



Visual Photonics Epitaxy Co., Ltd.

2024 Annual General Shareholders' Meeting Minutes (Translation)

Meeting Type: Physical shareholders' meeting

Time: 9:00a.m., Thursday, May 30, 2024

Place: No.15, Gongye 1st Rd., Pingzhen Dist., Taoyuan City 324, Taiwan.

Attending Shareholders: The total number of shares represented by shareholders attending the meeting in person or by proxy is 154,222,966 shares (including casted electronically 128,753,675 shares), representing 83.40% of the total number of issued shares of the Company.

Attendees: PwC Taiwan Wen Ya-Fang

Mountup Attorneys at Law Henry Han

Attending Directors: Chen Chien-Liang (Chairman), Chen Mao-Chang (Director), Huang Chao-Hsing (Director), Lai-Yu Hsiu-Min (Director), Yeh Sheng-Mao (Director), Liao Wan-Chuan (Director), Chang Cheng-Liang (Director), Huang Man-Sheng (Independent Director & Convener of Audit Committee), Lin Hao-Hsiung (Independent Director & Convener of Compensation Committee) and Wang Chia-Hsiang (Independent Director)

Chairman: Chen Chien-Liang

Recorder: Huang Chin-Yen

1. As the number of shares represented by attending shareholder has reached the required quorum for shareholders' meeting, the chairman declares the shareholders' meeting begins.
2. Chairperson remarks
3. Report items

Report 1: 2023 Business Report See Attachment 1

Report 2: 2023 Audit Committee's Report See Attachment 2

Report 3: Report on 2023 remuneration to employees and directors

The Company gained the earnings amounting to NT\$608,676,543 in 2023. According to the Company's Articles of Incorporation, the remuneration to employees, NT\$48,694,123 and the remuneration to directors, NT\$18,260,296, shall be paid in cash in whole.

4. Ratification

Ratification 1st Motion (proposed by the Board of Directors)

Summary: The 2023 Business Report and Financial Statements are presented for ratification.

Description:

- (1). The Company's 2023 financial statements have been audited by Lin, Se-Kai, CPA and Lai, Chung-Hsi, CPA of PwC Taiwan and an audit report with unqualified opinion has been issued. The same, together with the business report, were also submitted to the Audit Committee for review. The Audit Committee also issued the report in writing accordingly.
- (2). For the business report, please refer to Attachment 1 of the Meeting Handbook. For the financial statements and external auditor's report, please refer to Attachment 3 of the Meeting Handbook.
- (3). The motion is submitted for ratification.

Resolution: The voting results of the motion are shown as follows. The number of votes in favor of the motion exceeded the statutory amount, and the motion was approved. The results of the voting are as follows:

Total voting rights after deducting 1,356,586 voting rights that cannot be exercised at the time of voting : 152,866,380 shares	Results of voting			Shares of voting rights of shareholders present (%)
	Number in favor: (Voting right exercised by electronic means:	25,469,291 93,165,965	shares shares)	77.60%
	Number against: (Voting right exercised by electronic means:	0 233,281	shares shares)	0.15%
	Invalid: (Voting right exercised by electronic means:	0 0	shares shares)	0.00%
	Abstention/Did not vote: (Voting right exercised by electronic means:	0 33,997,843	shares shares)	22.24%

Ratification 2nd Motion (proposed by the Board of Directors)

Summary: The 2023 earnings distribution plan is presented for ratification.

Description:

- (1). For the Company's 2023 earnings distribution plan, please refer to Attachment 4 of the Meeting Handbook.
- (2). The motion is submitted for ratification.

