

Stock Code: 6525



# **GEM Services, Inc.**

## **ANNUAL REPORT 2023**

Please see the Company's annual report on:

<http://mops.twse.com.tw/>

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- I. Spokesperson, Deputy Spokesperson, Litigation and Non-litigation Agent:  
Spokesperson: Jui-Ping, Wang  
Title: Senior Manager of Finance Department  
Deputy Spokesperson: Chun-Ching, Wu  
Title: Senior Manager of Business Integration Department  
Litigation and non-litigation agent: Chu-Liang, Cheng  
Title: Charmian  
Contact number: (886)2-2248-0680  
E-mail: IR@gemservices.com
- II. Contact information of GEM Services, Inc. and its Subsidiaries and Branches:
- (I) The Company:  
Name: GEM Services, Inc.  
Address: PO Box 472, 2nd Floor, Harbour Place, Grand Cayman, KY1-1106, Cayman Islands  
Tel: (886)2-2248-0680
- (II) Subsidiaries and Branches:
1. Name: GEM Tech Limited  
Address: P.O. Box 1225, Apia, Samoa  
Tel: (886) 2- 2248-0680
  2. Name: GEM Electronics Company Limited  
Address: P.O. Box 3444, Road Town, Tortola, British Virgin Islands  
Tel: (886) 2- 2248-0680
  3. Name: GEM Electronics (Shanghai) Co., Ltd.  
Address: No.438, Zhaoxian Road, Jiading District, Shanghai, China  
Tel: (86) 21-5916-7500
  4. Name: GEM Electronics (Hefei) Co., Ltd.  
Address: Hefei Economic & Technological Development Zone No. 77 JinXiu Blv. Hefei 230601, Anhui Province, China  
Tel: (86) 0551-6336-9977
  5. Name: GEM Tech Ltd., Taiwan Branch  
Address: 10F., No. 35, Qiao'an St., Zhonghe Dist., New Taipei City  
Tel: (886) 2-2248-0680

### III. Board of Directors

Title	Name	Nationality	Major career (academic) achievements
Chairman	Chu-Liang, Cheng	Republic of China	Ph.D., Electrical Engineering, Rutgers University, USA AT&T Bell Lab/ Researcher Fiber Optic Communication Company PCO/ Director LITE-ON Technology/ Deputy General Manager
Vice Chairman	Wen-Hsing, Huang	Republic of China	BA., Electrical Engineering, Chung Yuan Christian University, Taiwan Foreshot Industrial Corporation/ Deputy General Manager LITE-ON Technology/ Director
Director	Tay-Jen, Chen	Republic of China	Shih Chien University QC, Consolidate Graphics Inc. CA, USA
Director	Wei-Chung, Pan	Republic of China	Ph.D., Social Psychology, California School of Professional Psychology, GSPP SINO-INDO COMPANY LTD./ Director
Director	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung	Republic of China	MBA, Atlanta International University Elite Advanced Laser Corporation/ President Sea & Land Integrated Corp./ President CO-TECH DEVELOPMENT CORP./ Vice President GVC/ Assistant Vice President
Independent Director	Shu, Yeh	Republic of China	Ph.D., Accounting, University of California, Los Angeles Chunghwa Telecom Co., Ltd./ CFO & SEVP Chunghwa Telecom Co., Ltd./ Independent Director Powerchip Semiconductor Manufacturing Corporation/ Independent Director and Audit Committee
Independent Director	Sen-Tai, Wen	Republic of China	MBA, Rutgers University, USA

Title	Name	Nationality	Major career (academic) achievements
			Pixon Technologies Corporation/ Independent Director and Remuneration Committee BandRich Inc./ Director (Juristic person) Visco Vision Inc./ Director ENNOSTAR Inc./ Independent Director, Remuneration Committee and Audit Committee
Independent Director	Wen Chen, Huang	Republic of China	BA., Department of Industrial Management Science of the National Cheng Kung University School of Management MBA, NCCU MBA Program China Development Financial Holding Corp/ Assistant Manager CDIB & Partners Investment Holding Corporation/ Senior Manager The CID Group Ltd./ Vice President Elite Advanced Laser Corporation/ Director
Independent Director	Yueh-Li, Lee	Republic of China	BA., Department of Business Administration, Tamkang University Chief Telecom Inc./ Vice President of Finance Chunghwa Telecom Co., Ltd./ Accounting Section Chief

IV. Contact Information of the institution for stock transfer:

Name: Registrar & Transfer Agency Department Yuanta Securities Co., Ltd.

Address: B1F., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City

Website: <http://www.yuanta.com.tw/>

Tel: (886) 2-2586-5859

V. Contact Information of financial statement auditors in the latest year:

CPA: Keng-Hsi, Chang and Chien-Hsin, Hsieh

CPA Firm: Deloitte & Touche

Address: 20F., No.100, Songren Rd., Xinyi Dist., Taipei City

Website: <http://www.deloitte.com.tw>

Tel: (886) 2-2725-9988

VI. Overseas Listings and Access to the Listing Information: There is no oversea listing.

VII. Company website: [www.gemservices.com](http://www.gemservices.com)

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# **Chapter I            Report to Shareholders**

Ladies and gentlemen, Dear Shareholders:

The semiconductor industry not yet recovered due to the macro-economic environment and the consumer market in 2023. Therefore, as clients' inventory levels were still high and the forecast for orders placed was adjusted downward, the Company's operating revenue was in decline. However, the management team follows and develops in accordance with the 4A guidelines of Ahead, Able, Agile, and Accountable to maximize the interests of all shareholders. The summary report of the Company's 2023 annual operation and future business plan is as follows:

## **I.    2023 annual operation results:**

### **(I)    Implementation of the business plan:**

The 2023 consolidated revenue of the Company was NT\$4,418,989 thousand and the consolidated net profit after tax was NT\$566,094 thousand with an earnings per share of NT\$4.39 and a net asset value per share of NT\$32.20. Through intensive development of both existing and new products and customers, improving production capacity utilization, and other effective measures such as cost and quality management, the Company maintained a steady profit in 2023.

### **(II)   Budget execution status:**

The 2023 financial forecast has not been made public, so there is no budget achievement.

### **(III)   Analysis of receipts, expenditures, and profitability:**

The Company's consolidated liabilities accounted for 32% of its consolidated assets and the consolidated current ratio was 205% which are on a healthy level in financial structure, solvency and profitability indicators.

### **(IV)   Research and development work:**

1. Continuously development on the manufacturing process, improvement on production efficiency, and understanding market trends and customer demands to further increase market share.
2. Utilize the Company's accumulated technology and knowledge related to manufacturing processes and materials and develop new application with customers and products to solidify market positioning.

## **II.   Summary of 2024 business plan:**

(I) Business strategy:

1. Looking at the big picture and having insights into the needs of the industry, applications, and clients, and formulating a business plan in advance.
2. Continuously enhancing our research and development capabilities to respond to the needs for new products, new markets, and new business activities.
3. Flexibly and quickly responding to changes and needs inside and outside the organization.
4. Taking responsibility and meeting clients' needs.

(II) Expected sales and basis of estimation:

The Company forecast the sales plan for 2024 based on the sales in 2023 and the current industry overview. According to the current industry information, it is estimated that the market will continue to grow, but with rapid changes in the international trade environment and many uncertain factors, the Company's sales will be based on the latest market changes, customer operation, and the industry development trends.

(III) Important production and marketing policies:

1. Marketing strategy:

- (1) Active collaboration with customers to strengthen services. Seek to establish strategic partnerships with customers.
- (2) Continue to improve on the Company's brand image through product upgrades and lead the power semiconductor packaging and testing market.

2. Production strategy:

- (1) Maintain long-term partnership with automation equipment manufacturers, and become strategic partners to develop specialized production processes, reduce production costs, and develop high-quality, multi-functional and competitive products.
- (2) Continue to collaborate with customers to strengthen the planning and management of production capacity and quality to provide the services to the customer.

(IV) Future development strategy:

1. Combine the customer applications and develop versatility in the

product line to diversify the products and provide a total solution for the customers.

2. Continue to develop key technologies or patents, and develop new-generation products in response to industry trends to maintain as an industry leader.

- (V) The effect of external competition, the legal environment, and the overall business environment:

The demand for electronic products changes with the consumer market, trade environment, and government policies of various countries. In recent years, the volume and performance of electronic components have been continuously improved, product lifetime shorter, supply chain competition increasingly fierce, and the requirements of laws and regulations on products and factories increasing. In response, the Company has striven to increase product applications, develop potential clients, expand product series, control investment risks, continue to pay attention to changes in the supply chain caused by geopolitical factors, and take countermeasures. Internally, we work to identify potential risks and formulate countermeasures through constant review of business and an internal control mechanism to reduce operational risks based on the industry environment and business conditions.

Facing future challenges, the Company will continue to maximize the interests of all shareholders with leading R&D and manufacturing capabilities with efficient business management.

May I wish you all

Good health and good luck

Chairman:  
Chu-Liang, Cheng

General Manager:  
Yen-Chiang, Tang

Head-Finance & Accounting:  
Jui-Ping, Wang

## Chapter II Company Profile

### I. Company Profile

#### (I) Establishment date

GEM Services, Inc. (GEM or the Company) was established on April 17, 1998 in the British Cayman Islands (Cayman).

#### (II) Group Structure



The shareholding ratio in the above figure is 100%.

### (III) Company history

Year	Milestones
1998	In April, GEM Services, Inc. was established and became the holding company of the Group. In December, GEM Electronics (Shanghai) Co., Ltd. was established to manage the production. The primary business of the Group is power management components, IC packaging and testing services.
2000	First released the TO252 (DPAK) power management component package test and commenced mass production. Introduced SO8, GEM2021 (2.0mm x 2.1mm), GEM2928 (2.9mm x 2.8mm) and TSOP 3/5/6 miniaturized package products.
2002	Established a strategic alliance with a large Japanese trading company in the Japanese market.
2003	Introduced lead-free process and began to provide mass production services.
2006	In June, the acquisition of Rexin Semiconductor Technology Co., Ltd. was completed, and it was renamed as GEM Semiconductor in September. In September, GEM Electronics (Hefei) Co., Ltd. was established. Introduced SO8 copper wire bonding process capability, effectively replacing the materials used for gold wire and precious metals.
2007	Introduced GEMPAK5060(5.0mmx6.0mm) PDFN new packaging products.
2008	GEM Semiconductor introduced GEM2021 and DPAK mass production services. GEM Electronics (Hefei) introduced SO8, GEM2928, and DPAK mass production services.
2010	Introduced GEMPAK3333 (3.3mmx3.3mm) small PDFN product.
2011	In August, established a joint venture with Mitsubishi Electric Corporation, Mitsubishi Electric GEM Power Device (Hefei) Company Limited.
2012	In June, Elite Advanced Laser Corporation participated in the cash capital increase and became the largest shareholder. In June, GEM Tech Limited was established. In August, GEM Technologies Hong Kong Limited was established. In September, GEM Tech Ltd., Taiwan Branch was established. Introduced the GEMPAK5060 Ribbon aluminum cable welding process capability, providing mass production services for low-resistance and high-efficiency products.
2013	Introduced TO251AA long 9mm guide pin mass production service.
2014	Introduced TO277 new packaging products. GEM Electronics (Hefei) introduced TO220FP High-Voltage mass production service.
2016	In January, GEM Services, Inc. was approved for public offering by TWSE.
2016	In April, the stock was officially listed on the TWSE.
2018	In January, the liquidation of GEM Semiconductor was completed. In October, the liquidation of GEM Technologies Hong Kong Limited was completed.
2021	Building No.3 of GEM Electronics (Hefei) was established to expand the mass production service and introduce the packaging and testing service of medium and low voltage products.

#### (IV) Risks

##### 1. Risk factor

- (1) The impact incurred by change in interest rate, exchange rate, inflation upon the Company's profit and/or loss and the future countermeasures:

##### A. Changes in interest rates

The Company's operation scale and profitability have improved with increasing self-owned capital, so it has little reliance on loans from financial institutions. Thus, the Company will not experience a significant increase in interest expenses if the interest rate level were to increase in the future. Thus, changes in interest rates have little impact on the Company's profit.

##### B. Change in exchange rate

Most of the Company's purchase and sales are denominated in US dollars, so the receivables and payables of the transactions can offset each other, resulting in a natural hedging effect. The Company's net exchange (losses) gains in 2022 and 2023 were NT\$227,904 thousand and NT\$9,232 thousand respectively, accounting for 4.36% and 0.21% of the net operating revenue in each period which is an insignificant impact on the Company's profit and loss.

The main functional currency of the Company is the US dollar and there has not been any significant exchange rate risk. To reduce the impact of exchange rate changes on the Company's profit and loss, the Company will collect the exchange rate information, and strengthen the relationship with financial institutions through online real-time exchange rate system to research on the exchange rate fluctuation trend as a reference for foreign exchange settlement. The Company also deploys strategy to ensure the balance of foreign currency assets and liabilities is achieved as much as possible as a natural risk hedging and reduce the impact of exchange rate fluctuations. In the

future, derivatives for hedging will be adopted depending on the changes in the exchange market and the demand for exchange funds to avoid related exchange rate risks.

C. Inflation

The Company pays attention to market price fluctuations, and maintains good relationship with suppliers and customers and there has not been any significant impact due to inflation in the recent years.

(2) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profit or loss and the future countermeasures:

A. The Company does not engage in high-risk, high-leverage investments, unless hedging, or arbitrage can be achieved.

B. The policy of loaning funds, and endorsements/guarantees is handled in accordance with the relevant regulations of the Company's Procedure on Loaning of Funds and Making of Endorsements/Guarantees.

C. The policy of derivatives trading is implemented in accordance with the Company's Procedure on the Acquisition and Disposal of Assets, with hedging transactions as the main trading method. The Company determines that hedging is not necessary, unless the benefit of hedging is greater than the cost of hedging; if not, it will become a burden.

(3) The future research & development plans and the expenses anticipated to be invested into research & development

A. Future research & development programs

The Company will continue to invest in the development of new-generation products and technologies, including high-efficiency, high-voltage applications and multi-chip modular products. The Company will continue to make R&D breakthrough on process technology to develop power management products with higher efficiency,

smaller size and enhanced structural performance, to expand the lead in the industry and enter more the high-performance application markets.

B. Expenses anticipated to be invested into research & development

The Company's estimated R&D investment is compiled according to the development progress of new products and new technologies. In the future, with the growth in revenue, the annual R&D expenses will be gradually increased and it is estimated that the R&D expenses be about NT\$45,927 thousand in 2024 to support the development of new products in the future and the performance improvement of existing products and increase the Company's competitiveness.

(4) The possible domestic and foreign impacts by government policies and laws upon the Company's financial conditions and the Company's countermeasures

The Company's daily operations are handled in accordance with relevant domestic and foreign laws and regulations and there has not been any major domestic and foreign policy and legal changes that has impacted the Company's financial performance; and the Company pays attention to the changes in domestic and foreign policy development trends and regulations, collects relevant information as a decision-making reference for the management team for appropriate strategies.

(5) The impacts generated by change in science and technology (including ICT security risk) and change in industries upon the Company's financial conditions and the Company's countermeasures

The Company has accumulated considerable amount of R&D technologies, and is recognized by the customers. The management team pays attention to changes in the market and technology trends, and evaluates its risks and impact on the Company's product strategy to reduce all risk factors and maximize shareholders benefits. In addition, the Company

continues to invest in R&D projects for new products, manages the product development schedule and formulates relevant response plans, and maintains a stable financial structure to maintain the flexibility of capital allocation in response to future market changes. Thus, in the latest year and up to the publication date of the annual report, technological and industrial changes did not have a significant impact on the Company's financial performance.

As the popularization of computers and the vigorous development of the Internet brought a rapid and significant impact on people, it also changed the way we live. Along with information convenience comes worrying information security issues. Thus, ensuring information security in the information era is essential for the greater challenges and impacts in the future.

The types of information security protection can be divided into three parts, physical security, software security and data security. Factors affecting information security include:

- A. Invasion from unauthorized persons (hackers) to the computer system, theft or alter information or change the original system settings.
- B. Intentional or unintentional usage of the computers resulting in data damage, theft or system damage.
- C. Interception, eavesdropping or alteration of data during transmission.
- D. Infection and transmission of virus.

The Company has taken the following prevention measures:

- A. Cyber security risks

The Company has a firewall to prevent illegal intrusion, and illegal external access from the inside of the Company, and installs anti-virus software in all networked computers to prevent virus infection and transmission, and ensure the safety of the computers and networks.

- B. Hardware and Data Security Risks

The Company has facilities such as uninterruptible power supply system and hardware redundancy to prevent unexpected power supply and hardware failures and ensure the stability and continuous system operation.

The Company has account authentication, permission control, account password complexity setting, password regular replacement policy, data backup/recovery system to prevent malicious damage, human error and data loss caused by natural disasters, and protect the data integrity.

C. Software Compliance Risk

The Company regularly checks the software installed on the computer, and monitors the installation and use of the software through tools to ensure the compliance of the software.

D. Strengthen employees' information security awareness and standardize organizational information security behavior.

Strengthen employees' awareness of information security, and advocate the restriction of using illegal software or visiting unknown websites.

With relative measures to maintain information security, the Company believes that this risk is manageable, but it is still necessary to remain vigilant to ensure the Company's information security.

(6) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures

The Company operates under the spirit of ethical corporate management, and is committed to improving quality and efficiency and strengthening internal management. The Company holds a good reputation and corporate image in the industry, and there is no corporate crisis caused by changes in corporate image. The Company will further commit to maintaining corporate governance and transparent operations, paying more attention to the rights and interests of shareholders, and strengthening its excellent corporate image.

- (7) Expected benefits, potential risks, and countermeasures of mergers and acquisitions

In the latest year and up to the publication date of the annual report, no mergers and acquisitions have occurred. However, if there is a merger and acquisition plan in the future, it will be handled in accordance with the relevant laws and regulations and the relevant management measures formulated by the Company to ensure the interests of the Company and shareholders' equity are protected.

- (8) The risks anticipated from the expansion of the plant buildings, and the Company's countermeasures

The Company is a power semiconductor packaging and testing company. In addition to expanding production lines depending on market changes, the Company has to avoid oversupply in the market. With actively developing new customers, R&D on new products and new technologies, it will also improve yield and reduce cost to maximize the benefits of capacity expansion and establish a long-term competitive advantage in the market.

- (9) The risks anticipated from the centralized input or output undertakings and the Company's countermeasures

- A. The risks anticipated from the centralized input undertakings and the countermeasures

The power semiconductor industry is a business model of vertical professional division of labor. To avoid the risk of supply shortage or interruption, the Company has established a backup supply, and maintains a certain procurement ratio to maintain good relationship with the suppliers with is adjusted according to product technical specifications. The Company also pays attention to the production status at any time and maintains close contact with the suppliers to reduce the concentration risk.

- B. The risks anticipated from the concentrated sales undertakings and the countermeasures

The Company's largest customer in 2022 and 2023 accounted for about 20% of the operating revenue, and the top five customers combined accounted for about 50% which is a concentration risk, but the Company continuously carry out credit evaluation on the financial status of customers, and recognize the allowance loss according to the expected credit loss of accounts receivable. The Company continues to expand its customer base in addition to maintaining a stable collaborative relationship with existing customers.

- (10) The impacts and risks anticipated from the massive transfer of shareholding by directors, supervisors or key shareholders who hold more than 10% in shareholding and the Company's countermeasures:

In the latest year and up to the publication date of the annual report, there has not been any substantial transfer or replacement of directors, supervisors, or major shareholders holding more than 10% of the shares. Thus, it is not applicable.

- (11) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures

In the latest year and as of the publication date of the annual report, the Company has not had any change in the managerial powers. The Company has strengthened various corporate governance measures and introduced independent directors to enhance the protection of overall shareholders' rights and interests. In addition, the Company's daily operations rely mostly on professional managers. The current team of professional managers has made considerable contribution to the Company's operating performance, and it should continue to win the support of shareholders. Thus, if there is a change in the management, it should not have a significant negative impact on the Company's various management and operating advantages.

- (12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director, any company

supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report:

None.

(13) Other critical risks and response measures

A. Protection of Shareholders' Equity

There are many different regulations between the Companies Law of the Cayman Islands and the Company Act of the R.O.C. Although the Company has amended its Articles of Association in accordance with the "Checklist of Shareholder Rights Protection by Foreign Issuers in Country (area) of Registration" stipulated by TWSE, there are still many differences in the operating regulations due to the differences in the regulations. Investors cannot apply the protection of legal rights and interests of investing in Taiwan companies to the Cayman Islands companies they invest in. Investors should study and consult experts to see if there is any shareholder equity protection that cannot be obtained by investing in Cayman Islands companies.

B. Risks of the economy, political environment, foreign exchange, laws and regulations

The Company is registered in the Cayman Islands where the main operation places are Samoa, the British Virgin Islands, Mainland China and Taiwan. Thus, changes in the economy and political environment of the place of registration and the place of operation, as well as

fluctuations in foreign exchange will affect the operating performance of the Company and its subsidiaries.

C. Cash dividends distribution and taxation

According to the relevant laws of China, when a subsidiary in China distributes profit, at least 10% of net income after taxes every year must be first set aside as the legal reserve (regarded as a legal reserve that cannot be distributed as dividend on shares until it reaches 50% of the registered capital of a subsidiary of the Company). Thus, the Company's subsidiaries in China must first meet this condition before distributing the remaining after-tax net profit for the year.

A tax on any share dividend, bonus, interest, and other income earned in and from China by a non-resident company of a country or territory that has signed a tax agreement with China according to the provisions of the relevant tax agreement after a subsidiary of the Company's applications are reviewed and approved by a competent tax authority, a subsidiary of the Company may be eligible to the agreed tax rate. With the exception of the aforementioned scenarios, and when the China subsidiary remits the share dividends to places outside China, an income tax of 10% shall be deducted on behalf of the shareholder. These provisions may potentially reduce the ability of the Company to distribute share dividends to its shareholders. A subsidiary in China must comply with local laws for overseas remittance of shares dividend. If China changes laws related to the aforementioned activities and to dividend remittance so that a subsidiary of the Company in China is unable to comply with the relevant laws or must acquire permission or submit files related to the activities, there may be a risk of failure to remit share dividends.

D. Rapid changes in product scales in the market

The demand for electronic products depends on consumer choice and preferences as well as government policies of

various countries. The suppliers and market share of terminal products including the Company's customer, change rapidly at any given time. The combination of the Company's products and manufacturers, and the growth of the market share of the products, in the past and the foreseeable future, depend on the ability of the end products to meet the consumer choices and preferences, and on the Company's cost-effectiveness, design capability, and the ability to manufacture and sell products to end customers of the market.

The Company will pay attention on relevant market demand at any time, and closely collaborate with terminal brand manufacturers to seize market opportunities, develop innovative and advanced products, launch new products that meet consumer preferences ahead of competitors and reduce the risk due to changes in the demand of electronic products.

E. Risk of decrease in average sale price

The Company's packaging and testing is widely used in various electronic products, and the potential price pressure from customers may cause the Company's gross profit to decline. In anticipation of future competitive price pressures, the Company may reduce the average sale price of its products. If the Company is unable to compensate for the decrease in average sale price with increase in sales volume, reduce in manufacturing costs, or development of innovative and higher value-added products in a timely manner, the Company's gross profit and financial performance will be impacted.

The Company will continue to understand customer demand to create a market, and improve profitability through a flexible low-cost business model, to reduce the risk of decline in the average sale price of electronic products.

F. Risk of violating of intellectual property and patent rights

As is common in other cases in the semiconductor industry, from time to time the Company or its customers may receive claims of infringement, or it may be found that the relevant patent or intellectual property rights owned by others contain the technology, products and services of the Company or its end customers. The semiconductor industry is characterized by many companies owning a large number of patents and intellectual property rights, and actively pursuing, protecting and enforcing them.

The Company is currently not aware of any third party accusing the Company of infringing its intellectual property rights. However, allegations of intellectual property infringement are not uncommon in the technology industry. The Company may be accused by others of infringing on other people's intellectual property rights in the future. Regardless of whether others have sufficient evidence, any allegations may affect the Company's reputation, finances, business and revenue which may cause the Company high litigation costs resulting a negative impact on the Company's operations.

2. An issuing company with subsidiaries meeting one of the standards of a "major subsidiary" in the latest year or the fiscal year when it applies for TWSE listing, it shall explain the risks of the foreign company's business base or subsidiary.

All subsidiaries of the Company meeting one of the standards of a "major subsidiary". Risks related to the overall economy, any changes in the political and economic environments, foreign exchange controls, taxes and relevant laws and regulations of its place of registration and major places of operation, and whether such places recognize the effect of conclusive judgments of R.O.C. civil courts, and also state the response measures undertaken. Please refer to the main country of operation.

3. A Foreign Issuing Company shall additionally explain various risks clearly, such as the overall economy, any changes in the political and economic environments, foreign exchange controls, taxes and relevant laws and regulations of its place of registration and major places of operation, and whether such places recognize the effect of

conclusive judgments of R.O.C. civil courts, and also state the response measures undertaken.

(1) Country of registration: Cayman

A. Overall economy, changes in the political and economic environments

Cayman Islands is a British colony located in the Caribbean Sea. The capital is George Town and its financial service industry is the main source of income. There are many legal, accounting, and professional service organizations that provide convenient services.

Cayman Islands has long been politically stable and English is the official language. The company registration can be divided into five categories: Ordinary Company, Ordinary Non-Resident Company, Exempted Company, Exempted Limited Duration Company, and Foreign Company. Among them, exempted companies are mainly used by companies and individuals in various countries for financial planning, but they cannot operate locally; in addition, the Cayman Islands government has actively strengthened the credibility of its foreign financial operations in recent years, and signed a Mutual Legal Assistance Treaty with the United States and the United Kingdom in 1986 to prevent international criminal organizations from using the Cayman Islands' financial system to conduct illegal money laundering transactions. In addition, in response to the EU's implementation of the Base Erosion and Profit Shifting Action Plan (BEPS) formulated by the Organization for Economic Co-operation and Development (OECD), the Cayman Islands government announced the International Tax Co-operation (Economic Substance) Act at the end of 2018.

In summary, the Company is registered in the Cayman Islands as an exempted company, and there is no real local business activity. Moreover, the Cayman Islands has been politically stable for a long time, so changes in the overall economy and political and economic environment should

not have a significant impact on the Company's overall operations. However, after the announcement of the International Tax Co-operation (Economic Substance) Act, it is still necessary to pay attention to the impact of the Act on the Company and assess possible compliance costs.

B. Foreign exchange control, taxes and related laws and regulations

There are no foreign exchange restrictions in the Cayman Islands except for the annual license fee and there is currently no corporate income tax or value-added tax for exempted companies; in addition, no decree enacted to impose taxes on the profits, income, gains or appreciations shall apply to the Company, and no profits, income, gains or appreciations tax shall be payable in respect of the shares, bonds or other liabilities of the Company, or be withheld in accordance with tax incentives. The main regulations for exempted companies in the Cayman Islands are as follows:

- (A) An exempted company may not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the exempted company carried on outside the Cayman Islands unless such trade is beneficial for the Company's foreign operation.
- (B) An exempted company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for any of its shares or debentures; nor may an exempted company own land in the Cayman Islands unless the Company is listed in Financial Secretary of the Cayman Islands.
- (C) The Companies Law of the Cayman Islands does not stipulate that the Company must hold an annual general meeting of shareholders. However, the Company should hold a Board meeting and a general meeting of shareholders in accordance with the provisions of the Articles of Association with the location not limited to the Cayman Islands. However,

the Company's Articles of Association (Articles of Association) approved by the resolution of the shareholders' meeting on August 26, 2015 stipulates that the Company should hold a shareholders' meeting within six months after the end of each year, and it is stipulated that after listed as a public company, unless otherwise stipulated by laws and regulations, the shareholders' meeting of the Company shall be held in the R.O.C. territory. If the shareholder meeting is convened outside the R.O.C. territory, it shall report to the TWSE for approval within two days after the resolution of the Board of Directors or the shareholder obtains the approval of the competent authority to convene, and a stock registrar and transfer agent in Taiwan shall be appointed to handle the stock affairs of the shareholder meeting. (including but not limited to accepting proxy voting of shareholders).

- (D) The Articles of Association stipulate that the issuance of new shares shall be subject to the approval of more than half of the directors present at a Board meeting at which more than two-thirds the directors are present, and the issuance of new shares shall be within the authorized capital of the Company.
- (E) Exempted companies do not need to submit or declare detailed information on shareholders to the Cayman Islands General Registry, but the Articles of Association stipulate that the Board of Directors should prepare a list of shareholders at the office of the Company's stock registrar and transfer agent in Taiwan, and it shall be prepared at an appropriate place inside or outside the Cayman Islands, which shall record the details of the shareholders and the number of shares they hold, as well as other details required by the Cayman Islands Companies Law.
- (F) The list of shareholders of an exempted company does not have to be open to public inspection.

- (G) Exempted companies can apply for deregistration and can transfer their registration to other countries.
- (H) Exempted companies can be registered as exempted limited duration companies. Exempted limited duration companies require at least two shareholders and is valid for a maximum period of 30 years.
- (I) Since the laws of the Cayman Islands are different from those of other jurisdictions in Taiwan in relation to the equity protection of the minority shareholders, the Company has, in accordance with the Securities and Exchange Act of Taiwan, the Company Act and other laws and the requirements of the competent authority, amend the Articles of Association within the limits of the laws and regulations of the Cayman Islands to protect the shareholders' equity of Taiwanese investors.

In summary, since the Cayman Islands adopts an open policy on foreign exchange and has no relevant restrictions, there is no significant impact on the Company's use of funds. The Cayman Islands government also grants preferential policies to exempt companies in taxation. In addition to the above-mentioned restrictions on trading in Cayman Islands, making any invitation to the public in the Cayman Islands to subscribe for any of its shares or debentures, purchasing land and company names in relevant laws and regulations, there are no major restrictions on exempted companies' operations, and the Company is only a locally registered company and does not engage in local business activities. Thus, the Cayman Islands where the Company is registered, has no significant impact on the Company's operation in terms of taxation and related laws and regulations.

C. Whether the country recognizes the binding effect of civil judgments of the courts of the Republic of China

(A) Risk of litigation

The Articles of Association stipulate that, provided that it does not violate the laws and regulations, the Company shall, in accordance with the resolution of the Board of Directors, designate a natural person with domicile or residence in the R.O.C. territory as its litigious and non-litigious representative in the R.O.C. territory in accordance with the public offering company law and to serve as its responsible person in the Republic of China. The Company shall also report the designation and changes to the competent authority of the Republic of China in accordance with the public offering company law.

Since the Company is an exempted company registered in the Cayman Islands and has not applied for the approval of the Ministry of Economic Affairs in accordance with the Company Act, if the investor files a lawsuit against the Company or the responsible person in the court of the Republic of China. The court may judge the existence of jurisdiction and the delivery method according to the nature and circumstances of the case, and may require investors to provide explanation of the foreign laws involved in the case. Thus, not all cases can be guaranteed to obtain substantive judgments in the courts of the Republic of China.

(B) Risks of judgment recognition and enforcement

The law of the Cayman Islands does not expressly stipulate that civil judgments made by the courts of the Republic of China (R.O.C. court judgments) may be enforced in the Cayman Islands, but according to its Common Law, the R.O.C. court judgments must comply with the following elements for the Cayman Islands courts to consider the recognition:

- a. The foreign court that rendered the judgment has jurisdiction;

- b. The judgment clearly states that the debtor is obliged to pay the liquidated sum specified in the judgment;
- c. The final judgment;
- d. No taxes, fines or penalties are involved; and
- e. The manner in which the judgment was obtained is not contrary to the natural justice or public policy of the Cayman Islands, and the recognition and enforcement of the judgment is not contrary to the natural justice or public policy of the Cayman Islands.

If the court of Cayman Islands does not recognize the judgment of the court of R.O.C., the judgment obtained by the investor will not be enforced. Thus, the investor may encounter the risk of being unable to claim the compensation. Investors should understand the legal risks of purchasing securities issued by foreign issuers.

D. Whether the government of R.O.C. can extradite the defendants to stand trial

The Cayman Islands Monetary Authority, where the Company is registered, has signed the IOSCO Multilateral Memorandum of Understanding, and the Taiwan Financial Supervisory Commission may request relevant information or files from the CIMA based on the memorandum, including but not limited to: sufficient record to reconstruct all current securities and derivative financial product transactions (including bank and transaction records of all funds and asset transfers). However, the memorandum does not contain provisions related to extradition, so R.O.C. does not have the right to request the Cayman Islands to extradite the defendant based on the memorandum. In addition, Taiwan and the Cayman Islands have not signed an agreement on international mutual legal assistance in criminal matters. Thus, in summary, Taiwan may face the

risk of being unable to request the Cayman Islands to extradite the defendant to stand trial.

E. The risk of the law application arising from the differences between Cayman's laws and the laws of the Republic of China

(A) The Company is established under the laws of the Cayman Islands and to be listed on the TWSE, it has amended the Articles of Association in accordance with the requirements of the relevant laws and regulations of the Republic of China to protect the shareholders' equity. As for the matters not stipulated in the Articles of Association, the Company will handle in accordance with the relevant laws of the Cayman Islands and the laws of the Republic of China applicable to foreign issuers. There are many differences between the laws and regulations of the Cayman Islands and the laws of the Republic of China on the Company's operation where investors cannot apply the legal equity protection of Taiwan company investments to the Cayman Islands companies. Investors should understand and consult with experts when necessary on whether investing in a Cayman Islands company provides the shareholder equity protection.

(B) Differences between the laws of the Cayman Islands and the laws of the Republic of China and the securities system may still cause conflicts of law application or interpretation, and the resolution such conflicts is still subject to court judgment. Thus, investors are reminded that if they request the court of the Cayman Islands to enforce the judgment of R.O.C., or file a lawsuit in the court of the Cayman Islands or enforce relevant rights, the court of the Cayman Islands might not recognize the laws and transaction practices of R.O.C. (including but not limited to method of transfer of shares and record of share

holders), so there may be risks of exercising rights against foreign companies.

F. Investors should carefully assess whether their financial capabilities and economic conditions are suitable for investment before buying or selling listed, emerging stock or emerging stock foreign securities, and should pay special attention to the following matters:

(A) The Company is registered in the Cayman Islands and is regulated by local laws and regulations. Its corporate governance, accounting standards, taxation system and other relevant regulations may be different from those of R.O.C., and there are differences in listing standards, review methods, information disclosure, shareholder equity protection and supervision standards, etc. Investors should understand this characteristics and potential investment risks.

(B) The company law of the country where the Company is registered differs from the laws and regulations of R.O.C. in terms of the exercise and protection of shareholders' equity. Investors should read the Company's annual report and Articles of Association in detail to understand the applicable capital increase and decrease procedures, handling of acquisition of the Company's shares, restrictions on share transfers, notice time limit for shareholders' meetings, attendance at shareholders' meetings and exercise of voting rights, dividend distribution percentage and procedures, election and dismissal of directors, powers of the Board of Directors, powers of independent directors and the Audit Committee, remuneration of directors and managers, rights of directors and managers to claim compensation from the Company, etc., are important matters related to corporate governance and shareholder rights. When necessary, the opinions of professionals such as

lawyers and accountants who have obtained local licenses should be consulted.

- (C) Before investing, investors should understand the Company's characteristics and risks, including: liquidity risk when trading in the R.O.C. market, the Company's financial and business risks, political, economic, and social changes in the country of registration and main business location, changes in the industry cycle, legal compliance and other risks.
- (D) It is impossible to list all foreign securities investment risks and market factors in detail. Investors should carefully read relevant information such as annual reports and other announcements before trading, carefully consider other factors that may affect investment judgments, and conduct financial planning and risk assessment to avoid unbearable losses.

(2) Main country of operation: Samoa

A. Changes in the overall economy and political environment

Samoa is an island country in the South Pacific, located between Hawaii and New Zealand, west of American Samoa, and the center of the Polynesian Islands, formerly known as "Western Samoa". Samoa was a German colony until 1914 before it became independent in 1962, and was later ruled by New Zealand. In 1997, the Samoan government amended the constitution, changing the name of the country from "Independent State of Western Samoa" to "Independent State of Samoa", with Apia as its capital. Samoa has a stable society with stable political and economic environment. Samoan and English are the official languages of which English is very popular in the country. Samoa has not announced an Economic Substance Act or new tax regulations. Although it seems that it will not be affected for the time being, the European Union has prepared specific sanctions. However, the Company has no business activities in Samoa, which should not have a

significant impact on the overall operation. The Company will continue to pay attention to its possible impact.

B. Exchange control, taxation, laws and regulations

The currency of Samoa is the Samoa Tala (WST). Its exchange rate is quite stable and there is no foreign exchange control for international companies. For international companies, they are tax-exempt companies according to law and do not need to pay taxes. Thus, there is no tax risk. In addition, Samoa has no foreign exchange control for international companies, so there is no risk of foreign exchange control.

C. The risk basis of not recognizing the binding effect of civil judgments of R.O.C. courts

According to the legal opinion of Samoa lawyers: Although there is no law in Samoa that stipulates that the judgments made by the courts of the Republic of China can be enforced in Samoa, if the parties file a request to the Supreme Court of Samoa for the enforcement of foreign court judgments and if such judgment meets the following requirements, the Samoan court will not have a hearing on the disputes involved in the foreign court judgment, and will recognize and enforce the foreign court judgment in accordance with common law:

- (A) The foreign court that made the judgment has jurisdiction over the case;
- (B) The judgment imposes on the losing party an obligation to pay the liquidated sum;
- (C) The final judgment;
- (D) No taxes, fines or penalties are involved; and
- (E) The manner in which the judgment was obtained is not contrary to the natural justice or public policy of Samoa, and the recognition and enforcement of the judgment is not contrary to the natural justice or public policy of Samoa.

(3) Main country of operation: British Virgin Islands

A. Changes in the overall economy and political environment

The British Virgin Islands is located in the Caribbean Sea and is a British Overseas Territory. After gaining self-government in 1967, it became a member of the Commonwealth of Nations and has a stable political environment. Financial services and tourism are the main income sources for the British Virgin Islands. Since the promulgation of the International Business Company Act (IBCA) in 1984, the registration of foreign companies has been opened, and its overseas financial service industry has developed rapidly. It is now one of the most popular offshore jurisdictions in the world.

The British Virgin Islands is actively strengthening the credibility of its overseas financial operations. The Mutual Legal Assistance Treaty signed between the United Kingdom and the United States in 1986 was extended in 1989 to prevent international criminal organizations from using the financial system of the British Virgin Islands to conduct illegal transactions. The British Virgin Islands established an independent BVI Financial Services Commission in 2001 and joined the International Organization of Securities Commissions (IOSCO) in 2007 to regulate its financial services industry. In addition, in response to the EU's implementation of the Base Erosion and Profit Shifting Action Plan (BEPS) formulated by OECD, the British Virgin Islands announced the International Tax Co-operation (Economic Substance) Act at the end of 2018. The Company will continue to pay attention to its possible impact.

B. Exchange control, taxation, laws and regulations

The British Virgin Islands have no exchange controls or other currency restrictions. Commercial companies registered in British Virgin Islands are exempt from taxation on overseas income. Companies only need to pay the annual government license fee to the local government,

costs for using the registered address and the cost of the registered agent. There are no other miscellaneous fees. Commercial companies registered in British Virgin Islands only need to pay government license fees every year, and overseas income is exempt from tax. In terms of laws and regulations, the BVI Business Companies Act promulgated in 2004 is its most important company laws and regulations.

C. Whether the country recognizes the binding effect of civil judgments of the courts of the Republic of China

The law of the British Virgin Islands does not expressly stipulate that civil judgments made by the courts of the Republic of China (R.O.C. court judgments) may be enforced in the British Virgin Islands, but according to its Common Law, if a foreign court in the British Virgin Islands has no reciprocal agreement and has made a definite judgment on monetary payment, the court of the British Virgin Islands may recognize the judgment of the foreign court if the following requirements are met:

- (A) the judgment has not been fully implemented to fulfill the claims of the winning party;
- (B) the foreign court that determined the judgment has jurisdiction, and the defendant has a domicile or residence, or doing business in that jurisdiction, and has been duly served;
- (C) the winning party did not obtain the favorable judgment by fraud;
- (D) the recognition or enforcement of the judgment would not be contrary to the public policy of the BVI, or the judgment would not be enforceable by the courts of the BVI on other similar grounds; and
- (E) the trial process of the judgment did not violate the natural justice under the laws of the British Virgin Islands.

If the court of the British Virgin Islands does not recognize the judgment of the court of R.O.C., the judgment obtained

by the investor will not be enforced. Thus, the investor may encounter the risk of being unable to successfully claim the compensation. Investors should understand the legal risks of purchasing securities issued by foreign issuers.

