

# GEM SERVICES, INC. AND ITS SUBSIDIARIES

## Consolidated Financial Statements with CPA's Audit Report

YEARS ENDED DECEMBER 31, 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.:

### **Opinion**

We have audited the accompanying consolidated financial statements of GEM Services, Inc. and its subsidiaries (collectively, the “GEM Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the GEM Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### **Basis for the audit opinion**

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

## **Key Audit Matters**

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

Key audit matters for the GEM Group's consolidated financial statements for the year ended December 31, 2024 are stated as follows:

### The veracity of the sales revenue of specific customers

The GEM Group's consolidated operating revenue in 2024 was NT\$4,670,539 thousand, up by about 6% compared with the consolidated operating revenue in 2023. However, among the customers with significant sales volume in 2024, the total revenue of the customers with larger revenue growth accounted for about 38% of the consolidated operating revenue, resulting in significant influence on the consolidated financial statements. Thus, we believe that the main risk lies in the veracity of the sales revenue of the customers with significant sales volume and larger revenue growth rate in 2024, and it is included in the key audit matters of the 2024 consolidated financial statements. Please refer to Note 4 (14) of the Consolidated Financial Statements for the description of the revenue recognition policy.

Our audit procedures for this include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.
2. We obtain the list of the above-mentioned customers in 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by FSC of

the ROC, and maintain the necessary internal control related to the preparation of the consolidated financial statements to ensure no significant misrepresentation are contained in the consolidated financial statements resulting from fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GEM Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the GEM Group's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the GEM Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the GEM Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the GEM Group's 2024 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Keng-Hsi, Chang

CPA Chien-Hsin, Hsieh

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

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

March 10, 2025

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 2,275,498	34	\$ 1,731,493	28
1136	Financial assets measured at amortized cost - current (Notes 4, 7, and 8)	196,710	3	-	-
1140	Current contract assets (Notes 4, 5 and 22)	108,353	2	116,493	2
1170	Accounts receivable (Notes 4, 5, 9, 22 and 27)	852,200	13	780,906	13
1180	Accounts receivable due from related parties (Notes 4, 5, 22 and 30)	8,903	-	9,885	-
1200	Other receivables (Notes 4, 5 and 9)	119,797	2	108,801	2
1210	Other receivables due from related parties (Notes 4, 5 and 30)	863	-	45	-
1220	Current tax assets (Notes 4 and 24)	-	-	2,055	-
130X	Inventories (Notes 4 and 10)	141,948	2	172,243	3
1410	Prepayments (Note 17)	30,696	-	28,021	-
11XX	Total current assets	<u>3,734,968</u>	<u>56</u>	<u>2,949,942</u>	<u>48</u>
	Non-current assets				
1550	Investments accounted for using equity method (Notes 4 and 12)	125,814	2	116,704	2
1600	Property, plant and equipment (Notes 4, 13 and 26)	2,476,339	37	2,883,166	47
1755	Right-of-use assets (Notes 4 and 14)	137,919	2	72,997	1
1760	Investment property (Notes 4 and 15)	43,522	1	48,811	1
1780	Other intangible assets (Notes 4 and 16)	3,246	-	3,634	-
1840	Deferred tax assets (Notes 4 and 24)	55,961	1	42,628	1
1990	Other non-current assets (Notes 4, 17 and 30)	43,157	1	29,097	-
15XX	Total non-current assets	<u>2,885,958</u>	<u>44</u>	<u>3,197,037</u>	<u>52</u>
1XXX	Total assets	<u>\$ 6,620,926</u>	<u>100</u>	<u>\$ 6,146,979</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2130	Current contract liabilities (Notes 4 and 22)	\$ 18,892	-	\$ 23,353	-
2170	Accounts payable	683,783	10	592,455	10
2200	Other payables (Notes 18 and 27)	521,970	8	594,417	10
2230	Current tax liabilities (Notes 4 and 24)	98,948	2	7,876	-
2250	Current provisions (Notes 4 and 19)	30,000	-	30,000	-
2281	Current lease liabilities (Notes 4 and 14)	33,212	1	30,832	-
2300	Other current liabilities (Notes 18, 27 and 30)	180,049	3	162,146	3
21XX	Total current liabilities	<u>1,566,854</u>	<u>24</u>	<u>1,441,079</u>	<u>23</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Notes 4 and 24)	27,541	-	14,897	-
2581	Non-current lease liabilities (Notes 4 and 14)	65,176	1	5,481	-
2670	Other non-current liabilities (Notes 18 and 30)	439,262	7	530,253	9
25XX	Total non-current liabilities	<u>531,979</u>	<u>8</u>	<u>550,631</u>	<u>9</u>
2XXX	Total liabilities	<u>2,098,833</u>	<u>32</u>	<u>1,991,710</u>	<u>32</u>
	Equity attributable to owners of the Company (Notes 4 and 21)				
	Share capital				
3110	Common stock	1,290,474	19	1,290,474	21
3200	Capital surplus	624,536	9	624,536	10
	Retained earnings				
3310	Legal reserve	622,122	9	565,513	9
3320	Special reserve	253,910	4	209,037	4
3350	Unappropriated earnings	1,830,668	28	1,719,619	28
3300	Total retained earnings	2,706,700	41	2,494,169	41
3400	Other equity	( 99,617 )	( 1 )	( 253,910 )	( 4 )
3XXX	Total equity	<u>4,522,093</u>	<u>68</u>	<u>4,155,269</u>	<u>68</u>
	Total liabilities and equity	<u>\$ 6,620,926</u>	<u>100</u>	<u>\$ 6,146,979</u>	<u>100</u>

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

Chairman:  
Chu-Liang, Cheng

General Manager:  
Yen-Chiang, Tang

Head-Finance & Accounting:  
Jui-Ping, Wang



GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

<u>Code</u>		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Notes 4, 22 and 30)	\$ 4,670,539	100	\$ 4,418,989	100
5000	Operating costs (Notes 10, 23 and 26)	( 3,611,569 )	( 77 )	( 3,466,447 )	( 78 )
5900	Gross profit from operations	<u>1,058,970</u>	<u>23</u>	<u>952,542</u>	<u>22</u>
	Operating expenses (Notes 4, 9, 22, 23 and 30)				
6100	Selling expenses	( 19,138 )	( 1 )	( 19,979 )	( 1 )
6200	Administrative expenses	( 298,385 )	( 6 )	( 263,987 )	( 6 )
6300	Research and development expenses	( 55,497 )	( 1 )	( 47,786 )	( 1 )
6450	Expected credit (losses) or reversal	( <u>1,942</u> )	<u>-</u>	<u>2,067</u>	<u>-</u>
6000	Total operating expenses	( <u>374,962</u> )	( <u>8</u> )	( <u>329,685</u> )	( <u>8</u> )
6900	Net operating income	<u>684,008</u>	<u>15</u>	<u>622,857</u>	<u>14</u>
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 23)	49,035	1	40,839	1
7010	Other income (Notes 4 and 23)	16,964	-	19,245	-
7020	Other gains and losses (Notes 4 and 23)	82,172	2	12,020	-
7050	Finance costs (Notes 4 and 23)	( 898 )	-	( 2,108 )	-
7060	Share of profit of subsidiaries and associates accounted for using equity method (Notes 4 and 12)	<u>9,624</u>	<u>-</u>	<u>21,650</u>	<u>1</u>
7000	Total non-operating income and expenses	<u>156,897</u>	<u>3</u>	<u>91,646</u>	<u>2</u>

