024

	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%	0.05% ~ 14.33%	2.68% ~ 23.59%	9.44% ~ 44.38%	18.73% ~ 100%	
Total amount	\$ 852,606	\$ 36,431	\$ 25	\$ 80	\$ -	\$ 889,142
Loss allowance (lifetime expected credit losses)	(94)	(85)	-	(41)	-	(220)
Measured at amortized cost	\$ 852,512	\$ 36,346	\$ 25	\$ 39	\$ -	\$ 888,922

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

June 30, 2023

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0.0002% ~ 0.0116%	0.0037% ~ 6.69%	0.3% ~ 13.68%	0.81% ~ 25.52%	45.10% ~ 100%	
Total amount	\$ 736,159	\$ 35,909	\$ 163	\$ 372	\$ 533	\$ 773,136
Loss allowance (lifetime expected credit losses)	(38)	(166)	(16)	(1)	(430)	(651)
Measured at amortized cost	\$ 736,121	\$ 35,743	\$ 147	\$ 371	\$ 103	\$ 772,485

Changes in loss allowance for accounts receivable is as follows:

	January 1 to June 30, 2024	January 1 to June 30, 2023
Opening balance	\$ 255	\$ 707
Less: Reversal of impairment loss for the current period	(35)	(55)
Effect of exchange rate changes	-	(1)
Ending balance	<u>\$ 220</u>	<u>\$ 651</u>

(2) Other receivables

The Consolidated Company accounts for other receivables such as OEM collection and payment, unrecovered amount from the sale of scraps and interest receivable. The Consolidated Company's policy is to only conduct business with customers with good credit. The Consolidated Company continues to monitor and refer to the counterparty's past default records and analyze its current financial position to assess whether the credit risk of other receivables has increased significantly since the original recognition and to measure expected credit losses. If there is evidence that the counterparty has signs of breach of contract or the termination so where the recoverable amount cannot be reasonably estimated, the Consolidated Company will directly write off the relevant other accounts receivable and loss allowance, but will continue to pursue for recovery. The amount recovered by the pursuit will be recognized in profit or loss. As of June 30, 2024, and December 31 and June 30, 2023, the Consolidated Company assessed other receivables without the need to report expected credit losses.

8. Inventories

	June 30, 2024	December 31, 2023	June 30, 2023
Raw material	<u>\$ 172,680</u>	<u>\$ 172,243</u>	<u>\$ 176,157</u>

The nature of cost of goods sold is as follows:

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Cost of inventories sold	\$ 913,139	\$ 862,633	\$ 1,753,440	\$ 1,654,278
Lease cost	2,113	2,032	4,167	4,093
Loss on decline in market value and obsolete and slow-moving inventories	198	155	876	173
	<u>\$ 915,450</u>	<u>\$ 864,820</u>	<u>\$ 1,758,483</u>	<u>\$ 1,658,544</u>

9. Subsidiary

Subsidiaries included in the consolidated financial statements

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

Investor Company	Subsidiary	Nature of business	Shareholding percentage		
			June 30, 2024	December 31, 2023	June 30, 2023
The Company	GEM Electronics Company Limited	Holding company business	100.00%	100.00%	100.00%
GEM Electronics Company Limited	GEM Tech Ltd.	Sales of electronic parts	100.00%	100.00%	100.00%
	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	100.00%	100.00%	100.00%
GEM Electronics (Shanghai) Co., Ltd.	GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	100.00%	100.00%	100.00%

10. Investments accounted for using equity method

Investments in associates

	June 30, 2024	December 31, 2023	June 30, 2023
Individually insignificant associates			
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	<u>\$ 124,883</u>	<u>\$ 116,704</u>	<u>\$ 102,654</u>

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

Company name	Nature of business	Main business site	Shareholding and voting rights		
			June 30, 2024	December 31, 2023	June 30, 2023
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	Hefei City, Anhui Province, China	20%	20%	20%

Information of individually insignificant associates

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Attributable to the Consolidated Company				
Net income from continuing operations	\$ 3,547	\$ 3,016	\$ 8,870	\$ 7,914
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 3,547</u>	<u>\$ 3,016</u>	<u>\$ 8,870</u>	<u>\$ 7,914</u>

