

Stock Code : 3016

Episil-Precision Inc.

2024 Annual Shareholders' Meeting

Meeting Agenda

(Translation)

Convening method: entity shareholders meeting

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

Place: at No.17, Innovation Rd.1, Hsinchu Science Park

Table of Contents

1、Meeting Agenda.....	1
2、Report Items.....	2
3、Approval Items.....	4
4、Other Business and Special Motion.....	5
5、Attachments.....	
(1)2023 Annual Business Report.....	6
(2)Audit Committee's Review Report.....	8
(3)Independent Auditors' Report and 2023 Consolidated Financial Statements.....	9
(4)Independent Auditors' Report and 2023 Parent Company Only Financial Statements.....	22
6、Appendix.....	
(1)Articles of Incorporation	34
(2)Rules and Procedures of Shareholders' Meeting.....	42
(3)Shareholdings of All Directors.....	46

Episil-Precision Inc.
2024 Annual Shareholders' Meeting
Meeting Agenda
(Translation)

Convening method: entity shareholders meeting

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

Place: at No.17, Innovation Rd.1, Hsinchu Science Park

I、Call Meeting to Order

II、Chairman's Address

III、Report items

(1)2023 Annual Business Report

(2)Audit Committee's review report

(3)Status reports of 2023 employees and directors compensation distribution

(4)To report 2023 earnings distribution

IV、Approval Items

(1)Adoption of the 2023 Business Report and Financial Statements

(2)Adoption of the Proposal for Distribution of 2023 Profits

The chairman may order the case to be put to the vote or the whole or part of the motion to be voted on by poll before the provisional motion is moved.

V、Other Business and Special Motion

VI、Meeting Adjourned

Report Items

No. 1

Proposal: 2023 Annual Business Report

Explanatory : Please refer to Attachment 1.

No. 2

Proposal: Audit Committee's review report

Explanatory : Please refer to Attachment 2.

No. 3

Proposal: Status reports of 2023 employees and directors compensation distribution.

Explanation :

1. According to Company's Articles of Incorporation article 25, "The Company shall allocate no less than 5% of profit as employees' compensation and no more than 2% of profit as directors' compensation for each profitable fiscal year."
2. Company to distribute NT\$ 18,026,242 as employees' cash compensation and NT\$ 2,253,280 as directors' compensation and there is no difference from the estimated amount in the annual financial report for the recognition of expenses.

No. 4

Proposal: To report 2023 earnings distribution.

Explanation :

1. In accordance with Article 25-1 of the articles of association, the board of directors is authorized to present more than two-thirds of the directors and the resolution of more than half of the directors to distribute all or part of the dividends and bonus in the form of cash and report to the shareholders' meeting.
2. It is proposed to allocate NT\$ 144,269,685 for shareholders' dividends and distribute cash dividends, with NT\$0.5 per share. The dividend base date, payment date and other related matters of cash dividends shall be separately prescribed by the chairman of the board of directors. When paying cash dividends, the total amount of dividends distributed to individual shareholders is mainly

calculated as NT\$1, and less than NT\$1 is rounded off. The abnormal amount of cash dividend less than NT\$1 will be transferred to other income of the company. The dividend distribution rate for the company's shareholders is an estimated number of 288,539,369 shares in total that are entitled to participate in the distribution as of December 31, 2023. If the number of shares that are entitled to participate in the distribution subsequently changes, which affects the distribution rate per share of shareholders, the chairman of the board is authorized full discretion..

Approval Items

No. 1 (Proposed by the Board of Directors)

Proposal: Adoption of the 2023 Business Report and Financial Statements.

Explanation:

1. 2023 Business Report and Financial Statements have been reviewed by the Audit Committee, and approved by the board of directors. For the related Business Report and Financial Statements, please refer to Attachments 1 and 3~4.
2. Adoption is respectively requested.

Resolution:

No. 2 (Proposed by the Board of Directors)

Proposal: Adoption of the Proposal for Distribution of 2023 Profits.

Explanation:

1. 2023 Profit Distribution Table have been reviewed by the Audit Committee, and approved by the board of directors.
2. The company's after tax surplus in 2023 is NT \$164,038,804. The profit distribution statement is as follows

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EPISIL-PRECISION INC. Profit Distribution Table Year 2023

Unit: NTD

Item	Amount
Beginning retained earnings	55,853,095
Add : Profit for the year	164,038,804
Add : actuarial losses on defined benefit plans	7,340,002
Less: Legal reserve	(17,137,881)
Less: Special reserve	(742,736)
Distributable net profit	209,351,284
Cash Dividends to Shareholders (\$0.5 per share)	(144,269,685)
Unappropriated retained earnings	65,081,599

3. Adoption is respectively requested.

Resolution:

Other Business and Special Motion

Meeting Adjourned

Attachment 1

Episil-Precision Inc. 2023 Annual Business Report

Following the slow economy in 2022, high inflation and slow inventory depleting cause the global economy stall in 2023. With tensions rising and ongoing Russia-Ukraine war, along with the Israel-Hamas conflict, the economy recovery is filled with uncertainties. Given the weak overall economy and sluggish end-market demands, the semiconductor industries face numerous challenges for business operations than before.