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Code		2024		2023	
		Amount	%	Amount	%
7900	Profit before income tax	\$ 840,905	18	\$ 714,503	16
7950	Income tax expense (Notes 4 and 24)	( 176,708 )	( 4 )	( 148,409 )	( 3 )
8200	Net income	<u>664,197</u>	<u>14</u>	<u>566,094</u>	<u>13</u>
	Other comprehensive income (loss)				
	(Notes 4 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Translation differences from functional currency to presentation currency	269,361	6	( 30,102 )	( 1 )
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	( 115,068 )	( 2 )	( 14,771 )	-
8300	Other comprehensive income (net amount after tax)	<u>154,293</u>	<u>4</u>	( 44,873 )	( 1 )
8500	Total comprehensive income	<u>\$ 818,490</u>	<u>18</u>	<u>\$ 521,221</u>	<u>12</u>
	Earnings per share (Note 25)				
	From continuing operations				
9710	Basic earnings per share	<u>\$ 5.15</u>		<u>\$ 4.39</u>	
9810	Diluted earnings per share	<u>\$ 5.08</u>		<u>\$ 4.34</u>	

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

Chairman:

Chu-Liang, Cheng

General Manager:

Yen-Chiang, Tang

Head-Finance & Accounting:

Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company					Other equity Exchange differences on translation of foreign financial statements	Total equity
		Share capital	Retained earnings			Unappropriated earnings		
Code		Common stock	Capital surplus	Legal reserve	Special reserve			
A1	Balance as of January 1, 2023	<u>\$ 1,290,474</u>	<u>\$ 624,536</u>	<u>\$ 472,481</u>	<u>\$ 203,112</u>	<u>\$ 1,962,243</u>	<u>( \$ 209,037 )</u>	<u>\$ 4,343,809</u>
	Distribution of 2022 earnings (Note 21)							
B1	Legal reserve	-	-	93,032	-	( 93,032 )	-	-
B3	Special reserve	-	-	-	5,925	( 5,925 )	-	-
B5	Cash dividends	-	-	-	-	( 709,761 )	-	( 709,761 )
		<u>-</u>	<u>-</u>	<u>93,032</u>	<u>5,925</u>	<u>( 808,718 )</u>	<u>-</u>	<u>( 709,761 )</u>
D1	Net income in 2023	-	-	-	-	566,094	-	566,094
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	( 44,873 )	( 44,873 )
D5	Total comprehensive income in 2023	-	-	-	-	566,094	( 44,873 )	521,221
Z1	Balance as of December 31, 2023	<u>1,290,474</u>	<u>624,536</u>	<u>565,513</u>	<u>209,037</u>	<u>1,719,619</u>	<u>( 253,910 )</u>	<u>4,155,269</u>
	Distribution of 2023 earnings (Note 21)							
B1	Legal reserve	-	-	56,609	-	( 56,609 )	-	-
B3	Special reserve	-	-	-	44,873	( 44,873 )	-	-
B5	Cash dividends	-	-	-	-	( 451,666 )	-	( 451,666 )
		<u>-</u>	<u>-</u>	<u>56,609</u>	<u>44,873</u>	<u>( 553,148 )</u>	<u>-</u>	<u>( 451,666 )</u>
D1	Net income in 2024	-	-	-	-	664,197	-	664,197
D3	Other comprehensive income after tax in 2024	-	-	-	-	-	154,293	154,293
D5	Total comprehensive income in 2024	-	-	-	-	664,197	154,293	818,490
Z1	Balance as of December 31, 2024	<u>\$ 1,290,474</u>	<u>\$ 624,536</u>	<u>\$ 622,122</u>	<u>\$ 253,910</u>	<u>\$ 1,830,668</u>	<u>( \$ 99,617 )</u>	<u>\$ 4,522,093</u>

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

Chairman: Chu-Liang, Cheng

General Manager: Yen-Chiang, Tang

Head-Finance & Accounting: Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

Code		2024	2023
	Cash flows from operating activities		
A10000	Profit before tax	\$ 840,905	\$ 714,503
A20010	Adjustments for:		
A20100	Depreciation expense	644,401	645,515
A20200	Amortization expense	1,548	1,355
A20300	(Gains on reversal of) expected credit impairment losses	1,942	( 2,067 )
A20900	Finance costs	898	2,108
A21200	Interest income	( 49,035 )	( 40,839 )
A22300	Share of (profit) loss of subsidiaries and associates accounted for using equity method	( 9,624 )	( 21,650 )
A22500	Losses (gains) on disposal of property, plant and equipment	( 2,585 )	239
A23700	Loss on decline in market value and obsolete and slow-moving inventories	2,715	173
A24100	Foreign currency exchange (gain) or loss	( 90,054 )	7,551
A29900	Liability provisions	585	1,570
A29900	Profit from lease modification	( 142 )	( 1 )
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	9,977	( 26,186 )
A31150	Accounts receivable	( 106,035 )	( 28,013 )
A31160	Accounts receivable due from related parties	1,479	( 473 )
A31180	Other receivables	( 1,110 )	41,833
A31200	Inventories	36,055	25,236
A31230	Prepayments	( 1,209 )	( 5,160 )
A32125	Contract liabilities	( 4,463 )	15,636
A32150	Accounts payable	59,186	( 81,820 )
A32160	Accounts payable due to related parties	-	( 1,914 )
A32180	Other payables	3,548	( 39,677 )
A32200	Liability provisions	( 585 )	( 1,570 )
A32230	Other current liabilities	<u>6</u>	<u>2</u>
A33000	Cash inflows generated from operating activities	1,338,403	1,206,351
A33100	Interest received	44,834	39,172
A33300	Interest paid	( 898 )	( 2,108 )
A33500	Income taxes paid	( <u>83,255</u> )	( <u>221,270</u> )
AAAA	Net cash generated from operating activities	<u>1,299,084</u>	<u>1,022,145</u>

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Code		2024	2023
	Cash flows from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	(\$ 194,515)	\$ -
B02700	Acquisition of property, plant and equipment	( 224,777)	( 557,823)
B02800	Proceeds from disposal of property, plant and equipment	14,416	761
B03700	Increase in refundable deposits	( 655)	( 885)
B03800	Decrease in refundable deposits	959	15
B04300	Increase in other receivables due from related parties	( 911)	( 2)
B04500	Acquisition of intangible assets	( 978)	( 3,231)
B07100	Increase in prepayments for equipment	( 22,942)	( 15,438)
B07600	Dividends received	<u>6,500</u>	<u>4,387</u>
BBBB	Net cash used in investing activities	<u>( 422,903)</u>	<u>( 572,216)</u>
	Cash flows from financing activities		
C03000	Increase in guarantee deposits received	-	61,445
C04020	Repayment of the principal portion of lease liabilities	( 33,756)	( 31,096)
C04500	Cash dividends	<u>( 451,651)</u>	<u>( 709,801)</u>
CCCC	Net cash used in financing activities	<u>( 485,407)</u>	<u>( 679,452)</u>
DDDD	Effect of exchange rate changes on cash and equivalents	<u>153,231</u>	<u>( 12,621)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	544,005	( 242,144)
E00100	Opening balance of cash and cash equivalents	<u>1,731,493</u>	<u>1,973,637</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 2,275,498</u>	<u>\$ 1,731,493</u>

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

Chairman:  
Chu-Liang, Cheng

General Manager:  
Yen-Chiang, Tang

Head-Finance & Accounting:  
Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 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 December 31, 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 March 10, 2025.