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

11. Property, plant and equipment

Used for its own

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
<u>Cost</u>								
Balance as of January 1, 2024	\$ 519,909	\$ 6,099,106	\$ 10,479	\$ 59,589	\$ 79,227	\$ 90,323	\$ 186,307	\$ 7,044,940
Enhancements	-	1,399	-	-	-	-	18,314	19,713
Reclassification (Note)	1,024	105,912	-	1,292	-	-	(97,906)	10,322
Disposals	-	(3,911)	-	(22)	-	(158)	-	(4,091)
Effect of exchange rate changes	26,160	148,621	188	2,967	3,984	4,537	6,287	192,744
Balance as of June 30, 2024	\$ 547,093	\$ 6,351,127	\$ 10,667	\$ 63,826	\$ 83,211	\$ 94,702	\$ 113,002	\$ 7,263,628
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2024	\$ 154,872	\$ 3,827,863	\$ 8,969	\$ 54,563	\$ 43,794	\$ 71,713	\$ -	\$ 4,161,774
Depreciation expense	12,282	270,489	422	1,009	17,620	4,597	-	306,419
Disposals	-	(3,549)	-	(22)	-	(155)	-	(3,726)
Effect of exchange rate changes	7,962	109,963	182	2,718	2,451	3,666	-	126,942
Balance as of June 30, 2024	\$ 175,116	\$ 4,204,766	\$ 9,573	\$ 58,268	\$ 63,865	\$ 79,821	\$ -	\$ 4,591,409
Net amount as of June 30, 2024	\$ 371,977	\$ 2,146,361	\$ 1,094	\$ 5,558	\$ 19,346	\$ 14,881	\$ 113,002	\$ 2,672,219
Net amount as of December 31, 2023 and January 1, 2024	\$ 365,037	\$ 2,271,243	\$ 1,510	\$ 5,026	\$ 35,433	\$ 18,610	\$ 186,307	\$ 2,883,166
<u>Cost</u>								
Balance as of January 1, 2023	\$ 520,760	\$ 5,686,703	\$ 10,543	\$ 59,668	\$ 71,710	\$ 89,863	\$ 112,158	\$ 6,551,405
Enhancements	-	2,315	-	-	-	80	72,218	74,613
Reclassification (Note)	671	305,779	-	123	-	230	113,583	420,386
Disposals	-	(8,285)	-	(105)	-	(72)	-	(8,462)
Effect of exchange rate changes	(11,811)	(76,508)	(86)	(1,332)	(1,624)	(2,040)	(5,058)	(98,459)
Balance as of June 30, 2023	\$ 509,620	\$ 5,910,004	\$ 10,457	\$ 58,354	\$ 70,086	\$ 88,061	\$ 292,901	\$ 6,939,483
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2023	\$ 133,440	\$ 3,366,972	\$ 8,188	\$ 53,166	\$ 7,864	\$ 67,686	\$ -	\$ 3,637,316
Depreciation expense	11,582	258,791	421	1,493	16,424	4,684	-	293,395
Disposals	-	(7,381)	-	(105)	-	(72)	-	(7,558)
Effect of exchange rate changes	(3,290)	(58,712)	(81)	(1,220)	(558)	(1,639)	-	(65,500)
Balance as of June 30, 2023	\$ 141,732	\$ 3,559,670	\$ 8,528	\$ 53,334	\$ 23,730	\$ 70,659	\$ -	\$ 3,857,653
Net amount as of June 30, 2023	\$ 367,888	\$ 2,350,334	\$ 1,929	\$ 5,020	\$ 46,356	\$ 17,402	\$ 292,901	\$ 3,081,830

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

No impairment losses were recognized or reversed from January 1 to June 30, 2024 and 2023.

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 to 5 years
Other	3 to 10 years

12. Leasing agreement

(1) Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amount of right-of-use assets			
Land (Note)	\$ 39,993	\$ 38,639	\$ 38,968
Building	19,451	33,307	47,939
Office equipment	958	1,051	1,185
	<u>\$ 60,402</u>	<u>\$ 72,997</u>	<u>\$ 88,092</u>
	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024
Addition of right-of-use assets			January 1 to June 30, 2023
Lease additions	\$ -	\$ -	\$ 190
Depreciation expense on right-of-use assets			
Land	\$ 294	\$ 283	\$ 581
Building	7,763	7,632	15,314
Office equipment	73	71	145
	<u>\$ 8,130</u>	<u>\$ 7,986</u>	<u>\$ 16,040</u>
			<u>\$ 16,086</u>

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

Part of the land leased by the Consolidated Company in Hefei, Anhui Province, China has been sub-leased to Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. under operational leasing from January 1, 2022, and the relevant right-of-use assets are presented as investment properties please refer to Note 13. The relevant amount of the above right-of-use assets does not include the right-of-use assets that meet the definition of investment properties.

Except for the above-mentioned additions and recognition of depreciation expenses, there was no impairment of the right-of-use assets for the Consolidated Company from January 1 to June 30, 2024 and 2023.

(2) Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amounts of lease liabilities			
Current	\$ 17,434	\$ 30,832	\$ 30,625
Non-current	\$ 4,424	\$ 5,481	\$ 20,688

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

	June 30, 2024	December 31, 2023	June 30, 2023
Building	4.35%	4.35%	4.35%
Office equipment	4.35%	4.35%	4.35%

(3) Other lease information

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Expense on short-term lease	\$ 1,705	\$ 1,259	\$ 3,328	\$ 2,616
Total cash outflow from lease	(\$ 10,124)	(\$ 9,457)	(\$ 19,936)	(\$ 19,269)

13. Investment property

	June 30, 2024	December 31, 2023	June 30, 2023
Building	\$ 42,430	\$ 44,049	\$ 47,418
Right-of-use assets- Land	4,928	4,762	4,802
	<u>\$ 47,358</u>	<u>\$ 48,811</u>	<u>\$ 52,220</u>

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 (including buildings and right-of-use assets - land) is 5 years with an option to extend the lease term for 2 years. The lessee does not have the bargain purchase price option at the end of the lease period.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Year 1	\$ 49,805	\$ 47,420	\$ 47,140
Year 2	49,805	47,420	47,140
Year 3	24,903	47,420	47,140
Year 4	-	-	23,570
Year 5	-	-	-
	<u>\$ 124,513</u>	<u>\$ 142,260</u>	<u>\$ 164,990</u>