(4) Main country of operation: Mainland China

A. Changes in the overall economy and political environment

China is one of the fastest growing economies in the world. China's economic development is determined by the rapid expansion of domestic labor, capital and resources, as well as the improvement of technology and systems, thereby improving various domestic production efficiency. The Chinese government is promoting the popularization of education, urbanization, infrastructure, and consumption upgrading, and it has participated in international events and organizations. China has become more and more influential in the world where its consumption on global resources is also increasing. Thus, under the actions of the Chinese government, the Chinese economy is expected to remain in a state of high growth in the future.

The Company's development strategy is to set the operation base in the Mainland China market. Thus, the Company's financial performance, operation results and prospects will be affected by China's political, economic, and legal changes.

B. Foreign exchange control, taxes and related laws and regulations

(A) Foreign exchange control

Before the reform, the Chinese foreign exchange management system was highly centralized under the planned economy system with centralized and unified management of foreign exchange transactions. It was not until the reform in 1978 that it gradually moved towards market management. Since 1994, China has carried out a series of foreign exchange management system reforms to utilize the market mechanism. The

first is to realize the unification of exchange rates and implement a managed floating exchange rate system based on market supply and demand. The second is to implement the bank's foreign exchange settlement and sales system. The foreign exchange income of institutions in China under the current account, except for the foreign exchange that is allowed to be retained according to the regulations and can open foreign exchange accounts at designated foreign exchange banks, must be immediately transferred back to China, and sell to designated foreign exchange banks at the listed exchange rate. At the same time, RMB current account can be conditionally converted. Companies can purchase foreign exchange from designated foreign exchange banks with valid certificates within the specified scope. This is to gradually realize the free conversion of RMB under the current account. The last is to establish an inter-bank foreign exchange market, improve the exchange rate mechanism, and maintain a reasonable and relatively stable RMB exchange rate. The exchange of RMB and foreign currencies depends on the influence of Chinese politics and international political economy. Since the Chinese government adopted a floating exchange rate policy on July 21, 2005, the RMB exchange rate has officially decoupled from the USD and is adjusted with reference to the currency basket. Under this policy, the RMB exchange rate can fluctuate slightly, but it has been underestimated as the Chinese government has forcibly prevented its appreciation to ensure its export competitiveness. As a result, international powers continue to put pressure on the Chinese government to adopt further floating currency policies, thereby appreciating the USD. Changes in the exchange rate of RMB to the USD may have an uncertain impact on the Company's cash flow, profitability, earnings distribution, and financial performance, and its foreign exchange control

measures may result in challenges to the Company's overall capital allocation.

The Chinese government has enacted a number of foreign exchange control rules, regulations, and notices, which allow limited conversion of RMB. Accordingly, foreign-funded companies can only exchange RMB into foreign currencies for current account transactions through designated foreign exchange banks. China's State Administration of Foreign Exchange has always had strict regulations on foreign exchange control under the capital account. The Company's local subsidiaries have been established through legal registration procedures, and previous capital increases have been approved by relevant local authorities.

(B) The characteristics of land and properties

There is no private ownership of land in China. Land in China is owned by collectives, except for state ownership as stipulated by law. According to the Constitution of the People's Republic of China enacted by the National People's Congress, the subject of land ownership in China is specific, including the state and the collective where land ownership is divided into state land ownership and collective land ownership accordingly. The state may expropriate or requisition land according to law.

Pursuant to the "Urban Real Estate Management Law of the People's Republic of China" ("Real Estate Management Law") and the "Administrative Measures for Commodity House Leasing" promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and implemented on February 1, 2011, the parties to house leasing shall sign a leasing contract; house leasing shall implement a registration and filing system. According to the relevant provisions of the "Contract Law of the People's Republic of China" and the

“Interpretations of the Supreme People’s Court on Certain Issues Concerning the Application of the Contract Law of the People’s Republic of China (I)”, if the relevant law or administration regulation requires that a certain contract be registered without subjecting its effectiveness to such registration, then failure to effect registration shall not impair the effectiveness of the contract. In view of the relevant laws such as the “Real Estate Management Law” and the “Administrative Measures for Commodity House Leasing”, administrative regulations do not stipulate that the lease contract shall be registered subjecting its effectiveness to such registration, so the failure to effect registration shall not impair the effectiveness of the contract.

(C) Corporate income tax and value added tax

According to the newly implemented “Enterprise Income Tax Law of the People’s Republic of China” and “Enterprise Income Tax Law Implementation Regulations” (“New Tax Law”) on January 1, 2008, the income tax rate for domestic-funded enterprises and foreign-funded enterprises is 25%, and a number of tax reductions and incentives for foreign-funded enterprises have been canceled while the tax incentives enjoyed by foreign-funded enterprises can gradually increase from the preferential tax rate to 25% within five years after the implementation of the New Tax Law. Non-Chinese resident enterprises (refers to non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China.) are required to pay enterprise tax on its income generated from both inside and outside China. On December 26, 2007, the State Council of the People’s Republic of China

issued the Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law (Decree No. [2007] 39). the enterprises that have been granted the “2-year exemption and 3-year half payment” tax concessions shall continue to enjoy the tax concessions until the expiry day in accordance with the tax preferences under the old income tax law, regulations and relevant provisions. However, for those enterprises that did not enjoy the preferential, as they did not make profits during the transitional period, the tax preferential period shall commence from the implementation of the new law.

For value-added tax, the Chinese government implemented the “Provisional Regulations of the People’s Republic of China on Value-added Tax” on January 1, 2009 where all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the People’s Republic of China are taxpayers of Value-Added Tax, and taxpayers selling or importing goods, other than those exporting goods with the tax rate of 0% or as otherwise stipulated by the State Council, the tax rate shall be 17%. On April 4, 2018, the State Taxation Administration issued a notice on adjusting the VAT rate to adjust the original applicable tax rate of 17% to 16% effective as of May 1, 2018. In addition, on March 21, 2019, the State Taxation Administration announced the (STA Announcement [2019] No. 14) “Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform”, and the original applicable tax rate of 16% was adjusted to 13%. From April 1, 2019, the VAT rate of 13% is applicable to the transaction partners of GEM

Electronics (Shanghai) and GEM Electronics (Hefei) that are local manufacturers in Mainland China.

(D) Labor contract law

On January 1, 2008, China implemented the new labor contract law which stipulates that employer should sign written labor contracts with employees on the date of employment. If no written labor contract is concluded at the time when a labor relationship is established, such a contract shall be concluded within one month as of the date when the employer employs an employer. Where an employer fails to conclude a written labor contract with an employer for more than a month but less than a year from the date it starts employing him, it shall pay the employee two times his salary for each month. If an employer fails to conclude a written labor contract with an employer within one year as of the date when it employs the employee, it shall be deemed to have concluded an open-ended labor contract with the latter. In addition, in order to prevent employers from arbitrarily dismissing workers, the labor contract law clearly stipulates the financial compensation shall be paid on the basis of the number of years a person works in an entity, the rate being one month's salary for the work of one full year. If he has worked for six months or more but less than one year, the time shall be calculated as one year; and if he has worked for less than six months, he shall be paid half of his monthly salary as financial compensation; if the employment exists for more than a month but less than a year, the employer shall pay the employee two times his salary for each month and compensation according to the above calculation method when the employment expires and is terminated; compensation shall also be paid when terminating the labor contract without a fixed term; If the contract is terminated due to the inability to work or incompetence for the job after the medical treatment period (depending on the region;

generally ranging from three months to two years), the employer shall pay the employee compensation. In addition, according to the Labor Contract Law, when working on statutory holidays, the overtime pay shall be at least three times the salary; if 20 or less than 20 people are dismissed but account for more than 10% of the total number of employees in the enterprise, the employer shall consider the trade union's or employees' opinion and notify the Ministry. If the contract is violated or terminated, the employer must pay twice the compensation standard; In the event of that employee has been working for the employer continuously for 15 years in full and is less than 5 years away from the statutory retirement age where the employee has no statutory fault, the employer may not revoke the labor contract concluded with the employee.

In summary, the implementation of the Labor Contract Law may increase the Company's labor costs and cause financial uncertainty. However, the labor-management relations will become increasingly harmonious due to the clear regulation of the law.

(E) Social insurance and housing provident fund

a. Social insurance payments

“Social Insurance Law of the People's Republic of China” refers to the regulations on social insurance in the Chinese government, including the “Interim Regulation on the Collection and Payment of Social Insurance Premiums”, the “Social Insurance Law of the People's Republic of China” and the “Regulation on Work-Related Injury Insurance”. There are detailed regulations according to each type of insurance in each region and the Company has participated in pension insurance, medical insurance, unemployment insurance, work-related injury

insurance and maternity insurance according to law.

b. Housing provident fund payment

The “Guiding Opinions on Some Specific Issues Concerning the Management of Housing Provident Funds” implemented in Mainland China on January 10, 2005 stipulates that the management of housing provident funds should be carried out in accordance with the “Regulation on the Administration of Housing Accumulation Funds”. However, the housing provident fund system is still in the process of establishment and improvement with different implementation in each region. Thus, each province and city combines the experience and applies the basic concept of the “Regulation on the Administration of Housing Accumulation Funds”, to formulate specific regulations on the collection and withdrawal of housing provident funds, issue policies on the payment base and ratio of housing provident funds each year, and realize territorial management of housing provident funds. The use of the housing provident fund is limited to the purchase of houses and house repairs in the area where the deposit is made. The HPF cannot be used when buying a house in another place, and the participating employees need to allocate the same proportion of salary as the Company to deposit in the HPF account. The Company pays HPF accordingly, and there is no record of administrative punishment involving violation of laws and regulations related to HPF in Shanghai and Hefei Housing Provident Fund Management Center.

c. Risks and countermeasures that the Company may face

According to Article 84 of the “Social Insurance Law of the People’s Republic of China”: Where an employer fails to handle social insurance registration, the social insurance administrative department shall order it to make correction within a prescribed time limit; and if it fails to do so within the prescribed time limit, impose a fine of 1-3 times the amount of the social insurance premiums payable upon it, and impose a fine of not less than RMB\$500 but not more than RMB\$3,000 upon the directly liable person in charge and other directly liable persons. And Article 86: Where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it.

According to Article 37 of the “Regulation on the Administration of Housing Accumulation Funds”: Where, in violation of the provisions of these Regulations, a unit fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB\$10,000 nor more than RMB\$50,000 shall be imposed. And Article 38: Where, in violation of the provisions of these Regulations, a unit is

overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

As the Company has paid social insurance and housing provident fund for its employees in China in accordance with relevant regulations, there shall be no possible risks.

(F) Environmental protection regulations

According to the current effective laws and regulations in China on environmental protection, the Ministry of Environmental Protection of the People's Republic of China implements unified supervision and management of environmental protection across the China. The Chinese environmental protection administrative department of the local government at or above the county level shall implement unified supervision and management of the environmental protection within its jurisdiction. The current effective environmental protection laws and regulations in China include the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Environmental Impact Assessment", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". Units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection,

and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. The Company's subsidiaries in China, GEM Electronics (Shanghai) and GEM Electronics (Hefei), have obtained drainage permits and pollutant discharge permits respectively.

- (G) The Company's subsidiaries in China are subject to the supervision and jurisdiction of Chinese government authorities, including but not limited to ministry of commerce, administration for industry and commerce, foreign exchange management, environmental protection, administration of work safety, press and publication administration, and medical product administration. The above-mentioned government regulatory authorities have the right to promulgate and/or implement laws, regulations and regulations related to the operation of subsidiaries in China. The operation of the Company's subsidiaries in China needs to obtain relevant permits and licenses from government regulatory authorities. If the subsidiaries cannot obtain or continue to hold the relevant permits and licenses from various government regulatory authorities, the subsidiaries may be subject to penalties include fines, termination or operations restriction. The occurrence of any of the above situations will affect the operation of the Company. The Company will continue to closely observe, understand, and follow the development trend of the Chinese government's policies and changes in laws and regulations.
- C. The risk on whether the country recognizes the binding effect of civil judgments of the courts of the Republic of China

According to the “Provisions of the Supreme People’s Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region”, the final civil judgments of the Republic of China are recognized to have the same effect as the effective judgments made by the People’s Courts and approved by the Chinese courts.

(5) Main country of operation: Republic of China

A. Changes in the overall economy and political environment

Taiwan is located in the center of the Asia-Pacific region, bordering the world’s growing economic center and the world’s second largest economy in the west – China, facing the world’s third largest economy in the north - Japan, the world’s largest economy in the east - the United States, and the 10 ASEAN countries including India in the south, with the geographic and linguistic advantages. Taiwan is a transportation hub in Asia and a regional transshipment center in East Asia. It can connect global production resources and markets as an important bridge for connections and industrial strategies between Europe, the United States, Japan and Asia-Pacific emerging markets.

According to S&P Global's forecast, the global economy will grow by 2.3% in 2024, slightly lower than 2.7% in 2023, and has been declining for three consecutive years. The main reason is that although global inflation has slowed down and interest rate hikes in various countries have come to an end, due to the interference of negative factors such as the delay in interest rate hikes, competition between the United States and China, extreme weather, and geopolitical turmoil, the momentum of end consumption has been slow to pick up, and the supply chain has remained conservative attitude. In the future, as the application of emerging technologies such as high-performance computing, artificial intelligence, and automotive electronics continues to expand, it is expected to support growth momentum; however, the global inflation problem remains unresolved, interest rates remain high, and the U.S.-China technology war, the Russia-

Ukraine war, the Israeli-Palestinian conflict, etc. Uncertain factors still exist, which may inhibit the growth of global trade. Subsequent developments still require continued attention and prudent response. As for Taiwan, the Taiwan Institute of Economic Research predicted in November 2023 that by the end of 2023, Taiwan's export orders and exports' annual growth rate had bottomed out and recovered, and this wave of recovery trend will continue in 2024. Driven by the recovery of semiconductor investment, emerging technology, net-zero emissions and other investment needs, private investment will turn to positive growth in 2024. In addition, private consumption performance will remain solid. Taiwan's economic growth will rely on the support of consumption and investment, and the performance of external demand is slowly recovering. The domestic economic growth rate is estimated to be 1.43%.

**B. Foreign exchange control, taxes and related laws and regulations**

Taiwan's foreign exchange market was established in 1979, and foreign exchange controls were relaxed in 1987. The exchange rate of NTD against foreign currencies is largely determined by market supply and demand, which is called "managed floating exchange rate".

For tax collection, there are many tax items in Taiwan, including value-added tax, income tax (profit-seeking enterprise income tax and individual income tax), income basic tax, estate and gift tax and securities transaction tax. Among them, the value-added tax is generated due to sales; the profit-seeking enterprise income tax is generated due to business profits; the income basic tax is generated due to the income exempted from income tax; the estate tax is generated due to the inheritance left by the individual when he dies; the gift tax arises is generated due to the transfer of assets from individuals to others; the securities transaction tax arises from the sale and purchase of securities. In addition, the stock transactions can currently

only levy income tax on the income generated by individual stock transactions (except for the income generated by individuals residing in the R.O.C. territory from the sale of listed stocks and emerging stocks in 2014, where income tax is levied only on the income generated from major transactions of emerging stocks and transactions of some first-time listed stocks; from 2015, only for the portion of the annual sales amount exceeding NT\$1 billion will be taxed is calculated at a rate of 1‰); For profit-seeking enterprises in the Taiwan, it is only required to incorporate the income from stock transactions into the basic income to determine whether to pay the basic tax.

The Company reinvests in various business entities in the form of a holding company. The main source of capital is the issuance of new shares and borrowing from financial institutions which is used to reinvest in subsidiaries. The relevant securities laws and regulations of R.O.C. have been continuously revised in line with the competent authority to promote foreign companies to list in Taiwan, and there are no major restrictions that may impact the Company's various operating activities.

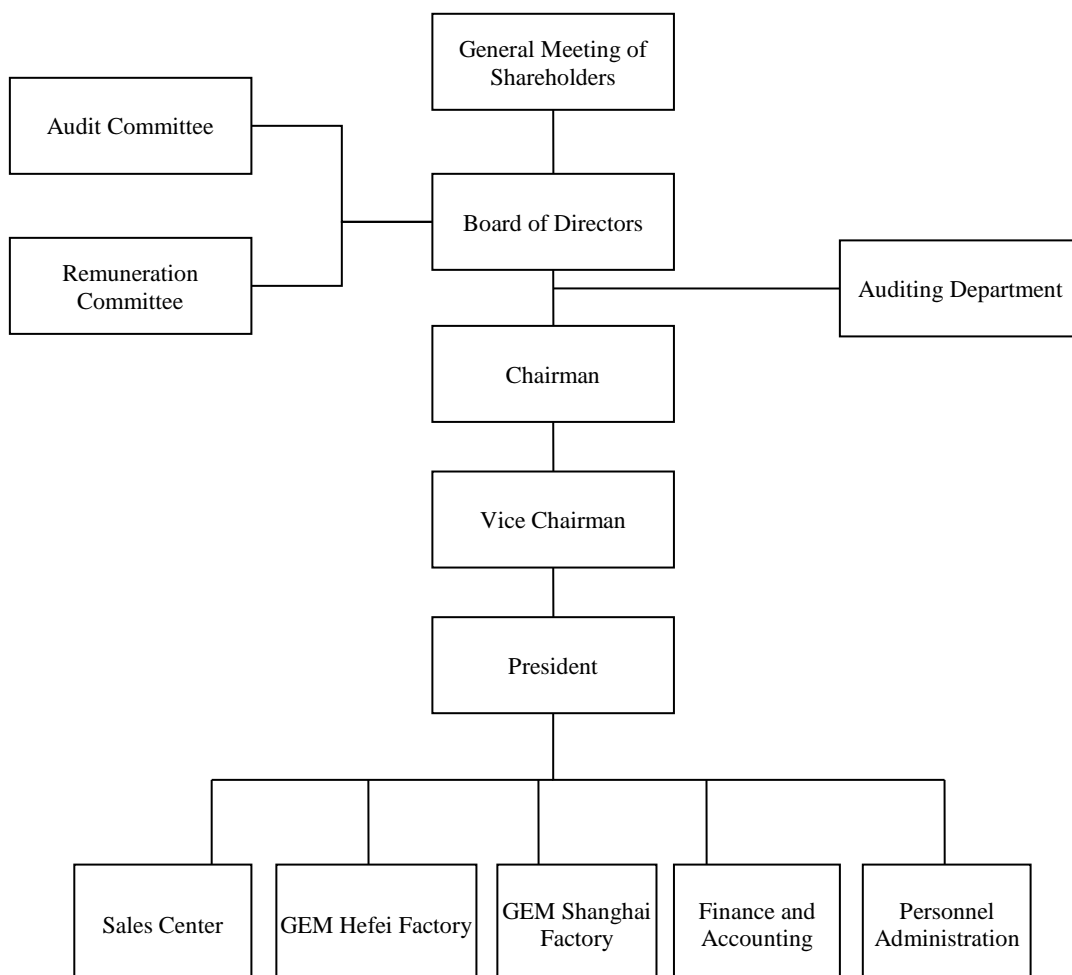
- C. The risk on whether the country recognizes the binding effect of civil judgments of the courts of the Republic of China

The Company's main operation base is in Taiwan, so the evaluation of whether the main operation country recognizes the binding effect of the civil judgment of the court of the Republic of China is not applicable.

## Chapter III Corporate Governance

### I. Organizational structure

#### (I) Organization chart



#### (II) Business affairs operated by the key departments

Department	Responsibilities
Audit Committee	<ol style="list-style-type: none"> <li>1. The institution or amendment to the internal control policies.</li> <li>2. Internal control policies' effectiveness evaluation.</li> <li>3. The institution or amendment to the procedures for the acquisition or disposal of assets, derivative trade, loaning of funds, guarantee and endorsement in favor of a third party, and other aspects of materiality with significant financial and business effect.</li> <li>4. Resolutions involving the directors' own stake relation.</li> </ol>

Department	Responsibilities
	<ol style="list-style-type: none"> <li>5. Approval of critical asset or derivative product trading.</li> <li>6. Approval of critical capital lending, endorsement, or guarantee.</li> <li>7. Offering, issuance or acquiring equity securities through private placement.</li> <li>8. The Auditing CPA's appointment, dismissal or remuneration.</li> <li>9. The appointment and dismissal of a chief financial officer, chief accounting officer, or internal audit supervisor.</li> <li>10. Financial Report and the Financial Report of the 2nd quarter required for an audit with certification.</li> <li>11. Other major matters stipulated by the Company or the competent authority.</li> </ol>
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.</li> <li>2. Periodically evaluate and prescribe the remuneration of directors, and managerial officers.</li> </ol>
Auditing Department	<ol style="list-style-type: none"> <li>1. Establishment, revision and review of the Company's internal control and internal audit system.</li> <li>2. Implementation of the audit and self-evaluation on various operations of the head office and branch offices.</li> <li>3. Research, improvement, and suggestions related to laws and regulations and auditing techniques.</li> </ol>
Chairman	Decision-making on major business and administrative matters of the Company.
Vice Chairman	Review the Company's major business and administrative matters.
President	Manage the Company's overall affairs and set the direction and goals of the business operations according to the resolutions of the shareholders' meeting and the Board of Directors.
Sales Center	Responsible for product sales, customer service, and market expansion.
GEM Hefei Factory	<ol style="list-style-type: none"> <li>1. Responsible for product production and achieving the Company's annual production plan and cost control goals.</li> <li>2. Responsible for product testing, verification, maintenance and quality improvement.</li> </ol>

Department	Responsibilities
	3. Responsible for factory leasing and service.
GEM Shanghai Factory	1. Responsible for product production and achieving the Company's annual production plan and cost control goals. 2. Responsible for product testing, verification, maintenance and quality improvement.
Finance and Accounting	Provide correct and effective financial accounting information, and create profit through investment or financing activities.
Personnel Administration	Responsible for human resources management, general administration, environmental protection, work safety and labor health and safety.

## II. Information of Directors, Supervisor, President, Vice Presidents, Senior Managers, and the heads of various departments and branches

### (I) Directors, supervisors

Names, gender, age, nationality or place of registration, work experience (educational background), positions concurrently held with this and other companies; appointment date and term; date of initial appointment; number of shares held by them, their spouses, minor children, and held through nominees; their professional expertise; and the diversity policy of the board of directors.

## 1. Director

March 28, 2024; Unit: thousand shares; %

Title	Nationality and registry	Name	Gender Age	Date of election to office	Term	Date first elected	Shares at election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark (Note)
							Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)			Title	Name	Relation	
Chairman	Republic of China	Chu-Liang, Cheng	Male Age 61-70	July 21, 2021	3 years	June 14, 2012	207	0.16	207	0.16	241	0.19	—	—	Ph.D., Electrical Engineering, Rutgers University, USA AT&T Bell Lab/ Researcher Fiber Optic Communication Company PCO/ Director LITE-ON Technology/ Deputy General Manager	Chairman of the Company Elite Advanced Laser Corporation/ Chairman and CSO Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd./ Director Centera Photonics Inc./ Chairman	Director	Tay-Jen, Chen	Spouse	—
Vice Chairman	Republic of China	Wen-Hsing, Huang	Male Age 61-70	July 21, 2021	3 years	June 23, 2015	264	0.20	264	0.20	801	0.62	—	—	BA., Electrical Engineering, Chung Yuan Christian University, Taiwan Foreshot Industrial Corporation/ Deputy General Manager LITE-ON Technology/ Director	Vice Chairman of the Company Elite Advanced Laser Corporation/ Director FORESHOT Industrial Corporation Ltd./ Director	—	—	—	—
Director	Republic of China	Tay-Jen, Chen	Female Age 61-70	July 21, 2021	3 years	June 19, 2018	206	0.16	241	0.19	207	0.16	—	—	Shih Chien University QC, Consolidate Graphics Inc. CA, USA	Director of the Company Elite Advanced Laser Corporation/ Director Modern Women's Foundation/ Director	Chairman	Chu-Liang, Cheng	Spouse	—
Director	Republic of China	Wei-Chung, Pan	Female Age 51-60	July 21, 2021	3 years	August 26, 2015	—	—	—	—	—	—	—	—	Ph.D., Social Psychology, California School of Professional Psychology, GSPP SINO-INDO COMPANY LTD./ Director	Director of the Company SINO-INDO COMPANY LTD./ Director	—	—	—	—
Director	Republic of China	Elite Advanced Laser Corporation	-	July 21, 2021	3 years	June 14, 2012	65,809	51.00	65,809	51.00	—	—	—	—	—	—	—	—	—	—
		Representative of juristic person: Tien-Tseng, Sung	Male Age 61-70	-	-	-	629	0.49	629	0.49	—	—	—	—	MBA, Atlanta International University Elite Advanced Laser Corporation/ Deputy General Manager GEM Services, Inc./ Vice President Sea & Land Integrated Corp./ President CO-TECH DEVELOPMENT CORP./ Vice President GVC/ Assistant Vice President	Elite Advanced Laser Corporation/ President Director of the Company (Juristic person)				
Independent Director	Republic of China	Shu, Yeh	Male Age 61-70	July 21, 2021	3 years	June 19, 2018	—	—	—	—	—	—	—	—	Ph.D., Accounting, University of California, Los Angeles Chunghwa Telecom Co., Ltd./ CFO & SEVP	Professor of Department of Accounting, National Taiwan University Independent Director, Remuneration and Auditing Committee of the Company	—	—	—	—

Title	Nationality and registry	Name	Gender Age	Date of election to office	Term	Date first elected	Shares at election		Current number of shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as department heads, directors or supervisor			Remark (Note)
							Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)			Title	Name	Relation	
															Chunghwa Telecom Co., Ltd./ Independent Director	Powerchip Semiconductor Manufacturing Corporation/ Independent Director and Audit Committee				
Independent Director	Republic of China	Sen-Tai, Wen	Male Age 71-80	July 21, 2021	3 years	June 23, 2015	—	—	—	—	—	—	—	—	MBA, Rutgers University, USA Pixon Technologies Corporation/ Independent Director and Remuneration Committee BandRich Inc./ Director (Juristic person) Visco Vision Inc./ Director Ennostar Inc./ Independent director and Remuneration and Audit Committee	Taiyi International Investment Co., Ltd./ Director and CEO Independent Director, Remuneration and Auditing Committee of the Company E-PIN Optical Industry Co., Ltd./ Director (Juristic person)	—	—	—	—
Independent Director	Republic of China	Wen Chen, Huang	Male Age 51-60	July 21, 2021	3 years	June 19, 2018	—	—	—	—	—	—	—	—	BA., Department of Industrial Management Science of the National Cheng Kung University School of Management MBA, NCCU MBA Program China Development Financial Holding Corp/ Assistant Manager CDIB & Partners Investment Holding Corporation/ Senior Manager The CID Group Ltd./ Vice President Elite Advanced Laser Corporation/ Director	ALPHA Optical Co., Ltd./ Director Independent Director, Remuneration and Auditing Committee of the Company	—	—	—	—
Independent Director	Republic of China	Yueh-Li, Lee	Female Age 71-80	July 21, 2021	3 years	June 23, 2015	—	—	—	—	—	—	—	—	BA., Department of Business Administration, Tamkang University Chief Telecom Inc./ Vice President of Finance Chunghwa Telecom Co., Ltd./ Accounting Section Chief	Independent Director, Remuneration and Auditing Committee of the Company	—	—	—	—

Note: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: None.

2. Supervisor: The Company has set up an Audit Committee to replace the supervisor.
3. Major shareholders of corporate shareholders

Major shareholders of corporate shareholders

April 8, 2024

Corporate shareholder name	Major shareholders of corporate shareholders
Elite Advanced Laser Corporation	Chu-Liang, Cheng (5.94%), Tay-Jen, Chen (1.45%), TransGlobe Life Insurance Inc. (1.44%), Taiwan Business Bank Insured Capital OTC Securities Investment Trust Fund (1.10%), Wei-Shen, Yen (0.88%), Capital Medium and Small Cap Fund Special Account (0.82%), Cathay Life Insurance Co., Ltd. (0.82%), An-Min, Hsu (0.73%), Japan Securities Finance Co., Ltd. Custody for J.P. Morgan Investment Special Account (0.73%), Pei-Tzu, Hsu (0.72%)

4. Disclosure of professional qualification of the directors and independence of directors:

<div>Qualification</div> <div>Name</div>	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Chairman Chu-Liang, Cheng	Dr. Chu-Liang, Cheng is currently the chairman of the Company. Joined the Board on June 14, 2012. Prior to this, Dr. Cheng established Elite Advanced Laser Corporation in September 2000 and served as the chairman with his leadership, business judgment, and industry knowledge. Before Elite Advanced Laser Corporation, Dr. Cheng worked as a researcher at AT&T Bell Lab in New Jersey, USA, director at Fiber Optic Communication Company PCO, and deputy general manager at LITE-ON Technology. Dr. Cheng holds a Ph.D. in Electrical Engineering, Rutgers University, USA	Does not meet any descriptions stated in Article 30 of the Company Act.	None.
Vice Chairman Wen-Hsing, Huang	Wen-Hsing, Huang is currently the vice chairman of the Company and he joined the Board on June 23, 2015. Prior to this, Wen-Hsing, Huang worked at Elite Advanced Laser Corporation as the president with his leadership, business judgment, risk management and industry knowledge. Before Elite Advanced Laser Corporation, he worked as the director at LITE-ON Technology. Wen-Hsing, Huang holds a bachelor's degree in Electrical Engineering, Chung Yuan Christian University.	Does not meet any descriptions stated in Article 30 of the Company Act.	None.

Qualification Name	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Director Tay-Jen, Chen	Tay-Jen, Chen is currently a director of the Company and she joined the Board on June 19, 2018. Prior to this, Tay-Jen, Chen worked at Consolidate Graphics Inc., California, USA, and she possesses business judgment. Tay-Jen, Chen holds a bachelor's degree from Shih Chien University.	Does not meet any descriptions stated in Article 30 of the Company Act.	None.
Director Wei-Chung, Pan	Wei-Chung, Pan is currently a director of the Company and she joined the Board on August 26, 2015. Prior to this, Wei-Chung, Pan was the chairman of SINO-INDO COMPANY LTD., and she possesses leadership and business judgment. Wei-Chung, Pan holds a PhD in Psychology from GSPP.	Does not meet any descriptions stated in Article 30 of the Company Act.	None.
Director Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung	Tien-Tseng, Sung is currently a director of the Company and he joined the Board on August 2, 2021. Prior to this, Tien-Tseng, Sung worked as the president in Elite Advanced Laser Corporation. Before Elite Advanced Laser Corporation, Tien-Tseng, Sung worked as the president in Sea & Land Integrated Corp., vice president at CO-TECH Development Corp. and the assistant manager at GVC. He possesses rich industry experience and relevant knowledge. Tien-Tseng, Sung holds a MBA degree from Atlanta International University.	Does not meet any descriptions stated in Article 30 of the Company Act.	None.

Qualification Name	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Independent Director Shu, Yeh	Shu, Yeh is currently a director of the Company and he joined the Board on June 19, 2018. Shu, Yeh taught at National Taiwan University and was a professor of the department of accounting. He served as the CFO & SEVP of Chunghwa Telecom Co., Ltd. and possesses accounting and financial expertise. There is no circumstances specified in Article 30 of the Company Act. Shu, Yeh holds a Ph.D. in accounting from UCLA.	1. Not employed by the Company or any of its affiliated companies. 2. Not a director, supervisor of the Company or any of its affiliated companies. 3. Does not hold more than 1% of the Company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the Company.	1
Independent Director Sen-Tai, Wen	Sen-Tai, Wen is currently a director of the Company and he joined the Board on June 23, 2015. Sen-Tai, Wen is the chairman and CEO of Taiyi International Investment Co., Ltd., and has served as a director and Remuneration Committee of many listed and emerging companies. He possesses business judgment, rich industry experience and is familiar with the international market. There is no circumstances specified in Article 30 of the Company Act. Sen-Tai, Wen holds a MBA degree from Rutgers University.	4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons stated in (2) and (3).	None.

Qualification Name	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
Independent Director Wen Chen, Huang	Wen Chen, Huang is currently a director of the Company and he joined the Board on June 19, 2018. Mr. Huang was the Chairman of Heli Investment Co., Ltd., and has served as a director of many listed and emerging companies. Before that, he was the vice president of the CID Group Ltd., senior manager of CDIB & Partners Investment Holding Corporation, and assistant manager of China Development Financial Holding Corp. He possesses business judgment, rich industry experience and is familiar with the international market. There are no circumstances specified in Article 30 of the Company Act. Wen Chen, Huang holds a MBA degree from NCCU MBA Program.	5. Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the Company according to Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a director, supervisor or employee of a company controlling over one half of the Company director seats or voting shares under one person.	None.
Independent Director Yueh-Li, Lee	Yueh-Li, Lee is currently a director of the Company and she joined the Board on June 23, 2015. Prior to this, Yueh-Li, Lee worked as the vice president of finance at Chief Telecom Inc.. Earlier, she worked as the accounting section chief at Chunghwa Telecom Co., Ltd. She possesses accounting and financial expertise and does not have any of the circumstances specified in Article 30 of the Company Act. Yueh-Li, Lee holds a bachelor's degree in Department of Business Administration, Tamkang University.	7. Not a director, supervisor, or employee of a company or institution whose chairperson and president or equivalent role is same person or its spouse. 8. A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.	None.

<div>Qualification</div> <div>Name</div>	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
		<p>9. Not a professional or owner, partner, director (associate), supervisor (except for members of the Remuneration Committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.), managerial officer or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating above NT\$500 thousand over the last two years for the Company or its affiliates.</p> <p>10. No spouse or a relative within the second degree of kinship with other directors.</p> <p>11. Does not meet any descriptions stated in Article 30 of the Company Act.</p>	

<div>Qualification</div> <div>Name</div>	Professional qualification and experience	Compliance of independence	Number of positions as an Independent Director in other public listed companies
		12. There is no government agency or a juristic person acts as a shareholder of the Company elected stipulated in Article 27 of the Company Act.	

5. Board diversity and independence:

(1) Board diversity:

To strengthen corporate governance and promote the development of the composition and structure of the Board of Directors, the composition of directors should be adjusted according to Paragraph 2, Article 21 of the Company's "Corporate Governance Principles": Diversification should be considered in the composition of Board of Directors, except those who serve as company managers should not exceed one-third of the number of directors. Diversification policy shall be formulated based on operation, business model and development needs which should include but not limited to the following two major standards:

- A. Basic requirements and values: gender, age, nationality and culture, etc. Among them, the proportion of female directors should be at least one-third of the directors.
- B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

The Company's Board of Directors consists of 9 directors, including 5 general directors and 4 independent directors who have rich experience and expertise in finance, business and management.

In addition, the Company pays attention to gender equality in the Board of Directors. The goal is to have female directors be at least (including) one-third of the directors. Currently, there are 9 directors, including 3 female directors with the ratio of one-third.

The implementation of the Board diversity policy is as follows:

Director  Name		Diversity core item															
		Basic composition								Professional knowledge/skills			Expertise				
		Nationality	Gender	Current positions in the Company	Age			Tenure of Independent Director			Business management ability	Leadership and decision making	Knowledge of the industry	Director experience	Accounting and finance	Business operation	An international market perspective
51 to 60	61 to 70				71 to 80	Under 3 years	3 to 9 years	More than 9 years									
Director	Chu-Liang, Cheng	Republic of China	Male			✓					✓	✓	✓	✓		✓	✓
	Wen-Hsing, Huang	Republic of China	Male	✓		✓					✓	✓	✓	✓		✓	✓
	Tay-Jen, Chen	Republic of China	Female			✓					✓	✓		✓			✓
	Wei-Chung, Pan	Republic of China	Female		✓						✓	✓		✓		✓	✓
	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung	Republic of China	Male				✓					✓	✓	✓			✓
Independent Director	Shu, Yeh	Republic of China	Male			✓			✓		✓	✓		✓	✓	✓	✓
	Sen-Tai, Wen	Republic of China	Male				✓		✓		✓	✓	✓	✓	✓	✓	✓
	Wen Chen, Huang	Republic of China	Male		✓				✓		✓	✓		✓	✓	✓	✓
	Yueh-Li, Lee	Republic of China	Female				✓		✓		✓	✓		✓	✓		✓

Management objectives and achievement of the Board Diversity Policy:

Management objectives	Implementation	Description
Directors who concurrently serve as company managers should not exceed one-third of the total directors	Achieved	In 2023, the proportion of directors who also serve as company managers is 11%.
The target for the ratio of female directors is above (including) one-third	Achieved	In 2023, the ratio of female directors is 33%.
The term of office of independent directors does not exceed 3 terms	Achieved	All the 3rd independent directors have not exceeded 3 terms.
Diversified professional background	Achieved	The Board of Directors possesses professional abilities, independence and gender-diversity.

(2) Independence of board of directors:

The Company has 1 director with employee status, accounting for 11%; 4 independent directors, accounting for 44%. Except for Chairman Chu-Liang, Cheng and Director Tay-Jen, Chen who are spouses, the rest of the directors and independent directors are not spouses or related within the second degree of kinship. And after reviewing the list of shareholders and the employee roster, and according to the statement of the independent directors, no independent directors, his/ her spouse, or relatives within the second degree (held under the name of another person) holds the shares of the Company. The independent directors have not received any remuneration for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the past two years.

6. Succession plan and operation of directors:

- (1) The director succession plan considers the diversity and directors who concurrently serve as managers for the Company shall not exceed one-third of the total directors. It also considers gender equality and the directors' knowledge, skills, and accomplishments to perform the duties.
- (2) The Company continues to perform director succession plan, and builds a database of director candidates according to the following standards:
  - A. Integrity, responsibility, innovation and decision-making skills in line with the Company's core values and the ability to contribute to the professional knowledge and capabilities of the Company's management.
  - B. Equipped with industry experience relevant to the Company's business.
  - C. The member shall provide the Company an effective and diverse Board of Directors that meets the needs of the Company.
  - D. The nomination and selection process of director and independent director candidates must comply with the qualification and relevant regulations to ensure that when there is a vacancy or an increase in the number of directors, suitable new directors can be effectively selected.

(II) President, Vice President, Senior Manager, and the heads of all the Company's Divisions and Branch units

Names; gender; nationality; principal work experience and academic qualifications; date on which current position was assumed; term of contract; and shares held by them and their spouses, children of minor age, and held through nominees

March 28, 2024; Unit: thousand shares; %

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note)
					Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)			Title	Name	Relation	
CSO	Republic of China	Wen-Hsing, Huang	Male	July 1, 2021	264	0.20	801	0.62	—	—	BA., Electrical Engineering, Chung Yuan Christian University, Taiwan Foreshot Industrial Corporation/ Deputy General Manager LITE-ON Technology/ Director	Vice Chairman of the Company Elite Advanced Laser Corporation/ Director FORESHOT Industrial Corporation Ltd./ Director	—	—	—	—
President	Republic of China	Yen-Chiang, Tang	Male	July 1, 2015	206	0.16	298	0.23	—	—	Industrial Engineering, Oriental Institute of Technology Elite Advanced Laser Corporation/ Engineering Assistant General Manager LITE-ON Technology/ Director of Wuxi Plant	GEM Electronics (Shanghai) Co., Ltd./ Director GEM Electronics (Hefei) Co., Ltd./ Director	—	—	—	—
COO	Mainland China	Wei-Bing, Chu	Male	July 1, 2015	—	—	—	—	—	—	Master, Department of Semiconductor Physics and Devices, Shanghai Institute of Metallurgy GEM (Shanghai) Co., Ltd./ President Agape Package Manuf. Ltd. (Nasdaq: AOSL/ Vice President of Operations and Engineering	—	—	—	—	—

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note)
					Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)			Title	Name	Relation	
Business Integration Department/ Senior Manager	Republic of China	Chun-Ching, Wu	Male	July 18, 2021	10	0.01	3	—	—	—	Master, Industrial Engineering, National Kaohsiung University of Applied Sciences Kaohsiung Opto-Electronics Inc.(formerly KAOHSIUNG HITACHI ELECTRONICS CO., LTD.)/ Equipment Section Manager	—	—	—	—	—
Material Management Department/ Senior Manager	Mainland China	Heng-Yu, Liu	Male	July 1, 2015	—	—	—	—	—	—	Master of Fudan University IBM/ Manufacturing engineering manager Shanghai XINJIN Semiconductor Manufacturing Co. Ltd./ Senior manager of semiconductor packaging outsourcing	—	—	—	—	—
GEM Electronics (Hefei) / Operations Senior Manager	Mainland China	Wei, Zhuang	Male	February 1, 2017	18	0.01	—	—	—	—	Bachelor of Engineering in Electronic Materials and Components, Material Science and Engineering, ShanghaiTech University Shanghai Vacuum Electron Devices Co., Ltd./ Engineer of Electron Tube No. 2 Factory Shanghai Ruixi Turbine/ Factory engineer GEM Electronics (shanghai) Co., Ltd./ Manager Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd./ Vice President	—	—	—	—	—
Head-Finance & Accounting	Republic of China	Jui-Ping ,Wang	Female	July 15, 2016	89	0.07	—	—	—	—	Department of Accounting, Chinese Culture University Deloitte & Touche/ Audit assistant manager	—	—	—	—	—

Title	Nationality	Name	Gender	On-board date	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note)
					Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)	Quantity	Ratio of shareholding (%)			Title	Name	Relation	
Audit Supervisor	Mainland China	Sen-Xing, Lai	Male	July 1, 2015	—	—	—	—	—	—	Industrial Engineering, School of Environmental and Biological Engineering, Jiangsu University of Technology Wistron InfoComm Technology Service (Kunshan) Co., Ltd./ SMT IT Team leader GEM Electronics (Shanghai) Co., Ltd./ IE engineer	—	—	—	—	—

Note: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:  
None.