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 2024 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

<u>New, revised or amended standards and interpretations</u>	<u>Effective date issued by IASB</u>
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding amendments to the application guidance on the classification of financial assets	January 1, 2026 (Note 2)

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.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2026. Enterprises may also choose to apply early on January 1, 2025. When the amendment is first applied, it should be applied retrospectively without restatement of comparative periods, and the effect of the initial application should be recognized on the date of initial application. However, if an enterprise is able to restate without the benefit of hindsight, it may choose to restate the comparative period.

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

<u>New, revised or amended standards and interpretations</u>	<u>Effective date issued by IASB (Note 1)</u>
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” regarding amendments to the application guidance on the derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	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, pre-tax profit or loss before financing, 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 non-similar characteristics. 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 the IFRS Accounting Standards endorsed and issued into effect by the FSC.

(2) Basis of preparation

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

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

Current assets:

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

Current liabilities:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities expected to be settled within 12 months of the balance sheet date, and
- C. Liabilities for which 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.

(4) Consolidation basis

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

For details of subsidiaries, shareholding ratio and business activities, please refer to Note 11 and Table 4 and Table 5 of Note 33.

(5) Foreign currency

When preparing financial statements for each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) shall be converted into functional currency at the exchange rate on the transaction day.

Monetary items denominated in foreign currencies are translated at the closing rates at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in profit or loss in the period in which they arise.

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

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

(6) Inventories

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

(7) Investments in associates

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Investment property

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

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

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

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

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

(10) Intangible assets

A. Additions

Intangible assets with a limited useful life acquired separately shall be initially measured at cost, and subsequent measurement shall be presented at costs subtracted by accumulated depreciation and accumulated impairment losses.

Intangible assets shall be amortized with a straight-line method within the useful life where the Consolidated Company shall review the estimated useful life, residual value and amortization method at least at each financial year-end, and the impact of changes in accounting estimates shall be applied prospectively.

Intangible assets with indefinite useful lives are recognized at cost subtracted by accumulated impairment losses.

B. Derecognition

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

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

The Consolidated Company assess at the date of statement property, plant and equipment, right-of-use assets, investment property and intangible assets project

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

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

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

(12) Financial instrument

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

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

A. Financial asset

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

(A) Category of financial assets and measurement

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

Financial assets measured at amortized cost

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

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Cash equivalents include time deposits and certificates of deposits investments with original maturities within 3 months from the date of

acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

**(B) Impairment of financial assets and contract assets**

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

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

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

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

- a. Internal or external information show that the debtor is unlikely to pay its creditors.
- b. When a financial asset is due longer than 180 days, unless the Consolidated Company has reasonable and corroborative information to support a more lagged default criterion.

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

(C) Derecognition of financial assets

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

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

B. Financial liabilities

(A) Subsequent measurement

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

(B) Derecognition of financial liabilities

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

(13) Liability provisions

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

Warranty

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

(14) Revenue recognition

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

Revenue

A. Service revenue

Revenue from packaging and testing



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

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

B. Other

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

(15) Lease

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

A. The Consolidated Company as a lessor

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

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

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

B. The Consolidated Company as lessee

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

The right-of-use asset is initially measured at cost (including the original measurement amount of the lease liability), and subsequently measured at cost

less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be presented separately in the consolidated balance sheet.

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

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

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

(16) Government subsidy

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

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

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

(17) Employee benefits

A. Short-term employee benefits

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

B. Post-employment benefits

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

(18) Income tax

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

A. Current income tax

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

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

B. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences

associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

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

C. Current and deferred income tax

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

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

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

The Consolidated Company will take the possible impact of inflation and market interest rate fluctuations into consideration when making major accounting estimates, such as cash flow estimates, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions.

Main sources of uncertainty in estimates and assumptions

#### Estimated impairment of financial assets and contract assets

The estimated impairment of accounts receivable, other receivables and contract assets is based on the Consolidated Company's assumptions of probability of default and loss given default. The Consolidated Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 9 and Note 22 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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and working fund	\$ 297	\$ 243
Bank demand deposit	1,457,028	1,200,053
Cash Equivalent (Investments with original maturity within 3 months)		
Bank fixed deposit	<u>818,173</u>	<u>531,197</u>
	<u>\$ 2,275,498</u>	<u>\$ 1,731,493</u>

As of December 31, 2024 and 2023, the interest rate ranges for bank deposits were 0.05% to 4.8%, and 0.05% to 5.45%, respectively.

#### 7. Financial assets measured at amortized cost

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Time deposits with original maturities exceeding 3 months (1)	<u>\$ 196,710</u>	<u>\$ -</u>

(1) As of December 31, 2024, the interest rate for time deposits with an original maturity of more than 3 months is 4.30% per annum.

(2) Please refer to Note 8 for information on credit risk management and impairment assessment related to financial assets measured at amortized cost.

#### 8. Credit risk management of debt instrument investment

The debt instruments of the Consolidated Company are financial assets measured at amortized cost:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Measured at amortized cost		
Total amount	\$ 196,710	\$ -
Loss allowances	-	-
Measured at amortized cost	<u>\$ 196,710</u>	<u>\$ -</u>

The policy adopted by the Consolidated Company is to invest only in debt instruments issued by creditworthy entities. The Consolidated Company continues to track changes in the credit risk of the debt instruments it invests in while reviewing other information, such as material information on debtors, to assess whether the credit risk of debt instrument investments has increased significantly since initial recognition.

To mitigate credit risk, the Consolidated Company's management will collect relevant information to assess the default risk of its debt instrument investments. The Consolidated Company gives appropriate internal ratings based on publicly available financial information.

The Consolidated Company considers the debtor's historical record, current market conditions, and forward-looking information to measure the 12-month expected credit loss or lifetime expected credit loss of its debt instrument investments. As of December 31, 2024, the Consolidated Company assessed that it was not necessary to report expected credit losses for debt instrument investments it held.

