

Stock Code: 3016

Episil-Precision Inc.

2023Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Annual report inquiry website <http://mops.twse.com.tw> <http://www.epi.episil.com>

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3. Factory :

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IV. Independent Auditors

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Auditors : Hsieh, Chih Cheng、Chiang, Tsai Yen

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One. A Letter to Shareholders

Dear Shareholders,

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\$4,236.5 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.

Wish all shareholders good health and successful.

Chairman: Jian-Hua Syu

Two. Company Profile

(I) Date of Incorporation:1998/11/09

(II) Company History

- Sep 1998: Approved to enter Hsinchu scientific industrial park
- Jun 2000: ISO 9002 quality system certification
- Jun 2000: approved by Securities and Futures Bureau, FSC to issue shares to the public
- Feb 2001: Registered the trademark" PRECISION" with the Intellectual Property Office, MOEA
- Dec 2001: ISO 14001 environmental management system certification
- Jan 2002: Japanese subsidiary was established
- Dec 2002: The stock was officially listed
- Jul 2003: ISO 9001 quality system certification
Obtained the QS 9000 quality system certification
- Jan 2007: Approved "silicon thin film solar cell development plan" by the technical department of the ministry of economic affairs
- Jul 2008: Obtained TS16949 system certification
- Mar 2009: Private placement of 12,200,000 shares with a premium of NT\$14.99 per share, and the paid-up capital increased to NT\$896,269,390
- Jan 2010: OHSAS 18001 safety and health management system certification
- Sep 2011: Employee stock option conversion and surplus conversion, the paid-up capital increased to NT\$938,708,420
- Jul 2014: Employee stock option conversion capital increase, paid-up capital increased to NT\$940,098,420
- Oct 2014: Employee stock option conversion capital increase, paid-up capital increased to NT\$940,518,420
- Aug 2015: The board of directors approved the merger of Episil Semiconductor wafer co.,LTD., with a share exchange ratio of 1:1.8667876 shares
- Sep 2015: Shareholders provisionally approve merger of Episil Semiconductor wafer co.,LTD.
- Jan 2016: Merged with Episil Semiconductor Wafer Co., Ltd., the paid-up capital increased to NT\$2,435,753,150 after the merger, and the English name was changed to "Episil-Precision Inc."
- May 2016: Employee stock option conversion capital increase, the paid-up capital increased to NT\$2,441,793,150

- Jun 2016: Min-Ci Huang resigned as chairman of the board of directors and was hired as honorary chairman. The board of directors elected Jian-Hua Syu as the new chairman of the board

Aug 2016: Employee stock option conversion capital increase, paid-up capital increased to NT\$2,442,903,150

Nov 2016: Employee stock option conversion capital increase, paid-up capital increased to NT\$2,443,203,150

Feb 2017: Employee stock option conversion capital increase, paid-up capital increased to NT\$2,444,013,150

Jan 2018: Cash increase of 30,000,000 shares, premium of NT\$29.80 per share, paid-up capital increase to NT\$2,744,013,150

Jun 2019: Shareholders re-elected the eighth directors (including independent directors) at the regular meeting. Chairman Jian-Hua Syu was reappointed

Oct 2019: Obtained ISO45001:2018 Occupational Safety and Health Management System Certification

Oct 2019: Obtained ISO45001:2018 occupational safety and health management system certification

Oct 2019: Issued the domestic third unsecured convertible corporate bond, with a total denomination of NT \$6 billion

Aug 2020: The amount of paid-in capital increased to NT\$ 2,774,912,130 after the conversion of corporate bonds

Nov 2020: The amount of paid-up capital increased to NT\$2,788,161,030 after conversion of corporate bonds

Mar 2021: The amount of paid-up capital increased to NT\$2,796,355,850 after conversion of corporate bonds

May 2021: The amount of paid-up capital increased to NT\$2,800,687,900 after conversion of corporate bonds

Aug 2021: The amount of paid-up capital increased to NT\$2,805,380,970 after conversion of corporate bonds

Nov 2021: The amount of paid-up capital increased to NT\$2,823,206,390 after conversion of corporate bonds

Jan 2022: The amount of paid-up capital increased to NT\$2,843,767,290 after conversion of corporate bonds

Mar 2022: Issued the domestic fourth unsecured convertible corporate bond, with a total denomination of NT \$5 billion

Apr 2022: The amount of paid-up capital increased to NT\$2,847,154,860 after conversion of corporate bonds

Jun 2022: Cash increase of 3,300,000 shares, premium of NT\$82 per share, paid-up capital increase to NT\$2,880,154,860

Jun 2022: Shareholders re-elected the ninth directors (including independent directors) at the regular meeting. Chairman Jian-Hua Syu was reappointed

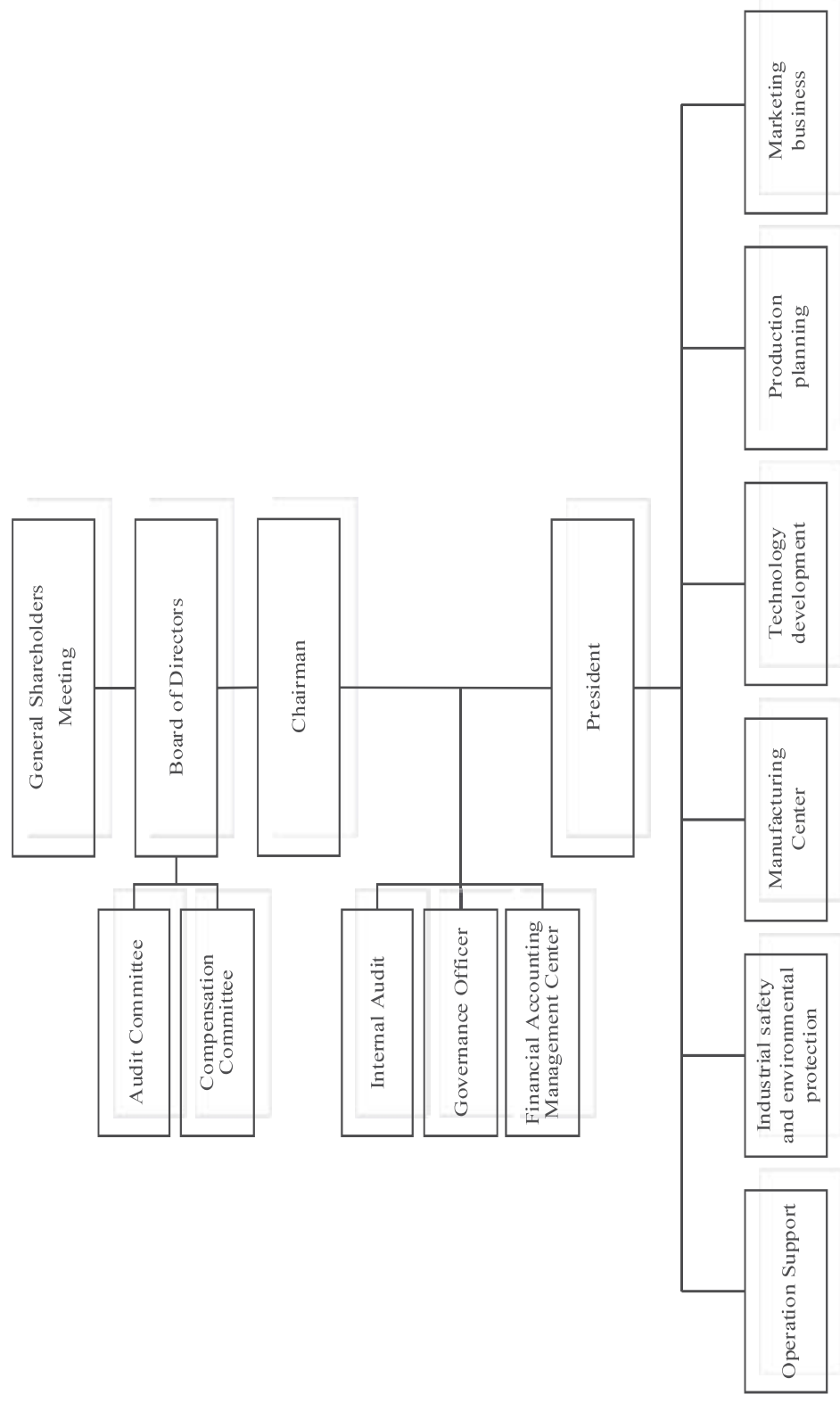
Nov 2022: The amount of paid-up capital increased to NT\$2,885,393,690 after conversion of corporate bonds

