# EPISIL-PRECISION INC.

## PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

## YEARS ENDED DECEMBER 31, 2023 AND 2022

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000339

To the Board of Directors and Shareholders of Episil-Precision Inc.

## *Opinion*

We have audited the accompanying parent company only balance sheets of Episil-Precision Inc. (the "Company") as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Code 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 Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only 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 the Company's 2023 parent company only financial statements are stated as follows:

### Inventory valuation

Description

Please refer to Note 4(11) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for description of inventory and allowance for inventory valuation losses. As of December 31, 2023, inventory and allowance for inventory valuation losses amounted to NT$1,027,962 thousand and NT$108,244 thousand, respectively.

The Company primarily engages in research and development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafer. The industry is characterised by rapidly evolving technology and  is easily affected by fluctuation in market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company's inventories are measured at the lower of cost and net realisable value, and the calculation of the net realisable value used in individually obsolete inventories or inventories which are over a certain period involves subjective judgement. Since abovementioned inventories and allowance for inventory valuation losses are significant to the financial statements, we identified allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

For inventory valuation losses against inventories that are over a certain period or individually obsolete, we tailored the audit scope as follows:

1. Obtained an understanding and assessed the reasonableness of Company's policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory.
2. Verified whether the systematic logic used in the Company's inventory aging report is appropriate and in accordance with the Company's policies.
3. Verified a sample of separately numbered inventory items against the clearance of those inventory items and respective historical data of discounts, and compared the sample to recorded allowance for inventory valuation losses to assess the reasonableness of allowance for inventory valuation losses.

### *Responsibilities of management and those charged with governance for the parent company only financial statements*

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal controls as management determines are necessary to enable the preparation of parent company only 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 are responsible for overseeing the Company's financial reporting process.

## *Auditors' responsibilities for the audit of the parent company only financial statements*

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 Standards on Auditing of 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 report to the related disclosures in the parent company only 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 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 controls 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Hsieh, Chih-Cheng Chiang, Tsai-Yen

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 26, 2024

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The accompanying parent company only 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 parent company only 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, Taiwan 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.

EPISIL-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 2,239,419 | 33 | $ 2,790,736 | 37 |
| 1170 | Accounts receivable, net | 6(3) | 759,028 | 11 | 989,879 | 13 |
| 1180 | Accounts receivable due from related parties, net | 7 | 259,805 | 4 | 281,901 | 4 |
| 1200 | Other receivables | | 20,841 | - | 24,347 | - |
| 1210 | Other receivables due from related parties | 7 | 10,452 | - | 8,472 | - |
| 130X | Inventories | 6(4) | 919,718 | 14 | 947,076 | 12 |
| 1410 | Prepayments | | 76,595 | 1 | 93,408 | 1 |
| 1470 | Other current assets | | 4,381 | - | 9,766 | - |
| 11XX | **Total current assets** | | 4,290,239 | 63 | 5,145,585 | 67 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | | 17 | - | 17 | - |
| 1535 | Non-current financial assets at amortised cost | | 13,583 | - | 13,565 | - |
| 1550 | Investments accounted for using equity method | 6(5) | 12,763 | - | 12,129 | - |
| 1600 | Property, plant and equipment | 6(6) | 2,020,775 | 30 | 2,008,385 | 26 |
| 1755 | Right-of-use assets | 6(7) | 220,993 | 3 | 242,625 | 3 |
| 1760 | Investment property - net | 6(9) | 155,397 | 2 | 160,320 | 2 |
| 1780 | Intangible assets | 6(10) | 55,648 | 1 | 52,520 | 1 |
| 1840 | Deferred income tax assets | 6(28) | 38,067 | 1 | 32,095 | 1 |
| 1920 | Refundable guarantee deposits | | 572 | - | 572 | - |
| 15XX | **Total non-current assets** | | 2,517,815 | 37 | 2,522,228 | 33 |
| 1XXX | **Total assets** | | $ 6,808,054 | 100 | $ 7,667,813 | 100 |

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EPISIL-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(11) | $ 266,950 | 4 | $ 178,624 | 2 |
| 2130 | Current contract liabilities | 6(21) | 32,942 | 1 | 42,574 | 1 |
| 2170 | Accounts payable | 6(12) | 256,976 | 4 | 418,765 | 5 |
| 2180 | Accounts payable to related parties | 7 | 2,475 | - | 1,598 | - |
| 2200 | Other payables | 6(13) | 362,575 | 5 | 621,702 | 8 |
| 2220 | Other payables to related parties | 7 | 32,581 | - | 36,287 | 1 |
| 2230 | Current income tax liabilities | | 58,203 | 1 | 119,745 | 2 |
| 2280 | Current lease liabilities | | 6,907 | - | 9,532 | - |
| 2399 | Other current liabilities, others | | 20,432 | - | 19,521 | - |
| 21XX | **Total current liabilities** | | 1,040,041 | 15 | 1,448,348 | 19 |
| | **Non-current liabilities** | | | | | |
| 2527 | Non-current contract liabilities | 6(21) | 52,762 | 1 | 77,065 | 1 |
| 2530 | Bonds payable | 6(14) | 491,143 | 7 | 484,170 | 6 |
| 2570 | Deferred income tax liabilities | 6(28) | 34,868 | 1 | 36,148 | 1 |
| 2580 | Non-current lease liabilities | | 225,938 | 3 | 242,962 | 3 |
| 2640 | Net defined benefit liability, non-current | 6(15) | 57,962 | 1 | 67,338 | 1 |
| 2645 | Guarantee deposits received | | 8,095 | - | 8,095 | - |
| 25XX | **Total non-current liabilities** | | 870,768 | 13 | 915,778 | 12 |
| 2XXX | **Total liabilities** | | 1,910,809 | 28 | 2,364,126 | 31 |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6(17) | | | | |
| 3110 | Share capital - common stock | | 2,885,394 | 42 | 2,885,394 | 38 |
| | Capital surplus | 6(18) | | | | |
| 3200 | Capital surplus | | 1,614,778 | 24 | 1,614,778 | 21 |
| | Retained earnings | 6(19) | | | | |
| 3310 | Legal reserve | | 170,583 | 3 | 101,319 | 1 |
| 3320 | Special reserve | | 1,155 | - | 910 | - |
| 3350 | Unappropriated retained earnings | | 227,233 | 3 | 702,441 | 9 |
| | Other equity interest | 6(20) | | | | |
| 3400 | Other equity interest | | ( 1,898) | - | ( 1,155) | - |
| 3XXX | **Total equity** | | 4,897,245 | 72 | 5,303,687 | 69 |
| | Significant commitments and contingencies | 9 | | | | |
| | Significaut events after the reporting period | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 6,808,054 | 100 | $ 7,667,813 | 100 |

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Items | Notes | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2023 | | 2022 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(21) and 7 | $ 4,217,444 | 100 | $ 5,880,611 | 100 |
| 5000 | Operating costs | 6(4) and 7 | ( 3,731,263) | ( 89) | ( 4,788,752) | ( 81) |
| 5900 | Gross profit from operation | | 486,181 | 11 | 1,091,859 | 19 |
| | Operating expenses | 6(26)(27) and 7 | | | | |
| 6100 | Selling and marketing expenses | | ( 40,970) | ( 1) | ( 54,823) | ( 1) |
| 6200 | General and administrative expenses | | ( 176,750) | ( 4) | ( 185,626) | ( 3) |
| 6300 | Research and development expenses | | ( 88,345) | ( 2) | ( 70,091) | ( 1) |
| 6000 | Total operating expenses | | ( 306,065) | ( 7) | ( 310,540) | ( 5) |
| 6900 | Operating profit | | 180,116 | 4 | 781,319 | 14 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(22) | 30,774 | 1 | 14,056 | - |
| 7010 | Other income | 6(23) | 45,693 | 1 | 44,131 | 1 |
| 7020 | Other gains and losses | 6(24) | ( 21,002) | - | 33,100 | - |
| 7050 | Finance costs | 6(25) | ( 31,908) | ( 1) | ( 21,222) | - |
| 7070 | Share of profit/(loss) of associates and joint ventures accounted for using equity method | 6(5) | 1,376 | - | 2,279 | - |
| 7000 | Total non-operating income and expenses | | 24,933 | 1 | 72,344 | 1 |
| 7900 | **Profit before income tax** | | 205,049 | 5 | 853,663 | 15 |
| 7950 | Income tax expense | 6(28) | ( 41,010) | ( 1) | ( 172,392) | ( 3) |
| 8200 | **Profit for the year** | | $ 164,039 | 4 | $ 681,271 | 12 |
| | **Other comprehensive income, net** | | | | | |
| | **Components of other comprehensive income (loss) that may not be reclassified to profit or loss** | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(15) | $ 7,340 | - | $ 11,368 | - |
| | **Components of other comprehensive income (loss) that may be reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation of foreign operations | 6(20) | ( 743) | - | ( 245) | - |
| 8300 | **Other comprehensive income, net** | | $ 6,597 | - | $ 11,123 | - |
| 8500 | **Total comprehensive income for the year** | | $ 170,636 | 4 | $ 692,394 | 12 |
| | Basic earnings per share | 6(29) | | | | |
| 9750 | Basic earnings per share (in dollars) | | $ | 0.57 | $ | 2.38 |
| | Diluted earnings per share | 6(29) | | | | |
| 9850 | Basic earnings per share (in dollars) | | $ | 0.57 | $ | 2.36 |