With limited boost in consumer market, Episil-Precision's revenue declined in 2023, yet its various operations continued to advance. Products with green energy and low carbon emissions are the core demands, while compound semiconductors witnessing a gradual increase in demand due to its advantage of energy-saving. Episil-Precision's compound semiconductor capacity expansion plans are progressing smoothly, and in addition to maintaining stable quality, developments of 8-inch Silicon Carbide (SiC) epitaxy and Gallium Nitride (GaN) epitaxy are deployed to meet market trends more quickly.

1. Implementation of 2023 business plan

Episil-Precision's consolidated revenue for 2023 was NT\$4,236 million, an decrease of 28% year-over-year. Net income after tax was NT\$164.04 million, and earnings per share was NT\$0.57.

The consolidated operating performance of 2023 is as follows:

Unit: Thousand (TWD)

Items	2023	2022
Operating revenue	4,236,502	5,899,587
Operating margin	495,473	1,101,881
Net profit after tax	164,039	681,271
Earnings per share (Dollar(TWD))	0.57	2.38

2. Strategy and business plan

With the gradual prevalence of related applications driven by artificial intelligence (AI), electric vehicles, 5G, energy-saving, and green energy industries, the semiconductor content of products from all fields is on the rise. Recently, our clients have been facing

the pressure of inventory adjustment, and short-term revenue will be impacted greatly; however, it is expected that long-term growth will remain. WSTS estimated that the global semiconductor market will rebound, with a growth of 13.1% in 2024. Episil-Precision continues to move forward by understanding customer requirements and market trends, while also speeding up the production scale of compound semiconductors to strengthen its market position and competitiveness.

Regard to silicon epitaxy, Episil-Precision is not only operating the niche product businesses, including the Power MOSFET, PMIC, and Insulated Gate Bipolar Transistor (IGBT), but also developing high-growth field like new energy vehicles, renewable energy, servers, to meet the demands for higher efficiency in energy conversion market. Episil-Precision has gained the long-term trust with customers for superior quality, delivery, and service of silicon epitaxial wafers, and is going to expand business with this expertise.

In recent years, Episil-Precision has been engaging in the compound semiconductor epitaxy field. According to the estimation of Yole, from 2022 to 2028, SiC market size will reach a CAGR of 31% with the high-power system demands from electric vehicles, solar energy, and industrial applications. Driven by applications including mobile phone fast charging, 5G base station, and data center, GaN market size will reach a CAGR of 49%. Episil-Precision owns the technology and materials source for SiC and GaN epitaxy, making it a leading supplier of compound semiconductor epitaxy. In addition to developing 8-inch technology, capacity expansion are progressing as expected.

The trend of energy saving and carbon reduction remains a key focus for future economic demands. It is believed that the silicon epitaxy/compound semiconductor epitaxy market will continue to grow. Apart from cultivating the existing business, the Episil-Precision management team also put importance on environmental protection and social responsibilities. It is expected that after the economic boom and demand rejuvenation in the future, Episil-Precision will resume its prominent growth and contribute more profits for its shareholders.

Chairman: Jian-Hua Syu Presidents: Ching-Tzong Sune CFO: Pei-Yan Chen

Attachment 2

Audit Committee's Review Report

The Board of Directors has prepared and submitted to us the Company's 2023 Business Report, Financial Statements, and proposal for earnings distribution. Financial Statements were audited by PricewaterhouseCoopers (PwC), Taiwan, and they issued an audited report accordingly. We, as the Audit Committee of the Company, have reviewed the Business Report, Financial Statements,

and proposal for earnings distribution and do not find any discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submit to

Annual Meeting of Shareholders, Episil-Precision Inc.