Mar 2024: The amount of paid-up capital increased to NT\$2,885,418,190 after conversion of corporate bonds

Three. Corporate Governance Report

I、Organization System： (I) Organization

Organization of Episil-Precision Inc.



(II) Each principal departments business responsibility

Department	Business
Internal Audit	Responsible for the planning and execution of internal audit business and the tracking of improvement results.
Governance Officer	Handle matters related to the board of directors and shareholders' meetings, prepare minutes of the board of directors and shareholders' meetings, assist directors in their appointment and continuous education, provide directors with information needed to execute their business, and assist directors in complying with laws and regulations.
Financial Accounting Management Center	1. Effective use of capital management and prompt provision of correct accounting information, analysis and review of business performance, analysis of external environment and competition. 2. Provide strategic planning and subsidiary management, investment analysis, company operation process analysis and assistance in improvement, etc. for the management authority to make decisions. 3. Consultation, support, provision and other legal affairs related to legal affairs.
Operation Support	1. Strategic planning and communication and coordination of human resources. 2. The formulation of the company's important personnel management measures. 3. Human resource management and talent development. 4. Management and overall planning of public affairs within the enterprise. 5. Promote the development and maintenance of the company's computerization and information systems. 6. Purchase raw materials and machine parts in a timely and appropriate amount, and store them properly to achieve continuous and stable supply. 7. Provide customs declaration business services required for import and export of raw materials, machinery and equipment. 8. Maintain a good relationship with suppliers, handle purchase orders for raw materials, repairs, spare parts and machines, and obtain the company's best interests and reduce the impact of price increases through price negotiation and strategic deployment. 9. Management of the company's internal quality control system 10. Maintenance of various quality systems.
Industrial safety and environmental protection	1. Leading the ISO 14001/45001 environmental safety and health management system continues to be effective. 2. Occupational safety and health management, and environmental protection business management.

	3. Implementation of education and training on safety, health and environmental protection. 4. Labor health inspection, implementation of health management, emergency injury treatment and occupational disease prevention, etc.
Manufacturing Center	1. Responsible for factory operation management. 2. Responsible for product production planning, manufacturing, shipping management and development of manufacturing technology. 3. Continue to optimize the process capability, improve the yield, and improve the competitiveness of the company and customers. 4. Budget control and production cost optimization. 5. Establish factory discipline management system and supervision. 6. Manage the stability of the operation of the factory system and the rationality of water and electricity consumption. 7. Establish a pre-event prevention mechanism for the factory affairs system, and an exception handling command.
Technology development	1. Development of new products. 2. Stable mass production of existing products. 3. Evaluation and development of new technologies
Production planning	1. Provide foundry production services for customers, supervise the production cycle performance and control the delivery of goods, meet customer needs, and achieve company performance and profit requirements as the main task. 2. Wafer production portfolio planning, formulate related film casting, output and shipping plans. 3. Plan the output capacity of the factory, and complete various production capacity improvement and expansion of output capacity. 4. Analyze production costs and promote cost rationalization to improve cost structure.
Marketing business	1. Market information collection and development evaluation. 2. The formulation of sales plans, the achievement of operational objectives and performance. 3. Business promotion, including the development and maintenance of new and old customers. 4. Process development for new market applications and feasibility analysis of new process development. 5. Handling customer engineering problems and customer complaints. 6. Improve customer service and customer satisfaction. 7. Order processing, shipping matters, account processing, sales statistics and other matters.