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | | | Capital Reserves | | | | Retained Earnings | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Additional paid-in capital | Warrants | Restricted stock | Others | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Total equity |
| 2022 | | | | | | | | | | | |
| Balance at January 1, 2022 | | $2,843,767 | $1,300,515 | $ 2,260 | $ 670 | $ 10,494 | $ 63,445 | $ - | $ 389,838 | ($ 910 ) | $4,610,079 |
| Profit for the year | | - | - | - | - | - | - | - | 681,271 | - | 681,271 |
| Other comprehensive income | 6(20) | - | - | - | - | - | - | - | 11,368 | ( 245 ) | 11,123 |
| Total comprehensive income(loss) | | - | - | - | - | - | - | - | 692,639 | ( 245 ) | 692,394 |
| Appropriation of 2021 earnings | 6(19) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 37,874 | - | ( 37,874 ) | - | - |
| Special reserve | | - | - | - | - | - | - | 910 | ( 910 ) | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 341,252 ) | - | ( 341,252 ) |
| Conversion of corporate bonds | 6(14)(17)(18) | 8,627 | 40,591 | ( 2,246 ) | - | - | - | - | - | - | 46,972 |
| Issuance of corporate bonds | 6(14) | - | - | 21,757 | - | - | - | - | - | - | 21,757 |
| Corporate bonds not converted after the due date | 6(16) | - | - | ( 14 ) | - | 14 | - | - | - | - | - |
| Cash capital increase | 6(17) | 33,000 | 235,737 | - | - | - | - | - | - | - | 268,737 |
| Compensation cost for cash capital increase retained for employees | 6(16) | - | 5,000 | - | - | - | - | - | - | - | 5,000 |
| Balance at December 31, 2022 | | $2,885,394 | $1,581,843 | $ 21,757 | $ 670 | $ 10,508 | $ 101,319 | $ 910 | $ 702,441 | ($ 1,155 ) | $5,303,687 |
| 2023 | | | | | | | | | | | |
| Balance at January 1, 2023 | | $2,885,394 | $1,581,843 | $ 21,757 | $ 670 | $ 10,508 | $ 101,319 | $ 910 | $ 702,441 | ($ 1,155 ) | $5,303,687 |
| Profit for the year | | - | - | - | - | - | - | - | 164,039 | - | 164,039 |
| Other comprehensive income | 6(20) | - | - | - | - | - | - | - | 7,340 | ( 743 ) | 6,597 |
| Total comprehensive income(loss) | | - | - | - | - | - | - | - | 171,379 | ( 743 ) | 170,636 |
| Appropriation of 2022 earnings | 6(19) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 69,264 | - | ( 69,264 ) | - | - |
| Special reserve | | - | - | - | - | - | - | 245 | ( 245 ) | - | - |
| Cash dividends | | - | - | - | - | - | - | - | ( 577,078 ) | - | ( 577,078 ) |
| Balance at December 31, 2023 | | $2,885,394 | $1,581,843 | $ 21,757 | $ 670 | $ 10,508 | $ 170,583 | $ 1,155 | $ 227,233 | ($ 1,898 ) | $4,897,245 |

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 205,049 | $ 853,663 |
| Adjustments | | | |
| Adjustments to reconcile (profit) loss | | | |
| Depreciation expense | 6(26) | 499,742 | 452,954 |
| Amortisation expense | 6(26) | 2,520 | 3,857 |
| Finance costs | 6(25) | 31,908 | 21,222 |
| Interest income | 6(22) | ( 30,774 ) | ( 14,056 ) |
| Dividend income | 6(23) | - | ( 1 ) |
| Share-based payments | 6(16) | - | 5,000 |
| Share of profit of associates and joint ventures accounted for using equity method | 6(5) | ( 1,376 ) | ( 2,279 ) |
| Gain on disposal of property, plan and equipment | | ( 1,599 ) | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Accounts receivable | | 230,851 | 115,014 |
| Accounts receivable due from related parties | | 22,096 | ( 42,827 ) |
| Other receivables | | 3,871 | ( 9,999 ) |
| Other receivables due from related parties | | ( 1,980 ) | 3,378 |
| Inventories | | 27,358 | ( 78,616 ) |
| Prepayments | | 16,813 | ( 36,057 ) |
| Other current assets | | 5,385 | ( 3,880 ) |
| Changes in operating liabilities | | | |
| Contract liabilities | | ( 33,935 ) | ( 14,054 ) |
| Accounts payable | | ( 161,789 ) | ( 63,834 ) |
| Accounts payable to related parties | | 877 | 1,025 |
| Other payables | | ( 146,397 ) | 104,833 |
| Other payables to related parties | | ( 3,706 ) | ( 2,344 ) |
| Other current liabilities | | 911 | ( 227 ) |
| Net defined benefit liability | | ( 2,036 ) | ( 2,306 ) |
| Cash inflow generated from operations | | 663,789 | 1,290,466 |
| Interest received | | 30,390 | 13,824 |
| Dividends received | | - | 1 |
| Interest paid | | ( 25,410 ) | ( 14,678 ) |
| Income taxes paid | | ( 109,804 ) | ( 147,309 ) |
| Net cash flows from operating activities | | 558,965 | 1,142,304 |

(Continued)

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial asset at amortised cost | 6(2) | ($ 2,622 ) | ($ 275,983 ) |
| Disposal of financial assets measured at amortised cost | | 2,622 | 670,276 |
| Acquisition of property, plant and equipment | 6(30) | ( 608,688 ) | ( 475,557 ) |
| Proceeds from disposal of property, plant and equipment | | 2,460 | - |
| Acquisition of intangible assets | 6(10) | ( 5,648 ) | ( 2,847 ) |
| Decrease in refundable guarantee deposits | | - | 65,007 |
| Net cash flows used in investing activities | | ( 611,876 ) | ( 19,104 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term borrowings | 6(31) | 1,085,310 | 1,411,939 |
| Decrease in short-term borrowings | 6(31) | ( 996,984 ) | ( 1,679,598 ) |
| Proceeds from issuance of corporate bonds | 6(31) | - | 500,763 |
| Redemption of corporate bonds | 6(31) | - | ( 300 ) |
| Decrease in guarantee deposits received | 6(31) | - | ( 195 ) |
| Payment of lease liabilities | 6(31) | ( 9,654 ) | ( 9,907 ) |
| Cash capital increase | 6(17) | - | 268,737 |
| Cash dividends paid | 6(19) | ( 577,078 ) | ( 341,252 ) |
| Net cash flows (used in) from financing activities | | ( 498,406 ) | 150,187 |
| Net (decrease) increase in cash and cash equivalents | | ( 551,317 ) | 1,273,387 |
| Cash and cash equivalents at beginning of year | 6(1) | 2,790,736 | 1,517,349 |
| Cash and cash equivalents at end of year | 6(1) | $ 2,239,419 | $ 2,790,736 |

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

EPISIL-PRECISION INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Episil-Precision Inc. (the "Company") was incorporated as a company limited by shares on October 15, 1998 and was approved by the competent authority on November 9, 1998. The primary business activities have been started since December 1999.

The Company merged with Episil Semiconductor Wafer, Inc. on January 11, 2016 in accordance with the Business Mergers and Acquisitions Act and other related regulations. The Company issued new shares to Episil Semiconductor Wafer, Inc. as consideration for assuming all rights and obligations of Episil Semiconductor Wafer, Inc.. The conversion ratio for this merger was one common share of Episil Semiconductor Wafer, Inc. converting to 1.867876 common shares of the Company, totalling 149,523,473 shares, and the Company was the surviving company. This merger was a reverse takeover under comprehensive assessment. Therefore, the parent company only financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc..

The Company is primarily engaged in development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafers.

Episil Technologies Inc. (former name: Episil Holding Inc.) holds 57.86% of the Company's outstanding shares. Episil Holding Inc. is the Company's ultimate parent company.

2. The Date of and Procedures for Authorisation for Issuance of the Financial Statements

These parent company only financial statements were authorised for issuance by the Board of Directors on February 26, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and become effective from 2023 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|---|---|
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |
| Amendments to IAS 12, 'International tax reform - pillar two model rules' | May 23, 2023 |

The above standards and interpretations have no significant impact to the Company's financial position and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| 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 |

The above standards and interpretations have no significant impact to the Company's financial position and financial performance based on the Company's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs Accounting Standards as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by IASB |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 21, 'Lack of excheangeability' | January 1, 2025 |

The above standards and interpretations have no significant impact to the Company's financial position and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through other comprehensive income.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

B. Translation of foreign operations

(a) The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the exchange rates prevailing at the balance sheet date;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control, such transaction should be accounted for as disposal of all interest in the foreign operation.

(4) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Company has not retained control of the financial asset.

(10) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(12) Investments accounted for using equity method / subsidiary

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3 ~ 61 years |
| Machinery and equipment | 3 ~ 16 years |
| Other equipment | 2 ~ 11 years |

(14) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;
(c) Any initial direct costs incurred by the lessee; and
(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 40 ~ 51 years.