Chairman of the Audit Committee: Ze-Peng Chen

Date: February 26, 2024

Attachment 3

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000336

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

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 consolidated financial statements* section of our report. We are independent of the Group 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 Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 Group's 2023 consolidated financial statements are stated as follows:

Inventory valuation

Description

Please refer to Note 4(12) 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 Group primarily engages in research and development, manufacture and sales of epitaxy wafers and compound semiconductor epitaxial wafers. 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 Group'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 Group'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 Group's inventory aging report is appropriate and in accordance with the Group'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.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Episil-Precision Inc. as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines are necessary to enable the preparation of consolidated 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

The accompanying consolidated 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 consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,284,089	34	\$ 2,841,411	37
1170	Accounts receivable, net	6(3)	880,646	13	1,025,940	14
1180	Accounts receivable due from related parties, net	6(3) and 7	102,958	2	207,799	3
1200	Other receivables		27,516	-	27,584	-
1210	Other receivables due from related parties	7	10,452	-	8,472	-
130X	Inventories	6(4)	919,718	13	947,076	12
1410	Prepayments		76,673	1	93,490	1
1470	Other current assets		4,381	-	9,766	-
11XX	Total current assets		4,306,433	63	5,161,538	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	6(2) and 8	13,583	-	13,565	-
1600	Property, plant and equipment	6(5)	2,020,775	30	2,008,385	26
1755	Right-of-use assets	6(6)	220,993	3	242,625	3
1760	Investment property - net	6(8)	155,397	2	160,320	2
1780	Intangible assets	6(9)	55,648	1	52,520	1
1840	Deferred income tax assets	6(27)	38,067	1	32,095	1
1920	Refundable guarantee deposits	7	1,073	-	1,109	-
15XX	Total non-current assets		2,505,553	37	2,510,636	33
1XXX	Total assets		\$ 6,811,986	100	\$ 7,672,174	100

(Continued)

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

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$	266,950	4	\$	178,624	2
2130	Current contract liabilities	6(20)		32,942	1		42,574	1
2170	Accounts payable	6(11)		257,005	4		419,139	5
2180	Accounts payable to related parties	7		5,975	-		1,885	-
2200	Other payables	6(12)		362,648	5		621,779	8
2220	Other payables to related parties	7		32,581	-		36,083	1
2230	Current income tax liabilities			58,279	1		120,663	2
2280	Current lease liabilities			6,907	-		9,532	-
2399	Other current liabilities, others			20,686	-		22,430	-
21XX	Total current liabilities			1,043,973	15		1,452,709	19
Non-current liabilities								
2527	Non-current contract liabilities	6(20)		52,762	1		77,065	1
2530	Bonds payable	6(13)		491,143	7		484,170	6
2570	Deferred income tax liabilities	6(27)		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(14)		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			1,914,741	28		2,368,487	31
Equity attributable to owners of parent								
	Share capital	6(16)						
3110	Share capital - common stock			2,885,394	42		2,885,394	38
	Capital surplus	6(17)						
3200	Capital surplus			1,614,778	24		1,614,778	21
	Retained earnings	6(18)						
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(19)						
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		\$	6,811,986	100	\$	7,672,174	100

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

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

		Year ended December 31			
		2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 4,236,502	100	\$ 5,899,587	100
5000 Operating costs	6(4) and 7	(3,741,029)	(88)	(4,797,706)	(81)
5900 Gross profit from operation		495,473	12	1,101,881	19
Operating expenses	6(25)(26) and 7				
6100 Selling and marketing expenses		(47,409)	(1)	(61,365)	(1)
6200 General and administrative expenses		(176,750)	(5)	(185,626)	(3)
6300 Research and development expenses		(88,345)	(2)	(70,091)	(1)
6000 Total operating expenses		(312,504)	(8)	(317,082)	(5)
6900 Operating profit		182,969	4	784,799	14
Non-operating income and expenses					
7100 Interest income	6(21)	30,776	1	14,058	-
7010 Other income	6(22)	45,698	1	44,138	1
7020 Other gains and losses	6(23)	(21,907)	-	32,893	-
7050 Finance costs	6(24)	(31,921)	(1)	(21,223)	-
7000 Total non-operating income and expenses		22,646	1	69,866	1
7900 Profit before income tax		205,615	5	854,665	15
7950 Income tax expense	6(27)	(41,576)	(1)	(173,394)	(3)
8200 Profit for the year		\$ 164,039	4	\$ 681,271	12
Other comprehensive income, net					
8311 Gains (losses) on remeasurements of defined benefit plans	6(14)	\$ 7,340	-	\$ 11,368	-
Items may be subsequently reclassified to profit or loss					
8361 Exchange differences on translation of foreign operations	6(19)	(743)	-	(245)	-
8300 Other comprehensive income, net		\$ 6,597	-	\$ 11,123	-
8500 Total comprehensive income for the year		\$ 170,636	4	\$ 692,394	12
Profit attributable to:					
8610 Owners of the parent		\$ 164,039	4	\$ 681,271	12
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 170,636	4	\$ 692,394	12
Basic earnings per share	6(28)				
9750 Basic earnings per share (in dollars)		\$ 0.57		\$ 2.38	
Diluted earnings per share	6(28)				
9850 Diluted earnings per share (in dollars)		\$ 0.57		\$ 2.36	