II Directors and Management Team

(I) Directors

April 1, 2024

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R. O. C	Episil Technologies Inc. Representative : Jian-Hua Syu	Male Age 61 ~ 70	111.06	3	105.02 105.06	166,200,000 150,000	58.37 0.05	166,961,680 150,000	57.86 0.05	0 0	0 0	0 0	0	Master's degree in chemical engineering , National Cheng Kung University	Chairman and general manager of Wellknown Holdings Ltd. President and general manager of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor Epi's Chief Strategy Officer			
Director	R. O. C	Episil Technologies Inc. Representative : Hsi-Hsin Chen	Male Age 61 ~ 70	110.08	3	105.02 110.08	166,200,000 0	58.37 0	166,961,680 0	57.86 0	0 0	0 0	0 0	0	Academic degree in Solid State Physics from University of Texas, USA	Chairman of Advanced Ion Beam Technology, Inc. Director of Episil Technologies Inc. Director of Energic Technologies Corporation.			None
Director	R. O. C	Episil Technologies Inc. Representative : Ching-Tzong Sune	Male Age 61 ~ 70	111.06	3	105.02 108.01	166,200,000 136,400	58.37 0.05	166,961,680 237,585	57.86 0.08	0 0	0 0	0 0	0	Doctor's degree in Electrical Engineering, North Carolina State University	Epi's General manager Chairman of Precision Silicon Japan Co., Ltd. Director of Taiwan Hi-Tech Corp.			None
Director	R. O. C	Episil Technologies Inc. Representative : Guei-Rong Fan	Female Age 51 ~ 60	111.06	3	105.02 108.06	166,200,000 0	58.37 0	166,961,680 11,000	57.86 0	0 0	0 0	0 0	0	Master's degree in MBA, University of Leicester	Director & Vice Presidents of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.			None
Director	R. O. C	Nan Ya Photonics Incorporation Representative : Rong-Huang Luo	Male Age 61 ~ 70	111.06	3	99.06 99.06	9,847,325 0	3.46 0	9,847,325 0	3.41 0	0 0	0 0	0 0	0	Bachelor's Degree in Industrial Engineering, Chung Yuan Christian University	Deputy General Manager of Nan Ya Photonics Incorporation General Manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd General Manager, NY Photonics Inc. USA Director of Hexi Energy Co., Ltd Director of Xuanguan Co., Ltd Director of Eco Trust Japan CO., Ltd Associate of Formosa Plastics Co., Ltd			None
Director	R. O. C	Jiakai Investment Co. Ltd Representative : Wun-Guei Ye	Male Age 61 ~ 70	111.06	3	99.06 99.06	2,900,255 3,173,632	1.02 1.11	3,100,793 3,200,632	1.07 1.11	0 2,500,855	0 0.87	0 0	0	Bachelor's degree in Controls, Feng Chia University	General manager of Jia Cai Investment Co. Ltd Director of Trend Lighting, Inc			None
Independent Director	R. O. C	Wei-Min Shen	Male Age 61	111.06	3	105.02	0	0	0	0	0	0	0	0	Doctor's degree in Accounting, Purdue University	Independent director of Upi Semiconductor Corp			None

			~ 70															Independent director of ELITE Semiconductor Microelectronics Technology Inc. Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation, National Taichung University of Science and Technology	
Independent Director	R. O. C	Ze-Peng Chen	Male Age 61 ~ 70	111.06	3	104.09	0	0	0	0	0	0	0	0	0	0	0	Senior consultant of Epistar Corporation Director of Lynk Labs, USA	None
Independent Director	R. O. C	Han-Liang Hu	Male Age 51 ~ 60	111.06	3	108.06	0	0	0	0	0	0	0	0	0	0	0	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Sciencetech Corporation Chairman of the board of directors of Algoltek, Inc. Chairman of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Solutions Corporation. Supervisor of ORIENT PHARMA CO., LTD.	None

Notel: The Company's general meeting of shareholders on June 21, 2022 completed the reelection of the eighth term of directors for the term commencing June 21, 2022 and expiring June 20, 2025.

Note2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

1. Major shareholders of the institutional shareholders :

April 1, 2024

Name of Institutional Shareholders	Major Shareholders	
Episil Technologies Inc.	Han Shin Corp.	6.49%
	Han Hsin Investment Corp.	6.22%
	Hermes-Epitek Corporation	5.45%
	Sincere Holding Company	4.89%
	Fubon Life Insurance Co., Ltd.	4.87%
	Min-Ci Huang	1.53%
	Lin, Su-Lin	0.78%
	Perlas World S.A.	0.75%
	Chase manages the Vanguard Group Emerging Markets Fund Investment Account	0.69%
	Chase Managed Advanced Starlight Advanced Aggregate International Stock Index	0.63%
Nan Ya Photonics Incorporation	Nan Ya Plastics Corporation	23.02%
	Formosa Petrochemical Corporation	22.83%
	EPISTAR CORPORATION	19.90%
	Formosa Taffeta Co., Ltd.	15.22%
	Formosa Development Corporation	7.76%
	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	7.61%
Jiacai Investment Co. Ltd	Siou-Cing Chen	29.00%
	Wun-Guei Ye	29.00%
	Fang-Chen Ye	14.00%
	Fang-Yu Ye	14.00%
	Jyun-shao Ye	14.00%

2. Major shareholders of the Company' s major institutional shareholder :

April 1, 2024

Name of Institutional Shareholders	Major Shareholders	
Han Shin Corp.	Herm Investment Co. Ltd	31.67%
	Sendrin Investment Corp	20.00%
	Hwang, Ming-Chi	18.33%
	Lu, Fei-Chian	18.33%
	Yeh Tzu Charitable Trust Fund	10.00%
	Sincere Holding Company	1.67%
Han Hsin Investment Corp.	Yeh Tzu Charitable Trust Fund	36.50%
	Han Shin Corp.	35.25%
	HERMES-EPITEK CORPORATION	9.00%
	Honder Holdings Ltd.	8.75%
	Vision Holdings Ltd.	6.25%
	Sincere Holding Company	4.25%
Hermes-Epitek Corporation	Green Cove Enterprises Inc.	69.13%
	Hwang, Ming-Chi	11.55%
	Lu, Fei-Chian	8.49%
	Lin, Su-Lin	4.57%
	Hwang, Mei-Yun	2.50%
	HonSean-JY Company Limited	2.04%
	Vision Holdings Ltd	1.24%
	JadeYale-CY Company Limited	0.48%
Sincere Holding Company	Yeh Tzu Charitable Trust Fund	100.00%
Perlas World S.A.	Mt. Jade Limited	100.00%
NAN YA PLASTICS CORPORATION	Chang Gung Medical Foundation	11.05%
	FORMOSA PLASTICS CORPORATION	9.88%
	Formosa Chemicals And Fibre Corporation	5.21%
	Chang Gung University	4.00%
	FORMOSA PETROCHEMICAL CORPORATION	2.26%
FORMOSA PETROCHEMICAL CORPORATION	FORMOSA PLASTICS CORPORATION	28.55%
	Formosa Chemicals And Fibre Corporation	24.15%
	NAN YA PLASTICS CORPORATION	23.10%
	Chang Gung Medical Foundation	5.78%
	FORMOSA TAFFETA CO., LTD.	3.83%
EPISTAR CORPORATION	ENNOSTAR Inc.	100.00%
FORMOSA TAFFETA CO., LTD.	Formosa Chemicals And Fibre Corporation	37.40%
	Chang Gung Medical Foundation	5.79%
Formosa Development Corporation	FORMOSA PETROCHEMICAL CORPORATION	46.00%
	FORMOSA PLASTICS CORPORATION	18.00%
	NAN YA PLASTICS CORPORATION	18.00%
	Formosa Chemicals And Fibre Corporation	18.00%
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NANYA TECHNOLOGY CORPORATION	32.00%
	FORMOSA TAFFETA CO., LTD.	30.68%