### III. Remuneration payment to directors, supervisor, president, and vice president in the most recent year

#### (I) Remuneration for directors and independent directors

December 31, 2023; Unit: NT\$ thousand; %

Title	Name	Remuneration to Directors								The sum of A, B, C and D as a percentage of after-tax profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration received from the invested companies other than the subsidiaries and the parent company																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
		Remuneration (A)		Pension (B)		Directors compensation (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)	Pension (F)		Employee compensation (G)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
		The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company		All companies shown in the consolidated financial report		The Company	All companies shown in the consolidated financial report																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													

Title	Name	Remuneration to Directors								The sum of A, B, C and D as a percentage of after-tax profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration received from the invested companies other than the subsidiaries and the parent company
		Remuneration (A)		Pension (B)		Directors compensation (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)	Pension (F)		Employee compensation (G)							
		The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company		All companies shown in the consolidated financial report				
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung	421	421	0	0	100	100	50	50	571 0.10%	571 0.10%	0	0	0	0	0	0	0	0	571 0.10%	571 0.10%	None
Independent Director	Sen-Tai, Wen	1,500	1,500	0	0	100	100	50	50	1,650 0.29%	1,650 0.29%	0	0	0	0	0	0	0	0	1,650 0.29%	1,650 0.29%	None
Independent Director	Yueh-Li, Lee	1,500	1,500	0	0	100	100	50	50	1,650 0.29%	1,650 0.29%	0	0	0	0	0	0	0	0	1,650 0.29%	1,650 0.29%	None
Independent Director	Shu, Yeh	1,500	1,500	0	0	100	100	50	50	1,650 0.29%	1,650 0.29%	0	0	0	0	0	0	0	0	1,650 0.29%	1,650 0.29%	None
Independent Director	Wen Chen, Huang	1,500	1,500	0	0	100	100	50	50	1,650 0.29%	1,650 0.29%	0	0	0	0	0	0	0	0	1,650 0.29%	1,650 0.29%	None

\* The remuneration policy, system, standard and structure of independent directors, and the linkage to the remuneration amount according to the responsibilities, risks, time, and other factors:

According to Article 30.2 of the Articles of Association, directors' remuneration shall be recommended by the Remuneration Committee and submitted to the Board of Directors for approval, and shall be paid in consideration of the director's service scope, value and the domestic and foreign payment level. Independent directors receive a fixed remuneration and Board meeting attendance fees this year. Directors' remuneration will be allocated at their discretion based on the profit situation of the current year.

- \* Other than those disposed in the Table above, remuneration received by directors in the most recent year for services provided to a company as mentioned in the financial statement (e.g. serving as a consultant to all non-employees of the parent company/companies in the financial report/reinvested enterprises, etc.): None.

Unit: NT\$ thousand; %

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	Total of the aforementioned 4 items (A+B+C+D)		Total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report
< NT\$1,000,000	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung Tay-Jen, Chen; Wei-Chung, Pan	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung Tay-Jen, Chen; Wei-Chung, Pan	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung Tay-Jen, Chen; Wei-Chung, Pan	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung Tay-Jen, Chen; Wei-Chung, Pan
NT\$1,000,000 - NT\$2,000,000 (exclusive)	Sen-Tai, Wen; Yueh-Li, Lee; Shu, Yeh; Wen Chen, Huang	Sen-Tai, Wen; Yueh-Li, Lee; Shu, Yeh; Wen Chen, Huang	Sen-Tai, Wen; Yueh-Li, Lee; Shu, Yeh; Wen Chen, Huang	Sen-Tai, Wen; Yueh-Li, Lee; Shu, Yeh; Wen Chen, Huang
NT\$2,000,000 - NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 - NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 - NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 - NT\$15,000,000 (exclusive)	Wen-Hsing, Huang	Wen-Hsing, Huang	Wen-Hsing, Huang	-
NT\$15,000,000 - NT\$30,000,000 (exclusive)	Chu-Liang, Cheng	Chu-Liang, Cheng	Chu-Liang, Cheng	Wen-Hsing, Huang; Chu-Liang, Cheng
NT\$30,000,000 - NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 - NT\$100,000,000 (exclusive)	-	-	-	-
> NT\$100,000,000	-	-	-	-
Total	9 people	9 people	9 people	9 people

\* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(II) Remuneration of supervisor

Not Applicable. (The Company has set up an Audit Committee to replace the supervisor).

(III) President's and Vice Presidents' remuneration

December 31, 2023; Unit: NT\$ thousand; %

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc. (C)		Remuneration to employees (D)				The sum of A, B, C and D as a percentage of after-tax profit		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company		All companies shown in the consolidated financial report		The Company	All companies shown in the consolidated financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Yen-Chiang, Tang	-	3,051	-	108	-	-	2,300	-	2,300	-	2,300 0.41%	5,459 0.96%	None
CSO	Wen-Hsing, Huang	-	2,095	-	108	-	-	2,500	-	2,500	-	2,500 0.44%	4,703 0.83%	None
COO	Wei-Bing, Chu	-	3,182	-	300	-	-	-	-	920	-	-	4,402 0.78%	None

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company	All companies shown in the consolidated financial report
< NT\$1,000,000	Wei-Bing, Chu	-
NT\$1,000,000 - NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 - NT\$3,500,000 (exclusive)	Wen-Hsing, Huang; Yen-Chiang, Tang	-
NT\$3,500,000 - NT\$5,000,000 (exclusive)	-	Wei-Bing, Chu; Wen-Hsing, Huang
NT\$5,000,000 - NT\$10,000,000 (exclusive)	-	Yen-Chiang, Tang
NT\$10,000,000 - NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 - NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 - NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 - NT\$100,000,000 (exclusive)	-	-
> NT\$100,000,000	-	-
Total	3 people	3 people

\* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(IV) Remuneration of the Company's top five highest-paid supervisors

December 31, 2023; Unit: NT\$ thousand; %

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc. (C)		Remuneration to employees (D)				The sum of A, B, C and D as a percentage of after-tax profit		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company	All companies shown in the consolidated financial report	The Company		All companies shown in the consolidated financial report		The Company	All companies shown in the consolidated financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Yen-Chiang, Tang	-	3,051	-	108	-	-	2,300	-	2,300	-	2,300 0.41%	5,459 0.96%	None
CSO	Wen-Hsing, Huang	-	2,095	-	108	-	-	2,500	-	2,500	-	2,500 0.44%	4,703 0.83%	None
COO	Wei-Bing, Chu	-	3,182	-	300	-	-	-	-	920	-	-	4,402 0.78%	None
Material Management Department/ Senior Manager	Heng-Yu, Liu	-	2,517	-	300	-	-	-	-	765	-	-	3,582 0.63%	None
GEM Electronics (Hefei) / Operations Senior Manager	Wei, Zhuang	-	2,486	-	234	-	-	-	-	663	-	-	3,383 0.60%	None

\* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

Name of the managers received remuneration and the distribution of remuneration

December 31, 2023

Unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount (Note)	Total	As a percentage of net profit after tax (%)
Manager	CSO	Wen-Hsing, Huang	-	8,679	8,679	1.53
	President	Yen-Chiang, Tang				
	COO	Wei-Bing, Chu				
	Material Management Department/ Senior Manager	Heng-Yu, Liu				
	GEM Electronics (Hefei) / Operations Senior Manager	Wei, Zhuang				
	Business Integration Department/ Senior Manager	Chun-Ching, Wu				
	Head-Finance & Accounting	Jui-Ping ,Wang				

Note: This distribution is an estimate.

- (V) Separately compare and describe total remuneration, as percentage of reports or individual financial reports net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the individual or consolidated financial statements during the past 2 fiscal years to directors, supervisors, president, and vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Title	The remuneration as a percentage net profit after tax				Increase (decrease) ratio	
	2022		2023			
	The Company	All companies shown in the consolidated financial statements	The Company	All companies shown in the consolidated financial statements	The Company	All companies shown in the consolidated financial statements
Director	5.65	5.65	7.72	7.72	2.07	2.07
Presidents and the Vice Presidents	0.62	1.58	0.85	2.57	0.23	0.99

1. Analysis of changes in the proportion of after-tax net profit in the last two years:
  - (1) The increase in the proportion of total directors' remuneration to after-tax net profit was due to the decline in profits in 2023, but the absolute amount of directors' remuneration was less than that in 2022.
  - (2) The increase in the proportion of the remuneration of the president and vice president to after-tax net profit was due to the decline in profits in 2023. However, the absolute amount of remuneration paid to the president and vice president decreased compared with that in 2022.
2. The policies, standards, and packages for director, president, vice president remuneration, the procedures for determining remuneration and its linkage to business performance
  - (1) Director
    - A. During the term of office, the chairman and vice-chairman may receive their remuneration according to Article 30.1 of the Articles of Association due to business needs. The remuneration amount shall be proposed by the Remuneration Committee and submitted to the Board of

Directors for resolution, and shall take into account their service scope, value to the Company and the standard remuneration of domestic and foreign industry companies.

- B. The independent directors of the Company receive fixed remuneration. In addition, directors receive attendance fees for each board meeting.
- C. The director's compensation is in accordance with Article 34.1 of the Articles of Association. If there is any profit in the year, the director's compensation shall be distributed below 3% (inclusive) of the current year's profit. The Company has set up a Remuneration Committee, with all independent directors serving as members. The Remuneration Committee is responsible for formulating and regularly reviewing the policies, systems, standards and structures of directors' performance evaluation and remuneration, and regularly assessing and determining directors' remuneration with reference to the industry's standards.

In summary, the amount of remuneration for directors in 2023 is reduced due to the declining profits, and the percentage to the after-tax net profit of the Company and all companies in the consolidated statements is between 5% and 8%. According to the business performance, there should be no overestimation of the payment compared to the industry standard. There is also no impact on the Company's final performance and no need for risk evaluation.

## (2) Presidents and the Vice Presidents

The compensation of the president and vice president includes salary, bonus and employee remuneration. The salary is based on the position held, the responsibility and the contribution to the Company, and it is negotiated with reference to the industry standard. Bonuses and employee compensation are highly linked to performance evaluation, including the achievement rate of the Company's revenue and after-tax net profit, and whether there are major deficiencies in the department's compliance with laws and regulations and internal control operations. They are distributed according to principles recommended by the Remuneration Committee and approved by the Board of Directors according to the operating performance.

## IV. Corporate governance

### (I) Facts about performance by the board of directors:

1. The Board of Directors convened 5 meetings (A) in 2023 and the participation of the directors are shown below:

Title	Name	Actual attendance (B)	Proxy attendance	Percentage of actual attendance (%) [B/A] (Note)	Remark
Chairman	Chu-Liang, Cheng	5	0	100%	
Vice Chairman	Wen-Hsing, Huang	5	0	100%	
Director	Tay-Jen, Chen	5	0	100%	
Director	Wei-Chung, Pan	5	0	100%	
Director	Elite Advanced Laser Corporation Representative of juristic person: Tien-Tseng, Sung	5	0	100%	
Independent Director	Shu, Yeh	5	0	100%	
Independent Director	Sen-Tai, Wen	5	0	100%	
Independent Director	Wen Chen, Huang	5	0	100%	
Independent Director	Yueh-Li, Lee	5	0	100%	

Note: The actual attendance rate (%) is calculated based on the number of Board of Directors meetings and the number of actual attendance during the tenure.

2. Other required information.

- (1) For the matters listed in Article 14-3 of the Securities and Exchange Act and other resolutions of the Board of Directors that have been objected or reserved by independent directors and have records or written statements, the date, period, content of the discussion, opinions of all independent directors and the Company's handling of Board of Directors' opinion:  
Proposals and resolution results of matters listed in Article 14-3 of the Securities and Exchange Act:

Board meeting dates and periods	Discussion	Independent directors' objections, reservations or major proposals	Results of Audit Committee resolutions	The Company's handling of the Audit Committee's opinion
March 22, 2023 11th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>2022 internal control policies effectiveness evaluation and declaration of internal control policies.</li> <li>Proposal to amend the Internal Control System Self-assessment Operating Procedures.</li> <li>Distribution proposal for the 2022 manager compensation.</li> <li>Proposal for managers' salary adjustment.</li> </ol>	None.	The issue was resolved by all present directors in full.	Not applicable
May 12, 2023 12th meeting of the 5th Board of Directors	Proposal for the 2022 Directors' Remuneration Distribution.	None.	The issue was resolved by all present directors in full.	Not applicable
August 9, 2023 13th meeting of the 5th Board of Directors	Proposal for the remuneration and remuneration distribution for the 5th term of directors and independent directors.	None.	The issue was resolved by all present directors in full.	Not applicable
November 7, 2023 14th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>Formulate the 2024 internal audit plan of the Company and its subsidiaries.</li> <li>The Company regularly evaluates the audit quality indicators (AQIs) of CPAs and the 2024 CPAs' remuneration proposal.</li> </ol>	None.	The issue was resolved by all present directors in full.	Not applicable

Board meeting dates and periods	Discussion	Independent directors' objections, reservations or major proposals	Results of Audit Committee resolutions	The Company's handling of the Audit Committee's opinion
	3. It is proposed to amend the Company's internal control system.			

- (2) Other than the aforementioned issues, the issue objected by an independent director or where an independent director maintain a qualified opinion with record or documented declaration in a decision resolved by the Board of Directors: None.
- (3) With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

Board meeting dates and periods	Discussion	Reasons to act on recusal due to conflicts of interest and participation in voting
March 22, 2023 11th meeting of the 5th Board of Directors	Proposal 8: [Proposal from Remuneration Committee] Proposal for the 2022 Manager's Remuneration Distribution.	Vice Chairman Wen-Hsing, Huang recused according to law and did not participate in the discussion and resolution of the proposal. It was approved by all directors present without any objection.
	Proposal 9: [Proposal from Remuneration Committee] Proposal for managers' salary adjustment.	Vice Chairman Wen-Hsing, Huang recused according to law and did not participate in the discussion and resolution of the proposal. It was approved by all directors present without any objection.
May 10, 2023 12th meeting of the 5th Board of Directors	Proposal 3: [Proposal from Remuneration Committee] Proposal for the 2022 Directors' Remuneration Distribution.	Chairman Chu-Liang, Cheng, Vice Chairman Wen-Hsing, Huang, Director Tien-Tseng, Sung (representative of a juristic person of Elite Advanced Laser Corporation), Director Wei-Chung, Pan and Director Tay-Jen, Chen recused according to law and did not participate in the discussion and resolution of the proposal. It was approved by all directors present without any objection.

Board meeting dates and periods	Discussion	Reasons to act on recusal due to conflicts of interest and participation in voting
August 9, 2023 13th meeting of the 5th Board of Directors	Proposal 2: [Proposal from Remuneration Committee] Proposal for the remuneration and remuneration distribution for the 5th term of directors and independent directors.	Juristic Person Director Mr. Tien-Tseng, Sung, Director Ms. Tay-Jen, Chen, Director Ms. Wei-Chung, Pan recused according to law and did not participate in the discussion and resolution of the proposal. It was approved by all directors present without any objection.

- (4) The cycle, duration, scope, method and content of Board self-evaluations (or peer-evaluation) performed:

The implementation of the Board of Directors evaluation:

The Company and the Board of Directors approved the resolution to formulate the “Rules for Performance Evaluation of Board of Directors” on January 16, 2020. The performance evaluation of the Board of Directors should be performed at least once every three years by an external professional independent organization or a team of external experts and scholars. The internal and external performance evaluation results of the Board of Directors shall be completed before the end of the first quarter of the year following the implementation year.

- A. Evaluation cycle: internal self-evaluation is conducted once a year, and an external professional independent organization evaluation is conducted at least once every three years.
- B. Evaluation period: evaluate the performance of the Board of Directors from January 1, 2023 to December 31, 2023.
- C. Evaluation scope: including the performance evaluation of the overall Board of Directors, individual director, Audit Committee and Remuneration Committee.
- D. Evaluation methods: questionnaires for performance evaluation are applied to self-evaluation of the Board of Director, self-evaluation of board members and peer evaluation, and self-evaluation of Audit Committee and Remuneration Committee.
- E. Evaluation content:

Subjects	Evaluation
Board of Directors	1. Level of participation in the Company's operations.
	2. Improvement of board's/functional committee's decision quality.
	3. Board/functional committee composition.
	4. Election and ongoing education of directors.
	5. Internal control.
Board members (self or peers)	1. Director's awareness toward the Company's goals and missions.
	2. Director's awareness to duties.
	3. Level of participation in the Company's operations.
	4. Management and communication of internal relations.
	5. Professionalism and ongoing education of directors.
	6. Internal control.
Audit Committee	1. Level of participation in the Company's operations.
	2. Responsibilities and duties of Audit Committee.
	3. Improve the decision-making quality of Audit Committee.
	4. Composition of Audit Committee and selection of members.
	5. Internal control.
Remuneration Committee	1. Level of participation in the Company's operations.
	2. Responsibilities and duties of Remuneration Committee.
	3. Improve the decision-making quality of Remuneration Committee.
	4. Composition of Remuneration Committee and selection of members.

F. 2023 Performance evaluation of the Board of Directors:

The performance evaluation of the Board of Directors and functional committees in 2023 was completed on November 7, 2023, and was reported to the Board of Directors on March 12, 2024.

Subjects	Assessment result
Board of Directors	<ol style="list-style-type: none"> <li>1. The average attendance rate of directors in the 2023 was 100% and 7 directors attended the 2023 annual shareholders meeting. The directors also regularly communicate with the CPA and audit supervisor.</li> <li>2. All directors fully understand the Company's core values and the characteristics and risks of the industry in which the Company operates, and hold board meetings at least once a quarter.</li> <li>3. The Board of Directors has established sufficient independent directors which complies with relevant regulations, and the composition of the Board of Directors is appropriate and has the expertise required for the decision-making process.</li> <li>4. The Company has established a rigorous and transparent director selection process, and the directors receive appropriate training hours each year.</li> <li>5. The directors understand and supervise the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.</li> </ol>
Board member (self or peer)	<ol style="list-style-type: none"> <li>1. The directors understand the Company's core values and the characteristics and risks of the industry in which the Company operates.</li> <li>2. The directors have fully understood the statutory obligations of the directors, and have complied with the obligation of confidentiality with respect to the Company's internal information obtained during the terms of directors.</li> <li>3. The attendance rate for individual directors at board meeting was 100%, and the directors have made specific suggestions on the proposals.</li> <li>4. The interaction between the directors and the management team is good with sufficient communication with other directors and CPA.</li> </ol>

Subjects	Assessment result
	<ol style="list-style-type: none"> <li>5. The directors have the expertise required for the implementation of the Board of Directors' decisions, and receive appropriate training hours each year.</li> <li>6. The directors understand and supervise the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. The average attendance rate of members of the Audit Committee in 2023 was 100%, and the Audit Committee held meetings at least once a quarter.</li> <li>2. The Audit Committee communicates with the CPA on a regular basis and regularly evaluates the independence and competence of the CPA.</li> <li>3. The meeting minutes properly recorded the discussion content, and the resolutions of the Audit Committee meetings are followed up properly.</li> <li>4. The members of the Audit Committee are appropriately composed and possess the expertise required for the decision-making process while maintaining their independence.</li> <li>5. The Audit Committee understands and supervises the Company's accounting system, financial performance and financial reports, audit reports and the follow ups.</li> </ol>
Remuneration Committee	<ol style="list-style-type: none"> <li>1. The average attendance rate of members of the Remuneration Committee in 2023 was 100%, and the Remuneration Committee held general meetings.</li> <li>2. The Remuneration Committee can timely, professionally and objectively put forward suggestions and submit them to the Board of Directors for discussion and decision-making.</li> <li>3. The meeting minutes of the Remuneration Committee properly recorded the discussion content, and the resolutions of the Remuneration Committee meetings are followed up properly.</li> <li>4. The members of the Remuneration Committee are properly composed and possess the expertise required for the decision-making process while maintaining their independence.</li> </ol>

On August 3, 2022, the Company entrusted the Taiwan Corporate Governance Association, an external organization, to conduct an evaluation of the effectiveness of the Board of Directors for the period from December 1, 2021 to November 30, 2022. CGA appointed four evaluation experts to evaluate the effectiveness of the Board of Directors through questionnaires and interviews on the composition, authorization, supervision, communication, and self-discipline, internal control policies, risk management and other aspects and indicators. CGA and the experts do not have any business relationship with the Company and are independent. An evaluation report was submitted on January 17, 2023, and the Company reported the results to the Board of Directors on February 23, 2023, with request on improvements. The CGA's comments, suggestions, and the Company's planned improvement plan are as follows:

Comments:

- (A) The Chairman attaches great importance to the professionalism and talents of the Board of Directors where the members are all professionals with extensive experience in operation and management. The Board of Directors has four independent directors, which is above than what is required by regulations, and there are three female directors. The Board of Directors is professional, independent and gender-diverse.
- (B) The Chairman respects the opinions of the directors, communicates thoroughly with the directors with solid mutual trust. Thus, the meeting culture of the Board of Directors is both dynamic and open.
- (C) The four independent directors are all professionally qualified and responsible for their duties to fully assist the Board of Directors on guidance and supervision.

Suggestion:

- (A) Strategic guidance is one of the important functions of the Board of Directors and it is recommended that the Company arranging all directors and the management teams to participate in strategic discussion during annual general meetings or other occasions to help the board members to understand the Company's operation status and industry information and strengthen the responsibility of the Board of Directors to guide and supervise the Company's strategic development.

- (B) The whistleblower system focuses on direct communication channels with independent directors and it is recommended that the Company establishing a reporting mailbox that can be simultaneously received by independent directors (or the Audit Committee) to further strengthen the mechanism.
- (C) In view of the development trend of corporate governance and sustainable development, and to strengthen the effectiveness of corporate governance evaluation by the competent authorities, it is recommended that the Company refer to the Corporate Governance 3.0 and the items of corporate governance evaluation to set improvement goals for strengthening corporate governance and to promote the ESG concept and corporate governance culture.

The performance evaluation methods and results of the Board of Directors and functional committees have been disclosed on the Company's website.

#### Improvement plan:

- (A) The Company will, depending on the needs, arrange for all directors and the management teams to participate in strategic discussion to help the board members to understand the Company's operation status and industry information and strengthen the responsibility of the Board of Directors to guide and supervise the Company's strategic development.
- (B) The whistleblower system focuses on direct communication channels with independent directors, and it is planned to establish a reporting email (audit\_committee@gemservices.com) to further strengthen the mechanism.

The Company plans to refer to the Corporate Governance 3.0 and the items of corporate governance evaluation to set improvement goals for strengthening corporate governance and to promote the ESG concept and corporate governance culture.

- (5) Targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (such as setting up an audit committee, improving information transparency):

#### A. Establishment of independent directors:

Since 2015, the Company has set up at least 3 independent directors to strengthen the functions of the Board of Directors and improve corporate

governance.

B. Establishment of the Remuneration Committee:

Since 2015, the Company has set up a Remuneration Committee to evaluate the Company's directors and managers' remuneration policy and system and make recommendations to the Board of Directors.

C. Improve information transparency:

Since 2015, the Company has announced the financial report after the financial report is approved by the Board of Directors, so that financial and business information related to shareholders' equity can be disclosed in the most timely manner. This greatly improved the information transparency.

D. The selection of directors adopts the nomination system with the single-vote cumulative election method to select the most professional board members through fair, just and open selection procedures.

(II) The operation of the audit committee:

The Audit Committee is composed of 4 independent directors and its purpose is to assist the Board of Directors to perform its supervision on the Company's quality and integrity in the implementation of accounting, auditing, financial reporting processes and financial management.

1. Professional Qualifications and Experience of Audit Committee Members

Audit Committee Members	Professional qualification and experience
Independent Director Shu, Yeh	Shu, Yeh is currently a director of the Company and he joined the Board on June 19, 2018. Shu, Yeh taught at National Taiwan University and was a professor of the department of accounting. He served as the CFO & SEVP of Chunghwa Telecom Co., Ltd. and possesses accounting and financial expertise. There is no circumstances specified in Article 30 of the Company Act. Shu, Yeh holds a Ph.D. in accounting from UCLA.
Independent Director Sen-Tai, Wen	Sen-Tai, Wen is currently a director of the Company and he joined the Board on June 23, 2015. Sen-Tai, Wen is the chairman and CEO of Taiyi International Investment Co., Ltd., and has served as a director and Remuneration Committee of many listed and emerging companies. He possesses business judgment, rich industry experience and is familiar with the international market. There is no circumstances specified in Article 30 of the Company Act. Sen-Tai, Wen holds a MBA degree from Rutgers University.

Audit Committee Members	Professional qualification and experience
Independent Director Wen Chen, Huang	Wen Chen, Huang is currently a director of the Company and he joined the Board on June 19, 2018. Mr. Huang was the Chairman of Heli Investment Co., Ltd., and has served as a director of many listed and emerging companies. Before that, he was the vice president of the CID Group Ltd., senior manager of CDIB & Partners Investment Holding Corporation, and assistant manager of China Development Financial Holding Corp. He possesses business judgment, rich industry experience and is familiar with the international market. There are no circumstances specified in Article 30 of the Company Act. Wen Chen, Huang holds a MBA degree from NCCU MBA Program.
Independent Director Yueh-Li, Lee	Yueh-Li, Lee is currently a director of the Company and she joined the Board on June 23, 2015. Prior to this, Yueh-Li, Lee worked as the vice president of finance at Chief Telecom Inc.. Earlier, she worked as the accounting section chief at Chunghwa Telecom Co., Ltd. She possesses accounting and financial expertise and does not have any of the circumstances specified in Article 30 of the Company Act. Yueh-Li, Lee holds a bachelor's degree in Department of Business Administration, Tamkang University.

2. The Audit Committee convened 4 meetings (A) in 2023 and the participation of the independent director are shown below:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance (%) (B/A) (Note)	Remark
Independent Director (Convener)	Shu, Yeh	4	0	100%	
Independent Director Member	Sen-Tai, Wen	4	0	100%	
Independent Director Member	Wen Chen, Huang	4	0	100%	
Independent Director Member	Yueh-Li, Lee	4	0	100%	

Note: The actual attendance rate (%) is calculated based on the number of Audit Committee meetings and the number of actual attendance during the tenure.

3. Audit Committee work focus:

The 2023 meeting items for the Audit Committee are as follows:

Dates and periods of the Audit Committee meetings	Discussion
March 22, 2023 8th meeting of the 3rd Audit Committee	<ol style="list-style-type: none"> <li>1. Proposal for 2022 annual consolidated business report, consolidated financial report.</li> <li>2. Proposal for 2022 distribution of cash dividend.</li> <li>3. Proposal for 2022 earnings distribution.</li> <li>4. 2022 internal control policies effectiveness evaluation and declaration of internal control policies.</li> <li>5. Proposal to amend the Internal Control System Self-assessment Operating Procedures.</li> <li>6. Formulate "Audit Methods for Pre-Approval of CPAs Providing Non-assurance Services".</li> </ol>
May 10, 2023 9th meeting of the 3rd Audit Committee	Proposal for the Consolidated Financial Report for the first quarter of 2023.
August 9, 2023 10th meeting of the 3rd Audit Committee	Proposal for the Consolidated Financial Report for the second quarter of 2023.
November 7, 2023 11th meeting of the 3rd Audit Committee	<ol style="list-style-type: none"> <li>1. Proposal for the Consolidated Financial Report for the third quarter of 2023.</li> <li>2. Audit quality indicators (AQIs) evaluation report and remuneration proposal for CPAs.</li> <li>3. Proposal to amend the Company's internal control system.</li> </ol>

4. Other required information.

- (1) For matters listed in Article 14-5 of the Securities and Exchange Act and other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors, the date, period, content of the discussion, the results of the resolution of the Audit Committee, and the Company's handling of the Audit Committee's opinion shall be described as following:

The Company's proposals and resolution results for the matters listed in Article 14-5 of the Securities and Exchange Act:

Board meeting dates and periods	Discussion	Results of Audit Committee resolutions	The Company's handling of the Audit Committee's opinion
March 22, 2023 11th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. Proposal for 2022 annual consolidated business report, consolidated financial report.</li> <li>2. Proposal for 2022 distribution of cash dividend.</li> <li>3. Proposal for 2022 earnings distribution.</li> <li>4. 2022 internal control policies effectiveness evaluation and declaration of internal control policies.</li> <li>5. Proposal to amend the Internal Control System Self-assessment Operating Procedures.</li> </ol>	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
May 10, 2023 12th meeting of the 5th Board of Directors	Proposal for the Consolidated Financial Report for the first quarter of 2023.	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
August 9, 2023 13th meeting of the 5th Board of Directors	Proposal for the Consolidated Financial Report for the second quarter of 2023.	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.
November 7, 2023 14th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. Proposal for the Consolidated Financial Report for the third quarter of 2023.</li> <li>2. Audit quality indicators (AQIs) evaluation report and remuneration proposal for CPAs</li> <li>3. Proposal to amend the Company's internal control system.</li> </ol>	Approved with the entire committee members present voting in favor.	Approved with the entire Board members present voting in favor.

(2) Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: None

Handling of the opinions of the Audit Committee: None.

- (3) With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None
- (4) Facts of communications by and between independent directors and internal audit supervisors as well as CPA(s) (should include issues regarding the Company's financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof):

A. Communication policy between independent directors, internal audit supervisors and CPA:

- (A) The internal audit supervisor delivers audit reports and follow-up reports to the independent directors every month, and the independent directors request the internal audit supervisor to supplement information and convene meetings as needed.
- (B) The internal audit supervisor attends the Audit Committee and the Board of Directors meetings on a regular basis, and reports the status of internal audit implementation to the independent directors.
- (C) Independent directors hold communication meetings with the internal audit supervisor when necessary, at least twice a year, to exchange opinions on the operation and relevant improvement of internal control.
- (D) The CPA attends the Audit Committee meeting at least twice a year to report and communicate to the independent directors on the impact of key audit matters, IFRSs amendments, or other laws and regulations.

B. Communication between independent directors and internal audit supervisors in 2023:

Date	Attendee	Matters	Results
May 10, 2023 Audit Committee	Independent Director Shu, Yeh Independent Director Sen-Tai, Wen Independent Director Wen Chen, Huang	Implementation Report of internal audit work in the second quarter of 2023.	Approved without objection.

Date	Attendee	Matters	Results
	Independent Director Yueh-Li, Lee Audit Supervisor Sen-Xing, Lai (Video Attendance)		
November 7, 2023 Audit Committee	Independent Director Shu, Yeh Independent Director Sen-Tai, Wen Independent Director Wen Chen, Huang Independent Director Yueh-Li, Lee Audit Supervisor Sen-Xing, Lai (Video Attendance)	<ol style="list-style-type: none"> <li>2024 audit plan.</li> <li>2023 audit implementation report.</li> <li>2023 statutory compliance report.</li> <li>2023 internal control self-evaluation.</li> <li>Continuous education report for the Internal audit and agent.</li> <li>Subsidiary supervision - the internal audit process.</li> <li>Status of annual report.</li> </ol>	Approved without objection.

C. Communication between independent directors and CPAs in 2023:

Date	Attendee	Matters	Results
May 10, 2023 Audit Committee	Independent Director Shu, Yeh Independent Director Sen-Tai, Wen Independent Director Wen Chen, Huang Independent Director Yueh-Li, Lee CPA Keng-Hsi, Chang	The CPA described and explained the audit plan and key audit matters of the consolidated financial report for the first half of 2023, as well as the recent laws and regulations updates.	Approved without objection.
November 7, 2023 Audit Committee	Independent Director Shu, Yeh Independent Director Sen-Tai, Wen	The CPA described and explained the audit plan and key audit matters of the consolidated financial report for 2023, as well as IFRS Sustainable Disclosure Standards S1 and S2.	Approved without objection.

Date	Attendee	Matters	Results
	Independent Director Wen Chen, Huang Independent Director Yueh-Li, Lee CPA Keng-Hsi, Chang		

(III) Performance in corporate governance and the differential gap between corporate governance and Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the cause thereof

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Will the Company based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies set up and disclose the Company's corporate governance best-practice principles?	✓		The Company has formulated the "Corporate Governance Best Practice Principles". The Corporate Governance Best Practice Principles adopted by the Company are as follows: 1. Protect the shareholders equity. 2. Strengthen the functions of the Board of Directors. 3. Exert the function of the Audit Committee. 4. Respect the rights and interests of stakeholders. 5. Improve information transparency.	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders' equity				
(I) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	✓		(I) The Company has dedicated personnel to handle shareholders' suggestions, doubts, disputes and litigation matters, and the spokesperson is currently the dedicated personnel.	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	✓		(II) The Company maintains close relationship with major shareholders, and understands the changes in major shareholders and their ultimate controllers on record dates such as annual shareholder meetings and earnings distribution.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties? (IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	✓		(III) The Company has established relevant internal control policies in compliance with laws and regulations.  (IV) The Company has established the “Procedures for Handling Material Inside Information” to regulate the Company’s insiders, and the “Procedures for Ethical Management and Guidelines for Conduct” stipulates that “all personnel may not take advantage of undisclosed information of which they have learned to engage in insider trading”. Thus, all employees are required to abide by the above-mentioned regulations to prevent insider trading.	
III. The constitution and obligations of the board of directors (I) Does the board of directors formulate and implement diversity policies, specific management objectives?	✓		The Company has formulated and implemented a Board diversity policy according to the “Procedures for Election of Directors” Diversification should be considered in the selection and overall composition of directors, and formulate a diversified policy based on the Company’s operation, business model and development needs. The policy should include but not limited to the following two major aspects of the standard: I. Basic requirements: gender, age, nationality and culture shall be considered. II. Professional knowledge and skills: professional background (such as legal, accounting, industry, finance, marketing and technology), professional skills and industry experience, etc. Board members should generally have the knowledge, skills, and	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?</p> <p>(III) Does the Company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for</p>		<p>✓</p> <p>✓</p>	<p>experience necessary to perform their duties, and the overall abilities should be as follows:</p> <p>I. Business judgment ability</p> <p>II. Accounting and financial analysis ability capabilities.</p> <p>III. Business management ability</p> <p>IV. Crisis management ability</p> <p>V. Knowledge of the industry</p> <p>VI. An international market perspective.</p> <p>VII. Leadership ability</p> <p>VIII. Decision making ability</p> <p>The Company's Board of Directors consists of 9 directors, including 5 general directors and 4 independent directors who have rich experience and expertise in finance, business and management. Please refer to pages 54-56 for the implementation of the diversity policy of the Board of Directors of and the specific management objectives.</p> <p>(II) The Company has set up the Remuneration Committee and the Audit Committee on June 23, 2015, and other various functional committees will be set up when necessary.</p> <p>(III) The Company approved a resolution of the Board of Directors on January 16, 2020 to formulate the "Rules for Performance Evaluation of Board of Directors" which stipulates that "the Company shall base its determination of an individual director's remuneration on the evaluation results of his or her performance." The Company regularly conducts performance</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>the remuneration and nomination for re-election of directors?</p> <p>(IV) Will the Company have the independence of the public accountant evaluated regularly?</p>	✓		<p>evaluations in accordance with the regulations every year and submits the results to the Board of Directors before the end of the first quarter of the next year and apply them as a reference for individual directors' remuneration and nomination for re-election. The performance evaluation of the Board of Directors and functional committees in 2023 was completed on November 7, 2023, and was reported to the Board of Directors on March 12, 2024. For the 2023 performance evaluation results of the Board of Directors, please refer to pages 75-76.</p> <p>(IV) The Company regularly evaluates the audit quality indicators (AQIs) of the CPAs. The Audit Committee of the Company evaluates the independence and competency of the CPAs every year, and requires the CPAs and the affiliated joint accounting firms to provide independent assessment reports and statements issued by the CPAs, as well as the evaluation table of CPAs' audit quality indicators (AQIs). The latest evaluation was approved by the Audit Committee resolution on November 7, 2023, and was reported to the Board of Directors on November 7, 2023, to resolve and approve the audit quality indicators (AQIs) evaluation of CPAs. Refer to the audit quality indicators (AQIs) information to confirm the training hours of CPAs and auditors, the turnover rate of auditors, and the hours engaged by CPAs in audits (including auditing financial reports of publicly issued and</p>	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies										
	Yes	No	Summary description											
			<p>non-publicly issued companies, or the main signature, counter-signing and auditing time involved) by CPAs and affiliated firms are either better than the industry average or equivalent to it.</p> <p>Evaluate programs of the audit quality indicators (AQIs) of CPAs</p> <table> <tr> <th colspan="2">Assessment items</th> </tr> <tr> <td>Aspect 1. Professional indicators</td> <td>Audit experience, training hours, turnover, professional support.</td> </tr> <tr> <td>Aspect 2. Audit quality indicators</td> <td>Accountant load, audit engagement, the status of the engagement quality control review (EQCR), and quality control support capability.</td> </tr> <tr> <td>Aspect 3. Independence</td> <td>Non-audit services and being familiar with clients.</td> </tr> <tr> <td>Aspect 4. Supervise</td> <td>External inspection of deficiencies and penalties, and the competent authority will issue a letter for improvement.</td> </tr> </table> <p>The CPA firm selected by the Company has strict requirements on the CPA independence. For example, the CPA shall be rotated at least once every 5 years. When the CPA firm replaces the CPA due to internal organizational considerations, the professionalism, integrity and independence of the new CPA will be evaluated by the Company, and submits it to the Board of Directors for</p>	Assessment items		Aspect 1. Professional indicators	Audit experience, training hours, turnover, professional support.	Aspect 2. Audit quality indicators	Accountant load, audit engagement, the status of the engagement quality control review (EQCR), and quality control support capability.	Aspect 3. Independence	Non-audit services and being familiar with clients.	Aspect 4. Supervise	External inspection of deficiencies and penalties, and the competent authority will issue a letter for improvement.	
Assessment items														
Aspect 1. Professional indicators	Audit experience, training hours, turnover, professional support.													
Aspect 2. Audit quality indicators	Accountant load, audit engagement, the status of the engagement quality control review (EQCR), and quality control support capability.													
Aspect 3. Independence	Non-audit services and being familiar with clients.													
Aspect 4. Supervise	External inspection of deficiencies and penalties, and the competent authority will issue a letter for improvement.													