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

		Equity attributable to owners of the parent									
		Capital Reserves				Retained Earnings			Financial statements translation differences of	Total Equity	
		Share capital - common stock	Additional paid-in capital	Warrants	Restricted stocks	Others	Legal reserve	Special reserve			Unappropriated retained earnings
Notes											
<u>2022</u>											
		\$2,843,767	\$1,300,515	\$ 2,260	\$ 670	\$ 10,494	\$ 63,445	\$ -	\$ 389,838	(\$ 910)	\$4,610,079
		-	-	-	-	-	-	-	681,271	-	681,271
	6(19)	-	-	-	-	-	-	-	11,368	(245)	11,123
		-	-	-	-	-	-	-	692,639	(245)	692,394
	6(18)										
		-	-	-	-	-	37,874	-	(37,874)	-	-
		-	-	-	-	-	-	910	(910)	-	-
		-	-	-	-	-	-	-	(341,252)	-	(341,252)
	6(13)(16)(17)	8,627	40,591	(2,246)	-	-	-	-	-	-	46,972
	6(13)	-	-	21,757	-	-	-	-	-	-	21,757
		-	-	(14)	-	14	-	-	-	-	-
	6(16)	33,000	235,737	-	-	-	-	-	-	-	268,737
	6(15)										
		-	5,000	-	-	-	-	-	-	-	5,000
		\$2,885,394	\$1,581,843	\$ 21,757	\$ 670	\$ 10,508	\$ 101,319	\$ 910	\$ 702,441	(\$ 1,155)	\$5,303,687
<u>2023</u>											
		\$2,885,394	\$1,581,843	\$ 21,757	\$ 670	\$ 10,508	\$ 101,319	\$ 910	\$ 702,441	(\$ 1,155)	\$5,303,687
		-	-	-	-	-	-	-	164,039	-	164,039
	6(19)	-	-	-	-	-	-	-	7,340	(743)	6,597
		-	-	-	-	-	-	-	171,379	(743)	170,636
	6(18)										
		-	-	-	-	-	69,264	-	(69,264)	-	-
		-	-	-	-	-	-	245	(245)	-	-
		-	-	-	-	-	-	-	(577,078)	-	(577,078)
		\$2,885,394	\$1,581,843	\$ 21,757	\$ 670	\$ 10,508	\$ 170,583	\$ 1,155	\$ 227,233	(\$ 1,898)	\$4,897,245

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

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 205,615	\$ 854,665
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(5)(6)(8)(25)	499,742	452,954
Amortisation expense	6(9)(25)	2,520	3,857
Finance costs	6(24)	31,921	21,223
Interest income	6(21)	(30,776)	(14,058)
Dividend income		-	(1)
Share-based payments	6(15)	-	5,000
Gain on disposal of property, plant and equipment	6(23)	(1,599)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		145,294	101,626
Accounts receivable due from related parties		104,841	(15,361)
Other receivables		434	(11,484)
Other receivables due from related parties		(1,980)	3,378
Inventories		27,358	(78,616)
Prepayments		16,817	(36,044)
Other current assets		5,385	(3,880)
Changes in operating liabilities			
Contract liabilities		(33,935)	(14,054)
Accounts payable		(162,134)	(63,975)
Accounts payable to related parties		4,090	269
Other payables		(146,401)	104,810
Other payables to related parties		(3,502)	(2,098)
Other current liabilities		(1,744)	2,439
Net defined benefit liability		(2,036)	(2,306)
Cash inflow generated from operations		659,910	1,308,344
Interest received		30,392	14,117
Dividends received		-	1
Interest paid		(25,422)	(14,678)
Income taxes paid		(111,212)	(147,402)
Net cash flows from operating activities		553,668	1,160,382

(Continued)