3. Professional qualifications and independence analysis of directors :

Criteria Name	Professional Qualification Requirements and Experience	Independence situations (Complies with Note1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Jian-Hua Syu	He serves as the chairman and director of a number of electronic technology and semiconductor industry companies, such as chairman of Episil Technologies Inc. and chairman and general manager of Wellknown Holdings Ltd. and chairman and general manager of Taiwan Hi-Tech Corp. and independent director of Ultra Chip, Inc. and independent director of Upi Semiconductor. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	2
Hsi-Hsin Chen	He serves as the chairman and director of a number of electronic technology and semiconductor industry companies, such as director of Episil Technologies Inc. and director of Energic Technologies Corporation. and chairman of Advanced Ion Beam Technology, Inc. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	0
Ching-Tzong Sune	He serves as the chairman and director of electronic technology and semiconductor industry companies, such as chairman of Precision Silicon Japan Co., Ltd. and director of Taiwan Hi-Tech Corp. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	0
Guei-Rong Fan	She serves as the chairman and director of electronic technology and semiconductor industry companies, such as director & Vice Presidents of Episil Technologies Inc. and chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	0
Rong-Huang Luo	He serves as the chairman and director of a number of electronic technology and semiconductor industry companies, such as deputy general manager of Nan Ya Photonics Incorporation and general manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd. and general manager of NY Photonics Inc. USA and director of Hexi Energy Co., Ltd. and director of Xuanguan Co., Ltd. and Director of Eco Trust Japan CO., Ltd and Associate of Formosa Plastics Co., Ltd. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	0

Criteria Name	Professional Qualification Requirements and Experience	Independence situations (Complies with Notel)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Wun-Guei Ye	He serves as a director of the optoelectronic industry and a manager of investment companies, such as general manager of Jia Cai Investment Co. Ltd. and director of Trend Lighting, Inc. Possess the professionalism of diversified industries and the ability of enterprise management.	not applicable	0
Ze-Peng Chen	He serves as a director and advisor to the optoelectronic industry, such as senior consultant of Epistar Corporation and director of Lynk Labs, USA. Possess the professionalism of diversified industries and the ability of enterprise management.	The three independent directors on the left have met the qualifications stipulated in the "Regulations on the Establishment and Matters to be Observed of Independent Directors of Publicly Offering Companies" promulgated by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act in the two years before their election and during their term of office. Requirements, and the independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, so as to independently execute relevant powers.	0
Wei-Min Shen	He is currently a professor, department of Finance and Taxation, National Taichung University. He also serves as an independent director of a number of electronic technology industries, such as independent director of Upi Semiconductor Corp and independent director of Elite Semiconductor Microelectronics Technology Inc. and independent director of ENNOSTAR Inc. Professional ability in financial accounting.		3
Han-Liang Hu	He is currently a fair joint accounting firm partnership accountant. He also serves as the chairman or (independent) director of a number of electronic technology industry and venture capital companies, such as director of Kye Systems Corp. and director of Godex International Co., Ltd. and director of Scienteck Corporation and chairman of the board of directors of Algoltek, Inc. and chairman of Jianrui Venture Capital Co. Ltd. and director, Kai Xing Technology Co., Ltd. and director of Xinya Dentsu Co., Ltd and independent director of Promate Solutions Corporation. and supervisor of ORIENT PHARMA CO., LTD. Professional ability in business management and financial accounting.		1

Notel: All directors of the Company have not been involved in any of the provisions of Article 30 of the Company Law.

4. Diversity of Directors:

(1) Diversity of the Board of Directors:

In accordance with Rule 20 of the Company’s Corporate Governance Code, the composition of the Board of Directors shall generally possess the knowledge, skills and qualities necessary for the performance of their duties. In order to achieve the desired objectives of corporate governance, the Board as a whole should possess the following capabilities: : (1)Operation judgment (2)Accounting and financial analysis(3)Operation management(4)Crisis management(5)Industrial knowledge(6)International market view (7)Leader ship(8) Decision making skills.

In order to implement the diversity policy of the board members and take into account the company’s operating style and development needs, the proposed target policy includes (1) one-third of the number of independent directors, (2) half of the independent directors serving for a term of not more than 9 years, and (3) sufficient diversity of professional knowledge and skills (at least five directors in each competency, and at least four of the eight competencies of individual board members).

Among the 9 directors of the Company, there are 1 director with employee status and 3 independent directors; Independent directors accounted for 33%. The board members include relevant professional backgrounds in science and engineering, finance and economics, and relevant experience covers the semiconductor field (including directors Jian-Hua Syu, Hsi-Hsin Chen, Ching-Tzong Sune, Guei-Rong Fan and Ze-Peng Chen, a total of 5), optoelectronic (including directors Rong-Huang Luo, Wun-Guei Ye and Ze-Peng Chen, a total of 3), and financial experience (including directors Fan Guirong, Wei-Min Shen and Han-Liang Hu, a total of 3).

The specific management objectives and achievements of the Company’s diversity policy are as follows:

Manage goals	Achievement situation
The number of independent directors is one-third of the seats of directors	Reached
Half of the independent directors serve a term of not more than 9 years	Reached
Diverse professional knowledge and skills	Reached

The relevant implementation status is as follows:

Diversified core projects	Basic Composition					Possible Ability								
	Nationality	Gender	Also an employee	age		Term of office of independent directors (Year)	Operation judgment	Accounting and financial analysis	Operation management	Crisis management	Industrial knowledge	International market view	Leader ship	Decision making skills
				51 ~ 60	61 ~ 70									
Name														
Jian-hua Syu	R.O.C	Male	V		V		V	V	V	V	V	V	V	V
Hsi-Hsin Chen	R.O.C	Male			V		V	V	V	V	V	V	V	V
Ching-Tzong Sune	R.O.C	Male	V		V		V	V	V	V	V	V	V	V
Guei-Rong fan	R.O.C	female		V			V	V	V	V	V	V	V	V
Rong-Huang Luo	R.O.C	Male			V		V		V	V	V	V	V	V
Wun-Guei Ye	R.O.C	Male			V		V	V		V			V	V
Ze-Peng Chen	R.O.C	Male			V		V	V	V	V	V	V	V	V
Wei-Min Shen	R.O.C	Male						V		V			V	V
Han-Liang Hu	R.O.C	Male		V		V	V	V	V	V			V	V

- (11) Board independence: As of the end of 2023, the independent directors have all complied with the regulations of the Securities and Futures Bureau of the Financial Regulatory Commission regarding independent directors, and there are no matters 3 and 4 of Article 26-3 of the Securities and Exchange Act between each director and independent directors, and the board of directors of the Company is independent (please refer to page 12~13 of the Company - Professional qualifications of directors and disclosure of independent director independence information).