9. Accounts receivable and other receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total amount	\$ 852,290	\$ 781,161
Less: loss allowances	( <u>90</u> )	( <u>255</u> )
	<u>\$ 852,200</u>	<u>\$ 780,906</u>
<u>Other receivables</u>		
OEM collection and payment	\$ 109,034	\$ 104,675
Interest receivable	7,125	2,924
Other	<u>3,638</u>	<u>1,202</u>
	<u>\$ 119,797</u>	<u>\$ 108,801</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:

#### December 31, 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	0.02%	0.02% ~ 6.19%	6.74% ~ 12.59%	13.56% ~ 33.33%	50% ~ 100%	
Total amount	\$ 809,912	\$ 42,361	\$ 17	\$ -	\$ -	\$ 852,290
Loss allowance (lifetime expected credit losses)	( 19 )	( 69 )	( 2 )	-	-	( 90 )
Measured at amortized cost	\$ 809,893	\$ 42,292	\$ 15	\$ -	\$ -	\$ 852,200

#### 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

Changes in loss allowance for accounts receivable is as follows:

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 255	\$ 707
Less: Reversal of impairment loss for the current period	( <u>165</u> )	( <u>452</u> )
Ending Balance	<u>\$ 90</u>	<u>\$ 255</u>

(2) Other receivables

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

10. Inventories

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Raw material	<u>\$ 141,948</u>	<u>\$ 172,243</u>

The nature of cost of goods sold is as follows:

	<u>2024</u>	<u>2023</u>
Cost of inventories sold	\$ 3,600,485	\$ 3,458,065
Lease cost	8,369	8,209
Loss on decline in market value and obsolete and slow-moving inventories	<u>2,715</u>	<u>173</u>
	<u>\$ 3,611,569</u>	<u>\$ 3,466,447</u>

11. 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	
			December 31, 2024	December 31, 2023
The Company	GEM Electronics Company Limited	Holding company business	100.00%	100.00%
	GEM Tech Ltd.	Manufacture and sales of electronic parts	100.00%	100.00%
GEM Electronics Company Limited	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	100.00%	100.00%
GEM Electronics (Shanghai) Co., Ltd.	GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, plant leasing	100.00%	100.00%

## 12. Investments accounted for using equity method

### Investments in associates

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Individually insignificant associates		
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	<u>\$ 125,814</u>	<u>\$ 116,704</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	
			December 31, 2024	December 31, 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%

### Information of individually insignificant associates

	<u>2024</u>	<u>2023</u>
Attributable to the Consolidated Company		
Net income from continuing operations	\$ 9,624	\$ 21,650
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 9,624</u>	<u>\$ 21,650</u>

Share of profit of associates accounted for using equity method is recognized based on the financial statements of the associates that have been audited by CPA during the same period.

## 13. 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
<b>Cost</b>								
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	-	28,306	-	698	11,974	802	88,966	130,746
Reclassification (Note)	1,029	159,970	-	1,363	-	-	( 152,410 )	9,952
Disposals	-	( 34,152 )	-	( 22 )	-	( 3,263 )	-	( 37,437 )
Effect of exchange rate changes	27,068	151,399	194	3,075	4,258	4,672	6,954	197,620
Balance as of December 31, 2024	<u>\$ 548,006</u>	<u>\$ 6,404,629</u>	<u>\$ 10,673</u>	<u>\$ 64,703</u>	<u>\$ 95,459</u>	<u>\$ 92,534</u>	<u>\$ 129,817</u>	<u>\$ 7,345,821</u>
<b>Accumulated depreciation and impairment</b>								
Balance as of January 1, 2024	\$ 154,872	\$ 3,827,863	\$ 8,969	\$ 54,563	\$ 43,794	\$ 71,713	\$ -	\$ 4,161,774
Depreciation expense	24,717	532,481	789	2,118	34,937	8,648	-	603,690
Disposals	-	( 22,324 )	-	( 22 )	-	( 3,260 )	-	( 25,606 )
Effect of exchange rate changes	8,338	111,813	187	2,822	2,673	3,791	-	129,624
Balance as of December 31, 2024	<u>\$ 187,927</u>	<u>\$ 4,449,833</u>	<u>\$ 9,945</u>	<u>\$ 59,481</u>	<u>\$ 81,404</u>	<u>\$ 80,892</u>	<u>\$ -</u>	<u>\$ 4,869,482</u>
Net amount as of December 31, 2024	<u>\$ 360,079</u>	<u>\$ 1,954,796</u>	<u>\$ 728</u>	<u>\$ 5,222</u>	<u>\$ 14,055</u>	<u>\$ 11,642</u>	<u>\$ 129,817</u>	<u>\$ 2,476,339</u>
<b>Cost</b>								
Balance as of January 1, 2023	\$ 520,760	\$ 5,686,703	\$ 10,543	\$ 59,668	\$ 71,710	\$ 89,863	\$ 112,158	\$ 6,551,405
Enhancements	7,404	45,369	-	880	8,903	2,931	131,303	196,790
Reclassification (Note)	673	453,599	-	261	-	2,972	( 54,220 )	403,285
Disposals	-	( 29,990 )	-	( 213 )	-	( 3,891 )	-	( 34,094 )
Effect of exchange rate changes	( 8,928 )	( 56,575 )	( 64 )	( 1,007 )	( 1,386 )	( 1,552 )	( 2,934 )	( 72,446 )
Balance as of December 31, 2023	<u>\$ 519,909</u>	<u>\$ 6,099,106</u>	<u>\$ 10,479</u>	<u>\$ 59,589</u>	<u>\$ 79,227</u>	<u>\$ 90,323</u>	<u>\$ 186,307</u>	<u>\$ 7,044,940</u>
<b>Accumulated depreciation and impairment</b>								
Balance as of January 1, 2023	\$ 133,440	\$ 3,366,972	\$ 8,188	\$ 53,166	\$ 7,864	\$ 67,686	\$ -	\$ 3,637,316
Depreciation expense	24,163	532,349	843	2,538	36,800	9,159	-	605,852
Disposals	-	( 28,994 )	-	( 213 )	-	( 3,887 )	-	( 33,094 )
Effect of exchange rate changes	( 2,731 )	( 42,464 )	( 62 )	( 928 )	( 870 )	( 1,245 )	-	( 48,300 )
Balance as of December 31, 2023	<u>\$ 154,872</u>	<u>\$ 3,827,863</u>	<u>\$ 8,969</u>	<u>\$ 54,563</u>	<u>\$ 43,794</u>	<u>\$ 71,713</u>	<u>\$ -</u>	<u>\$ 4,161,774</u>
Net amount as of December 31, 2023	<u>\$ 365,037</u>	<u>\$ 2,271,243</u>	<u>\$ 1,510</u>	<u>\$ 5,026</u>	<u>\$ 35,433</u>	<u>\$ 18,610</u>	<u>\$ 186,307</u>	<u>\$ 2,883,166</u>

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

No impairment losses were recognized or reversed in 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 2 to 10 years

#### 14. Leasing agreement

##### (1) Right-of-use assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying amount of right-of-use assets		
Land (Note)	\$ 39,469	\$ 38,639
Building	97,639	33,307
Office equipment	811	1,051
	<u>\$ 137,919</u>	<u>\$ 72,997</u>

	<u>2024</u>	<u>2023</u>
Addition of right-of-use assets		
Lease additions	<u>\$ 93,413</u>	<u>\$ 190</u>
Depreciation expense on right-of-use assets		
Land (Note)	\$ 1,167	\$ 1,145
Building	31,511	30,639
Office equipment	<u>292</u>	<u>286</u>
	<u>\$ 32,970</u>	<u>\$ 32,070</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 15. The relevant amount of the above right-of-use assets does not include the right-of-use assets that meet the definition of investment properties.