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

	<u>Notes</u>	<u>Year ended December 31</u>	
		<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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(29)	(608,688)	(475,557)
Proceeds from disposal of property, plant and equipment	6(23)	2,460	-
Acquisition of intangible assets	6(9)	(5,648)	(2,847)
Decrease in refundable guarantee deposits		<u>35</u>	<u>65,025</u>
Net cash flows used in investing activities		(<u>611,841</u>)	(<u>19,086</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(30)	1,085,310	1,411,939
Decrease in short-term borrowings	6(30)	(996,984)	(1,679,598)
Proceeds from issuance of corporate bonds	6(30)	-	500,763
Redemption of corporate bonds	6(30)	-	(300)
Decrease in guarantee deposits received	6(30)	-	(195)
Payments of lease liabilities	6(30)	(9,654)	(9,907)
Cash capital increase	6(16)	-	268,737
Cash dividends paid	6(18)	(<u>577,078</u>)	(<u>341,252</u>)
Net cash flows (used in) from financing activities		(<u>498,406</u>)	<u>150,187</u>
Effect of exchange rate changes		(<u>743</u>)	(<u>244</u>)
Net (decrease) increase in cash and cash equivalents		(557,322)	1,291,239
Cash and cash equivalents at beginning of year	6(1)	<u>2,841,411</u>	<u>1,550,172</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 2,284,089</u>	<u>\$ 2,841,411</u>

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

Attachment 4

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

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		December 31, 2022	
			AMOUNT	%	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

(Continued)

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

Liabilities and Equity			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(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)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 7	\$	4,217,444	100	\$	5,880,611
5000 Operating costs	6(4) and 7	(	3,731,263)	(89)	(	4,788,752)
5900 Gross profit from operation			486,181	11		1,091,859
Operating expenses	6(26)(27) and 7					
6100 Selling and marketing expenses		(	40,970)	(1)	(	54,823)
6200 General and administrative expenses		(	176,750)	(4)	(	185,626)
6300 Research and development expenses		(	88,345)	(2)	(	70,091)
6000 Total operating expenses		(	306,065)	(7)	(	310,540)
6900 Operating profit			180,116	4		781,319
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
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
7900 Profit before income tax			205,049	5		853,663
7950 Income tax expense	6(28)	(	41,010)	(1)	(	172,392)
8200 Profit for the year		\$	164,039	4	\$	681,271
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
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

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)

	Notes	Capital Reserves					Retained Earnings			Financial statements translation differences of	Total equity
		Share capital -	Additional paid-	Warrants	Restricted stock	Others	Legal reserve	Special reserve	Unappropriated		
		common stock	in capital						retained earnings	operations	
<u>2022</u>											
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
<u>2023</u>											
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

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

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 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)

	<u>Notes</u>	<u>Year ended December 31</u>	
		<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
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)	<u>\$ 2,239,419</u>	<u>\$ 2,790,736</u>

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

Appendix 1

EPISIL-PRECISION INC.

Articles of Incorporation

CHAPTER 1: GENERAL PROVISIONS

- Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be EPISIL-PRECISION INC in the Chinese language, and EPISIL-PRECISION INC. in the English language.
- Article 2 The business of the company is as follows:
CC01080 electronic components manufacturing industry
I501010 product design industry
IZ99990 other business services
I199990 other consulting services
F401010 international trade
C801010 basic chemical industry (limited to the tenant of No. 3, Innovation Rd.1, Science Park, Hsinchu)
F207200 chemical raw material sales (limited to the tenant of No. 3, Innovation Rd.1, Science Park, Hsinchu)
 (1) Research, design, develop, manufacture and sell the following projects and their application products:
 1. Epitaxial silicon wafers and silicon materials.
 2. Sapphire rod, wafer and sapphire substrate silicon epitaxy (SOS).
 3. Compound semiconductor epitaxial wafer.
 (2) Before the product technology, consulting services business.
 (3) Import and export business related to the above products.
 (4) Hydrogen production and sales of the former products.
 (limited to the tenant of No. 3, Innovation Rd.1, Science Park, Hsinchu)
- Article 3 The total amount of the Corporation' s reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation' s paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.
- Article 3-1 The Corporation may provide endorsement and guarantee and act as

a guarantor.

Article 4 The Corporation shall have its head office in Hsinchu Science Park, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

Article 5 Public announcements of the Company shall be duly made in accordance with the Article 28 of the Company Act.

CHAPTER 2: CAPITAL STOCKS

Article 6 The total capital stock of the Company shall be in the amount of NTD5,000,000,000, divided into 500,000,000 shares, at NTD10 par value, and may be issued separately.

Among the total capital stock indicated in the first paragraph, the amount of shares 5,000,000 should be reserved for issuing options for stock, preferred stock, or corporate bond.

Where the Company repurchases the shares of the Company, only qualified employees of parents or subsidiaries meeting certain specific requirements are entitled to receive shares. Only qualified employees of parents or subsidiaries meeting certain specific requirements are entitled to receive share subscription warrant of the Company.

Upon issuing new shares of the Company, only qualified employees of parents or subsidiaries meeting certain specific requirements are entitled to subscribe for the shares.