Resolution: The voting results of the motion are shown as follows. The number of votes in favor of the motion exceeded the statutory amount, and the motion was approved. The results of the voting are as follows:

Total voting rights after deducting 1,356,586 voting rights that cannot be exercised at the time of voting : 152,866,380 shares	Results of voting			Shares of voting rights of shareholders present (%)
	Number in favor: (Voting right exercised by electronic means:	25,469,291 93,706,396	shares shares)	77.96%
	Number against: (Voting right exercised by electronic means:	0 17,050	shares shares)	0.01%
	Invalid: (Voting right exercised by electronic means:	0 0	shares shares)	0.00%
	Abstention/Did not vote: (Voting right exercised by electronic means:	0 33,673,643	shares shares)	22.02%

5. Extemporaneous Motions : None.

6. Meeting Adjourned : The chairman declares the shareholders' meeting has ended. (09:11 a.m of the same day)

Questions from shareholders: There were no questions from shareholders at the shareholders' meeting.

Attachment 1

Visual Photonics Epitaxy Co., Ltd.

Business Report



I. Business Results 2023

The Company's net operating revenue was NT\$2.694 billion, an increase of 3.47% from the previous year. The net income was NT\$450 million, a decrease of 17.35% from the previous year.

The comparison of operating results 2023 and 2022:

Unit: NTD thousand

	2023	2022	Increase (decrease)	Increase (decrease) by %
Operating revenue	2,694,104	2,603,629	90,475	3.47%
Operating costs	1,585,190	1,514,622	70,568	4.66%
Gross profit	1,108,914	1,089,007	19,907	1.83%
Operating expenses	566,845	509,057	57,788	11.35%
Operating income	542,069	579,950	(37,881)	-6.53%
Non-operating income and expenses	(347)	87,533	(87,880)	-100.40%
Net income	450,232	544,728	(94,496)	-17.35%

According to a report by the market research firm IDC, the global shipments of smartphones reached 1.17 billion units in 2023, down 3.2% from 2022, to the lowest level in a decade. The slight increase in the Company's revenue is mainly due to the return of mobile phone inventory to normal and the revenue growth of optical communication of data centers due to the AI business opportunity. Looking ahead to 2024, according to the forecasts of several market research institutions, the global mobile phone shipments will recover in 2024, and are expected to reach 1.20 billion to 1.24 billion units, a year-on-year growth of 3% to 6%. In terms of microelectronic products, the Company's operations will benefit from the replacement wave of AI-based mobile phones in the first year, the continuous growth of penetration rate of 5G smart phones and the commercial use of Wifi 7. Optoelectronic products will benefit from the booming data center industry in recent years, which has attracted various industry players to rush to the construction, the continuing introduction of 3D-sensing & TOF smart phones and consumer head-mounted devices (AR and VR), all contributing to the future revenue growth.

II. Outline of the business plan

1. Marketing plan

- (1) Improve the strength of the Company's products in technology, quality and mass production; increase the existing customers' procurement from the Company and develop potential high-growth markets and customers at the same time; raise the Company's market share and

- publicity in the industry by thinking about the market trend, satisfying customers' needs and helping customers with differentiation to improve their competitiveness.
- (2) Participate in the Design-in at the beginning of new product R&D at the customer end pro-actively to become the specifications maker and expand the gap with competitors, strengthen the competitiveness of products with leading technology and thus deepen the relationship with customers.
 - (3) Deepen the relationship with customers with technical services; adopt the product differentiated orientation policy based on the customers' need for design and process; help customers improve the product differentiation and process stability to form the sound partnership with the customer end.
2. Production and operating plan
- (1) Cost reduction

Execute the plan to reduce the procurement cost subject to the suppliers' characteristics; implement the concept about Lean Production to eliminate the waste potentially arising in the procedure; adjust the optimum production scheduling in response to changes in the order placed by customers; continue to analyze various costs, train colleagues to think about how to create the maximum output with limited resources in the routine operating activities to keep improving the work literacy; adjust the factory premises to be the most competitive cost structure transcending competitors, as the threshold that competitors are unlikely to reach.
 - (2) Quality improvement