No impairment losses were recognized or reversed in 2024 and 2023.

(2) Lease liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying amounts of lease liabilities		
Current	<u>\$ 33,212</u>	<u>\$ 30,832</u>
Non-current	<u>\$ 65,176</u>	<u>\$ 5,481</u>

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Building	3.6%-4.35%	4.35%
Office equipment	4.35%	4.35%

(3) Important lease activities and terms

The lease period of the buildings and office equipment leased by the Consolidated Company is 2 to 5 years. At the end of the lease period, the Consolidated Company has no bargain purchase price option to purchase the leased buildings and office equipment.

(4) Other lease information

	2024	2023
Expense on short-term lease	<u>\$ 6,199</u>	<u>\$ 5,259</u>
Total cash outflow from lease	<u>(\$ 40,853)</u>	<u>(\$ 38,463)</u>

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

15. Investment property

	Building	Right-of-use assets- Land	Total
<u>Cost</u>			
Balance as of January 1, 2024	\$ 209,808	\$ 5,453	\$ 215,261
Effect of exchange rate changes	<u>10,918</u>	<u>284</u>	<u>11,202</u>
Balance as of December 31, 2024	<u>\$ 220,726</u>	<u>\$ 5,737</u>	<u>\$ 226,463</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2024	\$ 165,759	\$ 691	\$ 166,450
Depreciation expense	7,597	144	7,741
Effect of exchange rate changes	<u>8,712</u>	<u>38</u>	<u>8,750</u>
Balance as of December 31, 2024	<u>\$ 182,068</u>	<u>\$ 873</u>	<u>\$ 182,941</u>
Net amount as of December 31, 2024	<u>\$ 38,658</u>	<u>\$ 4,864</u>	<u>\$ 43,522</u>
<u>Cost</u>			
Balance as of January 1, 2023	\$ 213,400	\$ 5,546	\$ 218,946
Effect of exchange rate changes	( <u>3,592</u> )	( <u>93</u> )	( <u>3,685</u> )
Balance as of December 31, 2023	<u>\$ 209,808</u>	<u>\$ 5,453</u>	<u>\$ 215,261</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2023	\$ 161,169	\$ 563	\$ 161,732
Depreciation expense	7,452	141	7,593
Effect of exchange rate changes	( <u>2,862</u> )	( <u>13</u> )	( <u>2,875</u> )
Balance as of December 31, 2023	<u>\$ 165,759</u>	<u>\$ 691</u>	<u>\$ 166,450</u>
Net amount as of December 31, 2023	<u>\$ 44,049</u>	<u>\$ 4,762</u>	<u>\$ 48,811</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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Year 1	\$ 49,888	\$ 47,420
Year 2	49,888	47,420
Year 3	-	47,420
Year 4	-	-
Year 5	-	-
	<u>\$ 99,776</u>	<u>\$ 142,260</u>

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

No impairment losses were recognized or reversed in 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 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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Fair value	<u>\$ 262,385</u>	<u>\$ 258,103</u>

#### 16. Other intangible assets

	<u>Computer software</u>
<u>Cost</u>	
Balance as of January 1, 2024	\$ 5,053
Additions	978
Disposals	( 1,500)
Effect of exchange rate changes	257
Balance as of December 31, 2024	<u>\$ 4,788</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2024	\$ 1,419

	<u>Computer software</u>
Amortization expense	1,548
Disposals	( 1,500)
Effect of exchange rate changes	<u>75</u>
Balance as of December 31, 2024	<u>\$ 1,542</u>
Net amount as of December 31, 2024	<u>\$ 3,246</u>
<u>Cost</u>	
Balance as of January 1, 2023	\$ 6,292
Additions	3,231
Disposals	( 4,387)
Effect of exchange rate changes	( <u>83</u> )
Balance as of December 31, 2023	<u>\$ 5,053</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2023	\$ 4,465
Amortization expense	1,355
Disposals	( 4,387)
Effect of exchange rate changes	( <u>14</u> )
Balance as of December 31, 2023	<u>\$ 1,419</u>
Net amount as of December 31, 2023	<u>\$ 3,634</u>

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

Computer software 3 to 5 years

17. Other assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Prepayments		
Tax credit	\$ 13,250	\$ 12,831
Prepayments to suppliers	11,954	11,392
Other	<u>5,492</u>	<u>3,798</u>
	<u>\$ 30,696</u>	<u>\$ 28,021</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 33,665	\$ 19,781
Refundable deposits paid (Note 30)		
(Note)	<u>9,492</u>	<u>9,316</u>
	<u>\$ 43,157</u>	<u>\$ 29,097</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 December 31, 2024 and 2023, the Consolidated Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

18. Other liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Other payables		
Payable for equipment (Note 27)	\$ 70,990	\$ 165,021
Salary and bonus	141,251	127,127
Remuneration to the employees and directors	139,493	125,728
OEM collection and payment	52,151	70,421
Insurance premium	38,945	38,937
Pension	16,387	16,088
Professional service fee	4,281	4,094
Business tax	2,778	1,906
Utility bill	1,545	2,211
Contract service payment	1,277	1,277
Cash dividends (Note 27)	146	131
Other	<u>52,726</u>	<u>41,476</u>
	<u>\$ 521,970</u>	<u>\$ 594,417</u>
Other current liabilities		
Guarantee deposit - payments received to retain capacity (Note 27) (Note)	\$ 175,872	\$ 158,181
Advance receipts (Note 30)	4,097	3,895
Temporary receipts	<u>80</u>	<u>70</u>
	<u>\$ 180,049</u>	<u>\$ 162,146</u>
<u>Non-current</u>		
Guarantee deposits and margins received		
Payments received to retain capacity (Note)	\$ 418,545	\$ 510,561
Other (Note 30)	<u>20,717</u>	<u>19,692</u>
	<u>\$ 439,262</u>	<u>\$ 530,253</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.

19. Liability provisions

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Warranty	<u>\$ 30,000</u>	<u>\$ 30,000</u>

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 30,000	\$ 30,000
Additional provisions recognized	585	1,570
Usage during the period	( <u>585</u> )	( <u>1,570</u> )
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.

## 20. Retirement benefit plans

### Determined appropriation plan

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

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

## 21. Equity

### (1) Share capital

#### Common stock

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



(2) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
May be used to offset a deficit, distributed as cash dividends or transferred to capital (Note)		
Share premium	\$ 530,686	\$ 530,686
Treasury shares	<u>93,850</u>	<u>93,850</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 23 (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.