Upon issuing new restricted stock for employees of the Company, only qualified employees of parents or subsidiaries meeting certain specific requirements are entitled to receive the restricted stock.

Article 7 The share certificate of this Company shall be issued in registered form and signed by or affixed with the seal of Represented a directors and numbered accordingly. The shares won't be effective until the authentication of the competent authority or the agencies of issuance and registration under their approval.

The Company may not print share certificates for the issuance. Registers of share certificates shall contact the share

certificates' depository and clearing organizations and follow the regulations of that enterprise.

Article 8 All the Company' s stockholder-related affairs shall be dealt in accordance with Regulations Governing the Administration of Shareholder Services of Public Companies.

CHAPTER 3: SHAREHOLDERS' MEETINGS

Article 9 The shareholders' meeting shall be convened in two forms: a regular meeting or extraordinary meeting.

1. The regular meeting shall be held once annually and convened by the Board of Directors within six months from the closing of each fiscal year in accordance with the relevant regulations.

2. An extraordinary meeting, if necessary, shall be convened in accordance with the Company Law or relevant regulations.

The company' s shareholders' meeting can be held via video conference or other methods announced by the central competent authority.

Article 10 A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney expressly bearing the scope of the authorized power to appoint a proxy to attend the meeting on behalf.

Article 11 When the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. In case of the Chairman' s absence or unavailability, his proxy shall be the Vice Chairman. the Chairman shall, in advance, appoint a director to act in his place, but if the Chairman does not appoint his representative, one director shall be elected from among them to act in Chairman' s place. In the event that the shareholders' meeting is convened by others instead of the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one of them shall be elected to chair the meeting.

Article 12 Each share of stock shall be entitled to one vote

Article 13 Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

Article 13-1 The stock warrants issued by the company at a price lower than the closing price of the ordinary shares issued by the Japanese company shall not be issued until the consent of the board of

shareholders representing more than half of the total number of shares issued and more than two-thirds of the voting rights of the shareholders present is obtained.

Any transfer of the Company to an employee at a price lower than the average price of the company's ordinary shares actually purchased shall be subject to the consent of more than two-thirds of the voting rights of the present shareholders representing more than half of the total number of shares issued at the last board meeting.

An employee stock option certificate issued by the company with a subscription price lower than the closing price of the common stock of a Japanese company may only be issued with the consent of the shareholders' meeting representing more than half of the total number of issued shares and more than two-thirds of the voting rights of the shareholders present.

The transfer of the company's common shares to employees at a price lower than the average price of the actual repurchase of the company's common shares shall be approved by more than half of the shareholders representing the total number of issued shares present at the latest shareholders' meeting and more than two-thirds of the voting rights of the shareholders present.

Article 14 The minutes of the resolutions of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to all shareholders within 20 days after the meeting. The distribution of the minutes referred to in the preceding paragraph may be made by public announcement.

CHAPTER 4: Directors and audit committee

Article 15 The company shall have seven to nine directors. Among the directors mentioned in the preceding paragraph, there shall be at least two independent directors, who shall not be less than one fifth of the number of directors.

The system of nomination of candidates is adopted in the election of directors. The acceptance method and announcement of the list of directors' candidates shall be handled in accordance with the relevant laws and regulations of the company law and the securities and exchange law. Independent directors and non independent directors shall be elected together and the number of elected directors shall be calculated separately.

The audit committee is composed of all independent directors

according to laws and regulations of the company. The Audit Committee exercises its functions and powers in accordance with Article 14-4 of the securities and exchange law and relevant laws and regulations.

Article 16 The election of independent directors adopts the system of nomination of candidates, which is elected by the board of shareholders on the list of candidates for independent directors. The professional qualifications, term of office, part-time restrictions, selection methods and other matters to be followed of independent directors shall be in accordance with the relevant provisions of the securities authority.

Article 17 When the term of office of a director has expired and he is unable to be re elected, his duties shall be extended until the re elected director takes office.

Article 18 The board of directors shall be convened by the chairman of the board of directors, except that the first board of directors of each term shall be convened by the director with the most voting rights. If the chairman of the board of directors is unable to perform his duties for some reason, it shall be handled in accordance with Article 208 of the company law.

Article 19 A resolution of the board of directors shall be approved by a majority of the directors present, except as otherwise provided by the company law and under the circumstances specified in Article 22. If a director is unable to attend the board meeting for some reason, he may issue a power of attorney, list the scope of authorization for the reasons for convening the meeting, and entrust other directors to attend the board meeting on his behalf, provided that one person is entrusted by one person. The meeting of the board of directors of the company may be convened in writing, by e-mail or by fax.