Intensify colleagues' awareness toward quality by virtue of continuing education and training; keep improving the quality level, in order to practice the strategy to develop customers thoroughly with stable quality and build the competitive strengths of products by cutting the costs to be incurred by defective quality.
3. R&D plan
- (1) Microelectronics products: Low Knee Voltage HBT/GaAs HBT/InP HBT/GaAs PHEMT/GaN on SiC/GaN on Si/GaN on Sapphire PA, Switch, and LNA for 5G mobile phones, Wifi, and infrastructure (base stations and Small Cells).
 - (2) Photoelectronic products:
 - A. PD: 25G APD, 50G PD, 100G PD, 1.9-2.6 μ m long wavelength PD.
 - B. LD: Application of GaAs and InP FP/DFB LD for High Power, High Speed and LiDAR.
 - C. VCSEL: iTOF/dTOF, Multi-Junction VCSEL, long wavelength VCSEL, backlight VCSEL, high-speed VCSEL, LiDAR application VCSEL, industrial VCSEL.
4. Financial Plan
- Continue to improve the cost structure and increase the gross margin; cut various operating expenses; assess the foreign exchange risk; increase the turnover of various assets; strictly assess the effect of fund utilization and control cash outflows; accelerate the cash inflows accumulated from operating activities; improve the cash holdings and efficiency of asset utilization; insofar as

the Company's normal operations and stable profit policy remain unaffected, cover the capital requirement with the cash inflow from operating activities as much as possible, in order to cut the funding cost and improve the profitability; make good use of the low-interest financial trend; borrow loans adequately; review the adequacy of capital scale; increase the ROE. Strive for the feasibility of various R&D credits pro-actively to reduce tax and increase EPS.

III. Future development strategies

The competition is fierce in each industry. Taking the wireless communication industry in which the Company's microelectronic products are sold as an example, whenever a new flagship model is launched, it is the time to re-set the competition trend in this industry. Therefore, the Company has to join the technology R&D of the next generation product specifications together with customers at the very beginning of the R&D, in order to strive for the chance to be the winner of the terminal product specifications, and ensure that the Company's materials may be applied to each best-selling mobile phone, tablet and wearable device series and various innovative devices and infrastructure. Improving the characteristics of materials and yield rate, ensuring the product quality and keeping cutting costs down would be the key to maintain the long-term competitiveness in the industry. Based on the partnership in R&D, the Company helps customers shorten the time spent in R&D and strive for the opportunity to have the customers' products get the Design-Win from mobile phone manufacturers. Only if the Company becomes the first largest supplier, the Company may disperse the operating risk effectively and stand in the invincible position. In the era of 5G, IoT and Internet of Vehicles, the Company will introduce resources, work with customers to layout for the 5G mobile phones, base stations, small cells and Wifi6/Wifi7-related new products and structures.

The Company will expand the width of optical communication customers, accelerate R&D of the new light sensor products and customers' certification as the development strategy for photoelectronic products. The Company will also increase the photoelectronic products and customer portfolio to drive the growth of operating revenue and profit, cause the product portfolio and customer structure to develop toward a stabler orientation, and thus create more diversified business opportunities. Meanwhile, benefiting from AI business opportunities, data centers have flourished in recent years, attracting various industries to rush to build facilities, and the Company will take the opportunity to develop its business when the penetration rate of sensing elements in electronic consumables and LiDAR is increasing significantly, accelerate the R&D of application, certification and mass production of InP and GaAs new products, improve the yield rate and expand the productivity to raise the market share in a timely manner to block the competitors.

The digital transformation is underway. Various forward-looking technologies are emerging and complementing each other. The new high-tech product innovation speed is beyond the ordinary people's imagination. At this moment, many industrial giants and venture capitalists are focusing on the creation of new products which most of people have not yet found are needed by them. In consideration of the excellent characteristics of compound semiconductors, it will inevitably be applied by specific new high-tech products. The Company, as a compound semiconductor epitaxy fab, will act open-mindedly

and introduce resources in a timely manner and closely work with the existing and potential customers for early layout arrangement. Meanwhile, the Company will make good use of its experience in the R&D of various microelectronic and photoelectronic products for over two decades, control the characteristics of compound semiconductor materials, 6-inch epitaxy mass production capacity and also ensure the quality to be outstanding and everlasting and have cost awareness to build a threshold that competitors are not likely to reach.