(16) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 ~ 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost, net of accumulated amortisation and accumulated impairment. Intangible assets acquired in a business combination are recognised at fair value at acquisition date and are amortised on a straight-line basis over their estimated useful lives of 2 ~ 5 years.

(17) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible corporate bonds

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity in accordance with the substance of the contractual arrangement.

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of equity are initially recognised in "Capital surplus—warrants" at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - warrants.

(21) Derecognition of financial liabilities

Financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past-service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. The Company manufactures and sells silicon epitaxy wafer and compound semiconductor epitaxial wafers. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods to external customers in the ordinary course of the Company's activities. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Therefore, there might be material changes to the inventory valuation in the future.

As of December 31, 2023, the carrying amount of inventories was $919,718.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 355 | $ 407 |
| Checking accounts and demand deposits | 199,009 | 236,473 |
| Time deposits | 1,292,555 | 1,896,356 |
| Bonds sold under repurchase agreements | 747,500 | 657,500 |
| | $ 2,239,419 | $ 2,790,736 |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company's cash and cash equivalents pledged to others as collateral for customs guarantee were classified as non-current financial assets at amortised cost. Refer to Note 8.

(2) Financial assets at amortised cost

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Pledged time deposits | $ 13,583 | $ 13,565 |

A. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company were $13,583 and $13,565, respectively.

B. The counterparties of the Company's investments have good credit risk.

(3) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 759,180 | $ 990,031 |
| Accounts receivable due from related parties | 259,805 | 281,901 |
| Less: Loss allowance | ( 152) | ( 152) |
| | $ 1,018,833 | $ 1,271,780 |

A. The ageing analysis of accounts receivable is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Accounts receivable (including related parties) | Accounts receivable (including related parties) |
| Not past due | $ 953,516 | $ 1,148,146 |
| Up to 30 days | 62,550 | 102,834 |
| 31 to 90 days | 2,919 | 20,952 |
| | $ 1,018,985 | $ 1,271,932 |

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $1,343,967.

C. As of December 31, 2023 and 2022, collaterals held by the Company as security for accounts receivable were amounted to $1,000 and $5,000.

D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were $1,018,833 and $1,271,780 respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 413,705 | ($ 60,994) | $ 352,711 |
| Supplies | 467,932 | ( 42,705) | 425,227 |
| Work in progress | 66,614 | ( 2,674) | 63,940 |
| Finished goods | 79,711 | ( 1,871) | 77,840 |
| | $ 1,027,962 | ($ 108,244) | $ 919,718 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 554,341 | ($ 30,224) | $ 524,117 |
| Supplies | 302,737 | ( 23,312) | 279,425 |
| Work in progress | 80,050 | ( 3,678) | 76,372 |
| Finished goods | 68,926 | ( 1,764) | 67,162 |
| | $ 1,006,054 | ($ 58,978) | $ 947,076 |

The cost of inventories recognised as expense for the year:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $ 3,164,846 | $ 4,631,378 |
| Unamortised manufacturing expenses | 512,454 | 154,807 |
| Inventory valuation loss | 49,266 | 891 |
| Inventory scrapped | 4,697 | 1,676 |
| | $ 3,731,263 | $ 4,788,752 |

(5) Investments accounted for using equity method

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiary | | |
| Precision Silicon Japan Co., Ltd. | $ 12,763 | $ 12,129 |

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company's subsidiary.

B. The Company recognised investment gain for the investments accounted for using equity method for the years ended December 31, 2023 and 2022, amounted to $1,376 and $2,279, respectively.

(6) Property, plant and equipment

| | Buildings and structures | Machinery and equipment | Other equipment | Construction in process and equipment to be inspected | Total |
|---|---|---|---|---|---|
| At January 1, 2023 | | | | | |
| Cost | $ 2,301,420 | $ 4,190,767 | $ 71,335 | $ 268,329 | $ 6,831,851 |
| Accumulated depreciation and impairment | ( 1,413,734) | ( 3,349,440) | ( 60,292) | - | ( 4,823,466) |
| | $ 887,686 | $ 841,327 | $ 11,043 | $ 268,329 | $ 2,008,385 |
| 2023 | | | | | |
| At January 1 | $ 887,686 | $ 841,327 | $ 11,043 | $ 268,329 | $ 2,008,385 |
| Additions | 75,734 | 166,939 | 20,227 | 233,532 | 496,432 |
| Disposals | - | ( 862) | - | - | ( 862) |
| Reclassifications | 55,024 | 143,053 | - | ( 198,077) | - |
| Depreciation expense | ( 114,906) | ( 362,472) | ( 5,802) | - | ( 483,180) |
| At December 31 | $ 903,538 | $ 787,985 | $ 25,468 | $ 303,784 | $ 2,020,775 |
| At December 31, 2023 | | | | | |
| Cost | $ 2,428,011 | $ 4,490,365 | $ 91,369 | $ 303,784 | $ 7,313,529 |
| Accumulated depreciation and impairment | ( 1,524,473) | ( 3,702,380) | ( 65,901) | - | ( 5,292,754) |
| | $ 903,538 | $ 787,985 | $ 25,468 | $ 303,784 | $ 2,020,775 |

| | Buildings and structures | Machinery and equipment | Other equipment | Construction in process and equipment to be inspected | Total |
|---|---|---|---|---|---|
| At January 1, 2022 | | | | | |
| Cost | $ 2,084,553 | $ 3,919,301 | $ 69,469 | $ 128,127 | $ 6,201,450 |
| Accumulated depreciation and impairment | ( 1,325,785) | ( 3,017,606) | ( 59,028) | - | ( 4,402,419) |
| | $ 758,768 | $ 901,695 | $ 10,441 | $ 128,127 | $ 1,799,031 |
| 2022 | | | | | |
| At January 1 | $ 758,768 | $ 901,695 | $ 10,441 | $ 128,127 | $ 1,799,031 |
| Additions | 173,077 | 195,553 | 4,264 | 268,329 | 641,223 |
| Reclassifications | 48,299 | 81,918 | 1,888 | ( 128,127) | 3,978 |
| Depreciation expense | ( 92,458) | ( 337,839) | ( 5,550) | - | ( 435,847) |
| At December 31 | $ 887,686 | $ 841,327 | $ 11,043 | $ 268,329 | $ 2,008,385 |
| At December 31, 2022 | | | | | |
| Cost | $ 2,301,420 | $ 4,190,767 | $ 71,335 | $ 268,329 | $ 6,831,851 |
| Accumulated depreciation and impairment | ( 1,413,734) | ( 3,349,440) | ( 60,292) | - | ( 4,823,466) |
| | $ 887,686 | $ 841,327 | $ 11,043 | $ 268,329 | $ 2,008,385 |

A. The Company has no interest capitalisation for the years ended December 31, 2023 and 2022.

B. As of December 31, 2023 and 2022, there was no property, plant and equipment pledged to others as collateral.

(7) Lease transactions－lessee

A. The Company leases various assets, including land, buildings and structures and machinery and equipment. Lease agreements are typically made for periods of 3 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise other equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Book value | | Book value | |
| Land | $ | 219,030 | $ | 238,144 |
| Buildings and structures | | 1,963 | | 4,333 |
| Machinery and equipment | | - | | 148 |
| | $ | 220,993 | $ | 242,625 |

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Depreciation expense | | Depreciation expense | |
| Land | $ | 7,980 | $ | 8,122 |
| Buildings and structures | | 3,510 | | 3,543 |
| Machinery and equipment | | 149 | | 446 |
| | $ | 11,639 | $ | 12,111 |

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $1,140 and $1,070, respectively.

D. Information on profit or loss in relation to lease agreements is as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Items affecting profit or loss | | | | |
| Interest expense on lease liabilities | $ | 5,576 | $ | 5,858 |
| Expense on short-term lease agreements | | 1,820 | | 1,369 |

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were $17,050 and $17,134, respectively.

F. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Leasing arrangements – lessor

A. The Company leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required from leases.

B. For the years ended December 31, 2023 and 2022, the Company recognised rental revenue in the amounts of $40,348 and $42,703, respectively, based on the operating lease agreements, which do not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| 2023 | $ - | $ 40,960 |
| 2024 | 39,134 | 40,865 |
| 2025 | 38,811 | 40,541 |
| 2026 | 29,797 | 31,527 |
| 2027 | 7,008 | 8,739 |
| 2028 | 7,008 | 8,739 |
| After 2029 | 56,067 | 69,910 |
| | $ 177,825 | $ 241,281 |

(9) Investment property

| | 2023 |
|---|---|
| | Buildings and structures |
| At January 1 | |
| Cost | $ 206,227 |
| Accumulated depreciation and impairment | ( 45,907) |
| | $ 160,320 |
| At January 1 | $ 160,320 |
| Depreciation expense | ( 4,923) |
| At December 31 | $ 155,397 |
| At December 31 | |
| Cost | $ 206,227 |
| Accumulated depreciation and impairment | ( 50,830) |
| | $ 155,397 |

| | 2022 |
|---|---|
| | Buildings and structures |
| At January 1 | |
| Cost | $ 211,322 |
| Accumulated depreciation and impairment | ( 41,743) |
| | $ 169,579 |
| | |
| At January 1 | $ 169,579 |
| Depreciation expense | ( 4,996) |
| Transfer | ( 4,263) |
| At December 31 | $ 160,320 |
| | |
| At December 31 | |
| Cost | $ 206,227 |
| Accumulated depreciation and impairment | ( 45,907) |
| | $ 160,320 |

A. Rental revenue from investment property and direct operating expenses arising from investment property are shown below:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue from investment property | $ 39,260 | $ 41,607 |
| Direct operating expenses arising from the investment property that generated rental revenue during the year | $ 9,724 | $ 9,363 |

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 were $197,614 and $213,458, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 11.65% | 11.01% |
| Annual rent (net income) | $ 34,475 | $ 36,267 |
| Duration | 10 Years | 10 Years |

C. The Company has no interest capitalisation for the years ended December 31, 2023 and 2022.

D. The significant components of investment property include buildings and renovation, which are depreciated over 51 years and 46 years, respectively.