Except for the recognition of depreciation expenses, there was no significant addition, disposal or impairment of the investment properties of the Consolidated Company from January 1 to June 30, 2024 and 2023. Investment properties are depreciated on a straight-line basis over the following economic life:

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

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value	<u>\$ 268,505</u>	<u>\$ 258,103</u>	<u>\$ 266,594</u>

14. Other intangible assets

	<u>Computer software</u>
<u>Cost</u>	
Balance as of January 1, 2024	\$ 5,053
Effect of exchange rate changes	<u>254</u>
Balance as of June 30, 2024	<u>\$ 5,307</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2024	\$ 1,419
Amortization expense	833
Effect of exchange rate changes	<u>83</u>
Balance as of June 30, 2024	<u>\$ 2,335</u>
Net amount as of June 30, 2024	<u>\$ 2,972</u>
Net amount as of December 31, 2023 and January 1, 2024	<u>\$ 3,634</u>
<u>Cost</u>	
Balance as of January 1, 2023	\$ 6,292
Additions	123
Disposals	(2,579)
Effect of exchange rate changes	(84)
Balance as of June 30, 2023	<u>\$ 3,752</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2023	\$ 4,465
Amortization expense	817
Disposals	(2,579)
Effect of exchange rate changes	(60)
Balance as of June 30, 2023	<u>\$ 2,643</u>

Net amount as of June 30, 2023 \$ 1,109

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

Computer software 3 to 5 years

15. Other assets

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Prepayments			
Tax credit	\$ 10,245	\$ 12,831	\$ 24,285
Prepayments to suppliers	8,492	11,392	4,580
Other	<u>2,607</u>	<u>3,798</u>	<u>6,847</u>
	<u>\$ 21,344</u>	<u>\$ 28,021</u>	<u>\$ 35,712</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 31,668	\$ 19,781	\$ 23,540
Refundable deposits paid (Note 26) (Note)	<u>9,232</u>	<u>9,316</u>	<u>8,399</u>
	<u>\$ 40,900</u>	<u>\$ 29,097</u>	<u>\$ 31,939</u>

Note: The Consolidated Company considers the debtor's historical record, current market conditions and business outlook to measure the 12-month expected credit loss or lifetime expected credit loss of the refundable deposit paid. As of June 30, 2024, and December 31 and June 30, 2023, the Consolidated Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

16. Other liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Other payables			
Payable for equipment (Note 24)	\$ 104,835	\$ 165,021	\$ 352,211
Salary and bonus	105,885	127,127	102,622
Remuneration to the employees and directors	111,258	125,728	115,829
OEM collection and payment	54,991	70,421	70,748
Cash dividends (Note 24)	1,946	131	49,414
Insurance premium	41,386	38,937	38,785
Pension	18,331	16,088	21,061
Professional service fee	4,383	4,094	4,274
Utility bill	2,774	2,211	747
Business tax	2,595	1,906	1,950

Contract service payment	1,277	1,277	1,277
Other	<u>62,276</u>	<u>41,476</u>	<u>52,672</u>
	<u>\$ 511,937</u>	<u>\$ 594,417</u>	<u>\$ 811,590</u>
Other current liabilities			
Guarantee deposit -			
payments received to			
retain capacity (Note			
(Note 24)	\$ 176,741	\$ 158,181	\$ 152,751
Advance receipts (Note 26)	4,090	3,895	3,871
Temporary receipts	<u>99</u>	<u>70</u>	<u>73</u>
	<u>\$ 180,930</u>	<u>\$ 162,146</u>	<u>\$ 156,695</u>
<u>Non-current</u>			
Guarantee deposits and margins			
received			
Payments received to retain			
capacity (Note			
(Note 24)	\$ 459,711	\$ 510,561	\$ 550,965
Other (Note 26)	<u>20,682</u>	<u>19,692</u>	<u>19,575</u>
	<u>\$ 480,393</u>	<u>\$ 530,253</u>	<u>\$ 570,540</u>

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

17. Liability provisions

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Current</u>			
Warranty	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
	January 1 to June 30, 2024	January 1 to June 30, 2023	
Opening balance	\$ 30,000	\$ 30,000	
Warranty expense for this period	325	531	
Used during this period	(325)	(531)	
Ending balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	

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

18. Equity

(1) Share capital

Common stock

	June 30, 2024	December 31, 2023	June 30, 2023
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Authorized capital amount (NTD in thousand)	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Issued and paid shares (in thousands)	<u>129,047</u>	<u>129,047</u>	<u>129,047</u>
Issued capital (NTD in thousand)	<u>\$ 1,290,474</u>	<u>\$ 1,290,474</u>	<u>\$ 1,290,474</u>

(2) Capital surplus

	June 30, 2024	December 31, 2023	June 30, 2023
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note)			
Share premium	\$ 530,686	\$ 530,686	\$ 530,686
Treasury shares	<u>93,850</u>	<u>93,850</u>	<u>93,850</u>
	<u>\$ 624,536</u>	<u>\$ 624,536</u>	<u>\$ 624,536</u>

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 10% as Legal Reserve in accordance with the Applicable Public Company Rules, unless the accumulated amount of such Legal Reserve has reached the total paid-up capital of the Company;
- D. set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge.