On March 10, 2025, the Company's Board of Directors proposed the 2024 earnings distribution as follows:

	2024
Legal reserve	<u>\$ 66,420</u>
Reversal of special reserve	<u>( \$ 154,293 )</u>
Cash dividends	<u>\$ 541,999</u>
Cash dividend per share (NTD)	\$ 4.2

The above-mentioned cash dividends have been distributed with the resolution of the Board of Directors, and the rest will be resolved at the shareholders’ meeting on May 26, 2025.

(4) Special reserve

	2024	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:

	2024	2023
Opening balance	( \$ 253,910 )	( \$ 209,037 )
Recognized in the current period		
Translation differences in presentation currency	269,361	( 30,102 )
Exchange differences on translation	( <u>115,068</u> )	( <u>14,771</u> )
Other comprehensive income in the current period	<u>154,293</u>	( <u>44,873</u> )
Ending Balance	( <u>\$ 99,617</u> )	( <u>\$ 253,910</u> )

22. Revenue

	2024	2023
Revenue from customer contracts		
Packaging and testing	\$ 4,526,875	\$ 4,267,097
Other revenue		
Other (Note 30)	<u>143,664</u>	<u>151,892</u>
	<u>\$ 4,670,539</u>	<u>\$ 4,418,989</u>

(1) Detail of customer contracts

A. Packaging and testing

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

## B. Other

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

### (2) Contract balance

	December 31, 2024	December 31, 2023	January 1, 2023
Accounts receivable (Note 9)	\$ 852,200	\$ 780,906	\$ 823,024
Accounts receivable due from related parties (Note 30)	<u>8,903</u>	<u>9,885</u>	<u>9,583</u>
	<u>\$ 861,103</u>	<u>\$ 790,791</u>	<u>\$ 832,607</u>
Contract assets			
Packaging and testing	\$ 117,427	\$ 123,426	\$ 100,175
Less: loss allowances	( <u>9,074</u> )	( <u>6,933</u> )	( <u>9,543</u> )
Current contract assets	<u>\$ 108,353</u>	<u>\$ 116,493</u>	<u>\$ 90,632</u>
Contract liabilities			
Packaging and testing	<u>\$ 18,892</u>	<u>\$ 23,353</u>	<u>\$ 7,718</u>

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

	2024	2023
<u>Contract assets</u>		
Balance at beginning of the period transfers to accounts receivable	( \$ 123,426 )	( \$ 99,631 )

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.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Expected credit loss rate	7.7%	5.6%
Total amount	\$ 117,427	\$ 123,426
Loss allowance (lifetime expected credit losses)	( <u>9,074</u> )	( <u>6,933</u> )
	<u>\$ 108,353</u>	<u>\$ 116,493</u>

Information on changes in the loss allowance on contract assets:

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 6,933	\$ 9,543
Add: Impairment losses for the current period	2,107	-
Less: Reversal of impairment loss for the current period	-	( 1,615 )
Write-off for the year (Note)	-	( 996 )
Effect of exchange rate changes	<u>34</u>	<u>1</u>
Ending Balance	<u>\$ 9,074</u>	<u>\$ 6,933</u>

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

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

	<u>2024</u>	<u>2023</u>
Contract liabilities in beginning of the period	<u>\$ 21,083</u>	<u>\$ 5,460</u>

(3) Detail of revenue from customer contracts

Type of service	2024	2023
Packaging and testing	\$ 4,526,875	\$ 4,267,097
Electroplating services	88,247	97,371
Lease and other services	55,417	54,521
	<u>\$ 4,670,539</u>	<u>\$ 4,418,989</u>

23. Profit from continuing operations

(1) Interest income

	2024	2023
Bank deposit	<u>\$ 49,035</u>	<u>\$ 40,839</u>

(2) Other income

	2024	2023
Government subsidy	\$ 12,789	\$ 17,090
Other	4,175	2,155
	<u>\$ 16,964</u>	<u>\$ 19,245</u>

(3) Other gains and losses

	2024	2023
Gain on foreign exchange	\$ 79,016	\$ 9,232
Gains (losses) on disposal of property, plant and equipment	2,585	( 239 )
Profit from lease modification	142	1
Other	429	3,026
	<u>\$ 82,172</u>	<u>\$ 12,020</u>

(4) Finance costs

	2024	2023
Interest expense on lease liability	<u>\$ 898</u>	<u>\$ 2,108</u>

(5) Depreciation and amortization

	2024	2023
Depreciation expenses summarized by function		
Operating costs	\$ 609,013	\$ 606,765
Operating expenses	35,388	38,750
	<u>\$ 644,401</u>	<u>\$ 645,515</u>
Amortization expenses summarized by function		
Administrative expenses	<u>\$ 1,548</u>	<u>\$ 1,355</u>

(6) Direct operating expenses of investment property

	2024	2023
Related to lease revenue		
Depreciation expense	\$ 7,741	\$ 7,593
Other	<u>628</u>	<u>616</u>
	<u>\$ 8,369</u>	<u>\$ 8,209</u>

(7) Employee benefits expenses

	2024	2023
Post-employment benefits		
Determined appropriation plan	\$ 131,258	\$ 132,263
Other employee benefits	<u>1,231,568</u>	<u>1,176,458</u>
Total employee benefits expenses	<u>\$ 1,362,826</u>	<u>\$ 1,308,721</u>
Summarized by function		
Operating costs	\$ 1,141,636	\$ 1,116,423
Operating expenses	<u>221,190</u>	<u>192,298</u>
	<u>\$ 1,362,826</u>	<u>\$ 1,308,721</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. Employee remuneration and director remuneration in 2024 and 2023 were approved by the Board of Directors on March 10, 2025 and March 12, 2024 as follows:

Estimated ratio

	2024	2023
Remuneration to employees	9.41%	9.77%
Remuneration to directors	2.72%	2.93%

Amount

	2024	2023
	Cash	Cash
Remuneration to employees	<u>\$ 90,000</u>	<u>\$ 80,000</u>
Remuneration to directors	<u>\$ 26,000</u>	<u>\$ 24,000</u>

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

There is no difference between the aforementioned approved 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

	<u>2024</u>	<u>2023</u>
Total foreign currency exchange gain	\$ 188,520	\$ 256,343
Total foreign currency exchange loss	( <u>109,504</u> )	( <u>247,111</u> )
Net gain	<u>\$ 79,016</u>	<u>\$ 9,232</u>

24. Income tax for continuing operation

(1) Income tax recognized in profit or loss

Detail of income tax expenses:

	<u>2024</u>	<u>2023</u>
Current income tax		
Current tax expenses recognized for the current period	\$ 178,330	\$ 143,515
Prior years' adjustment	( <u>1,948</u> )	( <u>3,336</u> )
	<u>176,382</u>	<u>140,179</u>
Deferred income tax		
Current tax expenses recognized for the current period	<u>326</u>	<u>8,230</u>
Income tax expense recognized in profit or loss	<u>\$ 176,708</u>	<u>\$ 148,409</u>