E. As at December 31, 2023 and 2022, the Company has no investment property pledged to others as collateral.

(10) Intangible assets

| | 2023 | | | |
|---|---|---|---|---|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | $ 5,618 | $ 48,369 | $ 39,270 | $ 93,257 |
| Accumulated amortisation and impairment | ( 3,001) | - | ( 37,736) | ( 40,737) |
| | $ 2,617 | $ 48,369 | $ 1,534 | $ 52,520 |
| At January 1 | $ 2,617 | $ 48,369 | $ 1,534 | $ 52,520 |
| Additions | 5,020 | - | 628 | 5,648 |
| Amortisation expense | ( 1,877) | - | ( 643) | ( 2,520) |
| At December 31 | $ 5,760 | $ 48,369 | $ 1,519 | $ 55,648 |
| At December 31 | | | | |
| Cost | $ 10,638 | $ 48,369 | $ 39,898 | $ 98,905 |
| Accumulated amortisation and impairment | ( 4,878) | - | ( 38,379) | ( 43,257) |
| | $ 5,760 | $ 48,369 | $ 1,519 | $ 55,648 |

| | 2022 | | | |
|---|---|---|---|---|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | $ 2,653 | $ 48,369 | $ 39,104 | $ 90,126 |
| Accumulated amortisation and impairment | ( 2,653) | - | ( 34,228) | ( 36,881) |
| | $ - | $ 48,369 | $ 4,876 | $ 53,245 |
| At January 1 | $ - | $ 48,369 | $ 4,876 | $ 53,245 |
| Additions | 2,680 | - | 167 | 2,847 |
| Transfer | 285 | - | - | 285 |
| Amortisation expense | ( 348) | - | ( 3,509) | ( 3,857) |
| At December 31 | $ 2,617 | $ 48,369 | $ 1,534 | $ 52,520 |
| At December 31 | | | | |
| Cost | $ 5,618 | $ 48,369 | $ 39,270 | $ 93,257 |
| Accumulated amortisation and impairment | ( 3,001) | - | ( 37,736) | ( 40,737) |
| | $ 2,617 | $ 48,369 | $ 1,534 | $ 52,520 |

A. Details of amortisation on intangible assets are as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Operating costs | $ 1,278 | $ 3,857 |
| Selling and marketing expenses | 1,242 | - |
| | $ 2,520 | $ 3,857 |

B. The Company has no interest capitalisation for the years ended December 31, 2023 and 2022.

C. As of December 31, 2023 and 2022, the Company has no intangible assets pledged to others as collateral.

(11) Short-term borrowings

| Type of borrowings | December 31, 2023 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 266,950 | 6.120%～6.502% | None |

| Type of borrowings | December 31, 2022 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 178,624 | 4.100%～6.040% | None |

For the years ended December 31, 2023 and 2022, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $19,090 and $8,071, respectively.

(12) Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable | $ 218,568 | $ 386,707 |
| Estimated accounts payable | 38,408 | 32,058 |
| | $ 256,976 | $ 418,765 |

(13) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accrued expenses-expendables | $ 122,036 | $ 133,352 |
| Payables for equipment | 87,091 | 199,347 |
| Accrued expenses-bonus | 61,071 | 122,087 |
| Employees’ bonus and directors’ remuneration payable | 20,280 | 84,427 |
| Accrued expenses-others | 72,097 | 82,489 |
| | $ 362,575 | $ 621,702 |

## (14) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Bonds payable | | |
| The Company's fourth domestic unsecured convertible bonds | $ 500,000 | $ 500,000 |
| Less: Bonds payable converted | - | - |
| Discount on bonds payable | ( 8,857) | ( 15,830) |
| | $ 491,143 | $ 484,170 |

A. The domestic unsecured convertible bonds issued by the Company

The issuance terms of the Company's fourth domestic unsecured convertible bonds are as follows:

(a) The regulatory authority has approved the fourth domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $500,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from March 29, 2022 to March 29, 2025, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on March 29, 2022.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The effective date for the conversion price of the convertible was set on March 21, 2022. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean in 1, 3 or 5 business day(s) before the effective date (effective date is excluded) by convertible premium rate of 109.22% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT$128 (in dollars) per share based on the aforementioned method. Starting from July 12, 2023, the conversion price of the bonds was adjusted to NT$122.4 (in dollars) per share due to the Company's cash dividend distribution.

(d) All convertible bonds repurchased, redeemed or converted by the Company from securities trading markets shall be retired, which are not allowed to resell or reissue, and conversion rights attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with

IAS 32. As of December 31, 2023 and 2022, the carrying amounts are both $21,757.

(15) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last month prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | $ 175,318 | $ 186,499 |
| Fair value of plan assets | ( 117,356) | ( 119,161) |
| Net defined benefit liability | $ 57,962 | $ 67,338 |

(c) Movements in net defined benefit liability are as follows:

| 2023 | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| At January 1 | $ 186,499 | ($ 119,161) | $ 67,338 |
| Current service cost | 157 | - | 157 |
| Interest expense (income) | 2,424 | ( 1,549) | 875 |
| | 189,080 | ( 120,710) | 68,370 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 446) | ( 446) |
| Experience adjustments | ( 6,894) | - | ( 6,894) |
| | ( 6,894) | ( 446) | ( 7,340) |
| Pension fund contribution | - | ( 3,068) | ( 3,068) |
| Paid pension | ( 6,868) | 6,868 | - |
| At December 31 | $ 175,318 | ($ 117,356) | $ 57,962 |

| 2022 | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| At January 1 | $ 182,232 | ($ 101,220) | $ 81,012 |
| Current service cost | 153 | - | 153 |
| Interest expense (income) | 1,170 | ( 607) | 563 |
| | 183,555 | ( 101,827) | 81,728 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 7,741) | ( 7,741) |
| Change in demographic assumptions | 200 | - | 200 |
| Change in financial assumptions | ( 13,865) | - | ( 13,865) |
| Experience adjustments | 10,038 | - | 10,038 |
| | ( 3,627) | ( 7,741) | ( 11,368) |
| Change in employee transfers | 12,822 | - | 12,822 |
| Pension fund contribution | - | ( 15,844) | ( 15,844) |
| Paid pension | ( 6,251) | 6,251 | - |
| At December 31 | $ 186,499 | ($ 119,161) | $ 67,338 |

(d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate | 1.30% | 1.30% |
| Future salary increases | 3.25% | 3.25% |

For the years ended December 31, 2023 and 2022, future mortality rate were estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2023 | | | | |
| Effect on present value of defined benefit obligations | ($ 3,934) | $ 4,067 | $ 3,566 | ($ 3,474) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligations | ($ 4,562) | $ 4,725 | $ 4,182 | ($ 4,067) |

The sensitivity analysis above is based on a change of one assumption while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to $3,014.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were $28,904 and $28,070, respectively.

(16) Share based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|---|---|---|---|---|
| Cash capital increase retained for the employees' purchase | 2022.04.27 | 495 | NA | Immediately vested |

B. The Company increased its capital by issuing 3.3 million common shares and reserved 15% of the shares issued this time, that is 495 thousand shares, for subscription by employees at $82 (in dollars) per share in accordance with the requirements of the Article 267 of the Company Act. The fair value of share-based payment amounting to $5,000 was assessed based on market approach, and was recognised as compensation cost.

C. Expenses incurred on share-based payment transactions are shown below:

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Equity-settled | $ - | $ 5,000 |

(17) Share capital

A. As of December 31, 2023, the Company's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was $2,885,394 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Unit: thousand shares)

| | 2023 | 2022 |
|---|---|---|
| At January 1 | 288,539 | 284,376 |
| Cash capital increase | - | 3,300 |
| Conversion of convertible bonds | - | 863 |
| At December 31 | 288,539 | 288,539 |

B. The Company's Board of Directors resolved the capital increase by issuing 3.3 million new shares with a par value of NT$10 (in dollars) per share on February 14, 2022. The capital increase was approved by the regulatory authority on March 15, 2022. In addition, the Chairman was authorised to set the issuance price at NT$82 (in dollars) according to the relevant and market conditions. The total amount of the capital increase was $270,600 and the effective date was set on April 14, 2022. The capital increase had been registered on June 28, 2022.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings as dividends or the reserve of the remaining earnings for the approval of the shareholders.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting, which is not subject to the rules in relation to the resolution of shareholders' meeting.