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

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

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

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

The Company's 2023 and 2022 earnings distribution proposals are as follows:

	2023	2022
Legal reserve	<u>\$ 56,609</u>	<u>\$ 93,032</u>
Special reserve	<u>\$ 44,873</u>	<u>\$ 5,925</u>
Cash dividends	<u>\$ 451,666</u>	<u>\$ 709,761</u>
Cash dividend per share (NTD)	\$ 3.5	\$ 5.5

The above cash dividends have been distributed by the resolution of the Board of Directors on March 12, 2024 and March 22, 2023, respectively, and the remaining

earning distribution items were also resolved at the shareholders' general meeting on May 27, 2024 and May 31, 2023, respectively.

(4) Special reserve

	January 1 to June 30, 2024	January 1 to June 30, 2023
Opening balance	\$ 209,037	\$ 203,112
Reduction of other equity items	<u>44,873</u>	<u>5,925</u>
Ending balance	<u>\$ 253,910</u>	<u>\$ 209,037</u>

(5) Other equity

Exchange differences on translation of foreign financial statements:

	January 1 to June 30, 2024	January 1 to June 30, 2023
Opening balance	(\$ 253,910)	(\$ 209,037)
Recognized in the current period		
Translation differences in presentation currency	221,599	33,348
Exchange differences on translation	(<u>73,017</u>)	(<u>91,694</u>)
Other comprehensive income in the current period	<u>148,582</u>	(<u>58,346</u>)
Ending balance	(<u>\$ 105,328</u>)	(<u>\$ 267,383</u>)

19. Revenue

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Revenue from customer contracts				
Packaging and testing	\$ 1,148,196	\$ 1,053,992	\$ 2,175,273	\$ 2,081,836
Other revenue				
Other (Note 26)	<u>37,720</u>	<u>33,771</u>	<u>72,069</u>	<u>73,185</u>
	<u>\$ 1,185,916</u>	<u>\$ 1,087,763</u>	<u>\$ 2,247,342</u>	<u>\$ 2,155,021</u>

(1) Contract balance

	June 30, 2024	December 31, 2023	June 30, 2023	January 1, 2023
Accounts receivable (Note 7)	\$ 888,922	\$ 780,906	\$ 772,485	\$ 823,024
Accounts receivable due from related parties (Note 26)	<u>9,223</u>	<u>9,885</u>	<u>6,102</u>	<u>9,583</u>
	<u>\$ 898,145</u>	<u>\$ 790,791</u>	<u>\$ 778,587</u>	<u>\$ 832,607</u>
Contract assets				
Packaging and testing	\$ 135,701	\$ 123,426	\$ 112,153	\$ 100,175
Less: loss allowances	(<u>6,944</u>)	(<u>6,933</u>)	(<u>11,451</u>)	(<u>9,543</u>)

Current contract assets	\$ <u>128,757</u>	\$ <u>116,493</u>	\$ <u>100,702</u>	\$ <u>90,632</u>
Contract liabilities				
Packaging and testing	\$ <u>4,276</u>	\$ <u>23,353</u>	\$ <u>30,685</u>	\$ <u>7,718</u>

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

	June 30, 2024	December 31, 2023	June 30, 2023
Expected credit loss rate	5.1%	5.6%	10%
Total amount	\$ 135,701	\$ 123,426	\$ 112,153
Loss allowance (lifetime expected credit losses)	(<u>6,944</u>)	(<u>6,933</u>)	(<u>11,451</u>)
	<u>\$ 128,757</u>	<u>\$ 116,493</u>	<u>\$ 100,702</u>

Information on changes in the loss allowance on contract assets:

	January 1 to June 30, 2024	January 1 to June 30, 2023
Opening balance	\$ 6,933	\$ 9,543
Add: Impairment losses for the current period	-	1,948
Effect of exchange rate changes	<u>11</u>	(<u>40</u>)
Ending balance	<u>\$ 6,944</u>	<u>\$ 11,451</u>

(2) Detail of revenue from customer contracts

Type of service	January 1 to June 30, 2024	January 1 to June 30, 2023
Packaging and testing	\$ 2,175,273	\$ 2,081,836
Electroplating services	44,493	46,179
Lease and other services	27,576	27,006
	<u>\$ 2,247,342</u>	<u>\$ 2,155,021</u>

20. Profit from continuing operations

(1) Interest income

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Bank deposit	<u>\$ 12,752</u>	<u>\$ 13,074</u>	<u>\$ 23,773</u>	<u>\$ 23,738</u>

(2) Other income

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Government subsidy	\$ 1,915	\$ 7,396	\$ 1,972	\$ 7,505
Other	381	780	1,066	1,694
	<u>\$ 2,296</u>	<u>\$ 8,176</u>	<u>\$ 3,038</u>	<u>\$ 9,199</u>

(3) Other gains and losses

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Gain or (loss) on foreign exchange	(\$ 1,292)	\$ 47,729	\$ 48,622	\$ 33,470
Loss on disposal of property, plant and equipment	(219)	(226)	(365)	(143)
Profit from lease modification	-	1	-	1
Other	697	(1,843)	679	(1,890)
	<u>(\$ 814)</u>	<u>\$ 45,661</u>	<u>\$ 48,936</u>	<u>\$ 31,438</u>