IV. Effect of external competition, laws and regulations and overall business environment

Looking back on 2023, the global economy faces many challenges and changes. With the advent of the post-pandemic era and the relaxation of pandemic control measures in China, the global supply chain is gradually recovering. However, the stalemate of the Russo-Ukrainian war, the escalation of the Israel-Palestinian war, the decision to raise interest rates by various countries to combat inflation, and the AI chip war between the two major powers China and the United States, have caused instability in market supply and demand. In response to the external environment, the Company adheres to the philosophy of enhancing core competitiveness, and will continue to strengthen its advantages in product quality, cost control, delivery efficiency, and new product research and development. Through the continuous cultivation of customer relationships and the R&D strength to enhance the advantages of customer product features, we will become the customer's best partner in the collaborative development of the next generation of products, and by consolidating the position as the customer's preferred supplier, we can then stabilize our No. 1 position among the microwave communication GaAs LED crystal fabs in the world.

During the pandemic, people have developed the habit of using digital tools, which has affected the production and sales activities of enterprises to a certain extent, and the risk of supply chain interruption has increased. The global economy will recover after the pandemic control restrictions are eased. In the process of economic recovery, enterprises will pay more attention to customer needs in order to provide better quality products and services. The Company is located in the upstream of the supply chain, and will pay more attention to supply chain management and take active measures to deal with the new market environment and reduce the risk of supply chain interruption. The Company adheres to the consistent principle of talent retention, and actively operates multiple recruitment channels such as campus recruitment and industry-academia collaboration projects to reduce the impact of talent recruitment difficulty on business development.

With the overwhelming emergence of digital applications such as big data, AI, blockchain and the metaverse, most of the computing, storage and network required are built on the cloud, and the development of data centers has flourished in the past five years. The demand is higher than the supply, which attracts various industry players to the building rush of data centers. In addition, with the advent of the AI era, the Internet speed is faster and the computing power is improved, coupled with low-latency transmission technology and the development of virtual reality (VR) and augmented reality (augmented reality), the AI can also be used in educational and academic applications, such as gaming, entertainment, shopping, video, social networking, etc. It can also be used in medical science, simulated surgery,

experiments, technical hypotheses, learning and art. The Company is a member of the data center, AR and VR supply chain. Given the increasingly improving technologies and the increasing demand in various fields, the related technologies will be applied in more diverse and in-depth manners.

The “Sustainable Development Roadmap” promulgated by FSC in 2022, and the “Sustainable Development Action Plan” and the “Blueprint for Sustainability Disclosure Standards in Line with IFRS” subsequently released in 2023 are primarily prepared in response to the government’s 2050 net-zero target, which sets forth the schedule for disclosure of information about GHG accounting by a TWSE/TPEX-listed company, in order to help enterprises meet and define the carbon reduction targets. Meanwhile, in response to the government’s carbon reduction plan, it links the supply chain through TWSE/TPEX-listed companies, in order to achieve the corporate sustainability. The Company, as the upstream dealer in the international leading brands’ supply chain, has associated the ESG practices with its internal regulations. The Company completed the 2022 Sustainability Report in September 2023 and posted it on the Company’s official website on September 28, 2023.

From different perspectives, 2024 is generally considered to be a turning point in the global economy and emerging technologies, such as AI, 5G and cloud computing, will continue to be the main driving force for the development of the technology industry. The demand for electronics-related products has rebounded and various industries are actively adopting high-tech, such as data analysis and artificial intelligence, to cope with the risks brought about by changes in the overall environment, and high interest rates have limited economic slowdown. The labor market is stable and real income growth is expected. After entering a soft landing, Taiwan's foreign demand and investment are expected to regain their growth momentum, and private consumption will benefit and continue to expand.