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies															
	Yes	No	Summary description																
			<p>resolution.</p> <p>The Company’s CPA independent assessment items are as follows:</p> <table> <tr> <th>Assessment items</th> <th>Assessment result</th> <th>Is it consistent with independence?</th> </tr> <tr> <td>1. Whether the CPA has served as a director of the Company or an affiliated company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>2. Whether the CPA is a shareholder of the Company or an affiliated company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>3. Whether the CPA is paid by the Company or an affiliated company.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>4. Whether the CPA has confirmed that the CPA firm to which he/she operates has complied with the relevant independence norms.</td> <td>Yes</td> <td>Yes</td> </tr> </table>	Assessment items	Assessment result	Is it consistent with independence?	1. Whether the CPA has served as a director of the Company or an affiliated company.	Yes	Yes	2. Whether the CPA is a shareholder of the Company or an affiliated company.	Yes	Yes	3. Whether the CPA is paid by the Company or an affiliated company.	Yes	Yes	4. Whether the CPA has confirmed that the CPA firm to which he/she operates has complied with the relevant independence norms.	Yes	Yes	
Assessment items	Assessment result	Is it consistent with independence?																	
1. Whether the CPA has served as a director of the Company or an affiliated company.	Yes	Yes																	
2. Whether the CPA is a shareholder of the Company or an affiliated company.	Yes	Yes																	
3. Whether the CPA is paid by the Company or an affiliated company.	Yes	Yes																	
4. Whether the CPA has confirmed that the CPA firm to which he/she operates has complied with the relevant independence norms.	Yes	Yes																	

Assessment items	Actual governance					Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary description				
				5. Whether a former partner within one year of disassociating from the CPA firm joins the Company as a director, supervisor, or officer or is in a key position to exert significant influence over the auditing matter.	Yes	Yes	
				6. The CPA has never provided the Company with the audit service for consecutive 7 years.	Yes	Yes	
				7. Whether the CPA meets the requirements about independence referred to in the Statement of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10.	Yes	Yes	
				According to the Company’s evaluation, CPA Keng-Hsi, Chang and Chien-Hsin, Hsieh of Deloitte & Touche meet the independent evaluation standards and are qualified to serve as the Company’s CPA. The CPA firm selected by the Company has strict requirements on the CPA independence. For example, the CPA shall be rotated at least once every 5 years. When the			

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			CPA firm replaces the CPA due to internal organizational considerations, the professionalism, integrity and independence of the new CPA will be evaluated by the Company, and submits it to the Board of Directors for resolution.	
IV. Does a public company equip an appropriate number of eligible governance personnel and assign the governance officer to take charge of company's governance affairs (including, without limitation, providing directors and supervisors with the data required for business operations, assistance for the legal compliance of directors and supervisors, handling affairs related to holding a board meeting or a general meeting of shareholders and producing minutes for board meetings and general meetings of shareholders)?	✓		<p>The Company has set up a corporate governance unit, which consists of the following units:</p> <ol style="list-style-type: none"> <li>1. Full-time unit: Secretariat of the Board of Directors. The account supervisor and spokesperson Jui-Ping, Wang is responsible for coordinating corporate governance related affairs.</li> <li>2. Part-time unit: Financial department personnel are responsible for co-organizing corporate governance related affairs.</li> </ol> <p>The main responsibilities of the corporate governance unit are to provide the information required by the directors to perform their duties, and to handle matters related to the Board meetings and shareholders' meeting in accordance with the regulations.</p> <p>The 2023 business execution is as follows:</p> <ol style="list-style-type: none"> <li>1. The Company has consulted the opinions of all directors before the board meeting to arrange the agenda and notify all directors to attend the meeting and provide sufficient meeting materials seven days before the meeting, so that the directors can understand the content of the relevant issues and complete the minutes of the board meeting within 20 days after the meeting.</li> <li>2. The date of the shareholders' meeting is registered according to the legal deadline, prepared and the meeting notice,</li> </ol>	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies								
	Yes	No	Summary description									
			handbook and the meeting minutes are reported the before the deadline. In accordance with the Corporate Governance Best Practice Principles, independent directors assist in arranging communication meetings when necessary, to communicate with CPA and internal audit supervisors to understand the Company’s financial and business operations.									
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company’s website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	✓		<div>The Company’s website (<a href="http://www.gemservices.com">http://www.gemservices.com</a>) has a dedicated page for stakeholder, and stakeholder can contact the Company at any time via telephone, letter, or email when necessary.</div> <table><tr><th>Stakeholder</th><th>Issues</th><th>Communication channels and response methods</th><th>2023 stakeholder communication performance</th></tr><tr><td>Shareholders and investors</td><td>Financial information Stock information Business performance Dividend policy Corporate governance</td><td>Contact: Spokesperson/ Senior Manager Jui-Ping, Wang Contact number: (886)2-2248-0680 E-mail: IR@gemservices.com ◆ Annual General Meeting ◆ Regular announcement of financial statements and annual reports ◆ Hold Investor Conference ◆ Announcement of important information in accordance with the regulations of the competent authority</td><td>MOPS announced 13 major news. In 2023, 1 investor conference was held.</td></tr></table>	Stakeholder	Issues	Communication channels and response methods	2023 stakeholder communication performance	Shareholders and investors	Financial information Stock information Business performance Dividend policy Corporate governance	Contact: Spokesperson/ Senior Manager Jui-Ping, Wang Contact number: (886)2-2248-0680 E-mail: IR@gemservices.com ◆ Annual General Meeting ◆ Regular announcement of financial statements and annual reports ◆ Hold Investor Conference ◆ Announcement of important information in accordance with the regulations of the competent authority	MOPS announced 13 major news. In 2023, 1 investor conference was held.	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Stakeholder	Issues	Communication channels and response methods	2023 stakeholder communication performance									
Shareholders and investors	Financial information Stock information Business performance Dividend policy Corporate governance	Contact: Spokesperson/ Senior Manager Jui-Ping, Wang Contact number: (886)2-2248-0680 E-mail: IR@gemservices.com ◆ Annual General Meeting ◆ Regular announcement of financial statements and annual reports ◆ Hold Investor Conference ◆ Announcement of important information in accordance with the regulations of the competent authority	MOPS announced 13 major news. In 2023, 1 investor conference was held.									

Assessment items	Actual governance				Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary description				
					◆ Set up an investor contact and mailbox on the Company website		
			Customer	Business performance Product quality Customer service	Contact: Global Customer Management Department/ Senior Manager Shou-Chi, Liu Contact number: (886)2-2248-0680 E-mail: IR@gemservices.com ◆ Visit customers ◆ Email, phone communication		In 2023, the product yield rate reached the customer’s target, so there were no major customer complaints.
			Supplier	Business performance Long-term business strategy Long-term collaboration model	Contact: Materials Management Department/Senior Manager Heng-Yu, Liu Contact number: (886)2-2248-0680 E-mail: IR@gemservices.com ◆ Email, phone communication		In 2023, the supplier management evaluates the delivery time and quality of each manufacturer at the end of each quarter.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	✓		The Company mandates Registrar & Transfer Agency Department Yuanta Securities Co., Ltd. to be the Company's shareholder services agent.	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	✓		(I) The Company has Chinese and English websites ( <a href="http://www.gemservices.com">http://www.gemservices.com</a> ), which regularly disclose information related to the Company's finances, business and corporate governance.	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the investor conference on the Company's website, etc.)?	✓		(II) The Company has set up spokespersons and acting spokespersons as a channel for information collection, disclosure, and external communication, and holds investor conferences from time to time to improve the information transparency. The investor page/ investor conference of the Company's website ( <a href="http://www.gemservices.com">http://www.gemservices.com</a> ) and the MOPS website are available for the investors as reference.	
(III) Does the Company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations?		✓	(III) The Company has not announced and reported its financial statements within two months after the end of a fiscal year, but has published and declared in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations. Please visit the MOPS for more detail ( <a href="https://mops.twse.com.tw/">https://mops.twse.com.tw/</a> ).	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VIII.Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	✓		<ol style="list-style-type: none"> <li>1. Employee rights and employee care: Please refer to the description of labor-management relations in the business overview of this annual report.</li> <li>2. Investor relations: the Company has set up a spokesperson and a spokesperson mailbox to handle shareholder suggestions.</li> <li>3. Supplier relationship: The contract signed by the Company and the supplier includes compliance with the ethical management policy. If the counterparty of the transaction is involved in unethical conduct, the contract may be terminated or rescinded at any time.</li> <li>4. Rights of Stakeholders: Stakeholders may communicate with the Company in various ways to protect their rights.</li> <li>5. Continuous education for directors and supervisors: The Company notifies directors from time to time to participate in relevant professional knowledge continuous education courses. In 2023, the Company has complied with the training hours and training scope stipulated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".</li> <li>6. Implementation of risk management policies and risk measurement standards: The Company has established internal control policies and related management measures, and implements them accordingly.</li> <li>7. Implementation of customer policy: the Company maintains a stable and good relationship with customers for its profitability.</li> <li>8. Purchases of liability insurance for directors and supervisors:</li> </ol>	The above is identical with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			the Company has purchased liability insurance for all directors for the scope of their business.	
IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures and Corporate: (Companies not in the evaluation are not included):				
Item No. and Evaluation Indicator			Improvement description	
1.6 Did the Company hold the general meeting of shareholders before the end of May?			The 2023 annual general meeting of shareholders of the Company has been held before the end of May.	
1.11 Did the Company provide the English annual report 16 days before the day of the general meeting of shareholders?			The Company has uploaded the English version of the annual report 16 days before the day of the general meeting of shareholders.	
3.5 Has the Company uploaded the annual financial report disclosed in English 16 days before the day of the general meeting of shareholders?			The Company has uploaded the annual financial report disclosed in English 16 days before the day of the general meeting of shareholders.	
For corporate governance evaluation results released in the latest year that have not been improved, the priority matters and measures to be strengthened are as follows:				
Indicator	Item No. and Evaluation Indicator			Priorities and measures for strengthening improvement
Strengthen the structure and operation of the Board of Directors	2.14 Did the Company have any non-statutory functional committees such as a nomination committee, risk management committee, or sustainable development committee, and did such functional committees have not less than three members, with at least half of the members being independent directors, and with one or more members possessing the particular professional competences required by the respective committees, and did the Company disclose the organization, functions, and operations of such committees?			The Company will continue to evaluate and add functional committees other than statutory ones according to the needs of the Company.

Assessment items		Actual governance		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	
		Summary description		
Improve information transparency	3.4 Did the Company file its annual financial report audited by CPAs within 2 months from the end of the fiscal year?			The Company will continue to evaluate and comply with the regulations of the competent authority and the need of the Company.
Corporate social responsibility implementation	4.1 Did the Company have a designated (part-time) unit in charge of promoting corporate sustainable development that, following the principle of materiality, conducted risk assessment on environmental, social, or corporate governance issues related to the Company's operations, and formulated relevant risk management policies or strategies, and did the Board of Directors oversee the promotion of sustainable development, and did it disclose the same on the Company's website and in its annual report?			The Company will continue to evaluate and comply with the regulations of the competent authority and the need of the Company.
	4.2 Did the Company have a designated unit in charge of promoting ethical corporate management, with responsibility for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and disclose the unit's operations and implementation on the Company's website and in its annual report, and did the unit report to the board of directors at least once a year?			

(IV) If the Company has set up a Remuneration Committee, it should disclose its composition and operation

1. Composition of the Remuneration Committee

- (1) The Remuneration Committee consists of all independent directors serving as members, totaling 4 members.
- (2) The term of office of the 3rd Remuneration Committee: July 21, 2021 to July 20, 2024.
- (3) Information on the members of the Remuneration Committee

December 31, 2023

<div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Identity</div> <div>Qualification</div> </div>		Professional qualification and experience	Compliance of independence	Number of other public companies where the members are also the members of the remuneration committee of these companies.
Independent Director Convener	Shu, Yeh	Shu, Yeh is currently a director of the Company and he joined the Board on June 19, 2018. Shu, Yeh taught at National Taiwan University and was a professor of the department of accounting. He served as the CFO & SEVP of Chunghwa Telecom Co., Ltd. and possesses accounting and financial expertise. Shu, Yeh holds a Ph.D. in accounting from UCLA.	<ol style="list-style-type: none"> <li>1. Not employed by the Company or any of its affiliated companies.</li> <li>2. Not a director, supervisor of the Company or any of its affiliated companies.</li> <li>3. Does not hold more than 1% of the Company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the Company.</li> </ol>	None.
Independent Director Member	Sen-Tai, Wen	Sen-Tai, Wen is currently a director of the Company and he joined the Board on June 23, 2015. Sen-Tai, Wen is the chairman and CEO of Taiyi International Investment Co., Ltd., and has served as a director and Remuneration Committee of many listed and emerging companies. He possesses business judgment, rich industry experience and is familiar with the international market. Sen-Tai, Wen holds a MBA degree from Rutgers University.	<ol style="list-style-type: none"> <li>4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of</li> </ol>	None.

<div>Qualification</div> <div>Identity</div> <div>Name</div>		Professional qualification and experience	Compliance of independence	Number of other public companies where the members are also the members of the remuneration committee of these companies.
Independent Director Member	Wen Chen, Huang	Wen Chen, Huang is currently a director of the Company and he joined the Board on June 19, 2018. Mr. Huang was the Chairman of Heli Investment Co., Ltd., and has served as a director of many listed and emerging companies. Before that, he was the vice president of the CID Group Ltd., senior manager of CDIB & Partners Investment Holding Corporation, and assistant manager of China Development Financial Holding Corp. He possesses business judgment, rich industry experience and is familiar with the international market. Wen Chen, Huang holds a MBA degree from NCCU MBA Program.	<p>the persons stated in (2) and (3).</p> <p>5. Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the Company according to Paragraph 1 or 2, Article 27 of the Company Act.</p>	None.
Independent Director Member	Yueh-Li, Lee	Yueh-Li, Lee is currently a director of the Company and she joined the Board on June 23, 2015. Prior to this, Yueh-Li, Lee worked as the vice president of finance at Chief Telecom Inc.. Earlier, she worked as the accounting section chief at Chunghwa Telecom Co., Ltd. She possesses accounting and financial expertise. Yueh-Li, Lee holds a bachelor's degree in Department of Business Administration, Tamkang University.	<p>6. Not a director, supervisor or employee of a company controlling over one half of the Company director seats or voting shares under one person.</p> <p>7. Not a director, supervisor, or employee of a company or institution whose chairperson and president or equivalent role is same person or its spouse.</p> <p>8. A director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a</p>	None.

<div>Qualification</div> <div>Identity</div> <div>Name</div>		Professional qualification and experience	Compliance of independence	Number of other public companies where the members are also the members of the remuneration committee of these companies.
			<p>financial or business relationship with the Company.</p> <p>9. Not a professional or owner, partner, director, supervisor, managerial officer or the spouse of these roles of a sole proprietorship, partnership, company or institution that audits or provides related business, legal, financial, accounting services or consultation with service fees accumulating above NT\$500,000 over the last two years for the Company or its affiliates; except for members of the Remuneration Committee, public tender offer review committee or special committee for merger/consolidation and acquisition exercising powers according to the Securities and Exchange Act or the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>10. No spouse or a relative within the second degree of kinship with other directors.</p> <p>11. Does not meet any descriptions stated in Article 30 of the Company</p>	

Identity	Qualification	Professional qualification and experience	Compliance of independence	Number of other public companies where the members are also the members of the remuneration committee of these companies.
	Name			
			Act. 12. There is no government agency or a juristic person acts as a shareholder of the Company elected stipulated in Article 27 of the Company Act.	

## 2. Responsibility of Remuneration Committee

The Remuneration Committee exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors:

- (1) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.
- (2) Periodically evaluate and prescribe the remuneration of directors, and managerial officers.

The Remuneration Committee shall be convened meeting at least twice a year, held at any time as needed.

## 3. Information on the operation of the Remuneration Committee:

The Remuneration Committee convened 3 meetings (A) in 2023 and the participation of the Remuneration Committee are shown below:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance (%) (B/A) (Note)	Remark
Convener	Shu, Yeh	3	0	100%	
Member	Sen-Tai, Wen	3	0	100%	
Member	Wen Chen, Huang	3	0	100%	
Member	Yueh-Li, Lee	3	0	100%	

Note: The actual attendance rate (%) is calculated based on the number of Remuneration Committee meetings and the number of actual attendance during the tenure.

4. 2023 Annual Remuneration Committee Meeting Proposals:

Meeting date (period)	Discussion	Resolution	Handling of the opinions of the Remuneration Committee
March 22, 2023 5th meeting of the 3rd Remuneration Committee	1. 2022 Director Compensation Distribution Proposal in accordance with Article 34.1 of Article of Association. 2. Distribution proposal for the 2022 manager compensation. 3. Proposal for managers' salary adjustment.	Approved with the entire committee members present voting in favor.	Proposed to the Board of Directors for approval by all directors present.
May 10, 2023 6th meeting of the 3rd Remuneration Committee	Proposal for the 2022 Directors' Remuneration Distribution.	Approved with the entire committee members present voting in favor.	Proposed to the Board of Directors for approval by all directors present.
August 9, 2023 7th meeting of the 3rd Remuneration Committee	Proposal for the remuneration and remuneration distribution for the 5th term of directors and independent directors.	Approved with the entire committee members present voting in favor.	Proposed to the Board of Directors for approval by all directors present.

5. Other required information.

- (1) Where the board of directors does not adopt or amend the proposal(s) posed by the Remuneration Committee: The Company shall expressly elaborate on the date, term while the board of directors meeting was convened, contents of the issues, outcome of decisions resolved in the board of directors and the Company's response to the opinions posed by the Remuneration Committee (For instance, if the salary pay resolved by the board of directors is higher than that proposed by the Remuneration Committee, the Company should elaborate on the fact of differential gap and the cause thereof): None.
- (2) Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration, the Company shall expressly elaborate on the date, terms of the meeting convened by the Remuneration Committee, contents of agenda, opinions of all members and acts taken in response to such opinions:

None.

(V) Implementation of the promotion of sustainable development and the deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Does the Company have a specific (or part-time) unit set up to promote the sustainable development governance framework, and the Board of Directors authorizing the management to handle matters and report the supervision results to the Board of Directors?	✓		<p>(I) The Company's Secretariat of the Board of Directors is a part-time unit to promote sustainable development. The promotion unit is composed of GEM Electronics (Shanghai) and GEM Electronics (Hefei). The Board of Directors supervises and guides the sustainable development discussion on environment, social and corporate governance.</p> <p>(II) Supervisory of the Board of Directors: The greenhouse gas inventory and verification work group regularly provides implementation status and plans to the secretariat of the Board of Directors. Then the secretariat of the Board of Directors will report the implementation status to the Board of Directors on a quarterly basis. Other promotion groups regularly provide relevant information such as implementation status or certifications obtained to the secretariat of the Board of Directors. Each promotion group is based on the division of labor and responsibilities, and is handled by each organizer in accordance with its authority.</p> <p>(III) The secretariat of the Board of Directors is responsible for the following matters: Status follow up on various promotional plans. Collect the implementation results of each promotion plan.</p> <p>For the relevant governance on the promotion group members, please refer to page 108 of this annual report.</p>	No significant difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
II. Does the Company assess the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies or strategies in relation to risk management?	✓		<p>The Company has formulated the “Sustainable Development Best Practice Principles” to implement corporate governance, promote the sustainable environment development, and protect social welfare. The Company has also formulated the “Procedures for Handling Material Inside Information” and “Procedures for Ethical Management and Guidelines for Conduct” for the implementation of risk management policies.</p> <p>The risk assessment boundary is based on the Company, including existing bases in Taiwan and Mainland China. It is also based on the relevance to the operation of the industry and the degree of influence on significant matters where the subsidiaries GEM Electronics (Shanghai) Co., Ltd., GEM Electronics (Hefei) Co., Ltd., and GEM Tech Ltd., Taiwan Branch were included in the scope.</p> <p>For risk assessment on environment, social and corporate governance, please refer to page 117 of this annual report.</p>	No significant difference
III. Environmental issues				
(I) Does the Company have an appropriate environmental management system established in accordance with its industrial characteristics?	✓		<p>(I) The Company lives up to the spirit of corporate environmental protection and complies with various applicable environmental protection laws and regulations. All the Company's factories have passed the ISO14001 environmental system management certification. The latest certificate of Shanghai factory is valid from August 17, 2023 to August 16, 2026. The latest certificate of Hefei factory is valid from March 1, 2022 to March 1, 2025.</p> <p>Since 2023, the Company has conducted greenhouse gas inventory in accordance with the ISO14064-1 standard, followed up on the emission reduction effect, and disclosed it accordingly.</p>	No significant difference
(II) Is the Company committed to enhancing the power efficiency and using renewable materials	✓		<p>(II) The Shanghai factory's 2023 target was the electricity consumption per unit of product basically the same as in 2022. It</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
that are with low impact on the environmental impacts?			<p>has reached the target and reduced energy consumption through the improvement of energy-saving projects. The Hefei factory's 2023 target was to reduce the electricity consumption per unit of product by 22% compared with 2022. It has reached the target and reduced energy consumption through the improvement of energy-saving projects.</p> <p>The raw materials used by the Company are all in compliance with the European Union's RoHS Directive, REACH, and halogen-free restrictions. We have established an integrated system for resource recycling across different platforms on the local government website. It can track material recycling and reuse. It enables us to reduce the burden on the environment through production method optimization, waste reduction, raw material recycling and reuse, and packaging material recycling and sharing.</p> <p>In terms of green manufacturing, we reduce unnecessary waste of resources and seek to develop waste reduction and reuse technologies; in the upstream and downstream of the value chain, we work together to recycle and share packaging materials; in terms of products, we strive to test using recycled materials with low impact on the environment, maximizing circular economic benefits. Create circular value through process raw material recycling, waste reduction technology research and development, and the design and sale of circular products.</p>	
(III) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related?	✓		(III) We have incorporated greenhouse gas reduction issues into our risk management process to continue to assess the potential risks and opportunities from climate change for the Company, and proactively implement energy	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																							
	Yes	No	Summary description																								
(IV) Did the Company produce statistics on the GHG emissions, water consumption, and total waste in the last two years? Has the Company established policies for GHG reduction, water conservation, and waste management?	✓		<p>conservation and carbon reduction, greenhouse gas reduction, water saving, and other waste management projects. Since 2023, the Company has completed the greenhouse gas inventory in accordance with the ISO14064-1 standard, followed up on the emission reduction effect, and disclosed it accordingly. In 2024, it will conduct a third-party verification.</p> <p>(IV) The Company pays attention to the impact of climate change on our operating activities and has established an energy management unit to reduce the impact of our operating activities on climate change.</p> <p>GEM Electronics (Shanghai) Co., Ltd., GEM Electronics (Hefei) Co., Ltd., and GEM Tech Ltd., Taiwan Branch verified the greenhouse gases generated within their operational boundaries from January 1 to December 31, 2023. On April 6, 2024, the Greenhouse Gas Verification Opinion Declaration Certificate from DNV Business Assurance China was obtained, with certificate number 00020 - 2024-GHG-RGC Rev.1.</p> <p>Shanghai Factory: Unit: tCO2</p> <table><tr><td>Greenhouse gases</td><td>2022</td><td>2023</td></tr><tr><td>Scope 1</td><td>26.56</td><td>100.67</td></tr><tr><td>Scope 2</td><td>15,383.22</td><td>20,810.64</td></tr><tr><td>Scope 3</td><td>0</td><td>2,483.75</td></tr><tr><td>Per unit of product (Kpcs) Emissions</td><td>0.004</td><td>0.007</td></tr></table> <p>Unit: Metric ton</p> <table><tr><td>Water consumption</td><td>2022</td><td>2023</td></tr><tr><td>Total water consumption</td><td>107,296</td><td>108,191</td></tr><tr><td>Water use</td><td>0.028</td><td>0.037</td></tr></table>	Greenhouse gases	2022	2023	Scope 1	26.56	100.67	Scope 2	15,383.22	20,810.64	Scope 3	0	2,483.75	Per unit of product (Kpcs) Emissions	0.004	0.007	Water consumption	2022	2023	Total water consumption	107,296	108,191	Water use	0.028	0.037
Greenhouse gases	2022	2023																									
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Scope 2	15,383.22	20,810.64																									
Scope 3	0	2,483.75																									
Per unit of product (Kpcs) Emissions	0.004	0.007																									
Water consumption	2022	2023																									
Total water consumption	107,296	108,191																									
Water use	0.028	0.037																									

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																																																						
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IV. Social issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	✓		(I) The Company complies with relevant laws and regulations such as the Labor Standards Act, Labor Contract Law, Employment Service Act and Act of Gender Equality in Employment, and recognizes and follows the “United Nations Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Rights”, “United Nations International Labor Organization ” and other recognized international human rights principles, as well as respects the protection stipulated in international human rights bills. We have established the RBA-2001RBA System Control Program in accordance with the Responsible Business Alliance (RBA) Code of Conduct. We strive to raise employees’ awareness of the Company's internal rules and provide complaint channels to protect their rights and interest as we firmly believe that every and each member of the Company should be treated fairly and respected. There has never been any child labor or forced labor and human rights violations.	No significant difference															

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?	✓		<p>(II) Employee remuneration: The employee remuneration policy is determined based on personal ability, contribution to the Company, performance, professional competitiveness and consideration of the Company's operation results. Article 34.1 of the Articles of Association stipulates that if the Company makes profits in the fiscal year, it shall distribute employee compensation at 5% to 10% of the profit in the fiscal year. Employee compensation will be distributed in stock or cash in accordance with the employee incentive plan stipulated in Article 11.1 of the Articles of Association. The recipients of employee remuneration may include employees of affiliated companies who meet certain conditions.</p> <p>Employee benefits: The Company's Shanghai and Hefei factories have employee canteens, transportation vehicles and employee dormitories.</p> <p>The Company provides various high-quality benefits for employees, such as allowances for production line employees who have obtained professional certificates, housing allowances for non-local employees, regular employee meal subsidies, birthday gift certificates, marriage allowances, maternity allowances, funeral allowances, and regular health checks. The Shanghai factory and the Hefei factory's employees are entitled to annual paid leave according to law.</p> <p>Besides a fixed five-day work week, the employees of the Taiwan company receive four days of paid leave every year who have worked for one year (those who have not completed one year will be given pro rata leave) in addition to the special leave given according to the</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		<p>seniority stipulated in the Labor Standards Act.</p> <p>Workplace diversity and equality: The Company ensures men and women have equal pay for equal work. The average proportion of female employees in the Company was 49% in 2023.</p> <p>Business performance reflected in employee remuneration: The Company adjusts the salary every year according to the market salary level and individual performance to maintain the salary competitiveness. The average salary adjustment in 2023 was 4.48%.</p> <p>(III) The Company's safety management policy follows the following safety management guidelines: Safety first: establish a safe and harmonious working environment to protect the physical and mental health of employees; prevention first: comply with the laws and regulations, eliminate violations, and prevent injuries and health damages; participate in consultation: safe is the responsibility for everyone in production and it is ensured with civilized , smooth and good internal and external communication mechanism; continuous improvement: improve the work environment and attitude, and continuously enhance the corporate culture.</p> <p>In 2023, the Shanghai factory had three and the Hefei factory had three occupational accidents, totaling six, accounting for 0.23% of the total number of employees at the end of the year. The Company is committed to ensuring the safety and health of employees, and is striving to achieve zero work-related injuries.</p> <p>After a thorough review of the improvement measures, the Company immediately upgraded the equipment software, installed anti-collision strips on equipment, and reiterated the</p>	

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																				
	Yes	No	Summary description																					
			<p>Company's safety and protection of life clauses to ensure the safety of our employees at work. To protect workers from harmful substances in the workplace and provide them with a healthy and comfortable work environment, the Company performs monitoring tests of the work environment once per year to gradually understand workers' exposure to relevant risks.</p> <p>Occupational safety auditing: The Company's EHS Department is responsible for implementing an occupational safety work plan. The task force performs audits as planned and prepares an improvement report on issues identified for each unit to make improvements, and reviews the defects at relevant meetings based on the improvement suggestions.</p> <p>The Shanghai factory's occupational safety auditing:</p> <table><tr><td>Standardized safety combined inspection</td><td>At least once per year</td></tr><tr><td>Professional safety inspection</td><td>At least once per quarter</td></tr><tr><td>Monthly inspection</td><td>Once per month</td></tr><tr><td>Team inspection</td><td>At least once per team</td></tr><tr><td>Unscheduled or construction site inspection</td><td>Depending on risks and construction situation</td></tr></table> <p>The Hefei factory's occupational safety auditing:</p> <table><tr><td>Standardized safety combined inspection</td><td>At least once per year</td></tr><tr><td>Professional safety inspection</td><td>At least once per quarter</td></tr><tr><td>Monthly inspection</td><td>Once per month</td></tr><tr><td>Team inspection</td><td>At least once per team</td></tr><tr><td>Unscheduled or construction site inspection</td><td>Depending on risks and construction situation</td></tr></table> <p>The Company's verification status: The Company's Shanghai factory and Hefei factory have passed ISO45001 verification and</p>	Standardized safety combined inspection	At least once per year	Professional safety inspection	At least once per quarter	Monthly inspection	Once per month	Team inspection	At least once per team	Unscheduled or construction site inspection	Depending on risks and construction situation	Standardized safety combined inspection	At least once per year	Professional safety inspection	At least once per quarter	Monthly inspection	Once per month	Team inspection	At least once per team	Unscheduled or construction site inspection	Depending on risks and construction situation	
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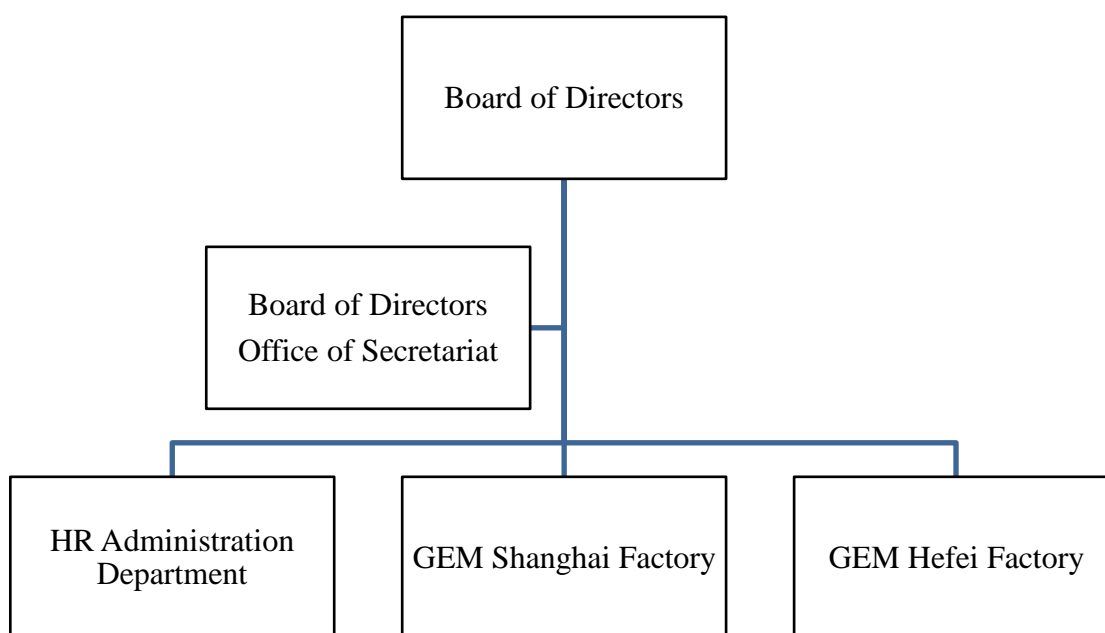
Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary description													
(IV) Does the Company have an effective career capacity development training program established for the employees?	✓		<p>the local government’s safety production verification.</p> <p>The latest certificate of Shanghai factory is valid from July 21, 2023 to July 20, 2026.</p> <p>The latest certificate of Hefei factory is valid from April 2, 2021 to April 2, 2024.</p> <p>In 2023, there were no fires or casualties in the Company’s Shanghai and Hefei factories.</p> <p>(IV) The Company establishes education and training plans every year according to the needs of the employees in each department, including new employee training and professional continuous education (annual continuous education for auditors, accountants and safety production administrators, etc.) where employees can enhance their professional functions by participating in internal and external education and training courses.</p> <p>In 2023, the total number of the Shanghai factory’s training hours was 875, and the Hefei factory was 16,458.</p> <p>Implementation of education and training in the Company’s Taiwan Branch in the past two years:</p> <table><tr><th>Year/ Participants</th><th>Supervisor education and training</th><th>Accountant education and training</th><th>Auditor education and training</th></tr><tr><td>2022</td><td>11</td><td>7</td><td>6</td></tr><tr><td>2023</td><td>15</td><td>10</td><td>4</td></tr></table>	Year/ Participants	Supervisor education and training	Accountant education and training	Auditor education and training	2022	11	7	6	2023	15	10	4	
Year/ Participants	Supervisor education and training	Accountant education and training	Auditor education and training													
2022	11	7	6													
2023	15	10	4													
(V) Does the Company comply with the related laws and regulations and international standards regarding the customer health and safety, customer privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?	✓		<p>(V) During the R&amp;D process, the Company considers product safety, develops safe products, and provides customers with material safety data sheets (MSDS) and hazardous substance testing reports to ensure their health and safety;</p> <p>We sign non-disclosure agreements with customers to protect their privacy. The Company is an original equipment manufacturer (OEM) and abides by the customer identification principle. The Company abides by applicable laws and regulations, formulates customer</p>													

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(VI) Has the Company established policies for management to request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the Company keep track on the implementation of such policies?	✓		<p>complaint handling procedures and rules, and relevant departments communicate with customers and solve their complaints in real time, to safeguard their rights and interest.</p> <p>The Company has established a Customer Service Department. It proactively conducts customer satisfaction surveys per year to confirm the implementation of various customer policies, accept and handle customer complaints, and assist front-line business colleagues to handle customer complaint cases and do a good job in protecting customer rights and interests.</p> <p>(VI) The Company has established the supplier management procedures to request suppliers to abide by applicable rules of environmental protection, occupational safety and health, and workers' human rights and signed a contract with them, specifying the provision that in the case of a breach of contract, the Company may terminate or revoke the contract at any time. The Company adopts the Supplier Social Responsibility Assessment Form to evaluate each supplier's implementation of measures for environmental protection, occupational safety and health, and workers' human rights. If any problem is discovered, a given supplier should correct it immediately and make continuous improvement.</p>	
V. Did the Company, following internationally recognized guidelines, prepare and publish reports such as its sustainable environment report to disclose non-financial information of the Company? Did the Company apply for assurance or guarantee of such reports to a third-party certification body?		✓	The Company has not compiled it yet, but has formulated a Corporate Social Responsibility Best Practice Principles, and will prepare it in due course in the future considering international trends and market changes.	No significant difference

Promotion items	Performance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
VI. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the principles and their implementation: The Company has formulated a Sustainable Development Best Practice Principles, and operates in accordance with the norms of the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.				
VII. Other important information for the implementation of sustainable development: The Company implements various environmental protection policies, strives to raise the awareness of environmental protection and social responsibility of all employees, and ensures that the products comply with environmental protection regulations.				

The Company's promotion of sustainable development:

I. Framework for promoting sustainable development:



II. Promoting sustainable development governance:

1. Secretariat Office of the Board of Directors: Promote the functions of the Board of Directors and implement compliance with laws and regulations in line with the trend of corporate governance.
2. Human Resources Administration Department: Implement labor-management communication, employee health and safety.
3. GEM Electronics (Shanghai) and GEM Electronics (Hefei): Improve supply chain management, provide customer service, improve product quality and safety, greenhouse gas emissions and waste management, and assess the impact of climate change.

III. Promote sustainable development risk assessment:

Issues	Risk assessment	Risk management strategies and measures
Environment	Environmental protection Climate change	1. The Company strives to save energy and reduce carbon emissions, and regularly conducts greenhouse gas inventory every year, with the goal to reduce carbon dioxide emissions per each production unit year by year. By implementing a standardized safety management cycle, we can effectively reduce pollution emissions and address environmental problems.

Issues	Risk assessment	Risk management strategies and measures
		<p>2. The Company's main markets are the United States, the European Union, and Asia; such regions require products to be in compliance with environmental protection regulations. Thus, the Company's factories have obtained ISO14001 environmental system management certification.</p> <p>3. The Company has adopted the ISO14064 standard since 2023 and conducted inventories of greenhouse gas emissions according to the ISO14064-1 standard to monitor the impact facing the Company's operations. We will continue to implement carbon reduction measures according to the carbon inventory results.</p> <p>4. We will draw up an annual internal audit plan to audit the Company's compliance with the applicable environmental laws and regulations and audit each operating process to see if it is in compliance with the regulations.</p>
Society	Workplace safety Employee recruitment and training	<p>1. All factories of the Company passed the ISO45001 occupational health and safety management system verification.</p> <p>2. We regularly hold firefighting exercises and offer occupational safety training per year to train employees' ability to respond to emergencies and manage their own safety.</p>
	Product safety	All the Company's products are in compliance with various laws and regulations promulgated by

Issues	Risk assessment	Risk management strategies and measures
		<p>the government and the EU RoHS Directive without containing any hazardous substances.</p> <p>Meanwhile, to ensure the quality of our customer service, we have set up a customer service hotline and website and regularly conduct customer service satisfaction surveys per year to enhance the partnerships with our customers.</p> <p>To transfer commodity liability risks, reduce property losses, and improve product safety, the Company has purchased product liability insurance.</p>
Corporate governance	Socioeconomic and legal compliance	Through the establishment of a governance organization and the implementation of an internal control mechanism, the Company ensures that all personnel and operating procedures comply with relevant laws and regulations.
	Strengthen the functions of directors	Plan relevant training and provide the latest regulations for directors. In addition, director liability insurance is provided for directors to protect them from lawsuits or claims.
	Stakeholder communication	Establish various communication channels, communicate, and reduce opposition and misunderstanding. Establish an investor mailbox, which will be handled and responded to by the spokesperson.

## Climate-Related Information of the Company

### 1. Implementation of Climate-Related Information

Item	Implementation status					
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The board of directors is the highest governance unit on climate change issues and is responsible for the supervision and decision-making of the Company's climate change governance work. The Chairman and General Manager ensure that risks and opportunities related to climate change issues are reported to the Board in a timely manner.					
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	In order to mitigate the climatical influence on operation and finance, the Company enhances the organizational climate resilience and define short-term as within 3 years, medium-term as 3 to 5 years, and long-term as 5 years or more.					
	Risk Type and Opportunity	Short-term	Medium term	Long-term	Influence on Finance	Response Measures
	Transition risk	Greenhouse Gas emissions control, carbon tax, carbon fees.	Transition to low-carbon/ plastic Reduction technologies	Net zero emissions.	Operational Costs increase.	Establish a comprehensive inventory and audit system for greenhouse gas emissions at all global manufacturing sites, conducting annual greenhouse gas audits and

						obtaining external third party verification.
	Physical risk	Extreme climate leads to increase in natural disasters.	Supply chain disruptions.	Rise in average temperature.	Production Impacted and results in decrease in operating revenue.	Establish a sustainable supply chain management mechanism.
	Opportunity	Innovation in new low carbon products and services.	Improvement in resource utilization efficiency.	Improvement in corporate reputation.	Enhancement of fundraising prospects while mitigating capital costs.	Continuous investment in the development of low-carbon products and corporate governance.
3. Describe the financial impact of extreme weather events and transformative actions.	Please see Item 2 above.					
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The board of directors is responsible for reviewing internal risk management policies, structures, systems and regulations, as well as and response measures for material risks.					
	The Company’s risk management procedures are as below:					
	Management Procedures	Description				
	Risk Identification	Identify and list possible risks based on past experience and external information.				
	Risk Analysis	Based on the identified risk factors, the frequency and magnitude of losses				

		are analyzed through practical experience, scenario simulation analysis and other methods.
	Risk Assessment and Response	Classify the frequency and extent of losses determined by the risk analysis and calculate the risk level. Response measures to face risks include: risk retention and risk transfer
	Risk Monitoring	Each responsible unit is responsible for risk management and reports to the board of directors regularly.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	TCFD scenario analysis has not been performed yet.	
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Risk assessment of relevant transition plans has not been executed yet.	
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated	No internal carbon pricing has been determined so far.	

8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	No climate-related targets have been set so far.
9.Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	Please refer to tables 1-1 and 1-2 below.

## 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.					
For the greenhouse gas inventory of the years 2022 and 2023, the organizational boundary includes the Company and its subsidiaries. Greenhouse gas emission intensity is calculated per unit of product (Kpcs), and the operation revenue for the year 2022 is 4,909,664.03(Kpcs); and 3,987,821.09 (Kpcs) in 2023.					
		2022 ( metric tons CO <sub>2</sub> e )	2022 Carbon Intensity ( metric tons CO <sub>2</sub> e /Kpcs )	2023 ( metric tons CO <sub>2</sub> e )	2023 Carbon Intensity ( metric tons CO <sub>2</sub> e /Kpcs )
	Scope 1	218.73	0.000045	240.66	0.000060
	Scope 2	29,004.22	0.005908	33,787.21	0.008473
	Scope 3	-	-	5,048.34	0.001266

### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
The Company's greenhouse gas information for the year of 2023 was verified by DNV Business Assurance China, covering GEM Electronics (Shanghai) Co., Ltd., GEM Electronics (Hefei) Co., Ltd., and GEM Tech Ltd., Taiwan Branch. The verification was performed on the basis of ISO 14066:2023 、ISO

14065:2020 and ISO 14064-3:2019 as well as criteria given to provide for consistent GHG emission identification, calculation, monitoring and reporting; the verification opinion is verified without qualification.

## 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

The Company's paid-in capital is less than NTD5 billion. Inventory information disclosure shall be completed starting in 2027 and the assurance information disclosure shall be complete starting in 2029 according to Financial Supervisory Commission Letter No. Jin-Guan-Zheng-Qian-Zi 11103849344. As the result, there is no relevant plan for this year.