(4) Finance costs

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Interest expense on lease liability	<u>\$ 237</u>	<u>\$ 564</u>	<u>\$ 553</u>	<u>\$ 1,219</u>

(5) Depreciation and amortization

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Depreciation expenses summarized by function				
Operating costs	\$ 155,080	\$ 148,115	\$ 308,756	\$ 293,571
Operating expenses	<u>8,913</u>	<u>9,801</u>	<u>17,557</u>	<u>19,696</u>
	<u>\$ 163,993</u>	<u>\$ 157,916</u>	<u>\$ 326,313</u>	<u>\$ 313,267</u>
Amortization expenses summarized by function				
Administrative expenses	<u>\$ 422</u>	<u>\$ 305</u>	<u>\$ 833</u>	<u>\$ 817</u>

(6) Direct operating expenses of investment property

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Related to lease revenue				
Depreciation expense	\$ 1,954	\$ 1,880	\$ 3,854	\$ 3,786
Other	<u>159</u>	<u>152</u>	<u>313</u>	<u>307</u>
	<u>\$ 2,113</u>	<u>\$ 2,032</u>	<u>\$ 4,167</u>	<u>\$ 4,093</u>

(7) Employee benefits expenses

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Post-employment benefits				
Determined				
appropriation plan	\$ 33,980	\$ 32,301	\$ 66,545	\$ 62,908
Other employee benefits	<u>311,589</u>	<u>293,751</u>	<u>597,648</u>	<u>589,593</u>
Total employee benefits expenses	<u>\$ 345,569</u>	<u>\$ 326,052</u>	<u>\$ 664,193</u>	<u>\$ 652,501</u>
Summarized by function				
Operating costs	\$ 290,587	\$ 276,463	\$ 560,144	\$ 551,603
Operating expenses	<u>54,982</u>	<u>49,589</u>	<u>104,049</u>	<u>100,898</u>
	<u>\$ 345,569</u>	<u>\$ 326,052</u>	<u>\$ 664,193</u>	<u>\$ 652,501</u>

(8) Remuneration to the employees and directors

According to the Articles of Association, the Company appropriates the remuneration of employees and directors according to the pre-tax profit before deducting the remuneration of employees and directors of the current year at a rate of 5% to 10% and less than or equal to 3% respectively. Estimated employee remuneration and director remuneration for the three and six months ended June 30, 2024 and 2023 are as follows:

Estimated ratio

	January 1 to June 30, 2024	January 1 to June 30, 2023
Remuneration to employees	9.7%	9.9%
Remuneration to directors	3%	2.9%

Amount

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Remuneration to employees	\$ 21,500	\$ 23,050	\$ 44,000	\$ 46,100
Remuneration to directors	\$ 7,000	\$ 6,700	\$ 13,500	\$ 13,400

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

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

Amount

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

There is no difference between the actual distributed amounts of employee remuneration and director remuneration in 2023 and 2022 and the recognized amounts in the consolidated financial statement for 2023 and 2022.

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

(9) Foreign currency exchange gain and loss

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Total foreign currency exchange gain	\$ 43,033	\$ 96,367	\$ 98,264	\$ 181,834
Total foreign currency exchange loss	(44,325)	(48,638)	(49,642)	(148,364)
Net (loss) gain	(\$ 1,292)	\$ 47,729	\$ 48,622	\$ 33,470

21. Income tax for continuing operation

(1) Income tax recognized in profit or loss

Detail of income tax expenses:

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Current income tax				
Current period	\$ 42,735	\$ 50,468	\$ 78,035	\$ 84,933
Prior years' adjustment	(<u>3,524</u>)	(<u>3,336</u>)	(<u>3,524</u>)	(<u>3,336</u>)
	<u>39,211</u>	<u>47,132</u>	<u>74,511</u>	<u>81,597</u>
Deferred income tax				
Current period	(<u>1,395</u>)	<u>1,699</u>	<u>3,018</u>	<u>8,497</u>
Income tax expense recognized in profit or loss	<u>\$ 37,816</u>	<u>\$ 48,831</u>	<u>\$ 77,529</u>	<u>\$ 90,094</u>

(2) Income tax assessment

The Taiwan branch of the Company's subsidiary GEM Tech Ltd.'s profit-seeking enterprise income tax has been approved by the tax authority until 2022.

The Consolidated Company had no pending tax litigation as of June 30, 2024.

22. Earnings per share

Unit: NTD per share

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Earnings per share - basic				
From continuing operations	<u>\$ 1.26</u>	<u>\$ 1.20</u>	<u>\$ 2.47</u>	<u>\$ 2.44</u>
Earnings per share - diluted				
From continuing operations	<u>\$ 1.25</u>	<u>\$ 1.19</u>	<u>\$ 2.45</u>	<u>\$ 2.42</u>

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

Profit

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Net profit attributable to owners of the Company	<u>\$ 162,028</u>	<u>\$ 155,276</u>	<u>\$ 318,481</u>	<u>\$ 315,218</u>
Net profit used to calculate basic earnings per share and diluted earnings per share	<u>\$ 162,028</u>	<u>\$ 155,276</u>	<u>\$ 318,481</u>	<u>\$ 315,218</u>

Quantity

Unit: thousand shares

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Weighted average number of common shares used to calculate basic earnings per share	129,047	129,047	129,047	129,047
Effect of potential dilutive common shares:				
Remuneration to employees	<u>655</u>	<u>640</u>	<u>1,127</u>	<u>1,176</u>

Weighted average number of
common shares used to
calculate diluted earnings per
share

129,702

129,687

130,174

130,223

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

23. Government subsidy

GEM Electronics (Hefei) Co., Ltd., a subsidiary of the Consolidated Company, met the subsidy conditions of the local government and received a subsidy of \$84,796 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. The depreciation expenses during the three and six months ended June 30, 2024 and 2023 were reduced by \$2,056 thousand, \$631 thousand, \$5,113 thousand, and \$1,128 thousand, respectively.