Looking forward to the economic prospect in 2024, it seems optimistic, but not without challenges. As an important hub of the global semiconductor industry, Taiwan's economic prospect is closely linked to the global demand for technology. However, in the face of the recent intensification of geopolitical risks, which increase investment volatility and uncertainty, as well as the major challenges such as climate change that cannot be ignored, the Company will closely observe the global situation and market changes, and actively and prudently evaluate such to ensure that it can maintain its competitive advantages and resilience, and become the leader for long-term development and sustainable operation.

Chairman: Chen Chien-Liang



General Manager: Huang Chao-Hsing



Accounting Manager: Chiang Chi-Ching



Attachment 2

Visual Photonics Epitaxy Co., Ltd.

Audit Committee's Report

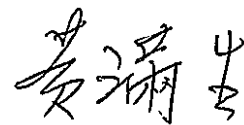
The Board of Directors of the Company sent the 2023 business report, an earnings distribution proposal and the financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity and statements of cash flow) audited and certified by Lin, Se-Kai and Lai, Chung-Hsi, CPAs at PwC Taiwan, to the Audit Committee. The committee has completed the review of said documents and found no discrepancies therein and hereby issued a report in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please proceed to review it.

To

The 2024 Annual General Meeting of Visual Photonics Epitaxy Co., Ltd.

Audit Committee of Visual Photonics Epitaxy Co., Ltd.

Convener of the Audit Committee: Huang Man-Sheng



February 29 2024

Attachment 3

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of VISUAL PHOTONICS EPITAXY CO., LTD.

Opinion

We have audited the accompanying balance sheets of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2023 and 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Visual Photonics Epitaxy Co., Ltd.'s financial statements of the current period are stated as follows:

Appropriateness of cut-off of warehouse operating revenue

Description

For accounting policy of revenue recognition, please refer to Note 4(22).

The types of sale is separated into direct delivery from factory and warehouse operating revenue. The warehouse operating revenue involves shipping the goods to the warehouse in the USA or others first, then customer pick-up the goods. When the control of goods are transferred, and revenue is recognized. Visual Photonics Epitaxy Co., Ltd.'s revenue is recognized in accordance with statements provided by sales customers or online shipping system information.

Due to the multi-location of the warehouses and the different frequency of each custodian providing their statements, the revenue recognition procedure is complex and involves reconciliation of mutual payments. Visual Photonics Epitaxy Co., Ltd.'s daily transaction quantity is voluminous and the transaction amount around the balance sheet date is significant to the financial statements, therefore, we determined that the appropriateness of cut-off of warehouse operating revenue as one of the key audit matters for this fiscal year

How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Obtained an understanding and tested the timing of sales revenue recognition procedures between Visual Photonics Epitaxy Co., Ltd. and the customers to verify the effectiveness of the internal control for warehouse operating revenue recognition.
2. Performed cut-off test on the transactions of warehouse operating revenue around the period of balance sheet date, including verifying the supporting documents of warehouse custodian, the movement of accounted inventory, and related records of cost of goods sold generated to evaluate the timing appropriateness of warehouse operating revenue recognition.
3. Performed confirmation or physical inventory count observation to confirm the inventory quantities and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies or physical inventory count observation and accounting records and tested the reconciling items made by management in order to confirm whether the significant differences have been adjusted.

Valuation of inventory

Description

For description of accounting policy on inventory valuation, please refer to Note 4(10). For accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2). For description of allowance for inventory valuation losses, please refer to Note 6(4).

As of December 31, 2023, Visual Photonics Epitaxy Co., Ltd.'s inventories and allowance for inventory valuation losses amounted to NT \$561,716 thousand and NT \$57,136 thousand, respectively.