Article 20 Minutes of the proceedings of the board of directors shall be made, signed or sealed by the chairman, and distributed to all directors within 20 days after the meeting. The distribution of the minutes referred to in the preceding paragraph may be made electronically.

Article 21 The board of directors shall be attended by more than two-thirds of the directors and approved by more than half of the directors present. One of them shall be elected as the chairman of the board of directors, and one of them may be elected as the vice

chairman of the board of directors in the same way.

Article 22 Resolutions on major matters of the company shall be approved by more than two-thirds of the directors present and more than half of the directors present. The major issues of special resolution in accordance with this article are as follows:

- 1.Change of articles of association.
- 2.Preparing budgets and final accounts.
- 3.The dissolution of the company and the proposed merger with other companies.
- 4.Propose a plan for distributing surplus or making up loss.
- 5.Approval of endorsement, acceptance, warranty and undertaking in the name of the Company.
- 6.Acquisition, transfer and grant of patent rights for specialized technology with other companies or designated persons, and approval and amendment of technical cooperation contracts.
- 7.Approval to reinvest in other undertakings.

Article 22-1 This corporation may take out liability insurance for the directors in respect of their liability for compensation in accordance with the law.

Article 22-2 The remuneration of all directors shall be authorized to be determined by the board meeting in accordance with the normal level of payment of the same industry.

SECTION 5:Managers and Staff

Article 23 The Company may appoint one CEO, one general manager and several deputy general managers in accordance with the resolution of the Board of Directors. The appointment, dismissal and remuneration thereof shall be handled in accordance with the Provisions of the Company Law. The general manager shall act as both CEO and CEO.

The CEO oversees the company's operations and decisions, and is accountable to the chairman and board of directors. The general manager is responsible for carrying out the business and operation within the scope of authority and responsibility according to the company policy.

SECTION 6:Settlement

Article 24 The Company's fiscal year starts from January 1 and ends on December 31 of every calendar year.

Upon the closing of each fiscal year, the Board of Directors

shall work out the following documents and present it at a regular meeting of shareholders for acknowledgement.

1. Business report

2. Financial statements

3. Proposal of earning distribution or loss coverage.

The distribution of the financial statements referred to in the preceding paragraph and decisions on the distribution of earnings or the appropriation of losses may be made by public announcement.

Article 25 The company shall allocate not less than 5% for the remuneration of its employees and not more than 2% for the remuneration of its directors according to the profit situation of the current year. However, if the company still has accumulated losses, it shall reserve the amount of compensation in advance.

Article 25-1 If there is any surplus in the company's annual final accounts, tax shall be paid first to make up for the previous losses. The next 10% shall be used as the statutory surplus reserve, and then the special surplus reserve shall be appropriated or reversed according to the relevant laws and regulations. If there is any surplus, the shareholders' meeting shall decide to distribute the dividend or reserve it.
The company authorizes the board of directors to present more than two-thirds of the directors and the resolution of more than half of the directors to distribute all or part of the dividends and bonus in the form of cash and report to the shareholders' meeting, which is not applicable to the provisions of the relevant shareholders' meeting resolution.

Article 25-2 The company authorizes the board of directors to distribute all or part of the capital reserve or statutory surplus reserve in the form of cash in the presence of more than two-thirds of the directors and the resolution of more than half of the directors, and report to the shareholders' meeting.

Article 26 The company will consider the industrial environment and growth stage, meet the future capital demand and long-term financial planning, and meet the shareholders' demand for cash flow. The annual amount of cash dividends shall not be less than 30% of the total amount of cash dividends and stock dividends issued in the current year.

SECTION 7: SUPPLEMENTARY PROVISIONS

- Article 27 The rules and regulations of the company shall be formulated by the board of directors.
- Article 28 The directors, managers and employees of the company shall not inform or disclose to others the confidential documents of the company or the technology, market, products and other confidential information obtained by participating in the operation of the company.
- Article 29 Matters not provided for in this articles of incorporation shall be undertaken in accordance with relevant laws and regulations.
- Article 30 This chapter is first enacted on October 15st, 1998;
first revised on May 28st, 2001;
second revision on April 23th, 2002;
third revision on April 28th, 2006;
fourth revision on May 30th, 2007;
fifth revision on June 11th, 2008;
sixth revision on June 25th, 2010;
7th revision on June 12th, 2012;
eighth revision on September 24th, 2015;
ninth revision on February 23th, 2016;
tenth revision on June 16th, 2016;
eleventh revision on June 14th, 2019;
twelfth revision on June 12th, 2020;
thirteen revision on May 31th, 2023;

Appendix 2

Episil-Precision Inc. Rules and Procedures of Shareholders' Meeting

- 1 Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
- 2 Shareholders attending the meeting must submit a sign-in card in lieu of signing in. The number of shares in attendance is calculated based on the number of signed-in cards paid and the number of shares registered on the video conferencing platform, plus the number of shares for which voting rights have been exercised in writing or electronically.
- 3 The attendance and votes of the shareholders meeting are calculated on the basis of the shares.
- 4 The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.