24. Cash flow

(1) Non-cash transaction

Unless disclosed in other notes, the Consolidated Company conducted the following non-cash investment and financing activities from January 1 to June 30, 2024 and 2023:

- A. As of June 30, 2024, and December 31 and June 30, 2023, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were \$104,835 thousand, \$165,021 thousand and \$352,211 thousand respectively, and were accounted as other payables.
- B. As of June 30, 2024, and December 31 and June 30, 2023, there were \$1,946 thousand, \$131 thousand and \$49,414 thousand of declared cash dividends that had not been distributed and were accounted under other payables.
- C. The Consolidated Company signed a production capacity guarantee agreement with the customer and offset the security deposit by offsetting the payment

according to the conditions stipulated in the contract. In the six month ended June 30, 2024 and 2023, \$34,702 thousand and \$20,103 thousand offset the security deposit by offsetting accounts receivable.

(2) Changes in liabilities from financing activities

January 1 to June 30, 2024

	January 1, 2024	Cash flows	Non-cash changes			Other	June 30, 2024
			Finance costs	Offsetting accounts receivable	Effect of exchange rate change		
Guarantee deposits and margins received	\$ 688,434	\$ -	\$ -	(\$ 34,702)	\$ 3,402	\$ -	\$ 657,134
Lease liabilities	<u>36,313</u>	<u>(16,055)</u>	<u>553</u>	<u>-</u>	<u>1,600</u>	<u>(553)</u>	<u>21,858</u>
	<u>\$ 724,747</u>	<u>(\$ 16,055)</u>	<u>\$ 553</u>	<u>(\$ 34,702)</u>	<u>\$ 5,002</u>	<u>(\$ 553)</u>	<u>\$ 678,992</u>

January 1 to June 30, 2023

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

25. Financial instrument

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

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

(2) Types of financial instruments

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial asset</u>			
Financial assets measured at amortized cost (Note 1)	\$ 2,847,013	\$ 2,640,446	\$ 2,525,154
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	913,270	896,647	1,110,786

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

Note 2: The balance includes financial liabilities such as accounts payable, other payables (excluding salaries and bonuses payable, employee remuneration

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

(3) Financial risk management objectives and policies

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

A. Market risk

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

(A) Foreign currency risk

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

For the book values of monetary assets and liabilities of the Consolidated Company denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements), please refer to Note 28.

Sensitivity analysis

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

The table below details the sensitivity analysis of the Consolidated Company when the exchange rate of each functional currency of each entity against each relevant foreign currency increases/decreases by 1%. 1% is the sensitivity rate used when reporting exchange rate risk within the Consolidated Company to key management, and also represents

management's assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis only includes foreign currency monetary items in circulation which is translated at the end of the period with a 1% exchange rate adjustment.

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

	The impact of US Dollar		The impact of New Taiwan Dollar	
	January 1 to June 30, 2024	January 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Gain or (loss)	\$ 16,378 (i)	\$ 8,936 (i)	(\$ 685)(ii)	(\$ 1,200)(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 increased in the current period, which was mainly due to the increase in 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:

	June 30, 2024	December 31, 2023	June 30, 2023
Fair value interest rate risk			
- Financial assets	\$ 194,699	\$ 531,197	\$ 93,420
- Financial liabilities	21,858	36,313	51,313
Cash flow interest rate risk			
- Financial assets	1,639,197	1,200,053	1,483,475
- Financial liabilities	-	-	-

Sensitivity analysis

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

If interest rates increased/decreased by 1% when all other variables are held constant, the Consolidated Company's net profit before tax from January 1 to June 30, 2024 and 2023 will increase/decrease by \$8,196 thousand and \$7,417 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 increased in the current period, which is due to the increase in bank deposits with floating interest rates.

B. Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations resulting in financial losses to the Consolidated Company. As of the balance sheet date, the maximum credit risk exposure of the Consolidated

Company that may result in financial losses due to the counterparty's failure to perform its obligations is from the carrying amount of financial assets recognized in the consolidated balance sheet.

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

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

The credit risk of the Consolidated Company is concentrated in the top five customers. As of June 30, 2024, and December 31 and June 30, 2023, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 50%, 56% and 53%, respectively.