The Company's dividend policy is summarised below: to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 30% of total cash and stock dividends to be distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

   A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The Company's Board of Directors resolved on February 26, 2024 to distribute cash dividends of NT$0.5 (in dollars) to each common share using the unappropriated retained earnings, and the dividends came to a total of $144,270.

E. On May 31, 2023, the Company's shareholders resolved the distribution of 2022 earnings as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Amount | | Earnings per share (in dollars) | |
| Legal reserve | $ | 69,264 | | |
| Special reserve | | 245 | | |
| Cash dividend | | 577,078 | $ | 2.0 |
| Total | $ | 646,587 | | |

F. On June 21, 2022, the Company's shareholders resolved the distribution of 2021 earnings as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Amount | | Earnings per share (in dollars) | |
| Legal reserve | $ | 37,874 | | |
| Special reserve | | 910 | | |
| Cash dividend | | 341,252 | $ | 1.2 |
| Total | $ | 380,036 | | |

G. The number of the Company's shares outstanding has changed because the Company increased capital by issuing new shares and certain creditors proposed to convert the third domestic unsecured convertible bonds. With the total amount of cash dividends distributed held constant, the Board of Directors resolved to adjust the distribution ratio of cash dividends as NT$1.18483932 (in dollars) per share on June 28, 2022.

(20) Other equity items

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | Financial statements translation difference of foreign operations | Financial statements translation difference of foreign operations |
| At January 1 | ($ 1,155) | ($ 910) |
| Currency translation differences: | | |
| –Subsidiary | ( 743) | ( 245) |
| At December 31 | ($ 1,898) | ($ 1,155) |

(21) Operating revenue

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | $ 4,217,444 | $ 5,880,611 |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

| Year ended December 31, 2023 | Sales of silicon epitaxy wafer | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 4,194,947 | $ 22,497 | $ 4,217,444 |
| Timing of revenue recognition | | | |
| At a point in time | $ 4,194,947 | $ 22,497 | $ 4,217,444 |

| Year ended December 31, 2022 | Sales of silicon epitaxy wafer | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 5,870,515 | $ 10,096 | $ 5,880,611 |
| Timing of revenue recognition | | | |
| At a point in time | $ 5,870,515 | $ 10,096 | $ 5,880,611 |

B. Contract liabilities

(a) The Company has recognised the following revenue-related contract liabilities:

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities | $ 85,704 | $ 119,639 | $ 133,693 |

(b) Revenue recognised that was included in the contract liabilities balance at the beginning of the period

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | $ - | $ 79,596 |

(22) Interest income

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Interest income from bank deposits | $ 30,774 | $ 14,056 |

(23) Other income

| | Years ended December 31, 2023 | 2022 |
|---|---|---|
| Rental revenue | $ 40,348 | $ 42,703 |
| Dividend income | - | 1 |
| Other income, others | 5,345 | 1,427 |
| | $ 45,693 | $ 44,131 |

(24) Other gains and losses

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Gains on disposals of property, plant and equipment | $ 1,599 | $ - |
| Net currency exchange (loss) gain | ( 7,834) | 46,975 |
| Depreciation on investment property | ( 4,923) | ( 4,996) |
| Other losses | ( 9,844) | ( 8,879) |
| | ($ 21,002) | $ 33,100 |

(25) Finance costs

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | $ 19,090 | $ 8,071 |
| Bonds payable | 6,973 | 5,558 |
| Lease liabilities | 5,576 | 5,858 |
| Others | 119 | 1,563 |
| Finance expenses | 150 | 172 |
| | $ 31,908 | $ 21,222 |

(26) Expenses by nature

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Employee benefit expense | $ 745,909 | $ 934,278 |
| Depreciation expenses on property, plant and equipment | 499,742 | 452,954 |
| Amortisation expenses on intangible assets | 2,520 | 3,857 |

(27) Employee benefit expenses

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Wages and salaries | $ 604,290 | $ 782,204 |
| Share-based payments | - | 5,000 |
| Labour and health insurance fees | 60,334 | 57,279 |
| Pension costs | 29,936 | 28,786 |
| Other personnel expenses | 51,349 | 61,009 |
| | $ 745,909 | $ 934,278 |

A. According to the Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on current year's earnings, which should first be used to cover accumulated deficits, if any, and then, not less than 5% for employees' compensation and not more than 2% for directors' remuneration.

Employees' compensation can be distributed by stock or dividends, including distributions to certain qualifying employees in affiliate companies.

B. For the years ended December 31, 2023 and 2022, employees' compensation were accrued at $18,026 and $75,047, respectively; while directors' and supervisors' remuneration were accrued at $2,253 and $9,380, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 8%, 1% and 1% of earnings for the years ended December 31, 2023 and 2022, respectively. Employees' compensation of $75,047 and directors' remuneration of $9,380 for the year ended December 31, 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Abovementioned employees' compensation of 2022 will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors and approved by the shareholders will be posted in the "Market Observation Post System".

(28) Income taxes

A. Components of income tax benefit:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | $ 55,914 | $ 169,550 |
| Prior year income tax (overestimation) underestimation | ( 7,652) | 1,324 |
| Total current tax | 48,262 | 170,874 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 7,252) | 1,518 |
| Total deferred tax | ( 7,252) | 1,518 |
| Income tax expense | $ 41,010 | $ 172,392 |

B. Reconciliation between income tax expense and accounting profit:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Income tax calculated based on profit before tax and statutory tax rate | $ 41,010 | $ 170,732 |
| Expenses disallowed by tax regulation | 1,395 | 1,112 |
| Change in assessment of realisation of deferred tax assets | 6,257 | ( 776) |
| Prior year income tax (overestimation) underestimation | ( 7,652) | 1,324 |
| Income tax expense | $ 41,010 | $ 172,392 |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| | 2023 | | |
|---|---|---|---|
| | At January 1 | Recognised in profit or loss | At December 31 |
| Temporary differences: | | | |
| Deferred income tax assets: | | | |
| Unrealised loss on inventory valuation loss | $ 11,796 | $ 6,668 | $ 18,464 |
| Pension liability | 11,682 | ( 1,875) | 9,807 |
| Others | 8,617 | 1,179 | 9,796 |
| | 32,095 | 5,972 | 38,067 |
| Deferred income tax liabilities: | | | |
| Income on investments accounted for using equity method | 1,293 | ( 275) | 1,018 |
| Property, plant and equipment - book-tax difference | ( 19,218) | 553 | ( 18,665) |
| Investment property - book-tax difference | ( 17,708) | 487 | ( 17,221) |
| Intangible assets - book-tax difference | ( 515) | 515 | - |
| | ( 36,148) | 1,280 | ( 34,868) |
| | ($ 4,053) | $ 7,252 | $ 3,199 |

| | 2022 | | |
|---|---|---|---|
| | At January 1 | Recognised in profit or loss | At December 31 |
| Temporary differences: | | | |
| Deferred income tax assets: | | | |
| Unrealised loss on inventory valuation loss | $ 11,618 | $ 178 | $ 11,796 |
| Pension liability | 16,981 | ( 5,299) | 11,682 |
| Others | 5,415 | 3,202 | 8,617 |
| | 34,014 | ( 1,919) | 32,095 |
| Deferred income tax liabilities: | | | |
| Income on investments accounted for using equity method | 1,748 | ( 455) | 1,293 |
| Property, plant and equipment - book-tax difference | ( 19,631) | 413 | ( 19,218) |
| Investment property - book-tax difference | ( 18,151) | 443 | ( 17,708) |
| Intangible assets - book-tax difference | ( 515) | - | ( 515) |
| | ( 36,549) | 401 | ( 36,148) |
| | ($ 2,535) | ($ 1,518) | ($ 4,053) |

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(29) Earnings per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 164,039 | 288,539 | $ 0.57 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | 164,039 | 288,539 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 448 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 164,039 | $ 288,987 | $ 0.57 |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 681,270 | 286,615 | $ 2.38 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | 681,270 | 286,615 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,125 | |
| Convertible bonds | 4,447 | 3,426 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 685,717 | $ 291,166 | $ 2.36 |

For the year ended December 31, 2023, the Company's convertible bonds had anti-dilutive effect, thus, it was not included in the calculation of diluted earnings per share.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Acquisition of property, plant and equipment | $ 496,432 | $ 641,223 |
| Add: Opening balance of payable on equipment | 199,347 | 33,681 |
| Less: Ending balance of payable on equipment | ( 87,091) | ( 199,347) |
| Cash paid during the year | $ 608,688 | $ 475,557 |

B. Financing activities with no cash flow effects:

| | Years ended December 31, 2023 | Years ended December 31, 2022 |
|---|---|---|
| Convertible bonds being converted to capital stocks | $ - | $ 46,972 |

(31) Changes in liabilities from financing activities

| 2023 | Short-term borrowings | Lease liabilities | Guarantee deposits received | Bonds payable | Liabilities from financing activities |
|---|---|---|---|---|---|
| At January 1 | $ 178,624 | $ 252,494 | $ 8,095 | $ 484,170 | $ 923,383 |
| Changes in cash flow from financing activities | 88,326 | ( 9,654) | - | - | 78,672 |
| Interest paid | - | ( 5,576) | - | - | ( 5,576) |
| Interest expense | - | 5,576 | - | 6,973 | 12,549 |
| Changes in other non-cash items | - | ( 9,995) | - | - | ( 9,995) |
| At December 31 | $ 266,950 | $ 232,845 | $ 8,095 | $ 491,143 | $ 999,033 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Short-term borrowings | Lease liabilities | Guarantee deposits received | Bonds payable | Liabilities from financing activities |
| At January 1 | $ 446,283 | $ 261,346 | $ 8,290 | $ 46,878 | $ 762,797 |
| Changes in cash flow from financing activities | ( 267,659) | ( 9,907) | ( 195) | 500,463 | 222,702 |
| Interest paid | - | ( 5,858) | - | - | ( 5,858) |
| Interest expense | - | 5,858 | - | 5,558 | 11,416 |
| Conversion option exercised | - | - | - | ( 46,972) | ( 46,972) |
| Changes in other non-cash items | - | 1,055 | - | ( 21,757) | ( 20,702) |
| At December 31 | $ 178,624 | $ 252,494 | $ 8,095 | $ 484,170 | $ 923,383 |

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company's ultimate parent company is Episil Technologies Inc. (former name: Episil Holding Inc.) holds 57.86% of the Company's outstanding shares.