## (VI) Performance in ethical corporate management inconsistency with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
I. Business Integrity Policy and action plans				
(I) Has the Company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?	✓		(I) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", and the Board of Directors and senior management shall follow these regulations. And it will be clearly stated on the Company's website ( <a href="http://www.gemservices.com">http://www.gemservices.com</a> ) under Investors/Company Regulations and the MOPS.	Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
(II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with	✓		(II) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct", which are based on preventive measures in accordance with the subparagraph of Paragraph 2, Article 7 of the	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?</p>	✓		<p>“Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. It requires implementations for all relevant units.</p> <p>(III) The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to define the plan to prevent unethical behaviors, including procedures, guidelines, punishment and complaint systems for violations. Take preventive measures for business activities with higher risks of ethical conducts.</p>	
<p>II. Proper enforcement of business integrity</p> <p>(I) Does the Company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p> <p>(II) Has the Company established a dedicated (concurrent) unit to implement ethical corporate management under Board of Directors and report regularly (at least once a year) to BOD the status</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company regularly evaluates the ethical record of the counterparty. It also requires compliance with ethical management to be included in the terms of the contract when it signs a contract with others to prevent unethical conduct.</p> <p>(II) The Company designates the Secretariat of the Board of Directors as a full-time unit to promote corporate ethical management, and regularly (once a year) report its implementation to the Board of Directors.</p>	Consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>of implementation and supervision of ethical management policy and preventive programs of unethical behavior?</p> <p>(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p>	✓		<p>(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" clearly requires that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item; If any employee or the representative of juristic person have a conflict of interest, relevant matters must be reported to both the immediate supervisor and Secretariat of the Board of Directors, and the immediate supervisor should provide appropriate guidance.</p>	
<p>(IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical</p>	✓		<p>(IV) The Company has established an accounting system and internal control policies based on the implementation of ethical management, and the effectiveness of the operation is regularly reviewed by CPA and internal auditors.</p>	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>behavior or hire a CPA to perform the audit?</p> <p>(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>	✓		<p>(V) The Company's 2023 internal education and training on ethical management issues: There were a total of 603 person-times of the Hefei factory took the course Business Conduct and Code of Ethics, totaling 482.4 hours.</p>	Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p>	✓		<p>(I) The Company incorporates ethical management to employee performance evaluations and human resources policy, establishes clear and effective systems for rewards, penalties, and complaints, and provides legitimate reporting channels. If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company designates the secretariat as the dedicated unit and announces the reporting mailbox on the Company website.</p> <p>The reporting channel information is as follows:</p> <p>1. Report hotline: (02)2248-0680</p> <p>2. Report mailbox: Audit_Committee@gemservices.com</p> <p>Principle:</p> <p>A whistleblower shall at least furnish the following</p>	Consistent with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			<p>information:</p> <ol style="list-style-type: none"> <li>1. The whistleblower's name (whistleblowing reports may be submitted anonymously), and an address, telephone number and e-mail address where it can be reached.</li> <li>2. The informed party's name or other information sufficient to distinguish its identifying features.</li> <li>3. Specific facts available for investigation.</li> </ol> <p>The Company handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.</p> <p>Investigation procedures and processing deadlines:</p> <ol style="list-style-type: none"> <li>1. An information shall be reported to the department head if involving the rank and file and to an independent director if involving a director or a senior executive.</li> <li>2. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related</li> </ol>	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			<p>department.</p> <p>3. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report to the competent authority, refer said person to judicial authority for investigation, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.</p> <p>5. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective</p>	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?</p> <p>(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?</p>	<p>✓</p> <p>✓</p>		<p>measures to prevent recurrence.</p> <p>6. The responsible unit of the Company shall submit to the board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.</p> <p>(II) The Company has established standard investigation and handling procedures for reported matters, and properly keep and manage the reports confidentially during the investigation process.</p> <p>(III) The Company encourages employees to report unethical conducts and fulfill its duty of protecting the whistleblower that retaliation or victimisation of whistleblowers will not happen.</p>	
<p>IV. Enhanced information disclosure</p> <p>Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?</p>	<p>✓</p>		<p>The “Procedures for Ethical Management and Guidelines for Conduct” have been announced and disclosed on the MOPS and Company website.</p>	<p>Consistent with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”</p>
<p>V. Where a Company has worked Ethical Corporate Management Guiding Principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please expressly elaborate on the differential gap between the substantial performance and the Practice Principle:</p> <p>The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, which are based on preventive measures in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. There is no significant difference.</p>				

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity). When the Company conduct business with suppliers, it upheld and advocate the ethical principle to suppliers. In addition, the Company will promote in relevant meetings or employee education and training from time to time to establish an ethical corporate culture.				

(VII) Where the Company has formulated the corporate governance principles and related regulations, it should disclose its inquiry method

The Company has formulated Corporate Governance Best Practice Principles and related regulations shown in the following:

1. Parliamentary Procedure for the Shareholders Meeting
2. Procedures for Election of Directors
3. Procedures for Acquisition and Disposal of Assets
4. Procedures for Loaning Funds to Others
5. Procedures for Making of Endorsements/Guarantees
6. Audit Committee Charter
7. Remuneration Committee Charter
8. Corporate Governance Best-Practice Principles
9. Ethical Corporate Management Best Practice Principles
10. Procedures for Ethical Management and Guidelines for Conduct
11. Sustainable Development Best Practice Principles
12. Codes of Ethical Conduct
13. Rules Governing the Scope of Powers of Independent Directors
14. Self-Regulatory Rules on Disclosure of Merger and Acquisition Information
15. Self-Evaluation or Peer Evaluation of the Board of Directors

Inquiry method: Please visit the Investor page/ Regulations in the Company's website (<http://www.gemservices.com>), or to the Corporate Governance/ Corporate Governance Structure/ The Relevant Rules and Regulations of Corporate Governance of the MOPS (<http://mops.twse.com.tw>).

(VIII) Any other material information that would afford a better understanding of the status of the Company’s implementation of corporate governance

1. The Company has established “Procedures for Handling Material Inside Information” as the basis for the Company’s internal material information handling and disclosure mechanism for directors, managers and all employees to follow.
2. The Company regularly arranges senior executives to participate in corporate governance training courses, and the progress of the training is as follows:

Title	Name	Date	Organizer	Course name	Training hours
Business Integration Department/ Senior Manager	Chun-Ching, Wu	April 20 to April 22, 2023	Taiwan Stock Exchange/ Taiwan Institute for Sustainable Energy	Climate action managers of TWSE Listed Companies	20 hours
Senior Manager of Finance Department	Jui-Ping ,Wang	June 9, 2023	Taiwan Stock Exchange	2023 Insider Trading Prevention Seminar (Virtual Seminar)	3 hours
Senior Manager of Finance Department	Jui-Ping ,Wang	July 13, 2023	Taiwan Stock Exchange	Promotion meeting on the Sustainable Development Action Plan for TWSE/TPEX Listed Companies	3 hours
Senior Manager of Finance Department	Jui-Ping ,Wang	August 17 to August 18, 2023	Taiwan Corporate Governance Association	Net-zero sustainable talent training class	9 hours
Senior Manager of Finance Department	Jui-Ping ,Wang	October 19, 2023	Deloitte & Touche	Analysis of International IFRS Sustainable Disclosure Standards and Corporate Response Strategies	3 hours
Senior Manager of Finance Department	Jui-Ping ,Wang	November 15, 2023	Taiwan Stock Exchange	2023 Insider Equity Trading Legal Compliance Seminar	3 hours

(IX) Hands-on performance in the internal control policies:

1. Internal Control Statement

GEM Services, Inc.

Declaration of Internal Control Policies

Date: March 12, 2024

The following declaration is based on the 2023 self-audit over the Company's internal control policies:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities the Company's board of directors and managers. These policies were implemented throughout the Company. The purpose is to provide a reasonable assurance on the achievement of the goals, including the effectiveness and efficiency of operations (including profitability, performance and security of assets, etc.) and the report with effectiveness, timeliness, transparency, and compliance with the relevant requirements and regulations and laws.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. Pursuant to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Governing Regulations"), the Company should study and judge whether the Company's internal control system is effective in design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company has adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the Company's internal control system in both design and implementation.
- V. On the grounds of the outcome of evaluation mentioned in the preceding Paragraph, the Company firmly holds that the Company's internal control system as of December 31, 2023 (including supervisory control and management over subsidiaries), notably the effect of the business operation, extent of accomplishment of the target where the report proves trustworthy, transparent in real time, the design and implementation of the Company's internal control system proves effective, capable of assuring accomplishment of the aforementioned targets.
- VI. This declaration forms part of the main contents of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the

Securities and Exchange Act.

VII. The present Declaration of Internal Control System was granted a pass in the board of directors meeting convened on March 12, 2024. That board of directors meeting was attended by 9 directors among whom 0 director objected. All present directors unanimously responded with consent to the contents of the Declaration. This is the another point duly clarified herewith.

GEM Services, Inc.

Chairman: Chu-Liang, Cheng

President: Yen-Chiang, Tang

2. Audit of the internal control policies by CPA shall disclose the accountant's review report

Not Applicable.

(X) In the latest year and up to the publication date of the annual report, the Company and inside personnel having been penalized for violation of the requirements in the internal control system, the major defects and corrective action completed: None.

(XI) In the latest year and up to the publication date of the annual report, board and the shareholders' meeting had resolved significant decisions

1. Important resolutions and implementation of the shareholders' meeting

Date	Term	Significant decisions resolved	Performance
May 31, 2023	General meeting of shareholders	<ol style="list-style-type: none"> <li>1. Approved the 2022 Consolidated Business Report and Consolidated Financial Statements.</li> <li>2. Approved the 2022 earnings distribution proposal.</li> <li>3. Amendment of the Articles of Association</li> <li>4. Proposal to amend the "Parliamentary Procedure for the Shareholders Meeting" of the Company.</li> </ol>	<ol style="list-style-type: none"> <li>1. The resolution was approved.</li> <li>2. The resolution was approved that the Chairman was delegated to set June 26, 2023 as the ex-dividend record date and July 5, 2023 as the payout date in accordance with the Company's Articles of Incorporation. (Cash dividend of NT\$5.5 per share).</li> <li>3. The resolution was approved.</li> <li>4. The resolution was approved passed and handled in accordance with the revised procedures.</li> </ol>

2. Significant decisions resolved in board meeting

Date (period)	Significant decisions resolved
February 23, 2023	1. Amendment of the "Articles of Association".

Date (period)	Significant decisions resolved
10th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>2. Proposal to amend the “Parliamentary Procedure for the Shareholders Meeting”.</li> <li>3. Proposal to amend the “Rules of the Procedure for Board of Directors Meetings”.</li> <li>4. Amendment of the “Corporate Governance Principles”.</li> <li>5. Proposal to convene the 2023 general meeting of shareholders.</li> </ol>
March 22, 2023 11th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. Proposal for the 2022 employee compensation provided in accordance with the Articles of Association.</li> <li>2. [Proposal from Remuneration Committee] Appropriate the 2022 director compensation in accordance with Article 34.1.</li> <li>3. [Proposal from Audit Committee] 2022 annual consolidated business report and consolidated financial report.</li> <li>4. [Proposal from Audit Committee] The Company’s 2022 earnings distribution with cash dividend.</li> <li>5. [Proposal from Audit Committee] The Company’s 2022 earnings distribution table.</li> <li>6. [Proposal from Audit Committee] 2022 annual internal control policies effectiveness assessment and declaration of internal control policies.</li> <li>7. [Proposal from Audit Committee] Proposal to amend the Internal Control System Self-assessment Operating Procedures.</li> <li>8. [Proposal from Remuneration Committee] Distribution proposal for the 2022 manager compensation.</li> <li>9. [Proposal from Remuneration Committee] Salary adjustment proposal of the Company’s managers.</li> </ol>
May 12, 2023 12th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. [Proposal from Audit Committee] The Company’s consolidated financial report for the first quarter of 2023.</li> <li>2. The Company has set up a corporate governance manager in compliance with legal requirements.</li> <li>3. [Proposal from Remuneration Committee] Proposal for the 2022 Directors’ Remuneration Distribution.</li> </ol>
August 9, 2023 13th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. [Proposal from Audit Committee] The Company’s consolidated financial report for the second quarter of 2023.</li> <li>2. [Proposal from Remuneration Committee] Proposal for the remuneration and remuneration distribution for the 5th term of directors and independent directors of the Company.</li> </ol>
November 7, 2023 14th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. [Proposal from Audit Committee] The Company’s consolidated financial report for the third quarter of 2023.</li> <li>2. Proposal to formulate the 2024 internal audit plan of the Company and its subsidiaries.</li> <li>3. Formulate the Company's 2024 operation plan.</li> <li>4. [Proposal from Audit Committee] The Company regularly evaluates the audit quality indicators (AQIs) of CPAs.</li> </ol>

Date (period)	Significant decisions resolved
	<ol style="list-style-type: none"> <li>5. [Proposal from Audit Committee] 2024 Remuneration Proposal for CPAs.</li> <li>6. [Proposal from Audit Committee] Proposal to amend the Company's internal control system.</li> </ol>
March 12, 2024 15th meeting of the 5th Board of Directors	<ol style="list-style-type: none"> <li>1. Proposal for the 2023 employee compensation provided in accordance with the Articles of Association.</li> <li>2. [Proposal from Remuneration Committee] Appropriate the 2023 director compensation in accordance with Article 34.1.</li> <li>3. [Proposal from Audit Committee] 2023 annual consolidated business report and consolidated financial report.</li> <li>4. [Proposal from Audit Committee] The Company's 2023 earnings distribution with cash dividend.</li> <li>5. [Proposal from Audit Committee] The Company's 2023 earnings distribution table.</li> <li>6. [Proposal from Audit Committee] 2023 annual internal control policies effectiveness assessment and declaration of internal control policies.</li> <li>7. [Proposal from Audit Committee] Proposal to amend the Internal Control System.</li> <li>8. Proposal to amend the "Rules of the Procedure for Board of Directors Meetings".</li> <li>9. Proposal to amend the "Audit Committee Charter Procedures".</li> <li>10. Re-election of directors of the Company.</li> <li>11. Lifting the non-competition restrictions for new directors.</li> <li>12. Propose and review the list of candidates for directors and independent directors.</li> <li>13. Convene the 2024 general meeting of shareholders.</li> <li>14. [Proposal from Remuneration Committee] Salary adjustment proposal of the Company's managers.</li> </ol>

(XII) In the latest year and up to the publication date of the annual report, if directors or supervisors have different opinions on major resolutions approved by the Board of Directors with records or written statements, the main contents

None.

(XIII) In the latest year and up to the publication date of the annual report, the assembled information of discharge or resignation by the Company for the Company's Chairman, President, chief accountant, financial supervisor, internal audit officer, governance officer and research & development officer

None.

V. Information in public fees of the Certified Public Accountant Association

(I) Information in public fees of the Certified Public Accountant Association

Unit: NT\$ thousand

Auditor's firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remark
Deloitte & Touche	Keng-Hsi, Chang	January 1, 2023 to December 31, 2023	5,500	1,236	6,736	None
	Chien-Hsin, Hsieh					

Please specify the content of non-audit remuneration: NT\$600 thousand for transfer pricing report, NT\$636 thousand for typing, printing and transportation expenses.

(II) When changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change:

None.

(III) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more:

None.

VI. Changes in CPA

None.

VII. Where the Company's chairperson, president or any managerial officer in charge of finance or accounting matters has in the latest year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held

None.

VIII. In the latest year and up to the publication date of the annual report, the fact regarding transfer or pledge stock equity by the Company's directors, supervisors and managerial officers and key shareholders holding over 10% in shareholding

(I) Change in equity

Unit: shares

Title	Name	2023		From January 1, 2024 to March 28, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairman	Chu-Liang, Cheng	0	0	0	0

Title	Name	2023		From January 1, 2024 to March 28, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Vice Chairman	Wen-Hsing, Huang	0	0	0	0
Director	Tay-Jen, Chen	8,000	0	0	0
Director	Wei-Chung, Pan	0	0	0	0
Director	Elite Advanced Laser Corporation	0	0	0	0
Representative of juristic person	Tien-Tseng, Sung	0	0	0	0
Independent Director	Shu, Yeh	0	0	0	0
Independent Director	Sen-Tai, Wen	0	0	0	0
Independent Director	Wen Chen, Huang	0	0	0	0
Independent Director	Yueh-Li, Lee	0	0	0	0
President	Yen-Chiang, Tang	0	0	0	0
COO	Wei-Bing, Chu	0	0	0	0
Business Integration Department / Senior Manager	Chun-Ching, Wu	0	0	0	0
Material Management Department / Senior Manager	Heng-Yu, Liu	0	0	0	0
GEM Electronics (Hefei) / Operations Senior Manager	Wei, Zhuang	0	0	0	0
Head-Finance & Accounting	Jui-Ping ,Wang	0	0	0	0
Global Account Management Department / Senior Manager (Note)	Shou-Chi, Liu	0	0	0	0
GEM Electronics (Shanghai) / Senior Manager of Engineering Department (Note)	Yi-Chu Chang	0	0	0	0

Note: Senior Manager Shou-Chi, Liu and Senior Manager Yi-Chu Chang were newly appointed on April 1, 2024.

(II) Equity transfer information:

None.

(III) Equity pledge information:

None.

IX. Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

March 28, 2024; Unit: shares

Name	Shares held in own name		Shareholdings of spouse and underage children		Total shares held in the names of others		The name and relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relation	
Elite Advanced Laser Corporation	65,809,451	51.00%	0	0%	0	0%	—	—	—
Elite Advanced Laser Corporation Representative: Chu-Liang, Cheng	207,000	0.16%	240,990	0.19%	0	0%	Cheng Laura	Father and daughter	—
							Cheng Andrew	Father and son	
All Nippon Airways Trading Co., Ltd.	3,974,382	3.08%	0	0%	0	0%	—	—	—
All Nippon Airways Trading Co., Ltd. Representative: Junichiro MIYAGAWA	0	0%	0	0%	0	0%	—	—	—
The Highclere International Investors Smaller Companies Fund under custody of HSBC Bank (Taiwan)	2,899,000	2.25%	0	0%	0	0%	—	—	—
Tzu-Chiang, Huang	1,260,009	0.98%	0	0%	0	0%	—	—	—
Cheng Laura	1,118,262	0.87%	0	0%	0	0%	Elite Advanced Laser Corporation Representative: Chu-Liang, Cheng	Father and daughter	—

Name	Shares held in own name		Shareholdings of spouse and underage children		Total shares held in the names of others		The name and relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relation	
Cheng Andrew	1,008,064	0.78%	0	0%	0	0%	Elite Advanced Laser Corporation Representative: Chu-Liang, Cheng	Father and son	—
Yung-Shen, Hsieh	951,000	0.74%	0	0%	0	0%	—	—	—
Kun-Ming, Lin	907,500	0.70%	0	0%	0	0%	—	—	—
Chu, Cheng	900,000	0.70%	0	0%	0	0%	—	—	—
Grandeur Peak Emerging Markets Opportunities Fund under custody of HSBC Bank (Taiwan)	881,000	0.68%	0	0%	0	0%	—	—	—

- X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company. Calculate shareholding in aggregate of the above parties

Investees (Note)	Invested by the Company		Investment held by directors, supervisors, of the person, and the, and directly or indirectly controlled enterprises		Aggregate investment	
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	-	20%	-	-	-	20%

Note: Investment accounted by equity method by the Company.

## Chapter IV      Funding Status

### I.      Share capital and shares

#### (I)      Sources of share capital

##### 1.      Formation of capital

Unit: thousand shares; NT\$

Year	Price of issue (NT\$)	Authorized capital		Paid-up capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Par value per share (NT\$)
1998 to 1999	USD 0.010 -0.600	400,000	400,000	5,559	5,559.19	Cash capital increase	—	USD 0.001
2000 to 2009	USD 0.325 -2.220	1,800,000	1,800,000	6,464	6,464.46	Exercise of stock options	—	USD 0.001
2012	-	200,000	200,000	(114)	(114.17)	Purchased	—	USD 0.001
2012	USD 0.001	200,000	200,000	7,300	7,300.29	Exercise of stock options	—	USD 0.001
2013	USD 0.001	200,000	200,000	9,200	9,200.29	Exercise of stock options	—	USD 0.001
2014	USD 0.001	200,000	200,000	12,772	12,772.29	Exercise of stock options	—	USD 0.001
2014	USD 0.471	200,000	200,000	13,272	13,272.29	Exercise of stock options	—	USD 0.001
2014	USD 0.400	200,000	200,000	13,300	13,300.29	Exercise of stock options	—	USD 0.001
2015	USD 0.600	200,000	200,000	14,959	14,959.29	Exercise of stock options	—	USD 0.001
Series A~H Preferred stock								
1998 to 2007	USD 0.500 -3.250	500,000	500,000	28,447	28,447.62	Issued Series A~H Preferred stock	—	USD 0.001
Series I Preferred stock								
2012	USD 0.235	100,000	100,000	78,847	78,847.62	Issued Series I Preferred stock	—	USD 0.001

Par value changed to NT\$10								
Year / month	Price of issue (NT\$)	Authorized capital		Paid-up capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of share capital	Paid in properties other than cash	Par value per share (NT\$)
June, 2015	Change in par value	150,000	1,500,000,000	94,103	941,027,310	—	—	NT\$10
April, 2016	NT\$48	150,000	1,500,000,000	106,651	1,066,507,310	Cash capital increase of NT\$125,480 thousand	—	NT\$10
August, 2018	NT\$10	150,000	1,500,000,000	117,316	1,173,158,040	Capitalization of retained earnings of NT\$106,651 thousand (Note 3)	—	NT\$10
July, 2019	NT\$10	150,000	1,500,000,000	129,047	1,290,473,840	Capitalization of retained earnings of NT\$117,316 thousand (Note 4)	—	NT\$10

Note 1: The Company's preferred stock totaled 78,447,621 shares, all of which were converted into common shares on June 23, 2015. Preferred stock are converted into common shares according to the conversion ratios.

Note 2: The Company's changed the par value of each share from US\$0.001 to NT\$10 during the shareholder meeting on June 23, 2015. After the change, the original shareholder's shareholding ratio remained the same.

Note 3: 10,665,073 new shares were issued on August 7, 2018 with the TWSE approval on August 1, 2018.

Note 4: 11,731,580 new shares were issued on July 29, 2019 with the TWSE approval on July 22, 2019.

## 2. Share category

March 31, 2024; Unit: shares

Share category	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	129,047,384	120,952,616	250,000,000	TWSE listed stock

## 3. Information on self-registration system: None.

## (II) Shareholders structure

March 28, 2024; Unit: shares; %

Shareholders structure Quantities	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	0	0	37	9,814	87	9,938
Number of shares held (share)	0	0	67,148,434	46,462,689	15,436,261	129,047,384
Ratio of Shareholding (%)	0	0	52.03	36.01	11.96	100.00

The total shareholding ratio of people, juristic person, group, or other institution of the Mainland Area, or a company in which the same have invested in a third jurisdiction in accordance with Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area is 0.39%.

## (III) Equity dispersion

### 1. Ordinary shares

March 28, 2024; Unit: shares

Class of shareholding	Number of shareholders	Quantity of shareholding	Ratio of shareholding (%)
1 to 999	2,531	360,828	0.28
1,000 to 5,000	5,968	11,665,571	9.04
5,001 to 10,000	749	5,843,985	4.53
10,001 to 15,000	222	2,792,784	2.16
15,001 to 20,000	122	2,191,603	1.70
20,001 to 30,000	124	3,123,500	2.42
30,001 to 40,000	53	1,848,150	1.43
40,001 to 50,000	27	1,229,841	0.95
50,001 to 100,000	65	4,486,101	3.48
100,001 to 200,000	41	5,656,107	4.38
200,001 to 400,000	19	4,992,309	3.87
400,001 to 600,000	1	546,550	0.42
600,001 to 800,000	4	2,931,397	2.27
800,001 to 1,000,000	6	5,309,490	4.11
1,000,001 to 9,999,999,999	6	76,069,168	58.96
Total	9,938	129,047,384	100.00

2. Preferred stock

None.

(IV) List of major shareholders

March 28, 2024; Unit: shares; %

Shareholding Name of major shareholders:	Quantity of shareholding	Ratio of shareholding
Elite Advanced Laser Corporation	65,809,451	51.00%
All Nippon Airways Trading Co. Ltd.	3,974,382	3.08%
The Highclere International Investors Smaller Companies Fund under custody of HSBC Bank (Taiwan)	2,899,000	2.25%
Tzu-Chiang, Huang	1,260,009	0.98%
Cheng Laura	1,118,262	0.87%
Cheng Andrew	1,008,064	0.78%
Yung-Shen, Hsieh	951,000	0.74%
Kun-Ming, Lin	907,500	0.70%
Chu, Cheng	900,000	0.70%
Grandeur Peak Emerging Markets Opportunities Fund under custody of HSBC Bank (Taiwan)	881,000	0.68%

(V) Market price per share, net value, dividend and relevant data over the last two years

Unit: shares; NT\$

Year			2022	2023	From January 1, 2024 to March 31, 2024 (Note 5)
Item	Highest	Before retroactively adjustment	96.50	80.00	69.80
		After retroactively adjustment	96.50	80.00	
	Lowest	Before retroactively adjustment	59.50	62.00	64.50
		After retroactively adjustment	59.50	62.00	
	Average		78.87	70.7	67.42

Item \ Year			2022	2023	From January 1, 2024 to March 31, 2024 (Note 5)
Net value per share	Before dividend distribution		33.66	32.20	NA
	After dividend distribution		28.16	28.70 (Note 1)	NA
Earnings per share	Weighted average outstanding shares (thousand shares)		129,047	129,047	129,047
	Earnings per share	Before retroactively adjustment	7.21	4.39	NA
		After retroactively adjustment	7.21	4.39	-
Dividends per share	Cash dividends		5.5	3.5	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative undistributed dividends		-	-	-
Analysis of investment returns	P/E ratio (Note 2)		10.94	16.10	-
	Price to dividends ratio (Note 3)		14.34	20.20	-
	Cash dividend yield (Note 4)		6.97%	4.95%	-

Note 1: The Company's 2023 cash dividend has been distributed by the resolution of the Board of Directors on March 12, 2024, and the remaining earnings distributions are yet to be approved by the shareholders' general meeting.

Note 2: P/E ratio = Average closing price per share for the year / earnings per share.

Note 3: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 4: Cash dividend yield = Cash dividend per share / average closing price per share for the year.

Note 5: The net value per share and earnings per share should be filled with the information audited (reviewed) by CPA in the latest quarter as of the publication date of the annual report; the remaining should be filled with the current year's data as of March 31, 2024.

#### (VI) The Company's dividend policy and fact of implementation thereof.

##### 1. The dividend policy stipulated in Article 34.2 of the Articles of Association:

As the Company is in the growing stage, the dividend distribution may take the form of a cash dividend and/or stock dividends and shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure and funds requirement for sustainable development needs etc.

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. The Board of Directors shall formulate the profit distribution plan in the following manner and order:

- (1) the Company shall set aside all taxes that legally required to be paid; and
- (2) offset its losses in previous years that have not been previously offset; then
- (3) set aside a Legal Reserve in accordance with the Applicable Public Company Rules, unless the accumulated amount of such Legal Reserve has reached the total paid-up capital of the Company; and
- (4) 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;
- (5) Except otherwise stipulated by the applicable laws and the Applicable Public Company Rules, the Company may take into consideration the circumstances and development stage of the Company, in response to any future funding requirement and long term financial planning, while satisfying the shareholders expectation in respect of cashflow, propose profit distribution plan in connection with the retained earnings available for distribution (i.e. the net profit after the deduction of the items (1) to (4) above plus the previously cumulative undistributed retained earnings), for approval at the meetings of the shareholders; the distribution of retained earnings may proceed by way of cash dividend or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rate to the Members, and the total amount of Dividends shall not be lower than 10% of the net profit of the then current year after deducting the items (1) to (4) above, and provided the total amount of cash dividend to be distributed shall be no lower than 10% of the aggregate dividend distributed to shareholders and no more than 100% of the aggregate dividend distributed to shareholders.

2. Dividend distribution:

The Company's 2023 earnings distribution in cash dividend was approved by the Board of Directors on March 12, 2024. A cash dividend of NT\$451,665,844 was allocated from the distributable earnings. Based on the current share capital of 129,047,384 shares, a cash dividend of NT\$3.5 per share was distributed.

- (VII) The impact of issuance of bonus shares proposed in the present shareholders' meeting upon the Company's business performance and earning per share

The Company distributed cash dividends in the year. Thus, it is not applicable.

- (VIII) Compensation to the employees, directors and supervisors

(The Company has set up an Audit Committee to replace the supervisor)

1. The percentage or scope of compensation for employees and directors as stated in Article 34.1 of the Articles of Association

If the Company makes profits in the year, it shall distribute 5% to 10% of the year's profit for the employee remuneration, and distribute 3% (inclusive) of the year's profit for the director's remuneration. However, when the Company still has accumulated losses, it should reserve the profit to make up for the loss.

2. The basis for estimating the amount of employee, directors, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual dividend amount and the estimated figure, for the current period

The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, are as described above. If there is a discrepancy between the actual distribution amount and the estimated amount, it should be treated as current profit or loss according to the change in accounting estimate, and adjusted and recognized in the resolution of the shareholders' meeting of the year. If the shareholders' meeting decides to adopt share distribution as employee compensation, the number of shares to be distributed is determined by the amount of resolution remuneration divided by the fair value of the stock which refers to the closing price on the day before the resolution of the shareholders' meeting (with considering of ex-rights and ex-dividends).

3. Compensation to be distributed as resolved in the board of directors
  - (1) Employee compensation and director compensation distributed in cash or shares:

Compensation to Employees - Cash: NT\$80,000,000

Compensation to Directors: NT\$24,000,000

There is no difference between the recognized estimated amount of the employees' and directors' compensation expenses this year and the distribution amount in the resolution of the Board of Directors.

- (2) The percentage of amount of compensation to employees to be distributed in stocks to the aggregate total of the net profit after tax as shown through the financial statements and the aggregate total of compensation to employees:

Not Applicable.

4. The distribution of compensation for employees, directors and supervisors in the previous year (the Company has set up an Audit Committee to replace supervisors):

Compensation to Employees - Cash: NT\$92,200,000

Compensation to Directors: NT\$34,000,000

There is no difference between the recognized estimated amount of the employees' and directors' compensation expenses in the last year and the distribution amount.

(IX) Repurchase of the Company's Stock

None.

II. Corporate bond application

None.

III. Disclosure relating to preferred stock

None.

IV. Disclosure relating to depository receipts

None.

V. Employee stock warrants

- (I) Up to the publication date of the annual report, handling of the Company's employee stock options that have not yet expired and their impact on shareholders' equity shall be disclosed

None.

- (II) The names of the top ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees, as of the publication date of the annual report

None.

VI. The new shares from restricted employee stock option should include the following matters

- (I) The processing of new restricted employee shares have not fully met the vesting conditions as of the publication date of the annual report and the impact on shareholders' equity:

None.

- (II) Names of managers who have acquired new restricted employee shares and the names of the top ten employees who have acquired shares up to the publication date of the annual report:

None.

VII. Disclosure on new shares issued in exchange of other company shares

None.

VIII. Progress on the use of funds

For the period as of the quarter preceding the publication date of the annual report, the Company does not have the aforementioned uncompleted public issue or private placement of securities where such issues and placements that were completed in the latest 3 years but have not yet fully yielded the planned benefits.

## Chapter V      Business Performance

### I. Content of business

#### (I) Scope of business operation

##### 1. Major contents of the business operation undertaken:

The Company is a professional power semiconductor packaging and testing company for discrete component design, IC design and Integrated Device Manufacturers (IDM) to provide packaging and testing services for Power MOSFET, IGBT, Diodes and Power Management ICs.

##### 2. Proportion of sales of key products

The operating revenue of the Company and its subsidiaries is divided into two categories, packaging and testing income and other revenue. The proportion of operating revenue in the last two years is as follows:

Unit: NT\$ thousand; %

Key products	2022		2023	
	Amount	%	Amount	%
Packaging and testing	5,073,719	97.17	4,267,097	96.56
Other	147,748	2.83	151,892	3.44
Total	5,221,467	100.00	4,418,989	100.00

##### 3. Current products (services)

The Company is a professional power semiconductor packaging and testing company, providing packaging and testing services for Power MOSFET, IGBT, Diodes and Power Management ICs. The above products are mainly used in servers, white goods, remote control drones, automotive electronics, automotive charging piles, small industrial motors, green power conversion devices, electric locomotives, power supplies, lithium batteries, adapters, storage equipment and charging devices for consumer electronic products, terminal application products for displays, motherboards, laptops, desktops, and any home appliances and industrial equipment that require power systems for operation.

##### 4. New products (services) under development

The Company will continue to invest in the development of new products and technologies, including high-efficiency, high-voltage applications, multi-chip modularization, and new materials such as SiC (silicon carbide) and GaN (gallium nitride) with new power semiconductor material products and services. The

Company will continue to make R&D breakthrough on process technology to develop higher efficiency, smaller, and structural performance-enhanced power management product structure requirements, further lead the industry and other high-performance application markets.

## (II) Industrial profiles

### 1. The status quo and development of the industry

Semiconductor products mainly include four categories: integrated circuits (IC), discrete components, sensors, and optoelectronics. According to the latest data released by the American Semiconductor Industry Association (SIA), due to sluggish sales of PCs and smartphones, global semiconductor sales in 2023 were expected to drop 9.4% year-on-year to US\$520 billion. However, the estimated total global semiconductor sales in 2024 was US\$588.4 billion, an increase of 13.1% compared with US\$520 billion in 2023.

In terms of application category, semiconductors can be basically divided into six categories: information electronics, communication electronics, consumer electronics, automotive electronics, industrial electronics, and military and aerospace electronics.

Information electronic applications mainly include PCs, such as DT, NB, Ultrabook, iPad, and network equipment. Communication electronic applications are mainly mobile phones. Consumer electronics is applied extensively, such as white goods, digital cameras, DTV, MP3, DVD players, and STB.

In terms of information electronic applications, starting from July 2022, due to excessive supply, the market demand slowed down, and China-US semiconductor trade conflicts further caused the demand to decrease.

According to the latest data from research firm Gartner, PC shipments reached 241.8 million units in 2023, a 14.8% decrease from 2022. This is the first time since 2006 (230 million units) that it has fallen below 250 million units. As for market share, Lenovo ranked first (24.7%), followed by Hewlett-Packard Company (21.9%), Dell Inc. (16.6%), Apple (9%), ASUS (7.1%), Acer (6.6%) and others (22.5%).

In terms of communication electronic applications, under the multiple impacts of macroeconomic decline and reduction in expenditures, according to IDC data, the global smartphone market was 1.166 billion units, a year-on-year decrease of 3.2%. In 2023, Apple ranked first in the global smartphone market share, with shipments of 234.6 million units, accounting for 20.1% of the market share. Samsung ranked second, with 226.6 million units shipped, accounting for 19.4% of the market share.

Xiaomi ranked third in market share, with shipments of 145.9 million units, accounting for 12.5% of the market share. OPPO shipped 103.1 million units, with a market share of 8.8%, and Telecom shipped 94.9 million units, with a market share of 8.1%. According to IDC data, Samsung and Apple's shipments decreased by 13.6% and increased by 3.7% respectively compared with 2022. The shipments of the three Chinese brands, Xiaomi decreased by 4.7% annually, OPPO decreased by 9.9% annually, while Chuanxun increased by 30.8% annually. Overall, smartphone shipments from the top five manufacturers account for approximately 69% of the global smartphone market share.

In terms of industrial and automotive electronic applications, the industrial and automotive electronic chips have gradually become a competitive field for semiconductor companies since 2019. The demand for industrial automation is increasing. Due to the carbon emission reduction policy, the demand for programmable logic controllers, inverters, servo motors, green energy, low-voltage circuit breakers, and energy-saving auxiliary products has increased accordingly. The field of automotive electronics is benefiting from the trend of electric vehicles. As the body shell and the automotive entertainment system tend to be more complex, a considerable number of semiconductor chips are required.

Internet of Things (IoT) applications can be applied in all the six application categories, and these six independent application categories can be connected to each other and communicate with each other through the IoT technology or even through cloud computing, software platforms, and the provision of back-end services, thereby increasing much more business opportunities. The synergy of 5G platforms and WEB 3.0 can further facilitate the positive development of business opportunities and the relevant industries. The IoT, 5G, WEB 3.0, and AI will drive the future growth in demand for power semiconductors.

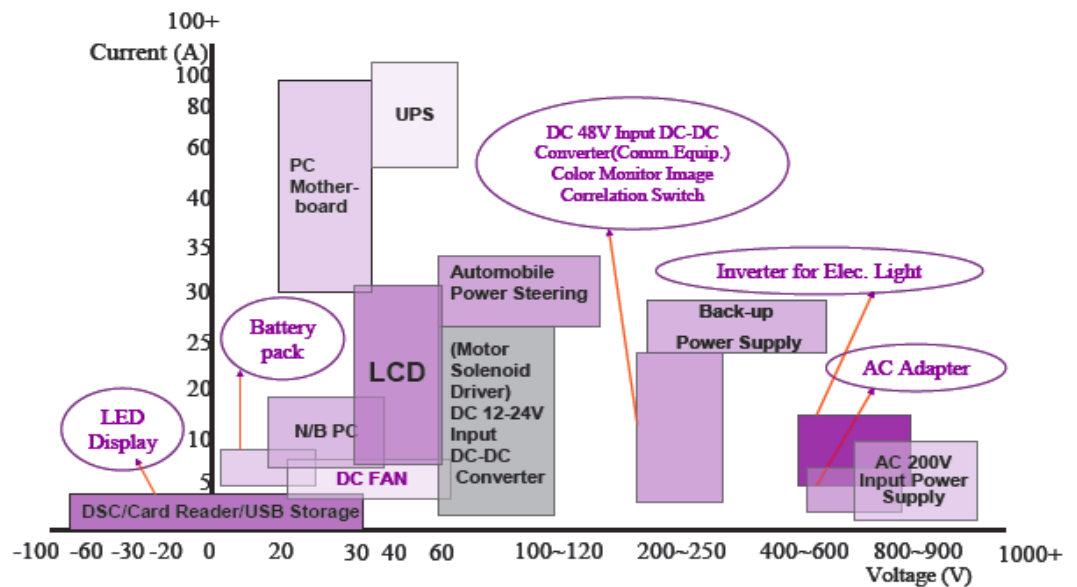
IHS iSuppli, an internationally renowned market surveying company, classifies semiconductor components related to power management as power management semiconductors, which can be roughly divided into two categories: power discrete components and power IC.

The Company's main packaging and testing products are power transistors. Power transistors have three terminals: base, collector, and emitter, which are used for current amplification or switching. When it is used for current amplification, it can change a small amount of current between the collector and the emitter. When it is used for switching, if the voltage passing through the base is higher than a certain value, conduction happens, and the maximum power will pass through. Although this type of power transistor is small in size with the market scale not as large as that of IC, it is indispensable.

Power transistors are applied in a wide range of applications, such as power supplies, transformers, automotive circuits, airbags, and daylight lighting and electronic ballasts. Moreover, due to the characteristics of its switching efficiency and low impedance (power efficiency) is suitable for thin packaging and particularly suitable for mobile electronic products, such as mobile phones, notebooks, or lithium batteries. In short, it can be applied to power conversion, power amplification, switch, protection, and rectify. Power transistors are widely used in oscillating circuits and switching circuits. Although some functions of power transistors can be integrated into ICs, they still play an indispensable role in high-power circuits, high-voltage circuits, low-noise circuits, and high-frequency circuits.

Power management components, such as power transistors, include power metal oxide semiconductor field effect transistors (MOSFET), bipolar power transistors, and insulated gate bipolar transistors (IGBT). According to the report on power MOSFET in an electronic information special issue in June 2014, with the increase of power demand and the rise of energy conservation awareness, more attention has been paid to power utilization efficiency related technologies. Home appliances and different equipment and tools used in daily lives and in various industries all include power systems to support the operations. Power transmission and use need to undergo power conversion between AC and DC (Ac to DC or Dc to AC), DC and DC, or AC and AC. Power electronic components are used in the DC-AC conversion and the control the stability of voltage spikes. Figure 1 shows the power, frequency, and application fields of different power electronic components during operation, and how to enable power conversion to be more efficient, reduce power loss during each conversion process, and save energy are the focus of the power electronic component research.

Power MOSFET is the power electronic component most commonly used in power conversion systems. Due to the unipolarity and voltage control characteristics of MOSFET, power MOSFET features high input impedance, low drive power, lower  $R_{ds(ON)}$ , higher switching speed, lower switching loss, and a wider range of safe operation. Due to the advantage in the switching speed, power MOSFET can meet the requirement of applications for a higher switching speed, and MOSFET, controlled by voltage, has led to a more simple design of control circuits. With the well-developed technology and due to the consideration for cost, power MOSFET are widely adopted and play the most important role of all discrete power components. The figure below shows its applications under various voltage and current ratings.