Visual Photonics Epitaxy Co., Ltd.'s inventories are mainly optoelectronics semiconductor Epi wafer products. Since the industry involves rapidly changing technology and are affected by the communications industry, there is higher risk of incurring inventory valuation losses. Visual Photonics Epitaxy Co., Ltd.'s inventories are measured at the lower of cost and net realisable value, if the price change does not have the expected net realizable value, it may affect the net realizable

value estimation result of the inventory evaluation.

Visual Photonics Epitaxy Co., Ltd.'s determination of net realisable value for obsolete or slow-moving inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the inventories and the allowance for inventory valuation losses are material to its financial statements, we determined that the estimates of the allowance for inventory valuation losses as one of the key audit matters for this fiscal year.

How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Assessed the reasonableness and the consistency of provision policies on allowance for inventory valuation losses and procedures based on our understanding of Visual Photonics Epitaxy Co., Ltd.'s operation and industry, including the classification of inventory for determining net realizable value.
2. Obtained an understanding of the Visual Photonics Epitaxy Co., Ltd.'s warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Selected samples to check the inventory clearance and historical data of inventory discount in order to evaluate the reasonableness of allowance of inventory valuation losses.
4. Tested the appropriateness of the estimated basis that Visual Photonics Epitaxy Co., Ltd. adopted to evaluate net realizable value, selected a sample of individual inventory data like inventory selling and accuracy of purchase price, and recalculate and evaluate the reasonableness of allowance for inventory valuation losses which were determined by management.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards in the Republic of China 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 financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Se-Kai

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 825,831	18	\$ 752,949	17
1150	Notes receivable, net	6(3)	-	-	2,641	
1170	Accounts receivable, net	6(3)	622,328	14	288,539	7
1200	Other receivables		557	-	963	-
130X	Inventories	6(4)	504,580	11	486,607	11
1410	Prepayments		92,126	2	88,330	2
11XX	Current Assets		2,045,422	45	1,620,029	37
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	11,860	-	50,000	1
1600	Property, plant and equipment	6(5) and 8	2,490,113	55	2,711,998	62
1755	Right-of-use assets	6(6)	12,797	-	9,940	-
1780	Intangible assets		7,387	-	6,138	-
1840	Deferred income tax assets		7,627	-	8,424	-
1915	Prepayments for business facilities	6(5)	2,131	-	5,064	-
1920	Guarantee deposits paid		67	-	67	-
1975	Net defined benefit asset, non-current	6(10)	296	-	308	-
15XX	Non-current assets		2,532,278	55	2,791,939	63
1XXX	Total assets		\$ 4,577,700	100	\$ 4,411,968	100

(Continued)

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(7)	\$	100,000	2	\$	200,000	5
2130	Current contract liabilities	6(14)		19,671	-		22,696	-
2170	Accounts payable			397,188	9		175,974	4
2200	Other payables	6(8)		233,311	5		291,869	7
2230	Current income tax liabilities			39,034	1		33,086	1
2280	Current lease liabilities			3,755	-		2,814	-
2399	Other current liabilities, others			6,221	-		5,726	-
21XX	Current Liabilities			799,180	17		732,165	17
Non-current liabilities								
2540	Long-term borrowings	6(9) and 8		700,000	16		590,000	13
2570	Deferred income tax liabilities			59	-		62	-
2580	Non-current lease liabilities			9,120	-		7,151	-
25XX	Non-current liabilities			709,179	16		597,213	13
2XXX	Total Liabilities			1,508,359	33		1,329,378	30
Equity attributable to owners of parent								
	Share capital	6(11)						
3110	Ordinary shares			1,849,059	41		1,849,059	42
	Capital surplus	6(12)						
3200	Capital surplus			16,736	-		16,736	-
	Retained earnings	6(13)						
3310	Legal reserve			695,356	15		640,926	15
3350	Unappropriated retained earnings			546,330	12		575,869	13
	Other equity interest							
3400	Other equity interest		(	38,140)	(	1)	-	-
3XXX	Total equity			3,069,341	67		3,082,590	70
Significant commitments and contingent liabilities 9								
Significant events after the balance sheet date 11								
3X2X	Total liabilities and equity		\$	4,577,700	100	\$	4,411,968	100