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

	<u>2024</u>	<u>2023</u>
Profit before income tax	<u>\$ 840,905</u>	<u>\$ 714,503</u>
Income tax expense calculated at the statutory rate (25%)	\$ 210,226	\$ 178,626
Nondeductible items in determining taxable income	551	42
Unrecognized deductible temporary differences/ loss deduction	( 2,142 )	( 4,396 )



Effect of different tax rates applicable to consolidated entities	( 24,887 )	( 19,649 )
Temporary differences arising from prior years recognized for the year	-	4,419
Adjustments for prior years' tax	( 1,948 )	( 3,336 )
Investment tax credits	( 5,092 )	( 7,297 )
Income tax expense recognized in profit or loss	<u>\$ 176,708</u>	<u>\$ 148,409</u>

(2) Current tax assets and liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 2,055</u>
Current tax liabilities		
Income tax payable	<u>\$ 98,948</u>	<u>\$ 7,876</u>

(3) Deferred income tax assets and liabilities

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

2024

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Effect of exchange rate changes</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary difference				
Liability provisions	\$ 6,000	\$ -	\$ -	\$ 6,000
Unrealized exchange loss	3,254	( 3,254 )	-	-
Loss on decline in market value and obsolete and slow-moving inventories	5,190	( 819 )	260	4,631
Revenue from customer contracts	999	( 1,039 )	40	-
Lease liabilities	9,079	14,879	639	24,597
Allowance for losses - contract assets	1,397	527	8	1,932
Employee compensation payable	13,512	1,577	721	15,810
Unrealized sales allowance	3,197	( 206 )	-	2,991
	<u>\$ 42,628</u>	<u>\$ 11,665</u>	<u>\$ 1,668</u>	<u>\$ 55,961</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Revenue from customer contracts	\$ 6,308	( \$ 5,244 )	\$ 31	\$ 1,095
Right-of-use assets	8,589	15,402	622	24,613
Unrealized exchange gain	-	1,833	-	1,833
	<u>\$ 14,897</u>	<u>\$ 11,991</u>	<u>\$ 653</u>	<u>\$ 27,541</u>

## 2023

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

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

Deductible temporary difference	December 31, 2024	December 31, 2023
Unrealized asset impairment loss	<u>\$ 120,975</u>	<u>\$ 129,546</u>

### (5) Income tax assessment

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

The Consolidated Company had no pending tax litigation as of December 31, 2024.

## 25. Earnings per share

	2024	Unit: NTD per share 2023
Earnings per share - basic		
From continuing operations	<u>\$ 5.15</u>	<u>\$ 4.39</u>
Earnings per share - diluted		
From continuing operations	<u>\$ 5.08</u>	<u>\$ 4.34</u>

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

### Net income

	<u>2024</u>	<u>2023</u>
Net profit attributable to owners of the Company	<u>\$ 664,197</u>	<u>\$ 566,094</u>
Net profit used to calculate basic earnings per share and diluted earnings per share	<u>\$ 664,197</u>	<u>\$ 566,094</u>
<u>Quantity</u>		Unit: thousand shares
	<u>2024</u>	<u>2023</u>
Weighted average number of common shares used to calculate basic earnings per share	129,047	129,047
Effect of potential dilutive common shares:		
Remuneration to employees	<u>1,603</u>	<u>1,436</u>
Weighted average number of common shares used to calculate diluted earnings per share	<u>130,650</u>	<u>130,483</u>

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.

26. 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. In 2024 and 2023, the depreciation expenses were reduced by \$8,537 thousand and \$7,606 thousand, respectively.

27. Cash flow

(1) Non-cash transaction

Unless disclosed in other notes, the Consolidated Company conducted the following non-cash investment and financing activities in 2024 and 2023:

- A. As of December 31, 2024 and 2023, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were \$70,990 thousand and \$165,021 thousand respectively, and were accounted as other payables.
- B. As of December 31, 2024 and 2023, there were \$146 thousand and \$131 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 2024 and 2023, \$76,795 thousand and \$55,428 thousand, respectively, offset the security deposit by offsetting accounts receivable.

(2) Changes in liabilities from financing activities

2024

	January 1, 2024	Cash flows	Non-cash changes				Offsetting accounts receivable	Effect of exchange rate change	Other	December 31, 2024
			Lease additions	Lease modification	Finance costs					
Guarantee deposits and margins received	\$ 688,434	\$ -	\$ -	\$ -	\$ -	( \$ 76,795 )	\$ 3,495	\$ -	\$ -	\$ 615,134
Lease liabilities	36,313	( 33,756 )	93,413	( 142 )	898	-	2,560	( 898 )	-	98,388
	<u>\$ 724,747</u>	<u>( \$ 33,756 )</u>	<u>\$ 93,413</u>	<u>( \$ 142 )</u>	<u>\$ 898</u>	<u>( \$ 76,795 )</u>	<u>\$ 6,055</u>	<u>( \$ 898 )</u>		<u>\$ 713,522</u>

2023

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

28. Capital risk management

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

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

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

29. 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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial asset</u>		
Financial assets measured at amortized cost (Note 1)	\$ 3,463,463	\$ 2,640,446
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	887,470	896,647

Note 1: The balance includes cash and cash equivalents, financial assets measured at amortized cost - current, 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, insurance premiums payable, pensions payable, business tax payable, and cash dividends payable) and guarantee deposit measured at amortized cost.

(3) Financial risk management objectives and policies

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

A. Market risk

The main financial risks borne by the Consolidated Company's operating activities are the foreign currency exchange rate risk (see (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 32.

#### 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	
	2024	2023	2024	2023
Gain or (loss)	\$ 18,792 (i)	\$ 13,261 (i)	(\$ 1,256) (ii)	(\$ 1,117) (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 increased in the current period, which was due to the increase 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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Fair value interest rate risk		
- Financial assets	\$ 1,014,883	\$ 531,197
- Financial liabilities	98,388	36,313
Cash flow interest rate risk		
- Financial assets	1,457,028	1,200,053
- Financial liabilities	-	-

Sensitivity analysis

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

If interest rates increased/decreased by 1% when all other variables are held constant, the Consolidated Company's net income before tax in 2024 and 2023 will increase/decrease by \$14,570 thousand and \$12,001 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 December 31, 2024 and 2023, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 47% and 56%, 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.