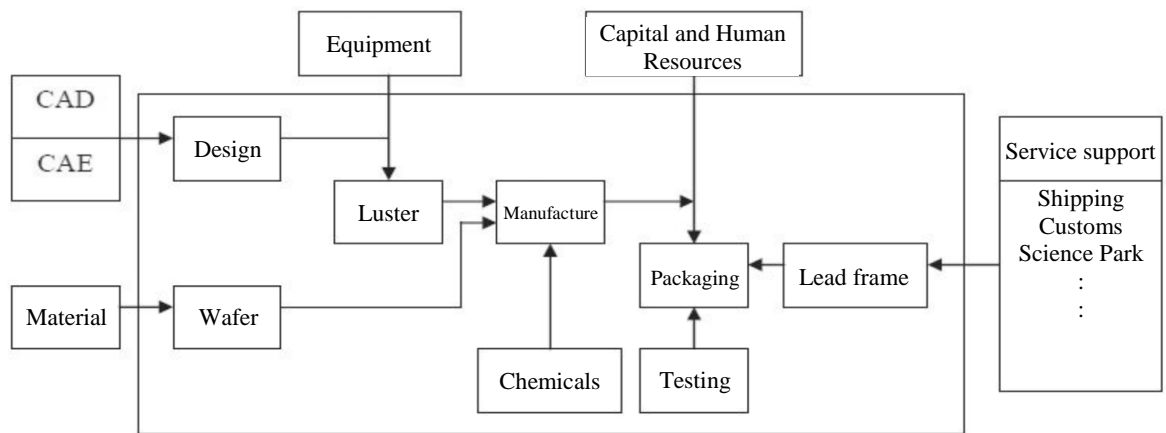


The power MOSFET is being developed toward low cost, high frequency, high withstand voltage, low resistance, high current, and low switching loss. Materials, such as silicon carbide (SiC) and gallium nitride (GaN) with a wide bandgap are much better than silicon components, but their application is still limited as the problems of substrate size and prices cannot be completely overcome. Therefore, power MOSFET is still being developed to improve the characteristics of components through structural improvement. The two most widely studied component structures are IGBT and super junction. IGBT combines the advantages of operating frequency and control circuit design of traditional vertical double diffused MOS (VDMOS) with the advantage of high output current of BJT. IGBT is suitable for applications with a frequency in the range of 1K to 10K and higher power, while VDMOS is suitable for applications with high frequency above 10K and low power. Super junction is the most promising power MOSFET in recent years, and its performance in low  $R_{ds(ON)}$  is far better than that of VDMOS between 400V and 1000V.

## 2. Association among the up-, mid- and down streams

With the evolution of the vertical integration on division of labor and of the overall semiconductor industry in Taiwan, the power semiconductor industry can be divided into upstream discrete components and IC Design, midstream discrete components and IC Manufacturing and Foundry and downstream discrete components and IC Assembly and Testing. In recent years, due to the vigorous development of the semiconductor industry and the professionalization of the division of labor system, many manufacturers have invested in individual production process and the vertical division of labor is clear where each has its own specialization, completing the structure of the upstream, midstream and

downstream of the semiconductor industry in Taiwan. Association among the up-, mid- and down streams:



Source: ITIS Project of ERSO

### 3. Product development trends

#### (1) Improvement requirements for component integration and power conversion efficiency

Due to the constant development of microprocessors, the product demand to have smaller output voltage with extremely high current output drive capability, increased switching frequency, improved power conversion efficiency and reduced loss during low voltage output conversion. All variations of electronic products are aimed to be light, thin, and small with inevitable integration of components. The technology of component integration will enable multiple applications of products and improve product performance, and it is bound to become the mainstream of the market.

#### (2) Requirements for current and load regulation

Power semiconductors have developed towards two polarizations; products with high voltage currents such as electromechanical equipment requires high-power components with higher voltage tolerance for voltage regulation and rectification; and electronic information products require smaller and more precise power components for protection. With the increasing popularity of broadband networks and the demand for communication products, the demand for power components used in communication equipment is increasing, and as various electronic products are gradually built with compatible interfaces to communicate with each other, the importance for current and load regulation is more important is also increasing.

- (3) Requirements for green environmental protection, energy saving and carbon reduction

The global awareness of environmental protection, energy saving and carbon reduction is on the rise, and the demand for renewable energy and clean energy (or green energy) is extremely urgent. Solar power generation is one of the most important sources of renewable energy supply. Thus, the development of green energy with the idea of environmental protection such as solar power generation has become an urgent development issue for the government and enterprises. On the other hand, many countries are focusing on promoting the reduction of energy consumption, and encouraging the production and use of equipment with energy-saving capability and air pollution prevention. Thus, improving the efficiency of electronic products to save energy has become an important issue in power management.

- (4) The packaging and testing industry will lean towards an oligopoly where the market is shared by a small number of manufactures.

With the development trend of electronic terminal devices getting thinner and smaller, the price also continues to fall and indirectly suppresses the price and profit of the packaging and testing industry, which is more dependent on material costs. In the future, manufacturers without sufficient economic scale will face increasingly difficult cost management, and as major semiconductor manufacturers developed and moved on with higher-level manufacturing processes, the difficulty in the packaging technologies will also increase simultaneously with increase in the required capital expenditure. Thus, if small-scale packaging and testing factories cannot occupy a niche market, their competitiveness continue to decline in the future and resulting with an oligopoly where the market is shared by a small number of manufactures.

#### 4. Competition status

The Company specializes in the packaging and testing services of power semiconductors and such service providers such as ATX, JCET Group Co., Ltd (Jiangsu) and Tongfu Microelectronics Co., Ltd (Jiangsu) still focus on microprocessors, memories, and general logic integrated circuits. The business of power semiconductor packaging and testing will inevitably have a crowding out effect in the total production capacity allocation and scheduling during the peak season. Thus, in comparison, the Company's focus on providing services for power semiconductor packaging and testing is an advantage.

In addition, the Company's customer base is not limited to IDM, but also includes IC design, and its application have expanded to consumer electronics, industrial

products, home appliances, etc. No major fluctuations in the Company's operation performance will be caused by changes in the operations of an industry or a product.

(III) Technology & know-how and research & development in summary

1. R&D expenditure in the latest year and as of the publication date of the annual report

Unit: NT\$ thousand

Item \ Year	2023	As of March 31, 2024 (Note)
R&D expenditure	47,486	11,588
Consolidated net revenue	4,418,989	1,061,426
Proportion in consolidated net revenue (%)	1.08%	1.09%

(Note) The consolidated financial report for the first quarter of 2024 has not yet been reviewed by CPA.

2. Technologies or products developed in the past five years
  - (1) High power products TO247 single crystal/stacked die products.
  - (2) High power products TO220/ TO263 SMD products.
  - (3) High power product TO220FP full-pack package.
  - (4) R&D of GEMPACK5060 copper sheet welding and bilateral cooling structure technology.
  - (5) R&D of SOP8 aluminum cable welding structure technology.
  - (6) R&D of GEM3333 aluminum cable welding and copper sheet welding structure technology.
  - (7) Low power products TO277.
  - (8) DIP23 multi-chip modular products.

(IV) Long- and short-term business development programs

1. Short-term development strategy and plan
  - (1) R&D strategy and plan
    - A. Continuously update the design process, improve production efficiency, and foresee market trend and customer demand to further increase market share.

- B. Utilize the Company's accumulated technology and knowledge related to manufacturing processes and materials to develop customers with new applications and improve market positioning.

(2) Marketing strategy

- A. Continue to develop Chinese, European and American markets.
- B. Continue to further develop and maintain the Taiwan market.
- C. Collaborate with Japanese distributors to develop new customers and obtain orders from existing customers.

(3) Production strategy

- A. Utilize the division of labor between GEM Electronics (Shanghai) and GEM Electronics (Hefei) to meet the demand of customers for comprehensiveness and different delivery dates.
- B. Utilize collective bargaining to place orders to lower the procurement price.

(4) Operation and financial strategies

- A. Strengthen employee education and training to stimulate employee potential, and improve management performance.
- B. Focus on the employee benefit policy and implement the bonus and performance bonus system to improve employee morale and synergy.

2. Long-term development strategy and plan

(1) R&D strategy and plan

- A. Combine the application demand of customers, expand the product line in 3C general-purpose products, 4G and 5G communication networks, and electric automotive, machines and other high-voltage and current products and conduct development at the same time to diversify products as a Total Solution for customer demand.
- B. Continue to develop key technologies and required manufacturing processes, and develop new-generation products in response to industry trends to maintain the lead in the discrete component industry.

(2) Marketing strategy

- A. Active collaboration with customers to strengthen services. Seek to establish strategic partnerships with customers.

B. Through continuous product improvement, the product has been improved to a leading position in the general and even modularized power semiconductor packaging and testing market with a brand image of global technology leader established.

(3) Production strategy

A. Maintain long-term partnership with automation equipment manufacturers, and become strategic partners to develop specialized production processes, reduce production costs, and develop high-quality, multi-functional and competitive products.

B. Continue to strengthen the planning and management of production capacity and quality to achieve the best service to customers.

(4) Operation and financial strategies

A. Promote internationalization, strengthen the operation and management capabilities of international enterprises, cultivate international talents, and become a global enterprise.

B. Strengthen risk management and ensure stable construction, high efficiency and good flexibility.

## II. Markets, production and marketing in summary

### (I) Market analyses

#### 1. Sales (supply) regions of the Company's main products (services)

Unit: NT\$ thousand; %

Region \ Year		2023	
		Amount	Proportion
Domestic sales		2,453,659	55.53
Export	Asia	1,485,442	33.61
	Europe and US	479,888	10.86
Total		4,418,989	100.00

Note: Domestic or export sales are categorized according to where the subsidiaries and the sales are located.

#### 2. Market share

The Company is a professional power semiconductor packaging and testing company for discrete component design, IC design and Integrated Device Manufacturers (IDM) to provide packaging and testing services for Power

MOSFET, IGBT, Diodes and Power Management ICs. The above products are mainly used in motherboards, laptops, desktops, servers, white goods, remote control drones, automotive electronics, power supplies, chargers, lithium batteries, adapters, consumer electronics storage equipment and charging devices, terminal display application products, and any home appliances and industrial equipment that require power systems for operation. Among domestic Exchange-listed and OTC-listed companies, there is currently no other company in the same industry position in the supply chain, and the Company's current direct competitor is the internal packaging and testing department of international IDM. According to SIA data, the total global sales of semiconductors in 2023 was US\$520 billion. According to WSTS data, the value of discrete semiconductors is approximately US\$35.9 billion. The Company's 2023 revenue is about NT\$4.42 billion, which is less than 1% of the global discrete semiconductor market. However, as the Company focuses on the back-end packaging and testing process, and its revenue accounts for a relatively small portion of the total revenue in the entire industry chain. Thus, the market share can provide limited available information.

3. The future market supply and demand and growth potential

With the increase of power demand and the rise of energy conservation awareness, more attention has been paid to power utilization efficiency related technologies. According to IHS Power Supply Intelligence Service research on power semiconductor competition tools, the demand for power semiconductors in 5G, automotive and industrial terminal markets is particularly strong, whether it is 5G communication facilities, data centers, automotive power systems, entertainment systems, ADAS and other automotive applications will increase the demand for power semiconductors.

Home control, automation, energy generation and distribution are the fastest growing applications in the industrial market, and the power generation and distribution, automation market also have a good forecast. In addition, some of best growth in the industrial market in the short term are LED, IP Camera, digital video surveillance products, Smart Grid solutions, and the Internet of Things (including smart factories, industry 4.0, smart city, smart retail and smart home.) embedded systems.

In the automotive industry, the trend of complete electronicization vehicles will continue. Connected vehicles, ADAS, car charging systems, and entertainment systems are all applications that are expected to result in an increase in the number of semiconductors in each vehicle, and will increase the revenue share of power semiconductors in the automotive industry (MOSFETs account for more than 15% of automotive electronics applications).

#### 4. Competitive niche

##### (1) Industry-experienced management and technology R&D team

Since its establishment in 1998, the Company has invested in technology development and research related to power semiconductor packaging and testing. With an international professional management team and R&D personnel and management personnel with more than 10 years of experience in the power semiconductor industry. The Company has accumulated abundant experience in packaging and testing related fields. The Company is equipped with insight into the packaging and testing industry trend and can foresee the market demand. The Company can develop key technologies in a timely manner to meet customer needs, which can be translated to customer orders.

##### (2) Independent R&D capabilities

The Company has 61 patents for packaging and testing of advanced power semiconductors (49 in the United States, 2 in Japan, and 10 in Mainland China), all of which are self-developed. The patents are the key steps to obtaining key technologies for products, speeding up the development of new products, and ensuring the Company's resiliency to market fluctuations. In addition, the turnover rate of the Company's R&D personnel is low where the team can integrate its own technical expertise for each newly developed product and increase the product's competitiveness.

##### (3) Customers are stable and moderately dispersed, and most of them are international leading IDM manufacturers and semiconductor design companies

The business comes from international leading IDM manufacturers and power semiconductor design companies in Europe, America, Japan, Taiwan and South Korea. In recent years, only slight changes occurs for the top ten customers, which means that the relationship with customers is stable and the products are at advantages in terms of price and quality. The total revenue to the top ten customers accounts for about 70% of the overall revenue and the sales to the European, American, Japanese, Taiwan and Korean markets do not individually exceed 40%; in summary, the Company does not have the risk of business concentration in a single region or a single customer.

##### (4) Focus on power semiconductor packaging and testing

The Company is a professional power semiconductor packaging and testing company, providing power semiconductor packaging and testing services for discrete component design companies, IC design companies and IDM.

5. Advantages and disadvantages of development and countermeasures

(1) Favorable factors affecting the future development of the Company

A. The domestic semiconductor industry has a complete division of labor

Taiwan's semiconductor professional division of labor has been developed for many years and it has the advantages of a complete upstream and downstream industrial chain, a high degree of cooperation in professional division of labor, a significant benefit of industrial clustering, and comprehensive supporting industries. Moreover, the wafer foundries and packaging and testing factories have economic scale and specialization with the manufacturing capacity, flexible production scheduling, world-class service quality and rapid adaptability can meet the needs of industry trends, and provide high-quality and global competitive products which will be a major niche for future development.

B. IDM manufacturers' acceleration on outsourcing is beneficial to the packaging and testing industry

With the impact of the epidemic and Sino-US trade frictions, international IDM are more cautious about the establishment of packaging and testing capacity, reducing investment in packaging and testing capacity to expand production, but increasing the production capacity of wafer fabs. At the same time, IDM revise their operating models (i.e. Fabless or Fab-Lite) and conduct structural restructuring, focusing on market development and R&D, improving business efficiency and production efficiency of the fabs, concentrating resources and reducing production costs so that IDM continue to increase the proportion of outsourcing. The Company focuses on the packaging and testing of power semiconductors, provides high-quality and cost-effective processing services, and maintains close and friendly relationships with many internationally renowned manufacturers for the long-term development of the Company.

C. The industry to which the product belongs and the terminal application market will continue to grow in the future

According to IHS Power Supply Intelligence Service research on power semiconductor competition tools, the demand for power semiconductors

in the automotive and industrial terminal markets is particularly strong in applications such as automotive power systems, entertainment systems, and ADAS, driving the growth in power semiconductors demand. In addition, home control, factory equipment automation, energy generation and distribution are the fastest growing applications in the industrial market. Also, with the upcoming industrial changes brought about by the Internet of Things (including smart factories, industry 4.0, smart cities, smart retail, and smart homes, etc.), the demand for power semiconductors will grow.

- D. The life cycle of power semiconductor products is long, and the impact of fluctuations in the industrial boom and bust cycle is relatively small

One of the characteristics of power semiconductor products is that the R&D results are cumulative, and the product life cycle is generally 8 to 10 years, which is longer than other IC products. Thus, manufacturers can have a longer time to recover R&D expenses and are less susceptible to economic fluctuations.

(2) Unfavorable factors affecting the future development of the Company

A. Gradual increase in Capex

The Company is engaged in packaging and testing services with high cost for the packaging and testing machines, and with increasing IDM outsourcing orders which makes packaging and testing manufacturers to increase the purchase of the equipment, coupled with rapid changes in packaging and testing technology, major semiconductor manufacturers have gradually stepped into higher-level manufacturing processes. As the difficulty of such packaging technology has increased simultaneously, the required capital expenditures have become larger. Thus, the increase in capital expenditures will increase the investment risk of the Company.

Countermeasures:

The Company has a R&D center to jointly develop packaging and testing technology with customers, and forecast market demand. With the trend of new packaging and testing technology in the future, it ensures that the product technology can meet the needs of the market and customers and is launched at the right and timely schedule. In addition, the Company prudently evaluates investment plans and plans for personnel, machines, funds, and technology, and adjusts equipment portfolio in a timely manner according to market demand. It adopts the minimum investment in equipment portfolio to meet diversified customer needs, reduce the

investment amount and risks related to the development of new packaging and testing technologies, and pursue efficient use of free cash flow to maximize profits.

B. Quality and price competition with international IDM and competitors

The demand in the power semiconductor market is stable with large scale. The technology of international IDM is still improving, which are challenges in the quality and price of packaging and testing.

Countermeasures:

To maintain product competitive advantage, the Company continuously improve technology, maintain product quality and functions, and devote great efforts in generating output yield which is one of the best in the industry. As a result, the cost can be controlled at an advantageous level for an outstanding cost performance in the market.

C. Difficulties in training and recruiting professional power semiconductor packaging and testing talents

Professional and experienced R&D personnel have a long and challenging development. To establish the synergy of R&D personnel, the Company pays a higher labor cost, and the changes of R&D personnel will have an impact on the Company.

Countermeasures:

The Company spares no effort in cultivating and recruiting R&D personnel. In addition to providing excellent working environment and employee benefits, it provides comprehensive on-the-job training for the development and training of professional R&D personnel and reducing the risk of R&D personnel turnover.

D. Increase in raw material costs

The key raw materials in the packaging and testing process are lead frame, epoxy resin, copper wire, aluminum wire, gold wire and other materials, accounting for more than 30% of the total material, so the price increase in raw materials will result in great impact on the power semiconductor packaging and testing industry. The impact will result in the Company facing greater challenges in the management of raw material costs and inventory.

Countermeasures:

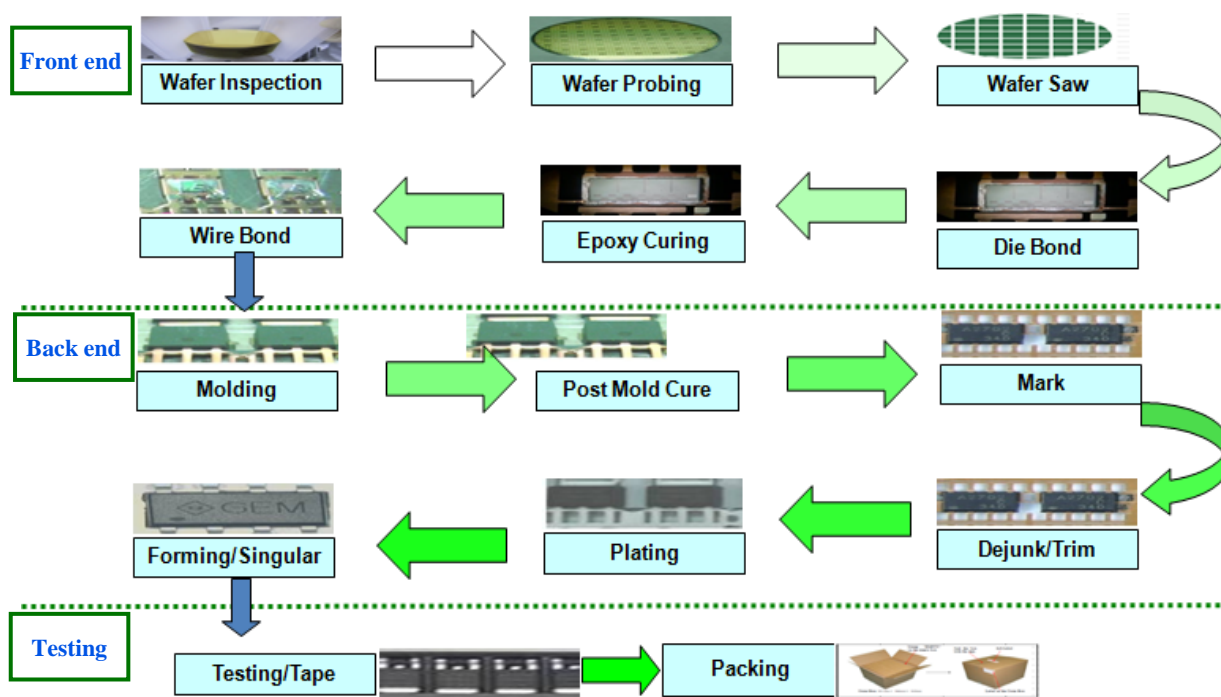
In addition to obtaining the information related to the change of raw materials and the trend, the Company improves product yield and reduces the impact of rising costs by solutions such as adopting raw material substitution, improving existing process technology, and carrying out advanced process technology R&D to ensure the Company to maintain a stable and profitable competitive advantage.

## (II) Manufacturing process and key purposes of our principal products

### 1. Key purposes of our principal products

Key products	Main functions and uses
Power semiconductor packaging and testing	Power semiconductors are used for AC/DC, DC/DC switching rectification, converter, integrated monitors, voltage controllers, and voltage regulators for power supply.

### 2. Production process of key products



(III) Supply status of major raw materials

Major raw materials	Major suppliers	Supply status
Lead frame	Company AA	Excellent
Lead frame	CompanyAD	Excellent

(IV) A list of any suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Customers accounting for 10% or more of total sales

Unit: NT\$ thousand

Item	2022				2023				Quarter 1 of 2024			
	Name	Amount	Ratio to net sale in the whole year (%)	Relationship to the issuer	Name	Amount	Ratio to net sale in the whole year (%)	Relationship to the issuer	Name	Amount	Ratio to net sale in the whole year (%)	Relationship to the issuer
1	Company B	1,115,607	21.37	None	Company B	926,612	20.97	None	Company B	231,927	21.85	None
2	Other	4,105,860	78.63	—	Other	3,492,377	79.03	—	Other	829,499	78.15	—
	Net revenue	5,221,467	100.00	—	Net revenue	4,418,989	100.00	—	Net revenue	1,061,426	100.00	—

Reasons for increase or decrease: The business of the Company's major customers is stable, and there is no major change in major customers.

2. Suppliers accounting for 10% or more of total purchases:

Unit: NT\$ thousand

Item	2022				2023				First quarter of 2024			
	Name	Amount	Ratio to net purchases in the whole year (%)	Relationship to the issuer	Name	Amount	Ratio to net purchases in the whole year (%)	Relationship to the issuer	Name	Amount	Ratio to net purchases in the whole year (%)	Relationship to the issuer
1	Company AD	222,375	12.94	None	Company AA	186,016	13.34	None	Company AA	33,658	10.70	None
2	Company AA	182,121	10.59	None	Company AD	158,664	11.38	None	Company AD	24,505	7.80	None
3	Other	1,314,675	76.47	—	Other	1,049,665	75.28	—	Other	256,267	81.50	—
	Net purchase	1,719,171	100.00	—	Total	1,394,345	100.00	—	Total	314,430	100.00	—

Reasons for increase or decrease: The business of the Company's main suppliers is stable, so there is little change in the required raw materials.

(V) Production value for the last two years

Unit: NT\$ thousand; thousands

Production value Key Products	Year	2022			2023		
		Capacity	Output	Output value	Capacity	Output	Output value
Packaging and testing		7,308,600	4,909,664	5,073,719	7,770,900	3,987,821	4,267,097

(VI) Sales in the last two years

Unit: NT\$ thousand; thousands

Sales Volume and value Key Products	Year	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Packaging and testing		3,396,286	2,795,352	1,513,378	2,278,367	2,819,741	2,301,767	1,168,080	1,965,330

III. The number of employees employed, average years of service, average age, and education levels for the 2 most recent fiscal years, and during the current fiscal year up to the publication date of the annual report

Unit: person; %

Item		Year	2022	2023	March 31, 2024
Number of employees (person)	Administrative personnel		451	443	445
	R&D personnel		34	36	35
	Technical personnel		551	567	564
	Operator		1,019	910	898
	Total		2,055	1,956	1,942
Average age			35.46	36.28	36.59
Average years of service (year)			6.69	7.58	7.73
Academic qualification (%)	Doctoral Degree		0.10	0.10	0.10
	Master's Degree		0.39	0.36	0.31
	Bachelor's Degree		35.38	36.76	36.87
	High school		43.64	43.35	42.99
	Below high school		20.49	19.43	19.73

#### IV. Environmental spending

Any losses suffered by the Company in the latest year and up to the publication date of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

#### V. Employee-employer relationship:

- (I) Employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interest of employees

1. Employee benefits, continuous education and training

- (1) Comprehensive labor insurance, health insurance, group insurance and other social insurance

Employees of the Company in Taiwan will have labor insurance, national health insurance and other related benefits on the date of employment; the Company also purchases group insurance for employees' medical security; at the same time, it is available for immediate family members to participate at their own expense to ensure a comprehensive protection.

- (2) Employee salary adjustment and bonus system

The Company uses performance as the standard for evaluating salary adjustments and considers the CPI fluctuations for appropriate salary adjustments.

The Company also distributes year-end bonuses for a fixed number of months for the livelihood of employees.

- (3) Employee profit sharing and stock ownership

The Company has an employee stock option system and an employee remuneration system to allow employees to participate in the Company's operations, share in the growth and profits, and operating risks to increase employees' synergy and develop team spirit.

- (4) Employee activity

A. Leisure

The Company regularly organizes leisure activities such as tourism and dinner parties to develop team bonding and team spirit.

#### B. Festivals

To show the Company's gratitude towards the employees and celebrate the festivals, the Company has allowances for Labor Day, three Chinese festivals (Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival), weddings and funerals, and employee birthdays; the Company also hold year-end lottery dinners to show appreciation to employees.

#### (5) Health examination

In addition to the statutory health examination items, the Company provides a number of free health examination items to meet the needs of employees.

#### (6) Employee continuous education and training

The new employees must first pass the pre-employment training course on their first day. During their tenure, they will receive professional and technical training according to different functions and business needs to strengthen the functions of employees and effectively improve the business performance and competitiveness of the Company.

The Company spent NT\$2,226 thousand on employee education and training in 2023, and the total number of trainees was 22,102.

### 2. Retirement system

The Company's subsidiaries located in Mainland China (GEM Electronics (Shanghai) and GEM Electronics (Hefei)), allocate a certain percentage of the total monthly salary of employees for the Ministry of Human Resources and Social Security's five insurance premiums including endowment insurance according to the relevant laws and regulations of Mainland China. The special account is deposited in the independent account of each employee.

In accordance with the regulations on the retirement management of subsidiaries in Mainland China, the current statutory retirement age in China is 60 years for male workers. Women in managerial positions have a retirement age of 50, while blue-collar female workers can retire at 50. Those who meet the requirements can go through the retirement procedures to apply for pensions, and the Ministry of Human Resources and Social Security is responsible for the verification of retirement. 45 days before the retirement age, the Human Resources Department will notify the retired employee's department about the employee's retirement. 30 days before the retirement age, the Human Resources Department will notify the employee, and the

employee will fill out and confirm the “Pension Receipt Confirmation Form”. The Human Resources Department will contact the Ministry of Human Resources and Social Security to start the retirement verification work. At the end of the month when the retirement age is reached, the retired employees should go to the Human Resources Department to go through the relevant retirement procedures, and the Human Resources Department will issue retirement certificates to the retired employees.

In July 2005, the “Labor Pension Act” (new system) came into effect. The Company’s subsidiary, GEM TECH LTD., TAIWAN BRANCH, has completed the declaration process in accordance with the regulations, and 6% of the pension will be allocated to the personal pension account of the Bureau of Labor Insurance according to the employee’s insurance level. If there is a voluntary contribution, it will be withheld from the employee’s monthly salary to the Bureau of Labor Insurance’s individual pension account according to the voluntary contribution rate.

Employees who apply for retirement under the Labor Pension Act can apply to the Company for retirement benefits when they reach the age of 60. Those seniority exceeds 15 years may claim for a monthly pension or a lump-sum pension. However, workers whose seniority is less than fifteen years may only claim for a lump-sum pension.

3. Labor-management agreement and various employee rights and interests protection measures

The Company attaches great importance to employee relations. Besides strengthening the communication between the supervisors and subordinates of various departments, internal communication meetings are held frequently to enhance employees’ corporate identity. Thus, labor-management relations are harmonious, and no major labor-management disputes have occurred.

- (II) List any losses suffered by the Company in the latest year and up to the publication date of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

There have been no labor disputes that may cause losses to the Company.

VI. ICT security management

- (I) Describe the ICT security risk management framework, the ICT security policy, specific management plan and the resources invested in the ICT security management, etc.

1. ICT Security Risk Management Framework:

Currently, the information department of the Company is in charge of cyber security-related affairs.

2. ICT Security Policy

- (1) Conduct ICT security publicity, and new recruits must receive cyber security training.
- (2) Outsourced manufacturers must sign a confidentiality agreement to prevent unauthorized access, tampering, destruction or improper disclosure.
- (3) Significant information systems are backed up and disaster recovery drills are performed regularly to maintain the availability.
- (4) Both personal computers and servers are equipped with anti-virus software which automatically update the malicious code to against virus infection.
- (5) Conduct regular software inventory on the computer to ensure the compliance of the software.
- (6) Establish password complexity and validity period management and require personnel to change passwords regularly. Strictly control the use of removable storage devices.
- (7) Use firewalls to isolate production and office networks, and isolate the Company's internal network and external Internet to protect the internal network from attacks.
- (8) Ensure external computers are not allowed to enter the Company network. Computers that need to be connected to the Company's internal network must be confirmed by IT before accessing the internal network.
- (9) Conduct regular internal audits every year to ensure the effectiveness of information security and personal data protection management systems.

3. Specific concrete management programs and investments in resources for ICT security management.

Conduct an internal inspection once a year and submit the summary of the internal control inspection results to the Board of Directors for review according to the Company's internal control policies.

- (II) List the losses, possible impacts, and countermeasures from major ICT security incidents in the latest year and up to the publication date of the annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

In 2023 and as of the publication date of the annual report, the Company has not suffered any major ICT security incidents, and has no related losses and impacts.

#### VII. Important contract

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Supply/sales contract	Company B	Signed on April 1, 2015, with a period of 5 years, if Company B fails to terminate the agreement in writing to the Company 6 months before the expiration date, the agreement shall automatically renew and be extended from year to year upon the expiration.	Exclusive distribution agreement in Japan	None
Supply/sales contract	Company R	The agreement period is from January 1, 2019 to December 31, 2024 with a validity period of 5 years. If Company R fails to terminate the agreement in writing to the Company 3 months before the expiration date, the agreement shall automatically renew and be extended for one year.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company T	The agreement period is from January 1, 2019 to December 31, 2024 with a validity period of 5 years. If Company T fails to terminate the agreement in writing to the Company 3 months before the expiration date, the agreement shall automatically renew and be extended for one year.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company A	The agreement period is from April 1, 2021 to December 31, 2023.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company A	The agreement is valid for 7 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Supply/sales contract	Company I	The agreement period is from October 1, 2021 to September 30, 2023	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company a	The agreement period is from December 31, 2021 to December 31, 2023.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company I	The agreement is valid for 7 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company J	The agreement is valid for 7 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company K	The agreement period is from March 1, 2022 to June 30, 2025.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company M	The agreement is valid for 3 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company R	The agreement period is from January 1, 2022 to December 31, 2024.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company S	The agreement is valid for 5 years.	Provide packaging and testing service contract through GEM Electronics (Hefei) Co., Ltd.	None

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Supply/sales contract	Company V	The agreement is valid for 6 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company W	The agreement is valid for 7 years.	Provide packaging and testing service contract through GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company X	The agreement is valid for 2 years and 6 months.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company Z	The agreement period is from January 1, 2022 to December 31, 2023.	Provide packaging and testing service contract through GEM Electronics (Shanghai) Co., Ltd.	None
Supply/sales contract	Company Y	The agreement is valid for 7 years.	Provide packaging and testing service contract through GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Company O	The agreement is valid for 7 years.	Provide packaging and testing service contract through GEM Electronics (Shanghai) Co., Ltd.	None
Supply/sales contract	Company B	The agreement is valid for 5 years.	Provide packaging and testing service contracts through GEM Electronics (Shanghai) Co., Ltd. or GEM Electronics (Hefei) Co., Ltd.	None
Supply/sales contract	Air Products and Chemicals (Nanjing) Gases Co., Ltd.	January 1, 2022 to December 31, 2024.	Product Purchase Agreement	None
Lease agreement	Shanghai Jiading Industrial Zone Industry Yongfang Development Limited Company	January 1, 2022 to December 31, 2024.	GEM Electronics (Shanghai) Co., Ltd. factory lease agreement	None

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Joint venture contract	Mitsubishi Electric Corporation, Mitsubishi Electric Corporation (China)	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd. (MEGP) has been established for 30 years (signed date July 22, 2011).	Established MEGP as a joint venture	None
Lease agreement	MEGP	January 1, 2022 to December 31, 2026.	MEGP leases agreement with GEM (Hefei) Factory	None
Service agreement	MEGP	January 1, 2022 to December 31, 2026.	GEM Electronics (Hefei) Co., Ltd. service agreements to MEGP	None

## Chapter VI      Financial Status

### I. Information of condensed balance sheet and consolidated statement of comprehensive income for the latest 5 years

#### (I) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousand

Item \ Year		Financial information for the latest 5 years				
		2019	2020	2021	2022	2023
Current assets		3,011,890	3,090,109	3,386,237	3,279,230	2,949,942
Investments accounted for using equity method		73,156	81,718	88,869	101,489	116,704
Property, plant and equipment		1,353,778	1,544,622	2,437,086	2,914,089	2,883,166
Intangible assets		3,691	4,591	3,721	1,827	3,634
Other assets		267,256	430,230	761,409	634,140	193,533
Total assets		4,709,771	5,151,270	6,677,322	6,930,775	6,146,979
Current liabilities	Before dividend distribution	1,058,893	1,291,982	2,026,408	1,991,013	1,441,079
	After dividend distribution	1,510,559	1,872,695	2,736,169	2,700,774	1,892,745
Non-current liabilities		38,420	9,932	521,742	595,953	550,631
Total liabilities	Before dividend distribution	1,097,313	1,301,914	2,548,150	2,586,966	1,991,710
	After dividend distribution	1,548,979	1,882,627	3,257,911	3,296,727	2,443,376
Capital stock		1,290,474	1,290,474	1,290,474	1,290,474	1,290,474
Capital surplus		624,536	624,536	624,536	624,536	624,536
Retained earnings	Before dividend distribution	1,907,007	2,140,002	2,417,274	2,637,836	2,494,169
	After dividend distribution	1,455,341	1,559,289	1,707,513	1,928,075	2,042,503
Other equity		(209,559)	(205,656)	(203,112)	(209,037)	(253,910)
Treasury stock		-	-	-	-	-
Total equity	Before dividend distribution	3,612,458	3,849,356	4,129,172	4,343,809	4,155,269
	After dividend distribution	3,160,792	3,268,643	3,419,411	3,634,048	3,703,603

Note 1: The financial information from 2019 to 2023 is based on the consolidated financial report audited by CPA.

Note 2: The Company's 2023 earnings distribution proposal in cash dividend was approved by the Board of Directors on March 12, 2024.

## (II) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousand; earnings per share in NT\$

Item \ Year	Financial information for the latest 5 years				
	2019	2020	2021	2022	2023
Operating revenue	3,463,053	3,750,121	4,755,929	5,221,467	4,418,989
Gross profit	1,084,495	1,203,556	1,406,307	1,251,237	952,542
Operating income (loss)	794,946	919,572	1,085,733	865,204	622,857
Non-operating income and expenses	44,015	(59,655)	(32,986)	269,975	91,646
Profit or (loss) before income tax	838,961	859,917	1,052,747	1,135,179	714,503
Net Income (loss)	664,986	684,661	857,985	930,323	566,094
Other comprehensive income in the current period (net amount after tax)	(83,609)	3,903	2,544	(5,925)	(44,873)
Total comprehensive income	581,377	688,564	860,529	924,398	521,221
Earnings per share	5.15	5.31	6.65	7.21	4.39

Note: The financial information from 2019 to 2023 is based on the consolidated financial report audited by CPA.

## (III) Names of CPA in the last 5 years and their audit opinions

Year	CPA	CPA firm	Opinion
2019	CPA Chiang-Shiun, Chen CPA Chien-Hsin, Hsieh	Deloitte & Touche	Unqualified opinion
2020	CPA Chiang-Shiun, Chen CPA Chien-Hsin, Hsieh	Deloitte & Touche	Unqualified opinion
2021	CPA Keng-Hsi, Chang CPA Chien-Hsin, Hsieh	Deloitte & Touche	Unqualified opinion
2022	CPA Keng-Hsi, Chang CPA Chien-Hsin, Hsieh	Deloitte & Touche	Unqualified opinion
2023	CPA Keng-Hsi, Chang CPA Chien-Hsin, Hsieh	Deloitte & Touche	Unqualified opinion

## II. Financial Analysis for the latest 5 years- Based on IFRS

Analysis item		Year	Financial information for the latest 5 years				
			2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio		23.30	25.27	38.16	37.33	32.40
	Ratio of long-term capital to property, plant and equipment		269.68	249.85	190.84	169.51	163.22
Solvency (%)	Current ratio		284.44	239.18	167.11	164.70	204.70
	Quick ratio		269.23	224.39	145.83	153.46	190.81
	Interest coverage ratio (times)		322.32	550.47	1,884.27	347.41	339.95
Operating ability	Accounts receivable turnover (times)		5.11	5.29	5.28	5.64	5.44
	Average collection period		71	69	69	64	67
	Inventory turnover (times)		18.71	18.41	13.79	13.99	16.30
	Rate of payable turnover (times)		4.72	4.69	4.79	5.31	5.45
	Average days in sales		19	19	26	26	22
	Property, plant and equipment turnover (times)		2.68	2.59	2.39	1.95	1.52
	Total assets turnover (times)		0.74	0.76	0.80	0.77	0.68
Profitability	Return on total assets (%)		14.24	13.91	14.51	13.73	8.68
	Return on equity (%)		18.70	18.35	21.51	21.96	13.32
	Pre-tax income to paid-in capital (%)		65.01	66.64	81.58	87.97	55.37
	Profit rate (%)		19.20	18.26	18.04	17.82	12.81
	Earnings per share (NT\$)		5.15	5.31	6.65	7.21	4.39
Cash flow	Cash flow ratio (%)		97.86	77.16	51.73	79.78	70.93
	Cash flow adequacy ratio (%)		130.12	108.17	87.10	88.76	85.41
	Cash reinvestment ratio (%)		8.22	7.56	5.81	10.31	3.54
Leverage	Operating leverage		1.74	1.67	1.65	2.08	2.57
	Financial leverage		1.00	1.00	1.00	1.00	1.00

Note 1: The calculation formulas of each financial ratio are as follows

### 1. Financial structure

- (1) Debt ratio = Total liabilities/Total assets
- (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / Property, plant and equipment

### 2. Solvency

- (1) Current ratio = Current assets /Current liabilities
- (2) Quick ratio = (Current assets-Inventories-Prepaid expense)/ Current liabilities
- (3) Interest coverage ratio = Income before interest and tax / Interest expenses

### 3. Operating ability

- (1) Accounts receivable turnover = Net revenue/ Average accounts receivable
- (2) Average collection period = 365/ Accounts receivable turnover
- (3) Inventory turnover = COGS/Average inventory
- (4) Rate of payable turnover= COGS/ Average accounts payables
- (5) Average days in sales = 365/Inventory turnover
- (6) Property, plant and equipment turnover = Net revenue/Average net Property, plants and equipment
- (7) Total assets turnover = Net revenue/ Average total assets

### 4. Profitability

- (1) Return on total assets = (Net income + Interest expenses x (1- tax rate)) / Average assets
- (2) Return on equity = Net income/ Average equity
- (3) Profit ratio = Net income /Net revenue
- (4) Earnings per share= (Net income - Preferred stock dividends)/ Weighted average outstanding shares

### 5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio= Net cash flow from operating activities for the past five years/ (Capital expenditure+ Increases in inventory +Cash dividend) for the past five years
- (3) Cash re-investment ratio= (Cash flow from operating activity-Cash dividends) / (Gross property, plant, and equipment+Long-term investments+Other noncurrent assets+Working capital)

### 6. Leverage

- (1) Operating leverage = (Net revenue - Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

III. The Audit Committee's Audit Report as shown through the financial statements in the latest year

**GEM Services, Inc.**  
**Audit Committee's Review Report**

March 12, 2024

The Board of Directors of GEM Services, Inc. (GEM) has prepared the GEM's 2023 Business Report, Financial Statements, and the Proposal for profit appropriation. The CPA Mr. Keng-Hsi Chang and Mr. Chien-Hsin Hsieh from Deloitte & Touche were retained to audit GEM's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of GEM in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

GEM Services, Inc.