(II) Management Team :

April 1, 2024; Unit: share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Presidents	R. O. C	Ching-Tzong Sune	Male	2016.01	237,585	0.08	0	0	0	0	Doctor's degree in Electrical Engineering, North Carolina State University	Chairman of Precision Silicon Japan Co., Ltd. Director of Taiwan Hi-Tech Corp.	None		
Chief Operating Officer	R. O. C	Jian-Hua Syu	Male	2024.01	150,000	0.05	0	0	0	0	Master's degree in chemical engineering, National Cheng Kung University	Chairman & CEO of Episil Technologies Inc. Chairman and general manager of Wellknown Holdings Ltd. President and general manager of Taiwan Hi-Tech Corp.	None		
Vice Presidents	R. O. C	Shao-Hao Lyu	Male	2016.01	180,929	0.06	0	0	0	0	Doctor's degree in Department of Power Mechanics, Tsinghua University	None	None		
Associate	R. O. C	Jhih-Kai Jhang	Male	2022.10	11,000	0	0	0	0	0	Master's degree in Department of Aeronautical and Space Engineering, National Cheng Kung University	None	None		
Head of finance & Accounting	R. O. C	Pei-Yuan Chen	female	2017.11	19,900	0.01	0	0	0	0	Bachelor's degree in Department of Finance and Taxation, Tamkang University	Ombudsman of Precision Silicon Japan Co., Ltd. Ombudsman of Taiwan Hi-Tech Corp.	None		

Note: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship.

(III) Y2023 Remuneration of Directors, Independent Directors, President, and Vice Presidents
1. Y2023 Remuneration of Directors and Independent Directors

Unit: NT\$ thousands																		
Title	Name (Note3)	Remuneration				Ratio of Total Remuneration (A+B+C+D) & to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) & to Net Income (%)		Remuneration on from ventu res other than subsidiari es or from the paren t compa ny (Note 1)					
		Base Compensation (A)	Severance Pay (B)	Directors Compensation(C)			Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay (F)				Employee Compensation (G)				
				The comp any olidated fina ncia l statemen ts	The comp any olidated fina ncia l statemen ts		Comp anies in the cons olidated financ ial statem ents	Comp anies in the cons olidated financ ial statem ents			The company	Companies in the consolidated financial statements		The company	Stock	Cash	Stock	
Chairman	Episil Technologies Inc.																	
	Representative :																	
	Jian-Hua Syu																	
	Representative :																	
	Hsi-Hsin Chen																	
Director	Representative :																	
	Ching-Tzong Sune																	
	Representative :																	
	Guei-Rong Fan	0	0	0	0	1,502	1,502	420	420	1,922 (1.17%)	8,330	8,330	108	108	1,950	0	12,310 (7.50%)	270
	Nan Ya Photonics Incorporation																	
Director	Representative :																	
	Rong-Huang Lu																	
Director	Jiacai Investment Co. Ltd																	
	Representative : Wun-Guei Ye																	
Independent Director	Wei-Min Shen																	
Independent Director	Ze-Peng Chen	0	0	0	0	751	751	1,080	1,080	1,831 (1.12%)	0	0	0	0	0	1,831 (1.12%)	0	
Independent Director	Han-Liang Hu																	

Notel: The Board of Directors of the Company decided on February 26, 2024 to allocate the remuneration to the directors for the year 2023. The above table is provisional and has not yet been reported to the regular meeting of shareholders.

Note2: Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: please refer to page 20-21 of the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

Note3: Except as disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company/all companies listed in the financial report/re-investment enterprises, etc.): None.

Range of Remuneration

Range of Remuneration	Name of Directors				
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)		
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Less than NT\$ 1,000,000	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	
NT\$1,000,000 ~ NT\$1,999,999	Episil Technologies Inc.	Episil Technologies Inc.	Episil Technologies Inc. Jian-Hua Syu	Episil Technologies Inc. Jian-Hua Syu	
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-	
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-	
NT\$5,000,000 ~ NT\$9,999,999	-	-	Ching-Tzong Sune	Ching-Tzong Sune	
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-	
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-	
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-	
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-	
Greater than or equal to NT\$100,000,000	-	-	-	-	
Total	12	12	12	12	12

2.Y2023 Remuneration of President and Vice Presidents

Unit: NT\$ thousands

Title	Name	Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		Employee Compensation (D) (Note1)				Ratio of Total Remuneration (A+B+C) & to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Presidents	Ching-Tzong Sune	12,934	12,934	216	216	92	92	1,100	0	1,100	0	14,342 (8.74%)	14,342 (8.74%)	0
Vice Presidents	Shao-Hao Lyu													

Note: The Board of Directors of the Company decided on February 26, 2024 to allocate the remuneration for employees in 2023. The above table is a provisional estimate.

Range of Remuneration

Range of Remuneration	Name of Executive Officers	
	The company	Companies in the consolidated financial statements (D)
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	Ching-Tzong Sune/ Shao-Hao Lyu	Ching-Tzong Sune/ Shao-Hao Lyu
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	2	2

3. Names of managers and distribution of compensation to employees in 2022 :

Unit: NT\$ thousands

Title		Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total(Note1)	Ratio of Total Amount to Net Income
Executive Officers	Presidents	Ching-Tzong Sune	0	3,071	3,071	1.87%
	Vice Presidents	Shao-Hao Lyu				
	Associate	Jhih-Kai Jhang				
	Head of finance & Accounting	Pei-Yuan Chen				
	Corporate manager	Shu-Rong Wu				

Note : The Board of Directors of the Company decided on February 26, 2024 to allocate the remuneration for employees in 2023. The above table is a provisional estimate.

(IV) Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents:

- 1、The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Unit: NT\$ thousands

Year Identity	Y2022				Y2023(Note2)			
	The company		Companies in the consolidated financial statements		The company		Companies in the consolidated financial statements	
	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)
Director(Note1)	19,791	2.91%	19,791	2.91%	14,141	8.62%	14,141	8.62%
Executive Officers	13,444	1.97%	13,444	1.97%	14,342	8.74%	14,342	8.74%

Note 1: Including directors who are also employees.

Note 2: The Board of Directors of the Company decided on February 26, 2024 to allocate the remuneration for employees in 2023. The above table is a provisional estimate and has not yet been reported to the regular meeting of shareholders.

- 2、The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance :

- (1) The remuneration of the directors of the Company includes two major items: directors' remuneration and service expense; these are handled pursuant to the Company's Articles of Incorporation and relevant regulations. The president and vice president's remuneration includes of salary, bonus and employee remuneration, which are determined based on the company's Articles of Incorporation and approval authority.
- (2) The procedures for determining remuneration
In accordance with the Articles of Incorporation of the Company, "The Company shall, in accordance with the profits of the current year, allocate not less than 5% of the remuneration of employees and not more than 2% of the remuneration of directors." The determination of directors' remuneration is based on the degree of participation and contribution of the directors to the Company's operations, and taking into account the results of their directors' performance appraisal, pursuant to the Company's Articles of Incorporation . The remuneration received by the president and vice president is determined based on the Articles of Incorporation and the operational performance limit set forth in the annual budget approved by the Board of Directors each year, while taking into account their positions, responsibilities assumed and contributions to the Company, as well as the industry standards It is agreed.