#### December 31, 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
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 197,279	\$ 216,442	\$ 453,178	\$ 20,717	\$ -
Lease liabilities	<u>7,926</u>	<u>1,088</u>	<u>27,042</u>	<u>67,159</u>	<u>-</u>
	<u>\$ 205,205</u>	<u>\$ 217,530</u>	<u>\$ 480,220</u>	<u>\$ 87,876</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
<u>Non-derivative financial liabilities</u>					
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>

### 30. Related party transaction

The ultimate parent entity and ultimate controller of the Company is Elite Advanced Laser Corporation which held 51% of the Company's shares on December 31, 2024 and 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	2024	2023
Electroplating services	Associate	<u>\$ 88,247</u>	<u>\$ 97,371</u>
Lease revenue	Associate	<u>\$ 48,617</u>	<u>\$ 47,691</u>
Other	Associate	<u>\$ 6,800</u>	<u>\$ 6,830</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	December 31, 2024	December 31, 2023
Accounts receivable due from related parties	Associate	<u>\$ 8,903</u>	<u>\$ 9,885</u>
Other receivables - related parties	Associate	<u>\$ 863</u>	<u>\$ 45</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	2024	2023
<u>Lease expense</u>		
Ultimate parent entity	<u>\$ 204</u>	<u>\$ 187</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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Total lease payments to be paid in the future	<u>\$ 115</u>	<u>\$ 115</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 December 31, 2024 and 2023, the total lease payments to be received in the future are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Year 1	\$ 49,888	\$ 47,420
Year 2	49,888	47,420
Year 3	-	47,420
Year 4	-	-
Year 5	-	-
	<u>\$ 99,776</u>	<u>\$ 142,260</u>

The lease revenue recognized in 2024 and 2023 was \$48,617 thousand and \$47,691 thousand respectively.

(6) Other related party transactions

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Guarantee deposits and margins received	Associate	<u>\$ 1,767</u>	<u>\$ 1,679</u>
Refundable deposits paid	Ultimate parent entity	<u>\$ 20</u>	<u>\$ 20</u>
Advance receipts	Associate	<u>\$ 4,097</u>	<u>\$ 3,895</u>

(7) Remuneration for key managerial officers

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 78,071	\$ 70,335
Post-employment benefits	<u>216</u>	<u>216</u>
	<u>\$ 78,287</u>	<u>\$ 70,551</u>

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

31. Material contingent liabilities and unrecognized contractual commitments

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

	Unit: Foreign currency (thousand)	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Acquisition of property, plant and equipment		
USD	\$ <u>30</u>	\$ <u>111</u>
RMB	\$ <u>2,127</u>	\$ <u>2,752</u>

32. Information on significant foreign currency assets and liabilities

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

December 31, 2024

	<u>Foreign currency (thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
Assets in foreign currency			
<u>Monetary items</u>			
USD	\$ 48,235	7.1884(USD: RMB)	\$ 1,581,389
USD	41,697	32.7850(USD: NTD)	1,367,050
Liabilities in foreign currency			
<u>Monetary items</u>			
USD	10,254	7.1884(USD: RMB)	336,163
USD	22,361	32.7850(USD: NTD)	733,121
NTD	44,289	0.0305(NTD: USD)	44,289
NTD	81,334	0.2193(NTD : RMB)	81,334

December 31, 2023

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

Monetary items

USD	11,685	7.0827(USD: RMB)	358,782
USD	24,161	30.7050(USD: NTD)	741,851
NTD	39,993	0.0326(NTD: USD)	39,993
NTD	71,728	0.2307(NTD : RMB)	71,728

The Consolidated Company's net gain on foreign exchange (including realized and unrealized) in 2024 and 2023 were \$79,016 thousand and \$9,232 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.

33. 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 30)
- (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)

34. 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:

- a. Similar product properties and process;
- b. Similar product pricing strategy and sales model.

(1) Revenue from key products and services

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

	2024	2023
Semiconductor products	\$ 4,615,122	\$ 4,364,468
Other	<u>55,417</u>	<u>54,521</u>
	<u>\$ 4,670,539</u>	<u>\$ 4,418,989</u>

(2) Regional information

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

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

	Revenue from external customers		Non-current assets	
	2024	2023	December 31, 2024	December 31, 2023
Taiwan	\$ 3,279,532	\$ 3,185,792	\$ 1,197,088	\$ 1,550,195
China	<u>1,391,007</u>	<u>1,233,197</u>	<u>1,497,603</u>	<u>1,478,194</u>
	<u>\$ 4,670,539</u>	<u>\$ 4,418,989</u>	<u>\$ 2,694,691</u>	<u>\$ 3,028,389</u>

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

(3) Information of major customers

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

Name	2024	2023
AC	<u>\$ 777,722</u>	<u>\$ 926,612</u>

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

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	( \$ 1,433,823 )	( 62% )	Net 90 days from the end of the month of delivery	—	—	\$ 388,739	68%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,433,823	61%	"	—	—	( 388,739 )	( 64% )	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	899,851	39%	"	—	—	( 221,377 )	( 36% )	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	( 899,851 )	( 64% )	"	—	—	221,377	77%	Notes 1, 2 and 3
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	( 143,664 )	( 10% )	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	8,903	3%	Notes 2 and 4

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

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

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

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



GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

December 31, 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 \$ 388,739	3.53	\$ -	—	\$ 246,731	\$ -
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable 221,377	4.57	-	—	145,170	-

Note 1: Amount recovered from January 1 to March 10, 2025.

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

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	\$ 1,433,823 (Note 4)	Net 90 days from the end of the month of delivery	31%
				Accounts receivable due from related parties	388,739	—	6%
				Contract assets - related parties	54,105	—	1%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	899,851 (Note 4)	Net 90 days from the end of the month of delivery	19%
				Accounts receivable due from related parties	221,377	—	3%
				Contract assets - related parties	29,057	—	-
3	GEM Tech Ltd.	The Company	Note 3 (2)	Remittance of earnings	491,022	—	7%

The business relationship between the parent and the subsidiaries:

The Company and GEM Electronics Company Limited are holding companies; GEM Electronics (Shanghai) Co., Ltd., GEM Tech Ltd., Taiwan Branch, and GEM Tech Ltd. are 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.

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

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

Note 3: Relationship to the counterparty:

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
Information, location... and other related information of subsidiaries

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	British Virgin Islands	Holding company business	\$ -	\$ -	100	100%	\$3,104,428	\$ 231,626	\$ 231,626	Note 1
	GEM Tech Ltd.	Samoa	Manufacture and sales of electronic parts	18,202 (USD 606)	18,202 (USD 606)	606,091	100%	1,400,497	480,051	480,051	Note 1

Note 1: The relevant investment profit and loss recognition is based on the financial statements of the investee company audited by the CPA during the same period.

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Information of investment in Mainland China

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 December 31, 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 December 31, 2024
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	\$ 2,262,165 ( USD 69,000 ) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	\$ -	\$	\$	\$ -	100%	\$ 231,626	\$ 231,626 (Note 2(2) 2.)	\$ 3,104,428	\$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, plant leasing	1,990,848 ( RMB 436,511 )	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-			-	100%	80,153	80,153 (Note 2(2) 2.)	1,335,320	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	163,925 ( USD 5,000 )	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-			-	20%	48,120	9,624 (Note 2(2) 1.)	125,814	-

Accumulated Investment in Mainland China as of December 31, 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 CPA firm of the parent company in Taiwan.
  3. Based on the financial statements of the investee that have not been audited by accountants during the same period.

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

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

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

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

GEM Services, Inc.  
Information of major shareholders  
December 31, 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.