Yeh, Shu, Chairman of the Audit Committee

#### IV. Financial Reports for the latest year

##### **CPA's Audit Report**

GEM Services, Inc.:

##### **Opinion**

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

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

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

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the GEM Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

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

The GEM Group's consolidated operating revenue for the year ended December 31, 2023 was NT\$4,418,989 thousand, a decrease by about 15% compared with the year ended December 31, 2022. The total revenue of the customers with significant sales volume and continuous growth in sales accounted for about 30% of the consolidated operating revenue, resulting in significant influence on the consolidated financial statements. Thus, we believe that the main risk lies in the veracity of the sales revenue of the customers with significant sales volume and continuous growth in sales in 2023 and included it in the key audit matters of the consolidated financial statements for the year ended December 31, 2023. Please refer to Note 4 (14) of the Consolidated Financial Statements for the description of the revenue recognition policy.

Our audit procedures for this include:

1. By understanding the relevant internal control systems and operating procedures of the sales transaction cycle, we design the internal control auditing procedures according to the veracity of the sales revenue and confirm and evaluate the relevant internal control procedure during the sales transactions for whether the design and implementation are effective.
2. We obtain the list of the above-mentioned customers in 2023, and evaluate whether their relevant background, transaction amount, credit line and company size are reasonable.
3. We select samples from the above-mentioned customer sales details, examine the sales slips, customs declarations, bills of lading, sales invoices, payment collections, and major sales returns after the balance sheet date to confirm the veracity of the sales revenue.

## **Responsibilities of Management and Governing Units for Consolidated Financial Statements**

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GEM Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the GEM Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the GEM Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the GEM Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

CPA Keng-Hsi, Chang

CPA Chien-Hsin, Hsieh

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

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

March 12, 2024

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

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

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

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

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

(In Thousands of New Taiwan Dollars)

		Equity attributable to owners of the Company					Other equity	
Code		Share capital	Retained earnings			Unappropriated earnings	Exchange differences on translation of foreign financial statements	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve			
A1	Balance as of January 1, 2022	<u>\$ 1,290,474</u>	<u>\$ 624,536</u>	<u>\$ 386,682</u>	<u>\$ 205,656</u>	<u>\$ 1,824,936</u>	<u>(\$ 203,112)</u>	<u>\$ 4,129,172</u>
	Distribution of 2021 earnings (Note 19)							
B1	Legal reserve	-	-	85,799	-	( 85,799)	-	-
B3	Special reserve	-	-	-	( 2,544)	2,544	-	-
B5	Cash dividends	-	-	-	-	( 709,761)	-	( 709,761)
		<u>-</u>	<u>-</u>	<u>85,799</u>	<u>( 2,544)</u>	<u>( 793,016)</u>	<u>-</u>	<u>( 709,761)</u>
D1	Net income in 2022	-	-	-	-	930,323	-	930,323
D3	Other comprehensive income in 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 5,925)</u>	<u>( 5,925)</u>
D5	Total comprehensive income in 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>930,323</u>	<u>( 5,925)</u>	<u>924,398</u>
Z1	Balance as of December 31, 2022	<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 19)							
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 in 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 44,873)</u>	<u>( 44,873)</u>
D5	Total comprehensive income in 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566,094</u>	<u>( 44,873)</u>	<u>521,221</u>
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>

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

Chairman: Chu-Liang, Cheng

General Manager: Yen-Chiang, Tang

Head-Finance & Accounting: Jui-Ping, Wang

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

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

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

1. Company history

GEM Services, Inc. (hereinafter referred to as “the Company”) was established in the Cayman Islands in April 1998. On June 23, 2015, with the resolution of the shareholders’ meeting, the Company changed the denomination of shares to New Taiwan Dollars to be listed where the face value per share is NT\$10. As of December 31, 2023, the Company’s paid-in capital was \$1,290,474 thousand, and its business activities include 1. Semiconductor packaging and testing foundry; 2. Plant leasing, etc.

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

2. Dates and procedures for the financial statement approval

The consolidated financial statements were approved by the Company’s Board of Directors on March 12, 2024.

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

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

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

A. Amendments to IAS 1 - Disclosure of Accounting Policies

When this amendment is applied, the Consolidated Company should determine the material accounting policy information that should be disclosed according to the definition of materiality. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence

decisions that the primary users of general purpose financial statements make on the basis of those financial statements. In addition:

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

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

- (A) was changed during the reporting period because the Consolidated Company was required to or chose to change its policy and this change resulted in a material change to the amounts included in the financial statements;
- (B) was chosen from one or more alternatives in an IFRS Standard;
- (C) was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS Standard that specifically applies;
- (D) relates to an area for which the Consolidated Company is required to make significant judgments or assumptions in applying an accounting policy; or
- (E) applies the requirements of an IFRS Standard in a way that reflects the entity’s specific circumstances, for example, by explaining how the requirements of a Standard are applied to the facts and circumstances of a material class of transactions, other events or conditions.

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

**B. Amendments to IAS 8 - Definition of Accounting Estimates**

The Consolidated Company has applied the amendment since January 1, 2023, and under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. When applying accounting policies, the Consolidated Company may be required to

measure financial statement items by monetary amounts that cannot be directly observed but must be estimated, and therefore must use a measurement technique or to develop an accounting estimate for this purpose. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

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

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

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

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

	<u>December 31, 2023</u>
Increase in deferred tax assets	\$ 8,587
Increase in assets	<u>\$ 8,587</u>
 Increase in deferred tax liabilities	 \$ 8,589
Increase in liabilities	<u>\$ 8,589</u>
 Decrease in retained earnings	 (\$ 2)
Decrease in equity	<u>(\$ 2)</u>

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

Impact on assets and liabilities in the 2022 consolidated financial statement

	<u>Amount before restatement</u>	<u>Adjustment for initial application</u>	<u>Restated amount</u>
<u>December 31, 2022</u>			
Deferred tax assets	\$ 38,834	\$ 16,431	\$ 55,265
Impact on assets	<u>\$ 38,834</u>	<u>\$ 16,431</u>	<u>\$ 55,265</u>
Deferred tax liabilities	\$ 2,546	\$ 16,431	\$ 18,977
Impact on liabilities	<u>\$ 2,546</u>	<u>\$ 16,431</u>	<u>\$ 18,977</u>
<u>January 1, 2022</u>			
Deferred tax assets	\$ 24,867	\$ 23,043	\$ 47,910
Impact on assets	<u>\$ 24,867</u>	<u>\$ 23,043</u>	<u>\$ 47,910</u>
Deferred tax liabilities	\$ 3,809	\$ 23,043	\$ 26,852
Impact on liabilities	<u>\$ 3,809</u>	<u>\$ 23,043</u>	<u>\$ 26,852</u>

(2) Applicable FSC-approved IFRS Accounting Standards in 2024

<u>New, revised or amended standards and interpretations</u>	<u>Effective date issued by IASB (Note 1)</u>
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current	January 1, 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	January 1, 2024 (Note 3)

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

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

Note 3: When the amendments apply for the first time, some requirements for disclosure are exempted.

As of the publication date of this consolidated financial statement, the Consolidated Company has concluded that there is no material impact of

amendments of above standards and interpretations on the consolidated financial position and consolidated financial performance.

- (3) New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NA
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025 (Note 2)

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

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2025. When the amendments apply for the first time, the effects will be recognized in retained earnings on the initial application date. When the Consolidated Company adopts a non-functional currency as the presentation currency, the effects will be reclassified as the exchange differences arising from the translation of the financial statements of foreign operations under equity on the initial application date.

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

4. 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 does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

(4) Consolidation basis

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

For details of subsidiaries, shareholding ratio and business activities, please refer to Note 9 and Table 4 and Table 5 of Note 31.

(5) Foreign currency

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

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

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

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

(6) Inventories

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

(7) Investments in associates

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Investment property

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

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

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

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

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

(10) Intangible assets

A. Additions

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

B. Derecognition

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

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

The Consolidated Company assess at the date of statement property, plant and equipment, right-of-use assets, investment property and intangible assets project whether there is any indication of impairment. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the

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

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

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

(12) Financial instrument

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

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

A. Financial asset

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

(A) Category of financial assets and measurement

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

(B) Impairment of financial assets and contract assets

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

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

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

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

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

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

(C) Derecognition of financial assets

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

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

B. Financial liabilities

(A) Subsequent measurement

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

(B) Derecognition of financial liabilities

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

(13) Liability provisions

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

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 the lease payment paid before the lease commencement date), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets shall be presented separately in the consolidated balance sheet.

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

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

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

(16) Government subsidy

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

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

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

(17) Employee benefits

A. Short-term employee benefits

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

B. Post-employment benefits

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

(18) Income tax

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

A. Current income tax

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

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

B. Deferred income tax

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

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

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

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

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

C. Current and deferred income tax

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

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

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

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

Main sources of uncertainty in estimates and assumptions

Estimated impairment of financial assets and contract assets

The estimated impairment of accounts receivable, other receivables and contract assets is based on the Consolidated Company's assumptions of probability of default and loss given default. The Consolidated Company takes experience, current market conditions and forward-looking information into account to develop assumptions and inputs for impairment assessments. Please refer to Note 7 and Note 20 for the key assumptions and inputs used. If the actual future cash flow is less than the Consolidated Company's expectations, there may be significant impairment losses.

6. Cash and cash equivalents

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

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

7. Accounts receivable and other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total amount	\$ 781,161	\$ 823,731
Less: loss allowances	( <u>255</u> )	( <u>707</u> )
	<u>\$ 780,906</u>	<u>\$ 823,024</u>
<u>Other receivables</u>		
OEM collection and payment	\$ 104,675	\$ 144,672
Interest receivable	2,924	1,257
Other	<u>1,202</u>	<u>2,428</u>
	<u>\$ 108,801</u>	<u>\$ 148,357</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 write off the relevant accounts receivable, but will continue to pursue account recovery, and the amount recovered due to pursuit and recovery will be recognized in profit or loss.

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

December 31, 2023

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0.01%~ 0.1%	0.05%~ 14.79%	6.33%~ 26.41%	16.71%~ 48.39%	39.23%~ 100%	
Total amount	\$ 732,587	\$ 48,303	\$ 67	\$ 175	\$ 29	\$ 781,161
Loss allowance (lifetime expected credit losses)	( 84 )	( 134 )	( 15 )	-	( 22 )	( 255 )
Measured at amortized cost	\$ 732,503	\$ 48,169	\$ 52	\$ 175	\$ 7	\$ 780,906

December 31, 2022

	Not past due	1~60 days past due	61~90 days past due	91~120 days past due	Over 120 days past due	Total
Expected credit loss rate	0.0063%~	5.03%~	0.02%~ 9.29%	14.25%~	22.76%~ 100%	
Total amount	\$ 779,381	\$ 39,600	\$ 4,196	\$ 4	\$ 550	\$ 823,731
Loss allowance (lifetime expected credit losses)	( 41 )	( 44 )	( 375 )	( 1 )	( 246 )	( 707 )
Measured at amortized cost	\$ 779,340	\$ 39,556	\$ 3,821	\$ 3	\$ 304	\$ 823,024

Changes in lose allowance for accounts receivable is as follows:

	2023	2022
Opening balance	\$ 707	\$ 1,067
Less: Reversal of impairment loss for the year	( 452 )	( 369 )
Effect of exchange rate changes	-	9
Ending Balance	<u>\$ 255</u>	<u>\$ 707</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 contract assets and loss allowance, but will continue to pursue for recovery. The amount recovered by the pursuit will be recognized in profit or loss. As of December 31, 2023 and 2022, the Consolidated Company assessed other receivables without the need to report expected credit losses.

8. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw material	<u>\$ 172,243</u>	<u>\$ 200,519</u>

The nature of cost of goods sold is as follows:

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

9. Subsidiary

Subsidiaries included in the consolidated financial statements

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

Investor	Subsidiary	Nature of business	<u>Shareholding percentage</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
The Company	GEM Electronics Company Limited	Holding company business	100.00%	100.00%
	GEM Tech Ltd.	Sales of electronic parts	100.00%	100.00%
GEM Electronics Company Limited	GEM Electronics (Shanghai) Co., Ltd.	Manufacture and sales of electronic parts	100.00%	100.00%
GEM Electronics (Shanghai) Co., Ltd.	GEM Electronics (Hefei) Co., Ltd.	Manufacture and sales of electronic parts, factory leasing	100.00%	100.00%

10. Investments accounted for using equity method

Investments in associates

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

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

<u>Company name</u>	<u>Nature of business</u>	<u>Main business site</u>	<u>Shareholding and voting rights</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
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>2023</u>	<u>2022</u>
Attributable to the Consolidated Company		
Net income from continuing operations	\$ 21,650	\$ 14,635
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 21,650</u>	<u>\$ 14,635</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.

11. Property, plant and equipment

Used for its own

	<u>Building</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other</u>	<u>Property under construction and equipment to be inspected</u>	<u>Total</u>
Cost								
Balance as of January 1, 2023	\$ 520,760	\$ 5,686,703	\$ 10,543	\$ 59,668	\$ 71,710	\$ 89,863	\$ 112,158	\$ 6,551,405
Enhancements	7,404	45,369	-	880	8,903	2,931	131,303	196,790
Reclassification (Note)	673	453,599	-	261	-	2,972	( 54,220 )	403,285
Disposals	-	( 29,990 )	-	( 213 )	-	( 3,891 )	-	( 34,094 )
Effect of exchange rate changes	( 8,928 )	( 56,575 )	( 64 )	( 1,007 )	( 1,386 )	( 1,552 )	( 2,934 )	( 72,446 )
Balance as of December 31, 2023	<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>
Accumulated depreciation and impairment								
Balance as of January 1, 2023	\$ 133,440	\$ 3,366,972	\$ 8,188	\$ 53,166	\$ 7,864	\$ 67,686	\$ -	\$ 3,637,316
Depreciation expense	24,163	532,349	843	2,538	36,800	9,159	-	605,852

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

	Building	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other	Property under construction and equipment to be inspected	Total
<u>Cost</u>								
Balance as of January 1, 2022	\$ 177,784	\$ 4,566,798	\$ 10,484	\$ 56,076	\$ -	\$ 124,113	\$ 925,928	\$ 5,861,183
Enhancements	48,657	147,950	-	799	72,122	7,445	180,872	457,845
Reclassification (Note)	312,003	1,227,997	-	1,954	-	654	( 1,019,712 )	522,896
Disposals	( 18,513 )	( 267,111 )	-	( 14 )	-	( 44,498 )	-	( 330,136 )
Effect of exchange rate changes	829	11,069	59	853	( 412 )	2,149	25,070	39,617
Balance as of December 31, 2022	\$ 520,760	\$ 5,686,703	\$ 10,543	\$ 59,668	\$ 71,710	\$ 89,863	\$ 112,158	\$ 6,551,405
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2022	\$ 131,226	\$ 3,140,034	\$ 6,682	\$ 49,274	\$ -	\$ 96,881	\$ -	\$ 3,424,097
Depreciation expense	18,675	458,227	1,456	3,156	7,909	13,609	-	503,032
Disposals	( 18,513 )	( 257,657 )	-	( 14 )	-	( 44,496 )	-	( 320,680 )
Effect of exchange rate changes	2,052	26,368	50	750	( 45 )	1,692	-	30,867
Balance as of December 31, 2022	\$ 133,440	\$ 3,366,972	\$ 8,188	\$ 53,166	\$ 7,864	\$ 67,686	\$ -	\$ 3,637,316
Net amount as of December 31, 2022	\$ 387,320	\$ 2,319,731	\$ 2,355	\$ 6,502	\$ 63,846	\$ 22,177	\$ 112,158	\$ 2,914,089

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

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

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

#### Building

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

## 12. Leasing agreement

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

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

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

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

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

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

(2) Lease liabilities

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Building	4.35%	4.35%
Office equipment	4.35%	4.35%

(3) Important lease activities and terms

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

(4) Other lease information

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

13. Investment property

	<u>Building</u>	<u>Right-of-use assets- Land</u>	<u>Total</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>
<u>Cost</u>			
Balance as of January 1, 2022	\$ 210,112	\$ 5,461	\$ 215,573
Effect of exchange rate changes	<u>3,288</u>	<u>85</u>	<u>3,373</u>
Balance as of December 31, 2022	\$ <u>213,400</u>	\$ <u>5,546</u>	\$ <u>218,946</u>
<u>Accumulated depreciation and impairment</u>			
Balance as of January 1, 2022	\$ 150,628	\$ 416	\$ 151,044
Depreciation expense	8,231	141	8,372
Effect of exchange rate changes	<u>2,310</u>	<u>6</u>	<u>2,316</u>
Balance as of December 31, 2022	\$ <u>161,169</u>	\$ <u>563</u>	\$ <u>161,732</u>
Net amount as of December 31, 2022	\$ <u>52,231</u>	\$ <u>4,983</u>	\$ <u>57,214</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 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, 2023</u>	<u>December 31, 2022</u>
Year 1	\$ 47,420	\$ 48,232
Year 2	47,420	48,232
Year 3	47,420	48,232
Year 4	-	48,232
Year 5	-	-
	<u>\$ 142,260</u>	<u>\$ 192,928</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 2023 and 2022.

Investment properties are depreciated on a straight-line basis over the following economic life:

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value	<u>\$ 258,103</u>	<u>\$ 283,872</u>

14. Other intangible assets

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

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

Computer software 3 to 5 years

15. Other assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 19,781	\$ 406,888
Refundable deposits paid (Note 28) (Note)	<u>9,316</u>	<u>8,608</u>
	<u>\$ 29,097</u>	<u>\$ 415,496</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, 2023 and 2022, the Consolidated Company assessed that it was not necessary to report expected credit losses for refundable deposits paid.

16. Other liabilities

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

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

17. Liability provisions

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Warranty	<u>\$ 30,000</u>	<u>\$ 30,000</u>
	<u>2023</u>	<u>2022</u>
Opening balance	\$ 30,000	\$ 30,000
Additional provisions recognized	1,570	666
Usage during the period	( <u>1,570</u> )	( <u>666</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.

18. Retirement benefit plans

Determined appropriation plan

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

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

19. Equity

- (1) Share capital  
Common stock

	<u>December 31, 2023</u>	<u>December 31, 2022</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, 2023</u>	<u>December 31, 2022</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 a Legal Reserve in accordance with the Applicable Public Company Rules, unless the accumulated amount of such Legal Reserve has reached the total paid-up capital of the Company;
- D. set aside a special capital reserve, if one is required, in accordance with the

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

Please refer to Note 21 (8) Employee Remuneration and Director Remuneration for the employees and directors remuneration policy stipulated in the Articles of Association of the Company.

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

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

The Company's 2022 and 2021 earnings distribution proposals are as follows:

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

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

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

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

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

(4) Special reserve

	2023	2022
Opening balance	\$ 203,112	\$ 205,656
Reduction of other equity items	5,925	-
Reversal of reduction of other equity items	-	( 2,544 )
Ending Balance	<u>\$ 209,037</u>	<u>\$ 203,112</u>

(5) Other equity

Exchange differences on translation of foreign financial statements:

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

20. Revenue

	2023	2022
Revenue from customer contracts		
Packaging and testing	\$ 4,267,097	\$ 5,073,719
Other revenue		
Other (Note 28)	<u>151,892</u>	<u>147,748</u>
	<u>\$ 4,418,989</u>	<u>\$ 5,221,467</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, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 7)	\$ 780,906	\$ 823,024	\$ 1,006,963
Accounts receivable due from related parties (Note 28)	<u>9,885</u>	<u>9,583</u>	<u>8,717</u>
	<u>\$ 790,791</u>	<u>\$ 832,607</u>	<u>\$ 1,015,680</u>
Contract assets			
Packaging and testing	\$ 123,426	\$ 100,175	\$ 137,277
Less: loss allowances	( 6,933 )	( 9,543 )	( 11,629 )
Current contract assets	<u>\$ 116,493</u>	<u>\$ 90,632</u>	<u>\$ 125,648</u>
Contract liabilities (including related parties) (Note 28)			
Packaging and testing	<u>\$ 27,248</u>	<u>\$ 11,679</u>	<u>\$ 9,139</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:

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

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

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

Information on changes in the loss allowance on contract assets:

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 9,543	\$ 11,629
Less: Reversal of impairment loss for the current period	( 1,615 )	( 2,125 )
Write-off for the year (Note)	( 996 )	-
Effect of exchange rate changes	<u>1</u>	<u>39</u>
Ending Balance	<u>\$ 6,933</u>	<u>\$ 9,543</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>2023</u>	<u>2022</u>
Contract liabilities in beginning of the period	<u>\$ 9,421</u>	<u>\$ 6,894</u>

(3) Detail of revenue from customer contracts

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

21. Profit from continuing operations

(1) Interest income

	<u>2023</u>	<u>2022</u>
Bank deposit	<u>\$ 40,839</u>	<u>\$ 16,084</u>

(2) Other income

	<u>2023</u>	<u>2022</u>
Government subsidy	\$ 17,090	\$ 5,521
Other	<u>2,155</u>	<u>6,504</u>
	<u>\$ 19,245</u>	<u>\$ 12,025</u>

(3)	Other gains and losses		
		<u>2023</u>	<u>2022</u>
	Gain on foreign exchange	\$ 9,232	\$ 227,904
	Gain or (loss) on disposal of property, plant and equipment	( 239)	2,846
	Profit from lease modification	1	7
	Other	<u>3,026</u>	<u>( 249)</u>
		<u>\$ 12,020</u>	<u>\$ 230,508</u>
(4)	Finance costs		
		<u>2023</u>	<u>2022</u>
	Interest expense on lease liability (Note 28)	<u>\$ 2,108</u>	<u>\$ 3,277</u>
(5)	Depreciation and amortization		
		<u>2023</u>	<u>2022</u>
	Depreciation expenses summarized by function		
	Operating costs	\$ 606,765	\$ 506,422
	Operating expenses	<u>38,750</u>	<u>39,818</u>
		<u>\$ 645,515</u>	<u>\$ 546,240</u>
	Amortization expenses summarized by function		
	Operating costs	\$ -	\$ 157
	Administrative expenses	<u>1,355</u>	<u>2,388</u>
		<u>\$ 1,355</u>	<u>\$ 2,545</u>
(6)	Direct operating expenses of investment property		
		<u>2023</u>	<u>2022</u>
	Related to lease revenue		
	Depreciation expense	\$ 7,593	\$ 8,372
	Other	<u>616</u>	<u>618</u>
		<u>\$ 8,209</u>	<u>\$ 8,990</u>
(7)	Employee benefits expenses		
		<u>2023</u>	<u>2022</u>
	Post-employment benefits Determined		
	appropriation plan	\$ 132,263	\$ 118,406
	Other employee benefits	<u>1,176,458</u>	<u>1,311,165</u>
	Total employee benefits expenses	<u>\$ 1,308,721</u>	<u>\$ 1,429,571</u>

Summarized by function		
Operating costs	\$ 1,116,423	\$ 1,221,709
Operating expenses	<u>192,298</u>	<u>207,862</u>
	<u>\$ 1,308,721</u>	<u>\$ 1,429,571</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 2023 and 2022 were approved by the Board of Directors on March 12, 2024 and March 22, 2023 as follows:

Estimated ratio

	<u>2023</u>	<u>2022</u>
Remuneration to employees	9.77%	7.31%
Remuneration to directors	2.93%	2.70%

Amount

	<u>2023</u>	<u>2022</u>
	<u>Cash</u>	<u>Cash</u>
Remuneration to employees	<u>\$ 80,000</u>	<u>\$ 92,200</u>
Remuneration to directors	<u>\$ 24,000</u>	<u>\$ 34,000</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 actual distributed amounts of employee remuneration and director remuneration in 2022 and 2021 and the recognized amounts in the consolidated financial statement for 2022 and 2021.

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

(9) Foreign currency exchange gain and loss

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

		<u>2023</u>	<u>2022</u>
	Net gain	<u>\$ 9,232</u>	<u>\$ 227,904</u>
22.	<u>Income tax for continuing operation</u>		
(1)	Income tax recognized in profit or loss		
	Detail of income tax expenses:		
		<u>2023</u>	<u>2022</u>
	Current income tax		
	Current tax expenses		
	recognized for the		
	current period	\$ 143,515	\$ 220,679
	Prior years'		
	adjustment	( 3,336 )	( 740 )
		<u>140,179</u>	<u>219,939</u>
	Deferred income tax		
	Current tax expenses		
	recognized for the		
	current period	<u>8,230</u>	( 15,083 )
	Income tax expense		
	recognized in profit or		
	loss	<u>\$ 148,409</u>	<u>\$ 204,856</u>
	A reconciliation of accounting profit and income tax expenses is as follows:		
		<u>2023</u>	<u>2022</u>
	Profit before income tax	<u>\$ 714,503</u>	<u>\$ 1,135,179</u>
	Income tax expense		
	calculated at the		
	statutory rate (25%)	\$ 178,626	\$ 283,795
	Nondeductible items in		
	determining taxable		
	income	42	152
	Unrecognized deductible		
	temporary differences/		
	loss deduction	( 4,396 )	( 30,757 )
	Effect of different tax rates		
	applicable to		
	consolidated entities	( 19,649 )	( 39,379 )
	Temporary differences		
	arising from prior years		
	recognized for the year	4,419	-
	Adjustments for prior		
	years' tax	( 3,336 )	( 740 )
	Investment tax credits	( 7,297 )	( 8,215 )
	Income tax expense		
	recognized in profit or		
	loss	<u>\$ 148,409</u>	<u>\$ 204,856</u>

(2) Current tax assets and liabilities

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

(3) Deferred income tax assets and liabilities

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

2023

	<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	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>

## 2022

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

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

Deductible temporary difference	December 31, 2023	December 31, 2022
Unrealized asset impairment loss	<u>\$ 129,546</u>	<u>\$ 146,099</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 2021.

The Consolidated Company had no pending tax litigation as of December 31, 2023.

23. Earnings per share

	Unit: NTD per share	
	2023	2022
Earnings per share - basic		
From continuing operations	<u>\$ 4.39</u>	<u>\$ 7.21</u>
Earnings per share - diluted		
From continuing operations	<u>\$ 4.34</u>	<u>\$ 7.12</u>

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

Net income

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

Quantity

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

24. Government subsidy

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

This amount has been deducted from the relevant asset's carrying amount and carried forward to profit or loss over the asset's economic life by reducing the depreciation expense. In 2023 and 2022, the depreciation expenses were reduced by \$7,606 thousand and \$2,148 thousand respectively.

25. Cash flow

(1) Non-cash transaction

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

- A. As of December 31, 2023 and 2022, the purchase price of unpaid properties, plant and equipment acquired by the Consolidated Company were \$165,021 thousand and \$526,054 thousand respectively, and were accounted as other payables.
- B. As of December 31, 2023 and 2022, there were \$131 thousand and \$171 thousand of declared cash dividends that had not been distributed and were accounted under other payables.
- C. The Consolidated Company signed a production capacity guarantee agreement with the customer and offset the security deposit by offsetting the payment according to the conditions stipulated in the contract. In 2023 and 2022, \$55,428 thousand and \$45,449 thousand, respectively, were used to offset the accounts receivable to offset the security deposits.

(2) Changes in liabilities from financing activities

2023

	January 1, 2023	Cash flows	Non-cash changes				Effect of exchange rate change	Other	December 31, 2023
			Lease additions	Lease modification	Finance costs	Offsetting accounts receivable			
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>

## 2022

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

### 26. Capital risk management

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

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

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

### 27. Financial instrument

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

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

#### (2) Types of financial instruments

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

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

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

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

(3) Financial risk management objectives and policies

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

A. Market risk

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

(A) Foreign currency risk

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

For the book values of monetary assets and liabilities of the Consolidated Company denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements), please refer to Note 30.

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	
	2023	2022	2023	2022
Gain or (loss)	\$ 13,261 (i)	\$ 16,513 (i)	(\$ 1,117)(ii)	(\$ 1,376)(ii)

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

The Consolidated Company's sensitivity to the USD exchange rate decreased in the current period, which was due to the decrease of cash and cash equivalents denominated in USD.

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

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

(B) Interest rate risk

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ 531,197	\$ 512,858
- Financial liabilities	36,313	67,882
Cash flow interest rate risk		
- Financial assets	1,200,053	1,459,360
- Financial liabilities	-	-

### Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. The analysis for floating rate liabilities assumes that the amounts of the liabilities outstanding at the balance sheet date were all outstanding during the reporting period. The rate of change used in reporting interest rates within the Consolidated Company to key management is a 1% increase or decrease in interest rates, which represents management's assessment of the reasonably possible range of changes in interest rates. If interest rates increased/decreased by 1% when all other variables are held constant, the Consolidated Company's net income before tax in 2023 and 2022 will increase/decrease by \$12,001 thousand and \$14,594 thousand respectively, mainly due to the interest rate risk with fluctuations arising from the bank deposits floating interest rate.

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

### B. Credit risk

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

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

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

The credit risk of the Consolidated Company is concentrated in the top five customers. As of December 31, 2023 and 2022, the ratio for the total amount of accounts receivable and total contract assets came from the top five customers were 56% and 57%, respectively.

#### C. Liquidity risk

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

##### 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, 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>

December 31, 2022

	Payment at sight or less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 195,984	\$ 422,001	\$ 718,727	\$ 13,415	\$ -
Lease liabilities	<u>8,281</u>	<u>111</u>	<u>24,655</u>	<u>37,889</u>	<u>-</u>
	<u>\$ 204,265</u>	<u>\$ 422,112</u>	<u>\$ 743,382</u>	<u>\$ 51,304</u>	<u>\$ -</u>

28. Related party transaction

The ultimate parent entity and ultimate controller of the Company is Elite Advanced Laser Corporation which held 51% of the Company's shares on December 31, 2023 and 2022. Transactions, account balances, income and expenses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated upon consolidation, thus not disclosed in this note. Unless disclosed in other notes, the transactions between the Consolidated Company and other related parties are as follows.

(1) Name and relationship of related party

<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

<u>Account</u>	<u>Related party categories</u>	<u>2023</u>	<u>2022</u>
Electroplating services	Associate	<u>\$ 97,371</u>	<u>\$ 93,222</u>
Lease revenue	Associate	<u>\$ 47,691</u>	<u>\$ 47,807</u>
Other	Associate	<u>\$ 6,830</u>	<u>\$ 6,719</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) Purchase

<u>Related party categories</u>	<u>2023</u>	<u>2022</u>
Associate	<u>\$ -</u>	<u>\$ 1,955</u>

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

(4) Contract liabilities

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

(5) Receivables from related parties

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

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

(6) Payables due to related parties

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

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

(7) Lease agreement

<u>Related party categories</u>	<u>2023</u>	<u>2022</u>
<u>Interest expenses</u>		
Ultimate parent entity	<u>\$ -</u>	<u>\$ 3</u>
<u>Lease expense</u>		
Ultimate parent entity	<u>\$ 187</u>	<u>\$ 82</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, 2023</u>	<u>December 31, 2022</u>
Total lease payments to be paid in the future	<u>\$ 115</u>	<u>\$ 108</u>

(8) Lease agreement

Operation lease/ sublease

The Consolidated Company leases the buildings and subleases the land use rights related to the buildings to its associate, Mitsubishi Electric GEM Power Semiconductor (Hefei) Co., Ltd., for a lease period of 5 years. The rent is signed according to the general market conditions and rents are paid monthly. At the end of the lease period, the lessee will not have the bargain purchase price option to purchase the real estate. As of December 31, 2023 and 2022, the total lease payments to be received in the future are as follows:

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

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

(9) Other related party transactions

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

(10) Remuneration for key managerial officers

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 70,335	\$ 83,197
Post-employment benefits	<u>216</u>	<u>216</u>
	<u>\$ 70,551</u>	<u>\$ 83,413</u>

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

29. Material contingent liabilities and unrecognized contractual commitments

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

Unit: Foreign currency (thousand)

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

30. Information on significant foreign currency assets and liabilities

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

December 31, 2023

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

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

December 31, 2022

	Foreign currency (thousand)	Exchange rate	Carrying amount
Assets in foreign currency			
<u>Monetary items</u>			
USD	\$ 45,497	6.9646(USD: RMB)	\$ 1,397,206
USD	49,153	30.7100(USD: NTD)	1,509,482

Liabilities in foreign currency			
<u>Monetary items</u>			
USD	8,906	6.9646(USD: RMB)	273,505
USD	31,973	30.7100(USD: NTD)	981,902
NTD	53,784	0.0326(NTD: USD)	53,784
NTD	83,856	0.2268(NTD: RMB)	83,856

The Consolidated Company's Gain on foreign exchange gain (including realized and unrealized) in 2023 and 2022 were \$9,232 thousand and \$227,904 thousand, respectively. Due to the wide variety of foreign currency transactions and functional currencies of the Group, it is not possible to disclose exchange gains and losses and significant impact for each currency.

31. Notes to disclosures

(1) Information on significant transactions:

- A. Lending funds to others. (None)
- B. Providing endorsements or guarantees for others. (None)
- C. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture). (None)
- D. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more. (None)
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more. (None)
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more. (None)
- G. The purchase and sale of goods with related parties reaching NT\$100 million or 20% of paid-in capital or more. (Table 1)
- H. Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more. (Table 2)
- I. Trading in derivative instruments. (None)
- J. Others: The relationship and circumstances and amounts of important transactions between the parent and subsidiary companies and between each subsidiary. (Table 3)

(2) Information on investees. (Table 4)

(3) Information of investment in Mainland China:

- A. Name of the investee company in Mainland China, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period, and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in Mainland China. (Table 5)

B. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- (A) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 1 and Table 3)
- (B) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
- (C) The amount of property transactions and the amount of the resultant gains or losses. (None)
- (D) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
- (E) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
- (F) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Note 28)

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

32. 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:

	2023	2022
Semiconductor products	\$ 4,364,468	\$ 5,166,941
Other	54,521	54,526
	<u>\$ 4,418,989</u>	<u>\$ 5,221,467</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	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	\$ 3,185,792	\$ 3,847,244	\$ 1,550,195	\$ 1,845,853
China	<u>1,233,197</u>	<u>1,374,223</u>	<u>1,478,194</u>	<u>1,640,330</u>
	<u>\$ 4,418,989</u>	<u>\$ 5,221,467</u>	<u>\$ 3,028,389</u>	<u>\$ 3,486,183</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	2023	2022
AC	<u>\$ 926,612</u>	<u>\$ 1,115,607</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

2023

Table 1

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Remark
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Sales	( \$ 1,303,906 )	( 62% )	Net 90 days from the end of the month of delivery	—	—	\$ 423,412	78%	Notes 1, 2 and 3
GEM Tech Ltd., Taiwan Branch	GEM Electronics (Shanghai) Co., Ltd.	"	Purchase	1,303,906	55%	"	—	—	( 423,412 )	( 71% )	Notes 1, 2 and 3
	GEM Electronics (Hefei) Co., Ltd.	"	Purchase	1,049,106	45%	"	—	—	( 172,462 )	( 29% )	Notes 1, 2 and 3
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	"	Sales	( 1,049,106 )	( 70% )	"	—	—	172,462	78%	Notes 1, 2 and 3
	Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Subsidiaries to affiliates	Sales	( 151,892 )	( 10% )	Electroplating services: monthly T/T 45 days; Lease and other services: collected on a monthly basis.	—	—	9,885	4%	Notes 2 and 4

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

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

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

December 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable \$ 423,412	2.86	\$ -	—	\$ 215,249	\$ -
GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Subsidiary to subsidiary	Accounts receivable 172,462	8.11	-	—	172,462	-

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

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

2023

Table 3

(In Thousands of New Taiwan Dollars)

No.	Counterparty	Transaction Counterparty	Relationship to the Counterparty	Transaction Details			
				Account	Amount (Note 1)	Transaction Terms	% of Total Sales or Assets (Note 2)
1	GEM Electronics (Shanghai) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Sales Revenue	\$ 1,303,906 (Note 4)	Net 90 days from the end of the month of delivery	30%
				Accounts receivable due from related parties	423,412	-	7%
				Contract assets - related parties	48,944	-	1%
				Sales Revenue	1,049,106 (Note 4)	Net 90 days from the end of the month of delivery	24%
2	GEM Electronics (Hefei) Co., Ltd.	GEM Tech Ltd., Taiwan Branch	Note 3 (3)	Accounts receivable due from related parties	172,462	-	3%
				Contract assets - related parties	29,062	-	-
				Remittance of earnings	651,319	-	11%
3	GEM Tech Ltd.	The Company	Note 3 (2)				

The business relationship between the parent and the subsidiaries:

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

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

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

Note 3: Relationship to the counterparty:

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES  
Information, location... and other related information of subsidiaries  
2023

Table 4

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

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

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

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

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

GEM SERVICES, INC. AND ITS SUBSIDIARIES

Information of investment in Mainland China

2023

Table 5

Unit: thousands of New Taiwan Dollars/ foreign currency

Investee Company in China	Business Scope	Paid-in shares Capital	Investment Method	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	The Company's Direct or Indirect Holding Percentage	Net Income (Losses) of the Investee	Share of Profits (Losses) of Investee	Carrying Amount of Investments at the End of the Period	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
GEM Electronics (Shanghai) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts	\$ 2,118,645 ( USD 69,000 ) (Note 5)	Reinvested by GEM Electronics Company Limited (Note 1(2))	\$ -	\$ -	\$ -	\$ -	100%	\$ 244,965	\$ 244,965 (Note 2(2) 2.)	\$ 2,728,488	\$ -
GEM Electronics (Hefei) Co., Ltd. (Note 4)	Manufacture and sales of electronic parts, factory leasing	1,892,367 ( RMB 436,511 )	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	100%	154,655	154,655 (Note 2(2) 2.)	1,192,497	-
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	Production, design, packaging and testing of power management electronic accessories	153,525 ( USD 5,000 )	Reinvested by GEM Electronics (Shanghai) Co., Ltd. (Note 1(3))	-	-	-	-	20%	108,250	21,650 (Note 2(2) 1.)	116,704	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
(Note 6)	(Note 6)	(Note 6)

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

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

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

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

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

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

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

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

GEM SERVICES, INC.

Information of major shareholders

December 31, 2023

Table 6

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

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

V. The individual financial report audited by CPAs for the latest year

Not Applicable.

VI. If the Company or its affiliates have experienced financial difficulties in the latest year and up to the publication date of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation.

None.

VII. The evaluation basis of the balance sheet valuation items

No.	Balance sheet valuation item	Evaluation reference	Evaluation basis
1	Allowance for doubtful accounts	The impairment assessment of accounts receivable is based on the actual follow up record to assess the possibility of recovery of individual customers who are overdue.	The allowance for doubtful accounts is made based on the probability assessment of collection of accounts receivable. Assess the Impairment of accounts receivable individually. According to the Company's internal management practices, those that are overdue for more than 30 days are regarded as risky assets, and are judged as evidence of impairment according to the collection.
2	Allowance for obsolete inventory	Depending on the inventory age range, the allowance for obsolete loss is calculated according to different percentages.	1. 1 to 30 days: 0% 2. 31 to 90 days: accrual of 5% loss 3. 91 to 120 days: accrual of 10% loss 4. 121 to 150 days: accrual of 20% loss 5. 151 to 180 days: accrual of 30% loss 6. 181 to 539 days: accrual of 50% loss 7. over 540 days: accrual of 100% loss

# Chapter VII Financial Status and Performance Review

## Analysis and Risks

### I. Analysis of financial status

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	3,279,230	2,949,942	(329,288)	(10.04%)
Investments accounted for using equity method	101,489	116,704	15,215	14.99%
Property, plant and equipment	2,914,089	2,883,166	(30,923)	(1.06%)
Intangible assets	1,827	3,634	1,807	98.91%
Other assets	634,140	193,533	(440,607)	(69.48%)
Total assets	6,930,775	6,146,979	(783,796)	(11.31%)
Current liabilities	1,991,013	1,441,079	(549,934)	(27.62%)
Non-current liabilities	595,953	550,631	(45,322)	(7.60%)
Total liabilities	2,586,966	1,991,710	(595,256)	(23.01%)
Capital stock	1,290,474	1,290,474	0	—
Capital surplus	624,536	624,536	0	—
Retained earnings	2,637,836	2,494,169	(143,667)	(5.45%)
Other equity	(209,037)	(253,910)	(44,873)	21.47%
Treasury stock	—	—	—	—
Total equity	4,343,809	4,155,269	(188,540)	(4.34%)
Description of major variations of accounting items: (increase/decrease in ratio reaches 20% or exceeds NT\$10 million):				
1. The decrease in other assets was mainly due to the transfer of the recognition of prepaid equipment payments in 2023 to property, plants, and equipment.				
2. The decrease in current liabilities and total liabilities was mainly due to the decrease in equipment payments payable in 2023.				
3. The decrease in other equity was due to exchange rate fluctuations, which reduced the exchange differences in the translation of financial statements of foreign operating institutions.				