C. Liquidity risk

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

Liquidity and Interest Rate Risk for Non-Derivative Financial Liabilities

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

June 30, 2024

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-interest bearing liabilities	\$ 192,380	\$ 201,906	\$ 500,248	\$ 20,682	\$ -
Lease liabilities	<u>8,307</u>	<u>55</u>	<u>9,366</u>	<u>4,554</u>	<u>-</u>
	<u>\$ 200,687</u>	<u>\$ 201,961</u>	<u>\$ 509,614</u>	<u>\$ 25,236</u>	<u>\$ -</u>

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-interest bearing liabilities	\$ 168,417	\$ 225,183	\$ 483,486	\$ 19,692	\$ -
Lease liabilities	<u>7,910</u>	<u>109</u>	<u>23,529</u>	<u>5,704</u>	<u>-</u>
	<u>\$ 176,327</u>	<u>\$ 225,292</u>	<u>\$ 507,015</u>	<u>\$ 25,396</u>	<u>\$ -</u>

June 30, 2023

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-interest bearing liabilities	\$ 245,872	\$ 410,913	\$ 483,840	\$ 19,575	\$ -
Lease liabilities	<u>7,998</u>	<u>108</u>	<u>23,912</u>	<u>21,089</u>	<u>-</u>
	<u>\$ 253,870</u>	<u>\$ 411,021</u>	<u>\$ 507,752</u>	<u>\$ 40,664</u>	<u>\$ -</u>

26. Related party transaction

The ultimate parent entity and ultimate controller of the Company is Elite Advanced Laser Corporation which held 51% of the Company's shares on June 30, 2024, and December 31 and June 30, 2023.

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

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

(2) Revenue

Account	Related party categories	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Electroplating services	Associate	<u>\$ 23,740</u>	<u>\$ 20,315</u>	<u>\$ 44,493</u>	<u>\$ 46,179</u>
Lease revenue	Associate	<u>\$ 12,268</u>	<u>\$ 11,805</u>	<u>\$ 24,200</u>	<u>\$ 23,778</u>
Other	Associate	<u>\$ 1,712</u>	<u>\$ 1,651</u>	<u>\$ 3,376</u>	<u>\$ 3,228</u>

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) Receivables from related parties

Account	Related party categories	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable due from related parties	Associate	<u>\$ 9,223</u>	<u>\$ 9,885</u>	<u>\$ 6,102</u>
Other receivables - related parties	Associate	<u>\$ 179</u>	<u>\$ 45</u>	<u>\$ 80</u>

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

(4) Lease agreement

Related party categories	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Lease expense				
Ultimate parent entity	<u>\$ 51</u>	<u>\$ 45</u>	<u>\$ 102</u>	<u>\$ 85</u>

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:

	June 30, 2024	December 31, 2023	June 30, 2023
Total lease payments to be paid in the future	<u>\$ 97</u>	<u>\$ 115</u>	<u>\$ 97</u>

(5) 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 term of five years, with an option to extend the lease term for two years. The rent is signed according to the general market conditions and rents are paid monthly. At the end of the lease period, the lessee will not have the bargain purchase price option to purchase the real estate. As of June 30, 2024, and December 31 and June 30, 2023, the total lease payments to be received in the future are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Year 1	\$ 49,805	\$ 47,420	\$ 47,140
Year 2	49,805	47,420	47,140
Year 3	24,903	47,420	47,140
Year 4	-	-	23,570
Year 5	-	-	-
	<u>\$ 124,513</u>	<u>\$ 142,260</u>	<u>\$ 164,990</u>

The lease revenue recognized for the three and six months ended June 30, 2024 and 2023 was \$12,268 thousand, \$11,805 thousand, \$24,200 thousand, and \$23,778 thousand, respectively.

(6) Other related party transactions

Account	Related party categories	June 30, 2024	December 31, 2023	June 30, 2023
Guarantee deposits and margins received	Associate	<u>\$ 1,764</u>	<u>\$ 1,679</u>	<u>\$ 1,669</u>
Refundable deposits paid	Ultimate parent entity	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>
Advance receipts	Associate	<u>\$ 4,090</u>	<u>\$ 3,895</u>	<u>\$ 3,871</u>

(7) Remuneration for key managerial officers

	April 1 to June 30, 2024	April 1 to June 30, 2023	January 1 to June 30, 2024	January 1 to June 30, 2023
Short-term employee benefits	\$ 22,261	\$ 19,229	\$ 44,035	\$ 40,946
Post-employment benefits	54	54	108	108
	<u>\$ 22,315</u>	<u>\$ 19,283</u>	<u>\$ 44,143</u>	<u>\$ 41,054</u>

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

27. Material contingent liabilities and unrecognized contractual commitments

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

	Unit: Foreign currency (thousand)		
	June 30, 2024	December 31, 2023	June 30, 2023
Acquisition of property, plant and equipment			
USD	\$ -	\$ 111	\$ 73
RMB	\$ 3,083	\$ 2,752	\$ 4,792

28. Information on significant foreign currency assets and liabilities

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

June 30, 2024

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
<u>Monetary items</u>			
USD	\$ 49,880	7.1268 (USD: RMB)	\$ 1,618,615
USD	33,903	32.4500 (USD: NTD)	1,100,144
Liabilities in foreign currency			
<u>Monetary items</u>			
USD	\$ 10,173	7.1268 (USD: RMB)	\$ 330,107
USD	23,139	32.4500 (USD: NTD)	750,850
NTD	32,872	0.0308 (NTD: USD)	32,872
NTD	35,609	0.2196 (NTD: RMB)	35,609

December 31, 2023

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

<u>Liabilities in foreign currency</u>	<u>Foreign currency (thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
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

June 30, 2023

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

The Consolidated Company's gain or (loss) on foreign exchange (including realized and unrealized) for the three and six months ended June 30, 2024 and 2023 were (\$1,292) thousand, \$47,729 thousand, \$48,622 thousand and \$33,470 thousand, respectively. Due to the wide variety of foreign currency transactions and functional currencies of the Group, it is not possible to disclose exchange gains and losses and significant impact for each currency.