The remunerations are handled pursuant to the procedures of " Manager incentive and performance bonus method ".

The Company established the Remuneration Committee on 2011 year. The Committee is engaged in reviewing the assessment on performance of directors and managerial officers, as well as the policies, standards, and packages by which the remuneration is paid, and reviewing the content and amount of directors and managerial officers' remunerations periodically, to report to the Board of Directors.

(3) The correlation with business performance and future risks

The performance appraisal and remuneration of the directors and managerial officers of the Company refer to their positions, participation in the Company' s operations, personal performance contributions (including financial indicators such as revenue and profit achievement rate, and non-financial indicators such as laws and internal control compliance, or special achievement) and taking into account the usual standards of the peers, while comprehensively considering the amount of remuneration, payment methods, and future risks faced by the Company. It is are highly related to the Company' s operating responsibilities and overall performance.

III、Implementation of Corporate Governance：

(I) Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in 2023. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Episil Technologies Inc.	Representative : Jian-Hua Syu	5	0	100%
Director		Representative : Hsi-Hsin Chen	4	1	80%
Director		Representative : Ching-Tzong Sune	5	0	100%
Director		Representative : Guei-Rong Fan	5	0	100%
Director	Nan Ya Photonics Incorporation	Representative : Rong-Huang Luo	4	1	80%
Director	Jiacai Investment Co. Ltd	Representative : Wun-Guei Ye	5	0	100%
Independent	Wei-Min Shen	5	0	100%	
Independent	Ze-Peng Chen	5	0	100%	
Independent	Han-Liang Hu	5	0	100%	

Other mentionable items:

I、If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company' s response should be specified. Please see page 68-69.

(I)Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II)Other issues opposed by independent directors or about which directors have reservations that have been noted in the record or declared in writing: None.

II、In situations where directors recuse themselves due to conflict of interest, the director's name,content of the resolution, reason for recusal, and his or her voting participation should be properly recorded:

Board meeting Term/ Date	Name of benefit avoidance director	Major resolutions	Should benefit to void the reason	Voting situation
9th Term 5th Session 2023. 02. 24	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu	1. Independent director remuneration distribution 2. Independent director business execution fees	Director himself	The rest of the directors present approved the case
9th Term 5th Session 2023. 02. 24	Jian-Hua Syu, Hsi-Hsin Chen, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo Wun-Guei Ye	1. General directors' remuneration distribution 2. General director business execution fees		
9th Term 5th Session 2023. 02. 24	Cing-Zong Sun	1. Appointment of directors of subsidiaries. 2. Manager incentive and performance bonus 3. Proposal on executive compensation		
9th Term 8th Session 2023. 11. 06	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu	1. Independent director business execution fees		
9th Term 8th Session 2023. 11. 06	Jian-Hua Syu, Hsi-Hsin Chen, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo	1. General director business execution fees		

	Wun-Guei Ye			
9th Term 8th Session 2023. 11. 06	Jian-Hua Syu	1. Appointment of manager	Director himself	The rest of the directors present approved the case
9th Term 8th Session 2023. 11. 06	Jian-Hua Syu Cing-Zong Sun	1. Proposal on executive compensation		
9th Term 10th Session 2024. 02. 26	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu	1. Independent director remuneration distribution		
9th Term 10th Session 2024. 02. 26	Jian-Hua Syu, Hsi-Hsin Chen, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo Wun-Guei Ye	1. General directors' remuneration distribution		
9th Term 10th Session 2024. 02. 26	Jian-Hua Syu, Cing-Zong Sun	1. Manager incentive and performance bonus		

III、For the information of evaluation cycles, periods, scope, method and content of self-evaluation of the Board of Directors:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluate the content	Evaluate the results
Annually	2023/1/1~ 2023/12/31	Individual board members	Director's self- assessment	(1) Mastery of the company's goals and tasks. (2) Awareness of directors' responsibilities. (3) the degree of involvement in the company's operations. (4) Internal relationship management and communication. (5) Professional and continuing education of directors. (6) Internal control.	"Honors and above". In the future, we will continue to implement corporate governance and enhance the functions of the Board of Directors to promote the objectivity and operational effectiveness of the Board of Directors' evaluation.
Annually	2023/1/1~ 2023/12/31	The valuation of the board	Internal self- assessment of the Board of Directors	(1) The degree of participation in the company's operations. (2) Improve the quality of decision-making of the board of directors. (3) Composition and structure of the Board of Directors. (4) Election of directors and continuing education.	"Honors and above". In the future, we will continue to implement corporate governance and enhance the functions of the Board of Directors to promote the objectivity and operational effectiveness of the Board of

				(5) Internal control.	Directors' evaluation.
Annually	2023/1/1~ 2023/12/31	functional committees (Salary and Remuneration Committee and Audit Committee)	Internal self-assessment of the Board of Directors	(1) The degree of participation in the operation of the company. (2) Awareness of the responsibilities of functional committees. (3) the quality of decision-making of functional committees. (4) Composition and selection of members of the functional committee. (5) Internal control.	"Honors and above". In the future, we will continue to implement corporate governance and enhance the functions of functional committees to promote the objectivity and operational effectiveness of functional committee evaluations.
IV、Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. : (1) The Audit Committee and Remuneration Committee established under the authorization of the Board of Directors of the Company. The two committees are composed of three independent directors who assist the Board in discharging its oversight duties. (2) In terms of enhancing information transparency, information such as the shareholding ratio of directors of the Company, financial information, major resolutions, and directors' attendance at the Board of Directors have been published on the Public Information Observatory in accordance with relevant laws and regulations..					

Note: The attendance rate of the board of directors in 2023 (total actual attendance rate of all directors/total attendance rate that all directors should attend) is more than 95%.

(II) Operation of the audit committee and annual focus of work

I、Work Priorities in 2024：

1. Communicate the results of the internal audit business report regularly with the internal audit supervisor according to the annual audit plan.
2. Communicate regularly with the Visa Accountant of the Company on the review or verification results of the quarterly financial statements.
3. Review financial reports.
4. Assess the effectiveness of the internal control system.
5. Appointment of a visa accountant.
6. Assessment of independence and competency of accountants.
7. Examining and revising procedures for acquiring or disposing of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others in major financial business activities.
8. Follow the law.

II、Audit Committee：

(1) The Audit Committee of the Company consists of three members (term commencing on June 21, 2022 and expiring on June 20, 2025).