When the Company convenes a video conference of shareholders, it is not subject to the restrictions on the venue mentioned in the preceding paragraph.

- 5 If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board of Directors. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall select one of their number to chair the meeting.

If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person.

- 6 The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.

- 7 The shareholders' meeting shall record and videotape the entire shareholder registration process, meeting proceedings, and voting counting process continuously and continuously from the time the shareholder registration is accepted, and keep it for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189

of the Company Law, the lawsuit shall be preserved until the lawsuit is concluded.

If the shareholders' meeting is held by video conference, the company should record and save the shareholders' registration, registration, check-in, questions, voting and company vote counting results, etc., and record and videotape the entire video conference continuously during the existence of the company. Keep it properly.

- 8 Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China.

The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

- 9 The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may

designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

- 10 When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

- 11 Each shareholder may not speak more than twice on the same resolution without the consent of the chairman, and each speech shall not exceed five minutes. If a shareholder's speech violates the provisions of the preceding paragraph or goes beyond the scope of the topic, the chairman may stop him from speaking.

If the shareholders' meeting is held by video conference, shareholders participating in the video conference may ask questions in text on the video conference platform of the shareholders' meeting after the chairman announces the opening of the meeting and before announcing the adjournment of the meeting. The number of questions for each proposal shall not exceed two times. It is limited to 200 words, and the provisions of Article 10 and Paragraph 1 of this Article do not apply.

- 12 Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

- 13 After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.
- 14 The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
- 15 The supervisors and counting personnel for voting on proposals shall be

designated by the chairman, but the supervisors shall have the status of shareholders.

The counting of votes for shareholders' meetings or election proposals shall be conducted in a public place at the shareholders' meeting, and after the vote counting is completed, the voting results, including the statistical weights, shall be announced on the spot and recorded.

16 In the course of the meeting, the chairman may declare a rest at a time of his discretion.

17 Unless otherwise stipulated by the Company Law and the Articles of Association of the Company, voting on proposals shall be passed with the consent of more than half of the voting rights of the shareholders present.

When voting, the chairman or his designee shall announce the total number of voting rights of the shareholders present on a case-by-case basis, and then the shareholders shall vote on a case-by-case basis.

The company convenes a video conference of shareholders. Shareholders participating in the video conference should vote on various proposals and election proposals through the video conferencing platform after the chairman announces the meeting. The voting should be completed before the chairman announces the end of voting. Overtime Those who do so will be deemed to have abstained.

If the shareholders' meeting is held via video conference, the votes shall be counted in one go and the voting and election results shall be announced after the chairman announces the end of the voting.

18 If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

19 The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.

20 Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

21 These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Appendix 3

EPISIL-PRECISION INC.

Shareholdings of All Directors

- 1、The statutory percentage and number of shares of the eighth directors of the company are as follows：

The number of ordinary shares issued by the company is 288,541,819 shares.
All directors shall hold 12,000,000 shares.

- 2、As of April 1, 2024, when the transfer of ownership of the ordinary meeting of shareholders stopped, the number of shares held by all directors is as follows, which meets the percentage standard stipulated in Article 26 of the securities and exchange law:

Position	Name	Current Shareholding (Shares)	Shareholding ratio (%)
Director	Episil Technologies Inc. Representative：Jian-Hua Syu	166, 961, 680	57.86
Director	Episil Technologies Inc. Representative：Hsi-Hsin Chen	166, 961, 680	57.86
Director	Episil Technologies Inc. Representative：Ching-Tzong Sune	166, 961, 680	57.86
Director	Episil Technologies Inc. Representative：Guei-Rong Fan	166, 961, 680	57.86
Director	Nan Ya Photonics Incorporation Representative：Rung-Huang Luo	9, 847, 325	3.41
Director	Jiacai Investment Co., Ltd Representative：Wen-Guei Ye	3, 100, 793	1.07
Independent Director	Wei-Min Shen	0	0.00
Independent Director	Ze-Peng Chen	0	0.00
Independent Director	Han-Liang Hu	0	0.00
Number and percentage of shares held by all directors		179, 909, 798	62.34