29. Notes to disclosures

(1) Information on significant transactions:

- A. Lending funds to others. (None)
- B. Providing endorsements or guarantees for others. (None)
- C. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture). (None)
- D. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more. (None)

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more. (None)
 - F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more. (None)
 - G. The purchase and sale of goods with related parties reaching NT\$100 million or 20% of paid-in capital or more. (Table 1)
 - H. Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more. (Table 2)
 - I. Trading in derivative instruments. (None)
 - J. Others: The relationship and circumstances and amounts of important transactions between the parent and subsidiary companies and between each subsidiary. (Table 3)
- (2) Information on investees. (Table 4)
- (3) Information of investment in Mainland China:
- A. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period, and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in Mainland China. (Table 5)
 - B. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - (A) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 1 and Table 3)
 - (B) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
 - (C) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - (D) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - (E) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

(F) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Note 26)

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

30. Department information

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

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

January 1 to June 30, 2024

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	(\$ 686,118)	(64%)	Net 90 days from the end of the month of delivery	—	—	\$ 363,188	72%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	686,118	59%	"	—	—	(363,188)	(60%)	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	476,426	41%	"	—	—	(243,021)	(40%)	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	(476,426)	(67%)	"	—	—	243,021	80%	Notes 1, 2 and 3

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

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

June 30, 2024

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 \$ 363,188	3.49	\$ -	—	\$ 115,850	\$ -
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable 243,021	4.59	-	—	85,964	-

Note 1: Amount recovered from July 1 to August 7, 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

January 1 to June 30, 2024

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	\$ 686,118 (Note 4)	Net 90 days from the end of the month of delivery	31%
				Accounts receivable due from related parties	363,188	—	6%
				Contract assets - related parties	49,969	—	1%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	476,426 (Note 4)	Net 90 days from the end of the month of delivery	21%
				Accounts receivable due from related parties	243,021	—	4%
				Contract assets - related parties	30,619	—	-
3	GEM Tech Ltd.	The Company	Note 3 (2)	Remittance of earnings	491,022	—	8%

The business relationship between the parent and the subsidiaries:

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

Note 1: This table discloses information on one-way transactions only, which have been eliminated when preparing the consolidated financial statements.

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

Note 3: Relationship to the counterparty:

- (1) Parent company to subsidiary
- (2) Subsidiary to parent company
- (3) Subsidiary to subsidiary

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES
Information, location... and other related information of subsidiaries
January 1 to June 30, 2024

Table 4

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

Investor Company	Investee Company	Location	Business Scope	Original Investment Amount		Holding of Investment at the End of the Period			Net Income (Losses) of the Investee	Share of Profits (Losses) of Investee	Remark
				End of the Current Period	End of Last Year	Quantity	Proportion	Carrying Amount			
The Company	GEM Electronics Company Limited GEM Tech Ltd.	British Virgin Islands Samoa	Holding company business Sales of electronic parts	\$ -	\$ -	100	100%	\$2,974,535	\$ 107,443	\$ 107,443	Note 1
				18,202 (USD 606)	18,202 (USD 606)	606,091	100%	1,150,347	229,901	229,901	Note 1

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

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Information of investment in Mainland China

January 1 to June 30, 2024

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, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2024	The Company's Direct or Indirect Holding Percentage	Net Income (Losses) of the Investee	Share of Profits (Losses) of Investee	Carrying Amount of Investments at the End of the Period	Accumulated Inward Remittance of Earnings as of June 30, 2024
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	\$ 2,239,050 (USD 69,000) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	\$ -	\$ -	\$ -	\$ -	100%	\$ 107,443	\$ 107,443 (Note 2(2) 2.)	\$ 2,974,535	\$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,987,538 (RMB 436,511)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	100%	55,659	55,659 (Note 2(2) 2.)	1,308,784	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	162,250 (USD 5,000)	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	20%	44,349	8,870 (Note 2(2) 3.)	124,883	-

Accumulated Investment in Mainland China as of June 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
(Note 6)	(Note 6)	(Note 6)

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

1. Directly conduct investment in China.
2. Reinvestment in Mainland China through a third regional company (GEM Electronics Company Limited).
3. Other methods (reinvestment through GEM Electronics (Shanghai) Co., Ltd.).

Note 2: In share of profits (losses) of investee

1. It shall be indicated if it is under preparation without investment profit or loss.
2. The basis for recognition of investment gains and losses is divided into the following three types, which should be indicated.
 - (1) Financial statements audited by an international accounting firm that has a cooperative relationship with an accounting firm of the Republic of China.
 - (2) Financial statements audited by the certified accounting firm by the parent company in Taiwan.
 - (3) Based on the financial statements of the investee that have not been audited by accountants during the same period.

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

Note 4: It has been eliminated when preparing the consolidated financial statements.

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

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

GEM Services, Inc.
Information of major shareholders
June 30, 2024

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.