(2) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| Episil Technologies Inc. | The parent company |
| Episil Technologies Inc. (Shanghai) | The parent company's indirect wholly-owned subsidiary |
| Hermes-Epitek Corp. | The parent company's director |
| Taiwan Hi-Tech Corp. | Investee of the parent company accounted for using equity method |
| Precision Silicon Japan Co., Ltd. | A subsidiary wholly-owned by the Company |

(3) Significant related party transactions

A. Operating revenue

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Sales of goods: | | |
| -Parent company | $ 315,034 | $ 688,579 |
| -Subsidiary | 391,325 | 278,416 |
| -Other related parties | 7,651 | 1,286 |
| | $ 714,010 | $ 968,281 |

The price and terms on sales are available to third parties and the credit term is 30 to 90 days after monthly billings.

B. Purchases

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Purchases of goods: | | | | |
| -Parent company | $ | 1,217 | $ | 4,131 |
| -Subsidiary | | 6,978 | | 4,552 |
| -Other related parties | | 5,562 | | 1,059 |
| Purchases of services: | | | | |
| -Parent company | | 12,116 | | 13,469 |
| | $ | 25,873 | $ | 23,211 |

The price and terms on purchase are available to third parties and the payment term is 30 to 90 days after monthly billings.

C. Receivables from related parties

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Accounts receivable: | | | | |
| -Parent company | $ | 99,352 | $ | 207,799 |
| -Subsidiary | | 156,847 | | 74,102 |
| -Other related parties | | 3,606 | | - |
| | $ | 259,805 | $ | 281,901 |
| Other receivables: | | | | |
| -Parent company | $ | 10,452 | $ | 8,472 |

The receivables from related parties arise mainly from sales of goods transactions. The receivables are due 3 months after the date of sale.

D. Payables to related parties

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Accounts payable: | | | | |
| -Parent company | $ | 295 | $ | 117 |
| -Subsidiary | | 374 | | 407 |
| -Other related parties | | 1,806 | | 1,074 |
| | $ | 2,475 | $ | 1,598 |
| Other payables: | | | | |
| -Parent company | $ | 4,004 | $ | 5,037 |
| -Other related parties | | 28,577 | | 31,046 |
| -Subsidiary | | - | | 204 |
| | $ | 32,581 | $ | 36,287 |

Other payables mainly refer to payables for service fees and processing fees.

F. Lease transactions

(a) For the years ended December 31, 2023 and 2022, rental income arising from leasing certain buildings and structures to the parent company amounted to $7,382 and $9,113 respectively, which is collected monthly.

(b) For the years ended December 31, 2023 and 2022, rental expense due to leasing certain buildings and structures from the parent company amounted to $122 and $235, respectively, which is paid monthly.

G. Others (Shown as "Operating costs" and "Operating expenses")

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Testing fee: | | |
| -Other related parties | $ 161,036 | $ 135,316 |

(4) Key management personnel compensation

| | Years ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | $ 35,416 | $ 24,892 |
| Post-employment benefits | 572 | 270 |
| | $ 35,988 | $ 25,162 |

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2023 | December 31, 2022 | Purpose |
| Pledged time deposits (shown as "Non-current financial assets at amortised cost") | $ 13,583 | $ 13,565 | Customs deposits and guarantee deposits for leases |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Property, plant and equipment | $ 393,906 | $ 342,084 |

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2023 earnings is provide in Note 6(19).

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to meet the needs of plant expansion and equipment enhancement. The Company's capital management is to ensure it has sufficient financial resources and operating plans to maintain or adjust capital structure and to meet operational capital for future needs, capital expenditure, research and development expenses, obligation repayment and dividend distribution within the next year.

(2) Financial instruments

A. Financial instruments by category

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Designation of equity instrument | $ | 17 | $ | 17 |
| Financial assets at amortised cost | | | | |
| Current finantial assets at amortised cost | $ | 13,583 | $ | 13,565 |
| Cash and cash equivalents | | 2,239,419 | | 2,790,736 |
| Accounts receivable | | 759,028 | | 989,879 |
| Accounts receivable due from related parties | | 259,805 | | 281,901 |
| Other receivables | | 20,841 | | 24,347 |
| Other receivables due from related parties | | 10,452 | | 8,472 |
| Refundable guarantee deposits | | 572 | | 572 |
| | $ | 3,303,700 | $ | 4,109,472 |
| Financial liabilities | | | | |
| Financial liabilities at amortised cost | | | | |
| Short-term borrowings | $ | 266,950 | $ | 178,624 |
| Accounts payable | | 256,976 | | 418,765 |
| Accounts payable to related parties | | 2,475 | | 1,598 |
| Other payables | | 362,575 | | 621,702 |
| Other payables to related parties | | 32,581 | | 36,287 |
| Bonds payable (including current portion) | | 491,143 | | 484,170 |
| Guarantee deposits received | | 8,095 | | 8,095 |
| | $ | 1,420,795 | $ | 1,749,241 |
| Lease liability | $ | 232,845 | $ | 252,494 |

B. Policy of risk management

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up policies to manage its foreign exchange risk against their functional currencies. The Company is are required to hedge its entire foreign exchange risk exposure through coordination with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies that are adopted to minimise the volatility of the foreign exchange.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 24,806 | 30.708 | $ 761,743 |
| JPY:NTD | 24,599 | 0.218 | 5,363 |
| RMB:NTD | 21,520 | 4.325 | 93,074 |
| Non-monetary items: None. | | | |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 12,957 | 30.708 | $ 397,884 |
| JPY:NTD | 74,824 | 0.218 | 16,312 |
| RMB:NTD | 7,718 | 4.325 | 33,380 |
| Non-monetary items: None. | | | |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 39,001 | 30.720 | $ 1,198,111 |
| JPY:NTD | 104,315 | 0.233 | 24,305 |
| RMB:NTD | 13,285 | 4.406 | 58,534 |
| Non-monetary items: None. | | | |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 15,395 | 30.720 | $ 472,934 |
| JPY:NTD | 44,540 | 0.233 | 10,378 |
| RMB:NTD | 16,824 | 4.406 | 74,127 |
| Non-monetary items: None. | | | |

iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to ($7,834) and $46,975, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 7,617 | $ - |
| JPY:NTD | 1% | 54 | - |
| RMB:NTD | 1% | 931 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 3,979) | $ - |
| JPY:NTD | 1% | ( 163) | - |
| RMB:NTD | 1% | ( 334) | - |

| | Year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Sensitivity analysis | | | | |
| | Change in exchange rate | Effect on profit (loss) | | Effect on other comprehensive income | |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | $ | 11,981 | $ | - |
| JPY:NTD | 1% | | 243 | | - |
| RMB:NTD | 1% | | 585 | | - |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | ($ | 4,729) | $ | - |
| JPY:NTD | 1% | ( | 104) | | - |
| RMB:NTD | 1% | ( | 741) | | - |

Price risk

i. The Company's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. The Company's investments in equity securities comprise shares issued by a domestic company. The prices of equity securities would change due to the change of the future value of investee company. If the prices of these equity securities had increased/ decreased by 10% with all other variables held constant, fair value adjustment would have increased/decreased both by $2, as a result of the price change on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company's interest rate risk arises from short-term borrowings with floating rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2023 and 2022, the Company's borrowings at floating rates were denominated in NT dollars, US dollars and Japanese yen.

ii. If the borrowing interest rate of New Taiwan dollars, US dollars or Japanese yen had increased/decreased by 0.25% with all other variables held constant, profit after tax for the years ended December 31, 2023 and 2022 would have decreased /increased by $534 and $357, respectively. Changes in interest expense mainly due from floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Company manages their credit risk taking into consideration the entire company's perspective. Only rated banks and financial institutes with an optimal rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.

iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated as low.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Company categorised accounts receivable in accordance with credit risk and applies the modified approach using a provision matrix to estimate the expected credit loss.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

| | Not past due | Up to 30 days past due | 31~90 days past due | 91~180 days past due | Over 180 days past due | Individual | Total |
|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | | |
| Expected loss rate | 0.01% | 0.01% | 0.12% | 0.69% | 0.12% | 0.12%~4.72% | |
| Total book value | $ 934,076 | $ 52,570 | $ 2,919 | $ - | $ - | $ 29,420 | $ 1,018,985 |
| Loss allowance | $ - | $ - | $ - | $ - | $ - | ($ 152) | ($ 152) |
| December 31, 2022 | | | | | | | |
| Expected loss rate | 0.01% | 0.01% | 0.13% | 0.77% | 100% | 0.12%~5.26% | |
| Total book value | $ 1,092,459 | $ 76,720 | $ 148 | $ - | $ - | $ 102,605 | $ 1,271,932 |
| Loss allowance | $ - | $ - | $ - | $ - | $ - | ($ 152) | ($ 152) |

ix. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| At January 1 / December 31 | $ 152 | $ 152 |

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Company held money market position of $2,239,064 and $2,790,329, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ - | $ 200,000 |
| Fixed rate: | | |
| Expiring beyond one year | 1,447,376 | 1,423,438 |
| | $ 1,447,376 | $ 1,623,438 |

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| Short-term borrowings | $ 266,950 | $ - | $ - | $ - |
| Accounts payable (including related parties) | 259,451 | - | - | - |
| Other payables (including related parties) | 395,156 | - | - | - |
| Lease liabilities | 12,158 | 11,693 | 33,894 | 260,464 |
| Bonds payable | - | 500,000 | - | - |
| Deposits received | - | - | 8,095 | - |

Non-derivative financial liabilities

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Short-term borrowings | $ 178,624 | $ - | $ - | $ - |
| Accounts payable (including related parties) | 420,363 | - | - | - |
| Other payables (including related parties) | 657,989 | - | - | - |
| Lease liability | 15,193 | 12,403 | 35,185 | 285,310 |
| Bonds payable | - | - | 500,000 | - |
| Deposits received | - | - | 8,095 | - |

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's convertible bonds payable is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in unlisted stocks is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable guarantee deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 491,143 | $ - | $ 491,800 | $ - |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 484,170 | $ - | $ 485,450 | $ - |

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: The fair value of the convertible bonds issued by the Company was estimated by the Binomial-Tree approach to convertible bonds.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted stocks | $ - | $ - | $ 17 | $ 17 |

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted stocks | $ - | $ - | $ 17 | $ 17 |

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | Listed shares | Closed-end fund |
|---|---|---|
| Market quoted price | Closing price | Closing price |

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk and liquidity risk. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| | Equity instruments | Equity instruments |
| At January 1 / December 31 | $ 17 | $ 17 |

G. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

H. Company treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at December 31, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted stocks | $ 17 | Market comparable companies | Price to book ratio multiple | 1 | The higher the multiple, the higher the fair value |

| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted stocks | $ 17 | Market comparable companies | Price to book ratio multiple | 1 | The higher the multiple, the higher the fair value |

J. The Company has carefully assessed the valuation model and assumption used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±10% | $ - | $ - | $ 2 | ($ 2) |

| | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±10% | $ - | $ - | $ 2 | ($ 2) |

## 13. Supplementary Disclosures

The disclosures on investee companies were based on investees' financial statements audited by independent auditors.

### (1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: 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. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Information

Not applicable.

Episil-Precision Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | As of December 31, 2023 | | | | |
|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note 2) | General ledger account | Number of shares (in thousands) | Book value (Note 3) | Ownership (%) | Fair value | Footnote (Note 4) |
| Episil-Precision Inc. | Dah Chung Bills Finance Corp.-common stock | None | Financial assets at fair value through other comprehensive income-non-current | 1,109 | $ 17 | - | $ 17 | |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financal instruments".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions

Episil-Precision Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/Seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote (Note 2) |
| Episil-Precision Inc. | Episil Technologies Inc. | Parent company | (Sales) | $ 315,034 | 7.44% | 30-90 days after monthly billings | $ - | Gerneral terms | $ 99,352 | 10.10% | Note 4 |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | (Sales) | 391,325 | 9.24% | 90-180 days after monthly billings | - | Gerneral terms | 156,847 | 15.95% | |

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. After the merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date was set on September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Episil-Precision Inc. and Subsidiaries

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

December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2023 | Turnover rate | Overdue receivables Amount | Overdue receivables Action taken | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | $ 156,847 | 3.39 | $ - | Amount collected subsequent to the balance sheet date | $ 24,536 | $ - |

Note 1: Please list separately the accounts receivable from related parties, bills, other receivables, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Episil-Precision Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction: General ledger account | Transaction: Amount (Note 3) | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets (Note 4) |
|---|---|---|---|---|---|---|---|
| 0 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Sales revenue | $ 391,325 | Gerneral terms | 9.24% |
| 0 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Purchase | 6,978 | Gerneral terms | 0.16% |
| 0 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Accounts receivable | 156,847 | 90~180 days after monthly billings | 2.30% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Percentage of total consolidated revenues or total assets is calculated using the total consolidated assets at the end of the year when the subject of transaction is an asset/liability, and is calculated by total consolidated revenues during the year when the subject of transaction is a revenue/expense.

Note 4: Only transaction amount that exceeds $1 million will be disclosed, otherwise will not be disclosed.

Episil-Precision Inc. and Subsidiaries

Information on investees

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Initial investment amount | | Shares held as at December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee (Note 1 and 2) | Location | Main business activities | Balance as at December 31, 2023 | Balance as at December 31, 2022 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2)) | Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3)) | Footnote |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Japan | Sales of silicon epitaxy wafer | $ 2,740 | $ 2,740 | 200 | 100.00% | $ 12,763 | $ 1,376 | $ 1,376 | |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in

recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Episil-Precision Inc. and Subsidiaries
Major shareholders information
December 31, 2023

Table 6

| Name of major shareholders | Shares | |
|---|---|---|
| | Number of shares held | Ownership (%) |
| Episil Technologies Inc. | 166,961,680 | 57.860% |

EPISIL-PRECISION INC.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

| Item | Description | Amount |
|---|---|---|
| Petty cash | | $ 355 |
| Bank deposits | | |
| Checking accounts | | 23 |
| Demand deposits | | |
| －NTD | | 91,438 |
| －USD | USD 3,141 thousand, conversion rate 30.708 | 96,441 |
| －JPY | JPY 9,015 thousand, conversion rate 0.218 | 1,962 |
| －RMB | RMB 115 thousand, conversion rate 4.325 | 498 |
| －EUR | EUR 254 thousand, conversion rate 33.96 | 8,647 |
| Time deposits | | |
| －NTD | Maturity date is set on January 8, 2024, and interest rate is 1.16% | 200,000 |
| －NTD | Maturity date is from January 18, 2024 to March 25, 2024, and interest rate ranged from 1.16% to 1.3% | 300,000 |
| －NTD | Maturity date is from January 2, 2024 to March 28, 2024, and interest rate ranged from 1.35% to 1.4% | 700,000 |
| －RMB | RMB 21,400 thousand, conversion rate 4.325. Maturity date is set on January 29, 2024, and interest rate is 1.8% | 92,555 |
| Bonds sold under repurchase agreements | | |
| －NTD | Maturity date is from January 4, 2024 to January 30, 2024, and interest rate ranged from 1.16% to 1.39% | 747,500 |
| | | $ 2,239,419 |

EPISIL-PRECISION INC.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

| Client Name | Amount | Note |
|---|---|---|
| General customers: | | |
| B Company | $ 200,430 | |
| D Company | 84,626 | |
| K Company | 60,917 | |
| A Company | 49,135 | |
| G Company | 38,623 | |
| Others | 325,449 | The balance of each customer has not exceeded 5% of the accounts receivable |
| | 759,180 | |
| Less: Loss allowance | ( 152) | |
| | 759,028 | |
| Related parties： | | |
| Episil Technologies Inc. | 99,352 | |
| Precision Silicon Japan Co., Ltd. | 156,847 | |
| Hermes-Epitek Corp. | 3,606 | |
| | 259,805 | |
| Total | $ 1,018,833 | |

# EPISIL-PRECISION INC.
# DETAILS OF INVENTORY
# DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

| Item | Description | Amount | | Note |
|---|---|---|---|---|
| | | Cost | Net realisable value | |
| Raw materials | | $ 413,705 | $ 309,536 | |
| Supplies | | 467,932 | 423,396 | |
| Work in process | | 66,614 | 78,541 | |
| Finished goods | | 79,711 | 108,472 | |
| Subtotal | | 1,027,962 | $ 919,945 | |
| Less: Allowance for valuation loss | | ( 108,244) | | |
| Total | | $ 919,718 | | |

EPISIL-PRECISION INC.
MOVEMENT OF COSTS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

| Item | Beginning balance | Additions | Deductions | Transfers | Ending balance | Collateral |
|---|---|---|---|---|---|---|
| Buildings and structures | $ 2,301,420 | $ 75,734 | ($ 4,167) | $ 55,024 | $ 2,428,011 | None |
| Machinery and equipment | 4,190,767 | 166,939 | ( 10,394) | 143,053 | 4,490,365 | None |
| Other equipment | 71,335 | 20,227 | ( 193) | - | 91,369 | None |
| Construction in progress and equipment to be inspected | 268,329 | 233,532 | - | ( 198,077) | 303,784 | None |
| | $ 6,831,851 | $ 496,432 | ($ 14,754) | $ - | $ 7,313,529 | |