(2) A total of 5 (A) Audit Committee meetings were held in 2023. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	Delegated in Person	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Ze-Peng Chen	5	0	100%	
Independent director	Wei-Min Shen	5	0	100%	
Independent director	Han-Liang Hu	5	0	100%	

Other mentionable items：

I、If any of the following circumstances occur, the date of the meeting, schedule, content of the proposal, content of independent directors' objections, reservations or major recommendations, results of the audit committee's resolutions and the company's handling of the audit committee's opinions:

1.Matters referred to in Article 14-5 of the Securities and Exchange Act.：

Audit Committee Term/ Date	Major resolutions	Comments and follow-up of the Board of Auditors	The Company's Handling of the Audit Committee's Opinions
3rd Term 4th Session 2023.02.24	1.2022 annual business report and financial report. 2.The company's 2022 profit distribution proposal. 3.2022 annual internal control system effectiveness assessment and internal control system statement. 4.Appointment and remuneration of certified accountants for financial statement review in 2023 and assessment of their competence and independence.	The independent directors expressed no objections, reservations or major suggestions to the following proposals, and all the proposals were approved by all members of the Audit Committee.	All directors present agreed
3rd Term 5th Session 2023.05.08	1.Financial Report for the first quarter of 2023. 2.Revision of the Company's internal control system.		
3rd Term 6th Session 2023.08.07	1.Financial Report for the second quarter of 2023.		
3rd Term 7th Session 2023.11.06	1.Financial Report for the third quarter of 2023. 2.Establish an internal audit plan for the year 2024.		

3rd Term 8th Session 2023. 12. 25	1. 2024 annual operating plan and related manpower, equipment and cost budget. 2. Revision of internal control system and internal audit rules 3. Concurrently serving as a manager and lifting the manager’ s non-competition.		
3rd Term 9th Session 2024. 02. 26	1. 2023 annual business report and financial report. 2. Appointment and remuneration of certified accountants for financial statement review in 2024 and assessment of their competence and independence. 3. The company’ s 2023 profit distribution proposal. 4. 2023 annual internal control system effectiveness assessment and internal control system statement.		
2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors:None			
II、If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified:			
Board meeting Term/ Date	Major resolutions	In situations of independent directors recuse themselves due to conflict of interest	
9th Term 5th Session 2023. 02. 24	1. Distribution of remuneration of independent directors 2. Expenses for business execution of independent directors	For the motion listed on the left, the three independent directors Ze-Peng Chen, Wei-Min Shen and Han-Liang Hu did not participate in the voting because they had interests in themselves and avoided their interests.	
9th Term 8th Session 2023. 11. 06	1. Expenses for business execution of independent directors		
9th Term 10th Session 2024. 02. 26	1. Distribution of remuneration of independent directors		
III、Communication between Independent Directors, head of internal audit, and CPAs：			
1. In addition to monthly audit reports and audit deficiencies improvement tracking reports sent to the independent directors by the internal audit department of the company, the internal audit supervisor regularly explains the audit business, audit results and tracking status to the independent directors at least once a quarter. Audit supervisors and independent directors can also contact each other directly at any time as needed, and the communication channels are smooth.			
2. The certified accountants of the company report to the independent directors quarterly on the results of the review or inspection of the company’s financial statements, internal control inspections, the impact of the revision and release of the IFRSs Bulletin on the company, and other relevant legal requirements, and report			

whether there are financial report adjustment entries Or whether the amendment of the law affects the way of accounting. Accountants and independent directors can also contact each other directly as needed at any time, and the communication channel is smooth. Independent directors and accountants have achieved full communication.

3.Communication between Independent Directors and head of internal audit:

meeting date	Way	communication focus	Suggestions, corrections and communication results of independent directors
2023.02.24	The Audit Committee	Internal audit business execution report for the fourth quarter of 2022	Contact. No other suggestions and corrections.
		2022 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement	After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.
	Independent directors communicate with internal audit supervisor separately	The head of internal audit explained the questions raised by the independent directors	There were no other recommendations or corrections at this meeting.
2023.05.08	The Audit Committee	Internal audit business execution report for the first quarter of 2023	Contact. No other suggestions and corrections.
		Revise the company' s internal control system	After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.
	Independent directors communicate with internal audit supervisor separately	The head of internal audit explained the questions raised by the independent directors	There were no other recommendations or corrections at this meeting.
2023.08.07	The Audit Committee	Internal audit business execution report for the second quarter of 2023	Contact. No other suggestions and corrections.
	Independent directors communicate with internal audit supervisor separately	The head of internal audit explained the questions raised by the independent directors	There were no other recommendations or corrections at this meeting.
2023.11.06	The Audit Committee	Internal audit business execution report for the third quarter of 2023	Contact. No other suggestions and corrections.

			Develop an internal audit plan for 2024	After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.
		Independent directors communicate with internal audit supervisor separately	The head of internal audit explained the questions raised by the independent directors	There were no other recommendations or corrections at this meeting.
	2023.12.25	The Audit Committee	Internal control system and internal audit rules revision	After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.
	2024.02.26	The Audit Committee	Internal audit business execution report for the fourth quarter of 2023	Contact. No other suggestions and corrections.
			2023 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement	After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.
		Independent directors communicate with internal audit supervisor separately	The head of internal audit explained the questions raised by the independent directors	There were no other recommendations or corrections at this meeting.

4.Communication between Independent Directors and CPAs:

meeting date	Way	communication focus	Suggestions, corrections and communication results of independent directors
2023.02.24	The Audit Committee	1. 2022 annual financial report review 2.Communication matters with main governance units 3.Description of key check items	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
	Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting.

	2023. 05. 08	The Audit Committee	1. Review of financial reports for the first quarter of 2023 2. Communication matters with main governance units 3. Description of key check items	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
		Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting.
	2023. 08. 07	The Audit Committee	1. Review of financial reports for the second quarter of 2023 2. Communication matters with main governance units 3. Description of key check items	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
		Independent directors communicate with internal audit supervisor separately	Legal update instructions	There were no other suggestions or corrections at this meeting.
	2023. 11. 06	The Audit Committee	1. Review of financial reports for the third quarter of 2023 2. Communication matters with main governance units	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
		Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting.
	2024. 02. 26	The Audit Committee	1. 2023 annual financial report review 2. Communication matters with main governance units 3. Description of key check items	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
		Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting.

Note: The attendance rate of audit committee in 2023 (total actual attendance rate of all independent directors/total attendance rate required by all independent directors) is 100%.