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(14)	\$ 2,694,104	100	\$ 2,603,629	100
5000	Operating costs	6(4)(17)(18)	(1,585,190)	(59)	(1,514,622)	(58)
5900	Net operating margin		<u>1,108,914</u>	<u>41</u>	<u>1,089,007</u>	<u>42</u>
	Operating expenses	6(17)(18)				
6100	Selling expenses		(10,921)	-	(19,436)	(1)
6200	General and administrative expenses		(128,435)	(5)	(131,608)	(5)
6300	Research and development expenses		(427,489)	(16)	(358,013)	(14)
6000	Total operating expenses		(566,845)	(21)	(509,057)	(20)
6900	Operating profit		<u>542,069</u>	<u>20</u>	<u>579,950</u>	<u>22</u>
	Non-operating income and expenses					
7100	Interest income		15,576	1	4,503	-
7010	Other income		975	-	6,425	1
7020	Other gains and losses	6(15)	(3,758)	-	83,230	3
7050	Finance costs	6(16)	(13,140)	(1)	(6,625)	-
7000	Total non-operating income and expenses		(347)	-	87,533	4
7900	Profit before income tax		<u>541,722</u>	<u>20</u>	<u>667,483</u>	<u>26</u>
7950	Income tax expense	6(19)	(91,490)	(3)	(122,755)	(5)
8200	Profit for the period		<u>\$ 450,232</u>	<u>17</u>	<u>\$ 544,728</u>	<u>21</u>
8311	(Losses) gains on remeasurements of defined benefit plans	6(10)	(\$ 71)	-	(\$ 535)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(38,140)	(2)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	<u>14</u>	<u>-</u>	<u>107</u>	<u>-</u>
8300	Total other comprehensive loss for the year		(\$ 38,197)	(2)	(\$ 428)	-
8500	Total comprehensive income for the period		<u>\$ 412,035</u>	<u>15</u>	<u>\$ 544,300</u>	<u>21</u>
9750	Total basic earnings per share	6(20)	<u>\$ 2.43</u>		<u>\$ 2.95</u>	
9850	Total diluted earnings per share	6(20)	<u>\$ 2.43</u>		<u>\$ 2.93</u>	

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained Earnings		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings		
<u>2022</u>								
Balance at January 1, 2022		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 555,416	\$ 856,703	\$ -	\$ 3,277,914
Profit for the year		-	-	-	-	544,728	-	544,728
Other comprehensive loss		-	-	-	-	(428)	-	(428)
Total comprehensive income		-	-	-	-	544,300	-	544,300
Appropriation and distribution of retained earnings 6(13)								
Legal reserve		-	-	-	85,510	(85,510)	-	-
Cash dividends		-	-	-	-	(739,624)	-	(739,624)
Balance at December 31, 2022		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 640,926	\$ 575,869	\$ -	\$ 3,082,590
<u>2023</u>								
Balance at January 1, 2023		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 640,926	\$ 575,869	\$ -	\$ 3,082,590
Profit for the year		-	-	-	-	450,232	-	450,232
Other comprehensive loss		-	-	-	-	(57)	(38,140)	(38,197)
Total comprehensive income(loss)		-	-	-	-	450,175	(38,140)	412,035
Appropriation and distribution of retained earnings 6(13)								
Legal reserve		-	-	-	54,430	(54,430)	-	-
Cash dividends		-	-	-	-	(425,284)	-	(425,284)
Balance at December 31, 2023		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 695,356	\$ 546,330	(\$ 38,140)	\$ 3,069,341