EPISIL-PRECISION INC.
MOVEMENT OF ACCUMULATED DEPRECIATION CHARGES ON PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

| Item | Beginning balance | Additions | Deductions | Transfers | Ending balance | Note |
|---|---|---|---|---|---|---|
| Buildings and structures | ($ 1,413,314) | ($ 114,906) | $ 4,167 | $ - | ($ 1,524,053) | Note |
| Machinery and equipment | ( 3,348,504) | ( 362,472) | 9,532 | - | ( 3,701,444) | Note |
| Other equipment | ( 60,292) | ( 5,802) | 193 | - | ( 65,901) | Note |
| | ($ 4,822,110) | ($ 483,180) | $ 13,892 | $ - | ($ 5,291,398) | |

Note：The Company's property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3 ~ 61 years |
| Machinery and equipment | 3 ~ 16 years |
| Other equipment | 2 ~ 11 years |

EPISIL-PRECISION INC.
MOVEMENT OF ACCUMULATED IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

| Item | Beginning Balance | Additions | Deductions | Ending balance | Note |
|---|---|---|---|---|---|
| Buildings and structures | ($ 420) | $ - | $ - | ($ 420) | - |
| Machinery and equipment | ( 936) | - | - | ( 936) | - |
| | ($ 1,356) | $ - | $ - | ($ 1,356) | |

EPISIL-PRECISION INC.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

| Vendor Name | Amount | Note |
|---|---|---|
| General vendors: | | |
| I Company | $ 56,345 | |
| C Company | 28,667 | |
| A Company | 22,741 | |
| J Company | 21,833 | |
| B Company | 14,056 | |
| H Company | 13,988 | |
| Others | 99,346 | The balance of each vendor account has not exceeded 5% of the accounts payable |
| | 256,976 | |
| Related parties： | | |
| Hermes-Epitek Corp. | 1,806 | |
| Precision Silicon Japan Co., Ltd. | 374 | |
| Episil Technologies Inc. | 295 | |
| | 2,475 | |
| Total | $ 259,451 | |

# EPISIL-PRECISION INC.
# DETAILS OF BONDS PAYABLE
# DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

| Bonds Name | Trustee | Issuance Date | Date of Interest payment | Coupon Rate | Amount: Total Issuance Amount | Amount: Coverted | Amount: Ending Balance | Amount: Unamortised Premiums (Discounts) | Amount: Carrying Amount | Redemption Term | Collateral | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The fourth domestic unsecured convertible bonds | Mega International Commercial Bank Co., Ltd. | 2022.03.29 | - | 0.12% | $ 500,000 | $ - | $ 500,000 | ($ 8,857) | $ 491,143 | Note | None | - |
| Less: Current portion | | | | | - | - | - | - | - | | | |
| Total | | | | | $ 500,000 | $ - | $ 500,000 | ($ 8,857) | $ 491,143 | | | |

Note: Please refer to Note 6(14) for further information.

EPISIL-PRECISION INC.
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

| Item | Volume (thousand square inches) | Amount | Note |
|---|---|---|---|
| Production of epitaxial and silicon wafers | 42,873 | $ 3,260,948 | |
| Epitaxy wafer foundry | 44,783 | 959,771 | |
| Others | | 22,497 | |
| Subtotal | | 4,243,216 | |
| Less: Sales returns | | ( 25,772) | |
| Sales discounts and allowances | | - | |
| Total | | $ 4,217,444 | |

EPISIL-PRECISION INC.
DETAILS OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

| Item | Amount | Note |
|---|---|---|
| Direct material | | |
| Beginning balance of raw materials | $ 554,341 | |
| Add: Materials purchased during the period | 1,152,434 | |
| Less: Reclassified as expenses | ( 122,521) | |
| Raw materials sold | ( 12,386) | |
| Raw materials scrapped | ( 3,186) | |
| Ending balance of raw materials | ( 413,705) | |
| Consumption of materials for the period | 1,154,977 | |
| Direct supplies | | |
| Beginning balance of supplies | 302,737 | |
| Add: Supplies purchased during the period | 653,922 | |
| Less: Reclassified as expenses | ( 12,356) | |
| Supplies sold | ( 250) | |
| Supply scrapped | ( 147) | |
| Ending balance of supplies | ( 467,932) | |
| Supplies used | 475,974 | |
| Direct labor | 199,179 | |
| Manufacturing expense | 1,844,039 | |
| Manufacturing cost | 3,674,169 | |
| Beginning balance of work in progress | 80,050 | |
| Ending balance of work in progress | ( 66,614) | |
| Cost of goods manufactured | 3,687,605 | |
| Add: Beginning balance of finished goods | 68,926 | |
| Less: Reclassified as expenses | ( 9,567) | |
| Finished goods scrapped | ( 1,364) | |
| Deduction in manufacturing costs | ( 1,225) | |
| Ending balance of finished goods | ( 79,711) | |
| Cost of goods sold | 3,664,664 | |
| Add: Cost of materials and supplies sold | 12,636 | |
| Inventory valuation loss | 49,266 | |
| Inventory scrapped | 4,697 | |
| Total operating costs | $ 3,731,263 | |

EPISIL-PRECISION INC.
DETAILS OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

| Item | Description | Amount | Note |
|---|---|---|---|
| Depreciation expense | | $ 476,899 | |
| Wages and salaries | | 338,650 | |
| Utilities expenses | | 273,156 | |
| Gas fees | | 203,348 | |
| Outsource processing fees | | 141,867 | |
| Repair expense | | 137,590 | |
| Others | | 272,529 | The balance of each expense account has not exceeded 5% of the manufacturing expense |
| Total | | $ 1,844,039 | |

EPISIL-PRECISION INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

| Item | Description | Amount | Note |
|---|---|---|---|
| Selling and marketing expenses: | | | |
| Wages and salaries | | $ 16,089 | |
| Freight and miscellaneous expenses | | 8,643 | |
| Management fees of science parks | | 7,940 | |
| Sample fees | | 2,651 | |
| Other expenses | | 5,647 | The balance of each expense account has not exceeded 5% of the selling and marketing expenses |
| Total | | $ 40,970 | |
| General and administrative expenses: | | | |
| Wages and salaries | | $ 91,379 | |
| Professional fees | | 18,163 | |
| Other expenses | | 67,208 | The balance of each expense account has not exceeded 5% of the general and administrative expenses |
| Total | | $ 176,750 | |
| Research and development expenses: | | | |
| Engineering testing fees | | $ 35,898 | |
| Wages and salaries | | 20,305 | |
| Depreciation expense | | 12,492 | |
| Repairs and maintenance fees | | 10,924 | |
| Outsource processing fees | | 4,040 | |
| Other expenses | | 4,686 | The balance of each expense account has not exceeded 5% of the research and development expenses |
| Total | | $ 88,345 | |

EPISIL-PRECISION INC.
SUMMARY OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

| Function / Nature | Year ended December 31, 2023 | | | | Year ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Classified as non-operating income and expenses | Total | Classified as operating costs | Classified as operating expenses | Classified as non-operating income and expenses | Total |
| Employee benefit expense | | | | | | | | |
| Wages and salaries | $ 476,517 | $ 127,773 | $ - | $ 604,290 | $ 630,364 | $ 151,840 | $ - | $ 782,204 |
| Share-based payments | - | - | - | - | 3,982 | 1,018 | - | 5,000 |
| Labour and health insurance fees | 49,306 | 11,028 | - | 60,334 | 46,534 | 10,745 | - | 57,279 |
| Pension costs | 23,903 | 6,033 | - | 29,936 | 23,225 | 5,561 | - | 28,786 |
| Directors' remuneration | - | 4,108 | - | 4,108 | - | 11,667 | - | 11,667 |
| Other personnel expenses | 40,261 | 6,980 | - | 47,241 | 42,263 | 7,079 | - | 49,342 |
| Depreciation expense | 476,899 | 17,920 | 4,923 | 499,742 | 438,663 | 9,295 | 4,996 | 452,954 |
| Amortisation expense | 1,278 | 1,242 | - | 2,520 | 3,857 | - | - | 3,857 |

Note:

1.As at December 31, 2023 and 2022, the Company had 728 and 714 employees, respectively. There were 7 and 8 non-employee directors for the year.

2. A company whose stock is listed for trading on the Taiwan Stock Exchange or Taipei Exchange shall additionally disclose the following information：

(1) Average employee benefit expense in current year $1,027.

Average employee benefit expense in previous year $1,307.

(2) Average employees wages and salaries in current year $837.

Average employees wages and salaries in previous year $1,108.

EPISIL-PRECISION INC.
SUMMARY OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

(3) Adjustments of average employees salaries (24.5%).

(4) The Company has set up audit committee, and therefore, there was no supervisors' remuneration.

(5) Performance assessment and remunerations of directors and managers are determined based on a general pay level within the same industry taken into consideration personnel working hours, job responsibilities, personal goal achievements and performances on other positions, remunerations that the Company paid to the same position in recent years, achievements of the Company's short-term and long-term business targets and the Company's financial condition in order to evaluate whether the individual performance and the Company's operating performance were reasonably linked to future risks.

The Company's remuneration policies were made referring to a pay level within the same industry, the Company's operation development and the competition of labor market, which were not lower than the average pay level with the same industry. Personnel salary is confidential.