## II. Analysis of financial performance

### (I) Comparative analysis of operation results

Unit: NT\$ thousand

Item \ Year	2022	2023	Increase/(Decrease)	Ratio (%)
Operating revenue	5,221,467	4,418,989	(802,478)	(15.37%)
Operating costs	3,970,230	3,466,447	(503,783)	(12.69%)
Gross profit	1,251,237	952,542	(298,695)	(23.87%)
Operating expenses	386,033	329,685	(56,348)	(14.60%)
Operating income	865,204	622,857	(242,347)	(28.01%)
Non-operating income and expenses	269,975	91,646	(178,329)	(66.05%)
Profit before Income tax	1,135,179	714,503	(420,676)	(37.06%)
Tax expenses	204,856	148,409	(56,447)	(27.55%)
Net income	930,323	566,094	(364,229)	(39.15%)
Other comprehensive income (net amount after tax)	(5,925)	(44,873)	(38,948)	657.35%
Total comprehensive income	924,398	521,221	(403,177)	(43.62%)
Description of major variations of accounting items: (increase/decrease in ratio reaches 20% or exceeds NT\$10 million):				
<ol style="list-style-type: none"> <li>1. The decrease in gross profit was mainly due to the semiconductor industry not yet recovering, impacted by the macroeconomic environment, and the consumer market in 2023. Therefore, as clients' inventory levels were still high and the forecast for orders placed was adjusted downward, the Company's operating revenue was in decline.</li> <li>2. The decrease in operating income was mainly due to the decline in operating revenue in 2023.</li> <li>3. The decrease in non-operating income was mainly due to the relatively stable exchange rate trend in 2023, which reduced exchange benefits.</li> <li>4. The decrease in profit before income tax and net income of continuing operating units was mainly due to the decrease in gross profit and non-operating income in 2023.</li> <li>5. The decrease in tax expenses was mainly due to the decrease in profit before income tax in 2023.</li> <li>6. The decrease in other comprehensive income (net amount after tax) was mainly due to exchange rate fluctuations in 2023, resulting from the decrease in the exchange difference when translating the currency of expression.</li> <li>7. The total comprehensive income for the current period decreased mainly because of the decline in net income for the current period in 2023.</li> </ol>				

### (II) The expected sales volume and its basis, the possible impact on the Company's future financial business and the response plan

The estimated sales of the Company in 2023 is determined by the management team based on the latest sales performance, customer operation overview, market share, new product development progress and overall industry development assessment, with consideration of the sales target set by the Company's production capacity. The expected sales quantities in 2023 is as follows:

Unit: KPcs

Item	Sales quantities
Power semiconductor packaging and testing	4,988,178

### III. Cash flow

#### (I) Analysis on cash flow change in the latest year

##### 1. Analysis on the cash flow change

Unit: NT\$ thousand

Opening cash balance	Net cash flow from operating activities in the year	Net cash flow from investing and financing activities in the year	Cash surplus (deficit)	Countermeasure for cash deficits	
				Investing plans	Financing plans
1,973,637	1,022,145	(1,264,289)	1,731,493	-	-
Analysis of change in cash flow in the current year:					
(1) Operating activities: Cash inflow of NT\$1,022,145 thousand, mainly due to continuous and stable profits in 2023.					
(2) Investing activities and financing activities: cash outflow of NT\$1,264,289 thousand, mainly for capital expenditures and cash dividends.					

##### 2. Improvement plan for illiquidity problems

There is no illiquidity problem.

##### 3. Analyses on the cash liquidity in one year ahead

Not Applicable.

IV. The impact of the significant capital expenditure over the past year upon the financial performance

As the Company's operation and cash inflows from operating activities are stable, the source of funds for major capital expenditures in recent years is mostly from its own working capital, so there is no significant capital expenditure impact on the Company's finances.

V. The outward investment policies over the past year. The key reasons leading to the profit or loss, the corrective plans and the investment plan in one year ahead

(I) Investment policy

The Company focuses on its core business, and the investment policy is based on basic business-related investment targets. The relevant executive departments follow the "investment cycle" and "Procedures for Acquisition and Disposal of Assets" and other methods stipulated in the internal control policies. The above methods or procedures have been approved by the Board of Directors or shareholders.

(II) The reason and improvement plan for the profit or loss of investment in the latest year

Unit: NT\$ thousand

Investee	Ratio of shareholding (%)	Profit and/or loss recognized in 2023	Main reason for profit or loss	Improvement plan
GEM Tech Limited	100%	348,072	Engaged in the sales of electronic parts	—
GEM Electronics Company Limited	100%	244,965	Recognized as investment gains in GEM Electronics (Shanghai) Co., Ltd.	—
GEM Electronics (Shanghai) Co., Ltd.	100%	244,965	Engaged in the sales of electronic parts	—
GEM Electronics (Hefei) Co., Ltd.	100%	154,655	Engaged in the sales of electronic parts and leasing services	—
Mitsubishi Electric GEM Power Device (Hefei) Co., Ltd.	20%	21,650	The profit has been stable since the establishment in 2011.	—

(III) Investment plan for the coming year:

None.

VI. Risk events and assessments in the latest year up to the publication date of the annual report

Please see pages 6-42.

VII. Other important disclosures

None.

## Chapter VIII Special Disclosure

### I. Relevant information of affiliated enterprises

#### (I) Affiliates enterprises organization chart

December 31, 2023



The shareholding ratio in the above figure is 100%.

#### (II) Information of affiliated enterprises

##### 1. Direct investment

December 31, 2023; Unit: dollar

Name of enterprise	Establishment date	Address	Paid-in capital	Main business items
GEM Tech Limited	June, 2012	Samoa	USD 606,091	Sales of electronic parts
GEM Electronics Company Limited	November, 2000	British Virgin Islands	USD 100	Holding company business

## 2. Indirect investment

December 31, 2023; Unit: dollar

Name of enterprise	Establishment date	Address	Paid-in capital/working capital	Main business items
GEM Electronics (Shanghai) Co., Ltd.	December, 1998	Mainland China	USD 69,000,000	Manufacture and sales of electronic parts
GEM Electronics (Hefei) Co., Ltd.	September, 2006	Mainland China	RMB 436,510,473	Manufacture and sales of electronic parts, factory leasing
GEM Tech Ltd., Taiwan Branch	September, 2012	Taiwan	NTD 18,000,000	Sales of electronic parts

(III) Information on the shareholders presumed to have relationship of control and subordination: None.

(IV) The industries covered by the business operated by the affiliates overall

The main investment business items of the overall Company and affiliate companies include power management components, IC packaging and testing services, and plant leasing.

(V) Information and to data of directors and supervisors, presidents of affiliated enterprises:

Name of enterprise	Title	Name or the representative person	Shareholding	
			Quantity	Ratio of shareholding (%)
GEM Tech Limited	Chairman	Chu-Liang, Cheng	-	-
GEM Electronics Company Limited	Chairman	Chu-Liang, Cheng	-	-
GEM Electronics (Shanghai) Co., Ltd.	Chairman	Chu-Liang, Cheng	-	-
GEM Electronics (Hefei) Co., Ltd.	Chairman	Chu-Liang, Cheng	-	-

(VI) Business performances of affiliated enterprises

December 31, 2023; Unit: NT\$ thousand

Name of enterprise	Paid- in capital	Total assets	Total liabilities	Net value	Operating revenue	Profit (loss) from operation	Net Income (loss)	Earnings per share (NT\$)
GEM Tech Limited	18,202	2,838,089	1,426,649	1,411,440	3,185,792	456,560	348,072	Not applicable
GEM Electronics Company Limited	-	2,728,488	0	2,728,488	244,965	244,965	244,965	Not applicable
GEM Electronics (Shanghai) Co., Ltd.	2,118,645	3,533,884	783,972	2,749,912	2,088,235	52,919	244,965	Not applicable

Name of enterprise	Paid- in capital	Total assets	Total liabilities	Net value	Operating revenue	Profit (loss) from operation	Net Income (loss)	Earnings per share (NT\$)
GEM Electronics (Hefei) Co., Ltd.	1,892,367	1,685,490	471,569	1,213,921	1,496,412	161,510	154,655	Not applicable

Note: The amount of paid-in capital, total assets, total liabilities and net value listed by the Company are converted at the exchange rate at the end of 2023 and the operating revenue, profit (loss) from operation, net income (loss) and earnings per share are converted at the 2023 annual average exchange rate.

#### (VII) The Affiliate's Consolidated Financial Statements

It is identical as the consolidated financial report of the Company and its subsidiaries, please refer to pages 180 to 251.

#### (VIII) Information on endorsement/guarantees, loaning of funds, and derivative commodity transactions of affiliated enterprises:

1. Endorsements/Guarantees of Affiliated Enterprises: None.
2. Lending funds of affiliated enterprises to others: None.
3. Affiliated enterprises trading in financial derivatives: None.

#### II. Where the Company has carried out a private placement of securities in the latest year and up to the publication date of the annual report

None.

#### III. Holding or disposal of the Company's shares by its' subsidiaries in the latest year and up to the publication date of the annual report

None.

#### IV. Other supplementary information

The major differences between the Articles of Association and the regulations on the protection of shareholders' equity in the R.O.C. are summarized and explained as follows:

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
Procedures for capital increase such as cash capital increase through issuance of new shares, capital increase through capitalization of retained earnings, capital increase	Article 8.9 of the Articles of Association: Subject to the provisions of the Applicable Public Company Rules, when the total number of new Shares in issue has been subscribed to in full, the Company shall	According to the lawyer's opinion, Article 8.9 of the Articles of Association should have no significant adverse impact on shareholders' equity.

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
through capitalization of capital reserve, etc.	immediately send a call notice to the subscribers for unpaid Shares. Where Shares are issued at a price higher than par value, the premium and the par value shall be collected at the same time. Where the subscriber delays payment for subscribing to the Shares, the Company shall designate a cure period of not less than one month by serving a notice on him/her/it requiring such payment. The Company shall also declare in the notice that in case of default of payment within the said cure period, the subscriber's right to subscribe to new Shares shall be forfeited. After the Company has made such request, the subscribers who fail to settle the outstanding payment accordingly shall forfeit their rights to subscribe to the Shares and the Shares subscribed by them in the first place shall be otherwise offered by the Company.	
1. In issuing new shares by cash capital increase, unless the shareholders have different resolutions, a company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares, in proportion respectively to their original shareholding	Article 8.2 of the Articles of Association: Unless otherwise resolved by the Members in general meeting by Ordinary Resolution, where the Company increases its capital by issuing new Shares for cash, the Company shall, after reserving Shares for Public Offering (defined below) and Shares for Employees' Subscription (defined below) in accordance with Article 8.3, make a public announcement and notify each Member that he/she/it is entitled to exercise	According to the lawyer's opinion, Articles 8.2 and 8.3 of the Articles of Association have been formulated in accordance with the revised content of the "Checking List of Protecting Rights of Foreign Issuer's Shareholders in the Country of Registration". Article 8.5 of the Articles of Association is aimed at excluding the limitations of Paragraph 1-3, Article 267 of the Company Act and Article 28-1 of the Securities Exchange Act regarding the original shareholders' rights to priority subscription to new issues, so it complies with the Article 8 of Business Mergers And Acquisitions Act.

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. Where a fractional percentage of the original shares being held by a shareholder is insufficient to subscribe for one new share, the fractional percentages of the original shares being held by several shareholders may be combined for joint subscription of one or more integral new shares or for subscription of new shares in the name of a single shareholder. New shares left unsubscribed by original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.</p> <p>2. When a company issues new shares in R.O.C. territory through cash capital increase, unless such a public offering is deemed to be unnecessary or inappropriate by the Competent Authority, it will be required a certain percentage of</p>	<p>a pre-emptive right to purchase his/her/its pro rata portion of any new Shares issued in the capital increase in cash. A waiver of such pre-emptive right may be approved at the same general meeting where the subject issuance of new Shares is approved by the Members. The Company shall state in such announcement and notices to the Members that if any Member fails to purchase his/her/its pro rata portion of the newly-issued Shares within the prescribed period, such Member shall be deemed to forfeit his/her/its pre-emptive right to purchase the newly-issued Shares.</p> <p>Subject to Article 6.3, in the event that Shares held by a Member are insufficient for such Member to exercise the pre-emptive right to purchase one newly-issued Share, Shares held by several Members may be calculated together for joint purchase of newly-issued Shares or for purchase of newly-issued Shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the new Shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may offer any un-subscribed new Shares to be issued to the public in R.O.C. or to specific person or persons according to the Applicable Public Company Rules.</p> <p>Article 8.3 of the Articles of</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>its new issues to be publicly offered. The ten percent requirement shall be precluded in case a higher percentage has been so determined by a resolution of the shareholders meeting.</p>	<p>Association: Where the Company increases its capital in cash by issuing new Shares in R.O.C., the Company shall allocate 10% of the total amount of the new Shares to be issued, for offering in R.O.C. to the public unless it is not necessary or appropriate, as determined by the board of Directors according to the Applicable Public Company Rules and/or the instruction of the FSC, or TWSE, for the Company to conduct the aforementioned public offering. Provided however, if a percentage higher than the aforementioned 10% is resolved by a general meeting to be offered, the percentage determined by such resolution shall prevail (“Shares for Public Offering”). The Company may reserve 10% to 15% of the total amount of the new Shares to be issued for the subscription by the employees of the Company and its Subsidiaries (“Shares for Employees’ Subscription”). The Company may restrain the shares subscribed by the aforementioned employees from being transferred or assigned to others within a specific period of time which shall in no case be longer than two years.</p> <p>Article 8.5 of the Articles of Association: The pre-emptive right of Members provided under Article 8.2 shall not apply in the event that new Shares are issued due to the</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
	<p>following reasons or for the following purposes: (a) in connection with a Merger with another company, or the Spin-off of the Company, or pursuant to any reorganization of the Company; (b) in connection with meeting the Company's obligations under Share subscription warrants and/or options, including those referenced in Articles 11.1 to 11.4 ; (c) in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire Shares; (d) in connection with meeting the Company's obligations under Preferred Shares vested with rights to acquire Shares; (e) in connection with a Private Placement; (f) in connection with the issue of Restricted Shares in accordance with Article 8.7; or (g) other matters in accordance with the Applicable Public Company Rules.</p>	
<p>1. When the shareholders meeting resolves any of the following matters, the dissenting shareholders shall have the right to request the Company to buy back his shares:</p> <p>(1) Company division, merger, acquisition or share exchange;</p>	<p>Article 22.1 of the amended Articles of Association: Subject to the Statute, in the event any of the following resolutions is adopted at a general meeting, any Member who has expressed his/her/its objection therefor in writing or verbally with a record before or during the general meeting, and has casted a veto or forfeited his/her/its voting right during the general meeting may request the Company to buy back all of his/her/its</p>	<p>According to the lawyer's opinion, Article 22.1 to Article 22.5 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>(2) Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company.</p> <p>2. The shareholder's request for the preceding paragraph shall be submitted in writing within 20 days from the resolution of the shareholders' meeting, and shall specify the requested purchase price. If the Company and shareholder reach an agreement about the price of buying back, the Company shall pay for the shares within 90 days since the resolution of the shareholders' meeting. In the event that no agreement is reached</p>	<p>Shares at the then prevailing fair price:</p> <p>(a) The Company enters into, amends, or terminates any agreement for lease of the Company's business in whole, or the delegation of management of the Company's business to other or the regular joint operation of the Company with others; (b) The Company transfers the whole or a material part of its business or assets, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; (c) The Company accepts the transfer of the whole business or assets of another person, which has a material impact on the Company's business operations; (d) Spin-Off (other than a Short-form Spin-off); (e) Merger (other than a Short-form Merger); (f) Acquisition; or (g) Share Exchange (other than a Short-form Share Exchange).</p> <p>The voting right of the Member who has forfeited pursuant to this Article shall not be counted in the number of votes of Members present at the general meeting.</p> <p>Article 22.2 of the Articles of Association: Unless otherwise provided by the Applicable Public Company Rules and the Statute, in the event of a Short-form Merger, a Short-form Spin-off or a Short-form Share Exchange where at least 90% of the voting power of the outstanding shares of the</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>with the dissenting Member, the Company shall pay the fair price it has recognized to such dissenting Member within ninety days since the resolution was made. If the Company fails to pay, the Company shall be considered to be agreeable to the price requested by the dissenting Member.</p> <p>3. Shareholders who vote against or abstain from voting at the shareholders' meeting may request the Company to purchase all of their shares based on the reasons specified in Subparagraph 1 of Paragraph 1. In case no agreement is reached within 60 days since the resolution of the general meeting or the board meeting was made, the Company shall apply to the court for a ruling on the fair price against all the dissenting shareholders as the opposing party within 30 days after that duration and the Taiwan Taipei District Court will be the court of first instance jurisdiction.</p>	<p>Company are held by other company participating in the such Merger, Spin-off or Share Exchange, the Company shall deliver a notice to each of the Member immediately after the resolution of board of directors approving such Short-form Merger, Short-form Spin-off or Short-form Share Exchange, and such notice shall state that any Member who expressed his/her/its objection against the Short-form Merger, Short-form Spin-off, or the Short-form Share Exchange within the specified period may submit a written objection requesting the Company to buy back all of his/her/its Shares at the then prevailing fair price.</p> <p>Article 22.3 of the Articles of Association: Subject to the Statute, the request prescribed in Articles 22.1 and 22.2 shall be delivered to the Company in writing, stating therein the types, numbers and the repurchase price of Shares requested to be repurchased, within twenty days after the date of the relevant resolutions.</p> <p>In the event the requesting Member and the Company have reached an agreement in regard to the repurchase price of the Shares held by such Member, the Company shall pay such price within ninety days after the date on which the resolution was adopted. In the event that no agreement is reached with the dissenting Member, the Company shall pay the fair price it has</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>4. The voting right of the Member who has forfeited pursuant to the previous Article shall not be counted in the number of votes of Members present at the general meeting.</p>	<p>recognized to such dissenting Member within ninety days since the resolution was made. If the Company fails to pay, the Company shall be considered to be agreeable to the price requested by the dissenting Member.</p> <p>Article 22.4 of the Articles of Association: Subject to the Statute, in the event that any Member requests the Company to buy back his/her/its Shares pursuant to Article 22.3, and the Company and the requesting Member fail to reach the agreement in regard to the repurchase price of the Shares held by such Member within sixty days after the resolution date, the Company shall apply to any competent R.O.C. court against all the dissenting Members as the opposing party within thirty days after the expiry of the sixty-day period for a ruling on the price of the repurchased Shares, and the Taipei District Court, R.O.C., may be the court of the first instance. Such ruling by such R.O.C. court shall be binding and conclusive as between the Company and the dissenting Members solely with respect to the price of the repurchased Shares.</p> <p>Article 22.5 of the Articles of Association: Subject to the Statute, the payment of price of the repurchased Shares and the delivery of Share Certificates shall comply with the Applicable Public Company Rules.</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>The Company shall not do any of the following acts without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.</p> <ol style="list-style-type: none"> <li>1. Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company.</li> <li>2. Alteration in the Articles of Association</li> <li>3. In case any modification or</li> </ol>	<p>Article 14.2 of the Articles of Association: Subject to the provisions of the Statute, the Articles and the Applicable Public Company Rules, the Company shall by a Supermajority Resolution:</p> <p>(a) sell, transfer or lease of whole business of the Company or other matters which has a material effect on the Members' rights and interests; (b) discharge or remove any Director; (c) approve any action by any Director(s) who is engaging in business for him/her/itself or on behalf of another person that is within the scope of the Company's business; (d) effect any capitalization of distributable Dividends and/or bonuses and/or any other amount prescribed under Article 35 hereof; (e) distribute its Legal Reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash; (f) effect any Merger (other than a Short-form Merger) or Spin-off (other than a Short-form Spin-off), provided that any Merger which falls within the definition of "merger and/or consolidation" under the Statute shall also be subject to the requirements of the Statute; (g) enter into, amend, or terminate any agreement for lease of the Company's whole</p>	<p>According to the lawyer's opinion, Article 14.2 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>alteration in the Articles of Association prejudicial to the privileges of special shareholders shall be adopted by a meeting of special shareholders.</p> <p>4. Have the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares;</p> <p>5. A resolution for dissolution, consolidation or merger, or split-up</p> <p>6. Share Exchange</p>	<p>business, or for entrusted business, or for frequent joint operation with others; (h) transfer its business or assets, in whole or in any essential part, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; (i) acquire or assume the whole business or assets of another person, which has material effect on the Company's operation; and (j) Share Exchange.</p>	
<p>1. If any director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting; where proposals are under consideration concerning a proposed M&amp;A by the Company, a Director who has a personal interest in the proposed transaction shall disclose at the meeting of the Board of Directors and the general meeting the nature of such director's personal interest and the reason(s) for the</p>	<p>Article 30.5 of the Articles of Association: A Director who has a personal interest in the matter under discussion at the Board meeting, shall disclose to the Board meeting the material information of such interest; provided that in the event a Director's spouse or any relatives within the second degree of kinship with a Director, or company(s) which has controlling and subordinating relationship with a Director, has a personal interest in the matter under discussion at a meeting, the said Director shall be deemed to have a personal interest in such matter. A Director who has a conflict of interest which may impair the interest of the Company shall not vote nor exercise voting rights on behalf of another Director; the voting</p>	<p>According to the lawyer's opinion, Article 30.5 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>approval or objection to the proposed resolution. The Company shall specify the material content of the director's personal interest and the reason(s) for the approval or objection to the proposed resolution in the meeting notice of the general meeting and the content may be placed on the website specified by the R.O.C. competent authorities of securities or by the Company, and the website address link shall be indicated in the notice.</p> <p>2. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</p> <p>3. A Director who has a personal interest in the matter under discussion at a</p>	<p>right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the board meeting. Where proposals are under consideration concerning a proposed M&amp;A by the Company, a Director who has a personal interest in the proposed transaction shall disclose at the meeting of the board of Directors and the general meeting the nature of such director's personal interest and the reason(s) for the approval or objection to the proposed resolution. The Company shall specify the material content of the director's personal interest and the reason(s) for the approval or objection to the proposed resolution in the meeting notice of the general meeting and the content may be placed on the website specified by the R.O.C. competent authorities of securities or by the Company, and the website address link shall be indicated in the notice.</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another Director. In passing a resolution at a Board meeting, directors for which voting right cannot be exercised as provided in foregoing provision shall not be counted in the number of votes of directors present at the meeting.</p>		
<p>1. The Directors shall faithfully carry out their duties with care, and may be held liable for the damages suffered by the Company for any violation of such duty. In case a director does anything for himself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the Company.</p> <p>2. The Directors and the Company shall jointly and severally indemnify the third party for any losses or damages incurred by such third party if such loss or damage is incurred as a result of a Director's breach of laws or regulations in</p>	<p>Article 26.5 of the Articles of Association: The Directors shall faithfully carry out their duties with care, and may be held liable for the damages suffered by the Company for any violation of such duty. The Company may by Ordinary Resolution of any general meeting demand the Directors, who violate such duties, to disgorge any profit realised from such violation and regard the profits realised as the profits of the Company as if such violation was made for the benefit of the Company. The Directors shall indemnify the Company for any losses or damages incurred by the Company if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The Directors and the Company shall jointly and severally indemnify the third party for any losses or damages incurred</p>	<p>According to the lawyer's opinion, Article 26.5 of the Articles of Association has been formulated in accordance with the revised content of the "Checking List of Protecting Rights of Foreign Issuer's Shareholders in the Country of Registration".</p> <p>According to the lawyer's opinion, Article 26.5 of the Articles of Association should have no significant adverse impact on shareholders' equity. The Director's duties include the execution of merger/consolidation. Thus, the Board of Directors shall, in the course of conducting the merger/consolidation or acquisition, in the best interest of the Company, fulfill its duty of care. Any director involved in decision-making for a merger/ consolidation or acquisition shall be liable for any damage to the Company in accordance with Paragraph 1 and 2, Article 5 of Business Mergers and Acquisitions Act.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>the course of performing his duties.</p> <p>3. Managers and supervisors of the Company shall bear the same liability for damages as directors of within the scope of their duties.</p>	<p>by such third party if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The aforementioned duties of the Directors shall also apply to the managers of the Company.</p>	
<p>1. Board of Directors, the Company shall have an Audit Committee or form a special committee to review the fairness and reasonableness of the plan and transaction of the merger or acquisition, and then to report the review results to the Board of Directors and the general meeting. However, if it is not necessary to convene a general meeting for the resolution of merge or acquisition according to the laws and regulations of the country where the foreign issuer is registered, it may not be reported to the general meeting.</p> <p>2. When an Audit Committee or special committee reviews matters, it shall seek opinions from an independent expert on the justification of the share exchange ratio</p>	<p>Article 32.8 of the Articles of Association: Prior to the commencement of the meeting of Board of Directors to adopt any resolution of M&amp;A, the Company shall have the Audit Committee review the fairness and reasonableness of the plan and transaction of the M&amp;A, and then report the results of the review to the Board of Directors and the general meeting of shareholders. However, if it is not necessary to convene a general meeting for the resolution of merger/consolidation according to the laws and regulations, it may not be reported to the general meeting. During the review, the Audit Committee shall seek opinions from an independent expert on the justification of the share exchange ratio or distribution of cash or other assets. The results of the review of Audit Committees and opinions of independent experts shall be sent to the Members together with the notice of the general meeting. In the event that the resolution by the general meeting is not required by the Statute, the Board of Directors shall report</p>	<p>According to the lawyer's opinion, Article 32.8 and 32.9 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>or distribution of cash or other assets.</p> <p>3. The deliberation results of the Audit Committee or special committee and the opinions of independent experts shall be sent to the shareholders together with the shareholders' meeting notice; however, if it is not necessary to convene a general meeting for the resolution of merger or acquisition according to the laws and regulations of the country where the foreign issuer is registered, it shall submit a merger or acquisition report at the latest general meeting.</p> <p>4. With respect to the documents that need to be sent to the Members as provided in the preceding Article, in the event that the Company posts the same documents on the website designated by the R.O.C. securities competent authorities, and also prepares and places such documents at the venue of the general meeting for the Members' review, then those documents</p>	<p>the foregoing at the next closest general meeting.</p> <p>Article 32.9 of the Articles of Association: With respect to the documents that need to be sent to the Members as provided in the preceding Article, in the event that the Company posts the same documents on the website designated by the R.O.C. securities competent authorities, and also prepares and places such documents at the venue of the general meeting for the Members' review, then those documents shall be deemed as having been sent to the Members.</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
shall be deemed as having been sent to the Members.		
<p>1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the Company over six months may request in writing the supervisors of the Company to institute, for the Company, an action against a director of the Company. And the Taipei District Court, R.O.C., may be the first-instance court with jurisdiction.</p> <p>2. If the Supervisors fail to bring such action within thirty days after the request by the Member, such Member may bring the action in the Taipei District Court, R.O.C., as the court of first instance in the name of the Company.</p> <p>3. In addition to the condition that the Board of Directors does not or is unable to convene a meeting of shareholders, the supervisors may, for the benefit of the Company, call a meeting of shareholders when it is deemed necessary.</p>	<p>Article 18.7 of the Articles of Association: Nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. The Taipei District Court, R.O.C., shall be the court of the first instance for adjudicating any disputes arising out of the foregoing.</p> <p>Article 25.6 of the Articles of Association: Any Member(s) holding 1% or more of the Company's issued Shares for at least six consecutive months may in writing request any of the Independent Directors of the Audit Committee to bring action against the Directors on behalf of the Company in a court of competent jurisdiction as the court of first instance. If the Independent Directors fail to bring such action within thirty days after the request by the Member, such Member may bring the action in a court of competent jurisdiction as the court of first instance in the name of the Company.</p>	<p>Article 18.7 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>1. Upon convening a general meeting of the Members, the Company shall include voting by way of an electronic transmission as one of the methods of exercising voting power.</p> <p>2. The Company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p>	<p>Article 19.6 of the Articles of Association: Upon convening a general meeting of the Members, the Company shall include voting by way of an electronic transmission as one of the methods of exercising voting power as well as voting by written ballot. Where these methods of exercising voting power are to be available at a general meeting, they shall be described in the general meeting notice given to the Members in respect of the relevant general meeting, and the Member voting by written ballot or electronic transmission shall submit such vote to the Company two days prior to the date of the relevant general meeting. Shareholders who exercise their voting rights in the aforementioned manner shall be deemed to have authorized the chairman of shareholders as the proxy to attend the shareholders' meeting in his/her/its behalf, and shall exercise their voting rights at the shareholders' meeting in writing or by way of electronic transmission. However, such an authorization shall not be regarded as an proxy under the regulations. The chairman, acting as proxy of a Member, shall not exercise the voting right of such Member in any way not stipulated in the written or electronic document, nor exercise any voting right in respect of any resolution revised at the meeting or any</p>	<p>According to the lawyer's opinion, Article 19.6 of the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>3. If a shareholder elects to exercise his/her/its voting rights in writing or by means of electronic transmission, his/her/its declaration of intention shall be served to the Company 2 days prior to the scheduled meeting date of the shareholders' meeting; if two or more declarations of intention on the same matter are served to the Company, the declaration of intention first served shall prevail, unless an explicit statement to revoke the previous declaration is made in the subsequent declaration.</p> <p>4. If a shareholder who has exercised his/her/its voting rights in writing or by means of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, 2 days prior to the scheduled meeting date of the shareholders' meeting and in the same manner previously used in exercising his/her/its voting rights, serve a separate declaration of</p>	<p>impromptu proposal at the meeting. A Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc resolution or amendment to the original agenda items to be resolved at the said general meeting. Should the chairman not observe the instructions of a Member in exercising such Member's voting right in respect of any resolution, the Shares held by such Member shall not be included in the calculation of votes in respect of such resolution but shall nevertheless be included in the calculation of quorum for the meeting.</p> <p>Article 19.7 of the Articles of Association: A Member who has submitted a vote by written ballot or electronic transmission pursuant to Article 19.6 may, at least two days prior to the date of the relevant general meeting, revoke such vote in the same manner previously used in submitting the vote and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting pursuant to Article 19.6. If a Member who has submitted a written ballot or electronic transmission pursuant to Article 19.6 does not submit such a revocation before the prescribed time, the proxy deemed to be given to the chairman of the general</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>intention to revoke his/her/its previous declaration of intention made in exercising the voting rights under the preceding paragraph. In the absence of a timely revocation of the previous declaration of intention, the voting rights exercised in writing or by means of electronic transmission shall prevail.</p> <p>5. If a shareholder has exercised his/her/its voting rights in writing or by means of electronic transmission, and has also authorized an agent to attend the shareholders' meeting on his/her/its behalf, then the voting rights exercised by the authorized agent for the shareholder shall prevail.</p>	<p>meeting pursuant to Article 19.6 shall not be revoked and the chairman of the general meeting shall exercise the voting right of such Member in accordance with that proxy. Article 19.8 of the Articles of Association: If, subsequent to submitting a written ballot or electronic transmission pursuant to Article 19.6, a Member submits a proxy appointing a person of the general meeting as his proxy to attend the relevant general meeting on his behalf, then the subsequent appointment of that person as his proxy shall be deemed to be a revocation of such Member's deemed appointment of the chairman of the general meeting as his proxy pursuant to Article 19.6.</p>	
<p>1. The general meeting of shareholders must be convened at least once a year; it should be held within six months after the end of each fiscal year. Shareholders' meetings are convened by the Board of Directors.</p> <p>2. The Company may explicitly provide for</p>	<p>Article 16.2 of the Articles of Association: The Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year, and shall specify the meeting as such in the notices calling it. At these meetings, the report of the Directors (if any) shall be presented.</p> <p>Article 16.3 of the Articles of Association: The Company</p>	<p>According to the lawyer's opinion, the Articles of Association should have no significant adverse impact on shareholders' equity.</p>

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>in its Articles of Association that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority. Under the circumstances of calamities, incidents, or force majeure, the central competent authority may promulgate a ruling that authorizes a company, which has no above provision in its Articles of Association, within a certain period of time can hold its shareholders' meeting by means of visual communication network or other promulgated methods.</p> <p>3. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</p> <p>4. The Company shall comply with the prerequisites, procedures, and other</p>	<p>shall hold an annual general meeting of shareholders every year.</p> <p>Article 16.4 of the amended Articles of Association: the general meetings shall be held at such time and place as the Directors shall appoint, or by video conference or in any manner prescribed by the Applicable Public Company Rules. Unless otherwise provided by the Statute or this Article 16.4, the general meetings shall be physically held in R.O.C. For general meetings to be physically held outside R.O.C., the Company shall apply to the TWSE to obtain its approval within two days after the board of Directors resolves to call a general meeting or within two days after the shareholder(s) obtain(s) the approval from competent authorities to convene the same. In addition, where a general meeting is to be held outside R.O.C., the Company shall engage a professional securities agent in R.O.C. to handle the administration of such general meeting (including but not limited to the handling of the voting of proxies submitted by Members). Where a general meeting is held through video conference, the conditions, operating procedures and other matters for compliance with respect to the video conference shall be in accordance with the regulations of the Applicable</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>compliance matters to be complied with in accordance with the securities regulation of the Republic of China.</p> <p>5. The convening of the shareholder meeting of the Company shall be held within the R.O.C. territory. If a shareholder meeting is held outside the Republic of China, it shall report to the TWSE for approval within two days after the resolution of the Board of Directors or the shareholder obtains the permission from the competent authority.</p> <p>6. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal. Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders; where the number of</p>	<p>Public Company Rules.</p> <p>Participation by a shareholder through video conference in a general meeting is treated as presence in person at that meeting.</p> <p>Article 17.1 of the Articles of Association: At least thirty days' notice to each Member shall be given of any annual general meeting, and at least fifteen days' notice to each Member shall be given of any extraordinary general meeting. The date of notice and the date of receiving notice shall not be counted. The Company may make a public announcement of a notice of general meeting to Members holding less than 1,000 Shares instead of delivering a written notice to such Members. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting, the manner in which the meeting shall be convened, the general nature of the business and other relevant matters and shall be given in the manner hereinafter mentioned, or be given via electronic means if agreed thereon by the Members, or be given in such other manner as may be prescribed by the Company, provided that a general meeting of the Company shall, before the Company has acquired public company status, whether or not the notice specified in</p>	

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<p>shares of the Company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time; where the said proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals; and where the said proposal containing more than 300 words or more than one matters in a single proposal, it may still be included in the list of proposals to be discussed at a general meeting of shareholders by the Board of Directors. A shareholder proposal proposed for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a general meeting of shareholders by the Board of Directors.</p> <p>7. Any or a plural number of shareholder(s) of the Company who has</p>	<p>this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed by all the Members (or their proxies) entitled to attend such general meeting.</p> <p>Article 18.9 of the Articles of Association: Subject to the Applicable Public Company Rules, Member(s) holding 1% or more of the total number of issued, allotted, outstanding Shares immediately prior to the relevant book closed period may propose to the Company proposal(s) for discussion at an annual general meeting in writing or by means of electronic transmission to the extent and in accordance with the rules and procedures of general meetings proposed by the Directors and approved by an Ordinary Resolution. Other than any of the following situation occurs, proposals proposed by Member(s) shall be included in the agenda where (a) the proposing Member(s) holds less than 1% of the total number of outstanding Shares, (b) where the matter of such proposal may not be resolved by a general meeting, (c) the proposing Member has proposed more than one proposal, (d) such proposal contains more than 300 words, or (e) such proposal is submitted on a day beyond the</p>	

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<p>(have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. If the Board of Directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request, the proposing shareholder(s) may, after obtaining an approval from the Competent authority, convene a special meeting of shareholders on his/their own.</p> <p>8. Member(s) holding more than 50% of the total issued and outstanding Shares for at least three consecutive months may themselves convene an extraordinary general meeting. The calculation of the holding period of Shares and the number of Shares held by a Member</p>	<p>deadline announced by the Company for accepting the Member's proposals. If the proposal(s) proposed by Member(s) is intended to improve the public interest or fulfil its social responsibilities of the Company, the board of Director may include such proposal(s) in the agenda in accordance with the Applicable Public Company Rules.</p> <p>Article 16.5 of the Articles of Association: The board of Directors may call general meetings, and they shall on a Member's requisition forthwith proceed to convene an extraordinary general meeting of the Company.</p> <p>Article 16.6 of the Articles of Association: Member(s) who are entitled to submit a Member's requisition as provided in the preceding Article 16.5 are Member(s) of the Company holding at the date of deposit of the requisition not less than 3% of the total number of the outstanding Shares at the time of requisition and whose Shares shall have been held by such Member(s) for at least one year.</p> <p>Article 16.8 of the Articles of Association: If the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting,</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>shall be determined based on the starting date of the book closed period of the Register of Members.</p> <p>9. Matters listed below shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.</p> <p>(1) Election or discharge of directors and supervisors;</p> <p>(2) Alteration of the Articles of Association;</p> <p>(3) reduction of capital;</p> <p>(4) application to cease public offering;</p> <p>(5) Company dissolution, merger, share exchange, division;</p> <p>(6) Enter into, amend, or terminate any contract for lease of the Company's business in whole, or</p>	<p>the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.</p> <p>Article 16.9 of the Articles of Association: Member(s) holding more than 50% of the total issued and outstanding Shares for at least three consecutive months may themselves convene an extraordinary general meeting. The calculation of the holding period of Shares and the number of Shares held by a Member shall be determined based on the starting date of the book closed period of the Register of Members.</p> <p>Article 17.5 of the Articles of Association: Matters pertaining to (a) election or discharge of Directors, (b) alteration of the Articles, (c) reduction of capital, (d) application to cease public offering, and (e) (i) dissolution, Merger (other than a Short-form Merger), Share Exchange (other than a Short-form Share Exchange) or Spin-off (other than a Short-form Spin-off), (ii) entering into, amending, or terminating any contract for lease of the Company's business in whole, or the delegation of management of the Company's business to others or the regular joint operation of the Company with others, (iii) transfer of the whole or any</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>for entrusted business, or for regular joint operation with others;</p> <p>(7) Transfer the whole or any essential part of its business or assets; or</p> <p>(8) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company;</p> <p>(9) Issuance of equity securities through private placement;</p> <p>(10) Approval of competing with the Company by directors;</p> <p>(11) Have the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares;</p> <p>(12) Distributing the legal reserve and the premium in excess of the par value of the shares issued, donated surplus to original shareholders by issuing new shares or cash.</p>	<p>material part of the business or assets of the Company, (iv) acceptance of the transfer of the whole business or assets of another person, which has a material effect on the business operation of the Company, and (f) ratification of an action by Director(s) who engage(s) in business for him/her/itself or on behalf of another person that is within the scope of the Company's business, (g) distribution of the whole or a part of the surplus profit of the Company in the form of new Shares, (h) capitalization of the whole or a part of Legal Reserve and capital reserve derived from issuance of new shares at a premium or from gifts received by the Company, and (i) the Private Placement of any equity-type securities issued by the Company, shall be indicated in the notice of general meeting, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion, and the material content may be placed on the website specified by the R.O.C. competent authorities of securities or by the Company, and the website address link shall be indicated in the notice.</p>	
1. Thirty days before the Company convenes a regular shareholders' meeting or 15 days before a special	Article 17.3 of the Articles of Association: The Company shall, at least thirty days prior to any general meeting of shareholders or at least fifteen	According to the lawyer's opinion, Article 17.3 of the Articles of Association should have no significant adverse impact on shareholders' equity.

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>shareholders' meeting, the Company shall prepare files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda.</p> <p>2. Where voting powers at a shareholders' meeting are to be exercised in writing, a print version of the materials referred to in the preceding paragraph and a printed ballot shall also be sent to the shareholders.</p> <p>3. Twenty-one days before the Company is to convene a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, the Company shall prepare a manual for shareholders' meeting proceedings and shall disclose such manual together with other information related to the said shareholders' meeting in a public</p>	<p>days prior to a special shareholders' meeting, make public announcement of the notice of such shareholders meeting, instrument of proxy, the proposals and their explanatory materials relating to ratification, discussions, matters for deliberation, and the election or dismissal of directors. The Company must also convert this information into electronic format and transmit it to the Market Observation Post System in accordance with the Applicable Public Company Rules. If the voting power in any general meeting will be exercised by way of a written ballot, the written ballot and the aforementioned information of such general meeting shall together be delivered to each Member. The Directors shall prepare a meeting handbook of relevant general meeting and supplemental materials in accordance with the Applicable Public Company Rules at least twenty-one days prior to any annual general meeting (or at least fifteen days prior to any extraordinary general meeting), send to or make it available for the Members and transmitted the same to the Market Observation Post System. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or the total shareholding of foreign investors and the Mainland Area Investors</p>	

Checklist items for the protection of shareholder equity	Contents stipulated in the articles of association	Description
<p>notice to be published prior to the scheduled meeting date of that shareholders' meeting. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or the total shareholding of foreign investors and the Mainland Area Investors reaches 30% or more as recorded in the Register of Members of the general meeting held in the immediately preceding year, transmission of these electronic documents shall be made by at least thirty days before the annual general meeting.</p>	<p>reaches 30% or more as recorded in the Register of Members of the general meeting held in the immediately preceding year, transmission of these electronic documents shall be made by at least thirty days before the annual general meeting.</p>	

## **Chapter IX      Matters that Have a Significant Impact on Shareholders' Equity or Securities Prices**

None.

**GEM Services, Inc.**

**Chairman:**  
**Chu-Liang, Cheng**