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 541,722	\$ 667,483
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(5)(6)(17)	282,386	241,866
Amortization expense	6(17)	1,652	1,405
Interest expense	6(16)	13,140	6,625
Interest income	(	15,576)	(4,503)
Unrealized foreign exchange (profit) loss		9,452	(1,135)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,641	(2,225)
Accounts receivable	(	333,789)	295,912
Other receivables		406	(326)
Inventories	(	17,973)	(71,138)
Prepayments	(	3,796)	2,725
Other non-current liabilities	(	59)	(66)
Changes in operating liabilities			
Current contract liabilities	(	3,025)	4,280
Accounts payable		221,214	(196,519)
Other payables	(	44,429)	(69,938)
Other current liabilities, others		495	279
Cash inflow generated from operations		654,461	874,725
Interest received		15,576	4,503
Interest paid	(	13,140)	(6,625)
Income taxes paid	(	84,734)	(229,085)
Net cash flows from operating activities		572,163	643,518
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(21)	(71,120)	(412,818)
Acquisition of intangible assets	(	2,901)	(2,216)
Acquisition of financial assets at fair value through other comprehensive income		-	(50,000)
Decrease(increase) in prepayments for business facilities		2,789	(5,064)
Net cash flows used in investing activities	(	71,232)	(470,098)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(22)	(100,000)	(280,000)
Proceeds from long-term debt	6(22)	2,590,000	1,630,000
Repayments of long-term debt	6(22)	(2,480,000)	(1,240,000)
Payments of lease liabilities	6(22)	(3,313)	(2,187)
Cash dividends paid	6(13)	(425,284)	(739,624)
Net cash flows used in financing activities	(	418,597)	(631,811)
Effect of exchange rate changes on cash and cash equivalents	(	9,452)	1,135
Net increase (decrease) in cash and cash equivalents		72,882	(457,256)
Cash and cash equivalents at beginning of year	6(1)	752,949	1,210,205
Cash and cash equivalents at end of year	6(1)	\$ 825,831	\$ 752,949

The accompanying notes are an integral part of these financial statements.

Attachment 4

Visual Photonics Epitaxy Co., Ltd. Statement of Earning Allocation

2023

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	\$ 96,154,979
Less: Adjustment of retained earnings for 2023	56,577
Undistributed earnings after adjustment	\$ 96,098,402
Plus: Profit and loss for 2023	450,231,889
Less: Provision for legal reserve	45,017,531
Less: Provision for special reserves	38,140,000
Distributable earnings	\$ 463,172,760
Distribution	
Shareholder dividends-cash (NT\$2.20 per share)	\$ 406,793,020
Undistributed earnings at the end of the period	\$ 56,379,740

Description:

- (1) The adjustment of retained earnings for 2023 refers to the actuarial gains on defined benefit plan and income tax related to elements of other comprehensive income.
- (2) It is proposed to authorize the Chairman of the Board to set the record dates for dividends payment and distribution of cash dividends once the motion for distribution of cash dividends is resolved at the annual general meeting.
- (3) In the event that the dividend payment ratio is changed due to any subsequent changes to the number of outstanding shares caused by changes in the Company's capital stock, it is proposed to authorize the Chairman of Board to deal with the situation with full power.
- (4) According to Ministry of Finance letter under Tai-Cai-Shui No. 871941343 dated April 30, 1998, the earning allocation shall apply the specific identification method. Under the Company's earning allocation policy, the earnings 2023 shall be allocated as the first priority. In the event of any deficits, the distributable earnings accumulated in the past years shall be allocated under the first-in first-out policy, subject to the order of the year in which the earnings are generated.
- (5) The Company's motion for the 2023 earning allocation adopts the principle that the amount of cash dividends will be rounded off to the nearest dollar and fractional amounts of less than NT\$1 will be summed up and allocated based on the size of decimals in descending order and shareholders' account number in ascending order until the total amount of cash dividends is allocated.

Chairman: Chen Chien-Liang



General Manager: Huang Chao-Hsing



Accounting Manager: Chiang Chi-Ching