(III)Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" ?	✓		The company has formulated the "code of corporate governance", which regulates the protection of shareholders' rights and interests, the strengthening of the functions of the board of directors, the respect for interested parties, and the promotion of information transparency. For the company's "code of corporate governance", please visit the company's website (www.epi.episil.com) Query.	No difference
II. Equity structure and shareholder rights (I)Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	✓		(I)The company convenes the shareholders' meeting in accordance with the company law and relevant laws and regulations, and formulates complete rules of procedure for shareholders' meeting. The company has a spokesman system and investor relations personnel to deal with shareholders' suggestions, doubts and disputes, and disclose the contact information on the company's website. Shareholders can respond to their opinions and handle them properly.	No difference
(II)Does the Company maintain a list of major Company shareholders and the ultimate owners of these shareholders?	✓		(II)In accordance with the provisions of the securities and exchange law, the company shall report to the public information observatory on a monthly basis the changes of equity held by insiders (directors, managers and shareholders holding more than 10% of the total shares), so as to obtain the list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders, so as to ensure the stability of operation	No difference
(III)Has the Company built and executed a risk management mechanisms and “firewall” between the Company and its affiliates?	✓		(III)The company has established "Related Party Transaction Management Operational Measures" to regulate the purchase and sale of goods, capital loans and endorsement guarantees and other financial business operations with related companies. It also has internal controls and supervision of subsidiaries to control and manage risk..	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
(IV) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?			(IV)The company has established internal regulations such as "internal major information processing and prevention of insider trading management procedures", which prohibit the company's insiders from trading securities by using the unpublished information on the market.	No difference
III. Composition and responsibilities of the Board of Directors (I) Does the board formulate and implement a diversity policy and specific management objectives regarding membership?	✓		(I)The composition of the board of directors of the company is based on the "code of corporate governance" and "method for election of directors", and the diversity of board members is considered from many aspects. The company has nine directors, including three independent directors; one of them is a female director; the professional background of the board of directors covers management, science and engineering, financial analysis, etc., and it is a technology industry operator. It has the semiconductor industry knowledge, operation judgment ability, international market concept, leadership ability and decision-making ability that the company needs, so it can provide professional support from different angles Industry opinion can improve the company's operating performance and management efficiency. Please refer to page 14-15 for diversity of board members.	No difference
(II) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee of its own accord?	✓		(II)In addition to the Remuneration Committee and audit committee established in accordance with the law, the company has set up a special committee on merger and acquisition voluntarily, and other functional committees will be set up according to the needs in the future.	No difference
(III)Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance	✓		(III)The Company has formulated the performance evaluation method and evaluation method of the board of directors. Functional committees such as the Board of Directors, Board of Directors, Remuneration Committee, and Audit Committee are evaluated on a	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
evaluation on a regular basis each year, reported the evaluation result to the Board of Director and used the result as a reference on the consideration of individual directors' remuneration and nomination for re-election? (IV) Does the Company assess the independence of external auditors on a regular basis?	✓		regular basis every year. The results of the 2023 annual evaluation will be submitted to the 10th meeting of the 9th session of the Board of Directors on February 26, 2024 as a basis for review and improvement, and the overall performance evaluation results of the Board of Directors will be used as a reference for the selection or nomination of directors (including independent directors), and the performance evaluation results of individual directors will be considered as a reference basis for determining their individual remuneration and nomination for renewal in the future. (IV) 1. The company regularly evaluates the competency and independence of Certified Public Accountants every year, together with the declaration letter issued by the certified public accountants that the independence has not been violated, and submits it to the board of directors for evaluation. 2. The company regularly evaluates the independence of certified accountants, including: (1) Whether accountants and their spouses and dependants have direct or significant indirect financial interests with the company. (2) Whether the accountant and his spouse and dependants have a business relationship with the directors and managers of the company that affects their independence. (3) During the audit period, whether the audit accountant and his spouse and dependants are directors or managers of the company or have direct and significant influence on the audit work. (4) Whether the auditor and the directors and managers of the company have spouse, direct blood relatives, direct in laws or second-class internal collateral blood relatives.	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			3. The company refers to the audit quality indicators to evaluate the qualifications of certified accountants. The important contents include: (1)Whether accountants and inspectors above management level have sufficient audit experience to perform the audit work. (2)Whether accountants and inspectors above management level receive sufficient education and training every year to continuously acquire professional knowledge and skills. (3)The accountant's workload, including the number of public offering companies that act as the main signatory or the proportion of the accountant's available working hours. (4)The number of cases of lack of inspection by the Financial Supervisory Commission and the Accounting Oversight Board of American Public Offering Companies, and the number of cases in which accountants have been disciplined and sanctioned. 4. According to the assessment results of the 10th meeting of the 9th session of the board of directors on February 26, 2024 reported by the company: the certified accountants of the company are independent and qualified.	
IV. Does the TWSE/TPEX listed company dedicate competent managers or sufficient number of managers to be in charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and supervisors in legal	✓		In order to implement the corporate governance and promote the board of directors to play its due functions to safeguard the rights and interests of investors, the company has allocated suitable and appropriate number of corporate managers. The resolution of the board of directors passed on March 8, 2021, appointing Shu-Rong Wu, the financial director, as the corporate governance director, to be responsible for the corporate governance related affairs. Manager Shu-Rong Wu has the experience of financial director in public companies More than three years, the main business implementation is as follows and please refer to page 62 of 2023 continuing education situation.	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of board/shareholder meetings)?			1.Handle matters related to meetings of the board of directors and shareholders' meeting in accordance with the law. 2.Prepare minutes of the board of directors and shareholders' meetings. 3.Assist directors in their appointment and continuing education. 4.Provide directors with the information needed to perform their business. 5.Assist directors to comply with laws. 6.Report to the Board of Directors on the results of its review of whether the qualifications of independent directors at the time of nomination, election and during their term of office comply with relevant laws and regulations. 7.Handle matters related to the change of directors. 8.Other matters stipulated in the company's articles of association or contract, etc.	
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The company has a dedicated investor relations unit to provide relevant information and communication channels including shareholders, customers, suppliers and investors. The company's website also sets up a special area for interested parties to contact with the responsible personnel to respond to the concerns of stakeholders. Please refer to page 38~41 for important corporate social responsibility issues of concern to stakeholders and information on communication channels.	No difference
VI.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company entrusts SinoPac Securities Corporation stock affairs agency to handle the affairs of the shareholders' meeting.	No difference
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance status?	✓		(I)The company has set up a website (www.epi.episil.com) Disclose information related to financial business and corporate governance at any time.	No difference
(II)Does the Company adopt other information	✓		(II)The company regularly updates the online reporting system for public information,	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III)Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and the monthly operating status report before the stipulated deadlines?	✓		designates a special person to collect and disclose the company's information, and establishes a spokesman system to ensure that information that may affect the decisions of shareholders and interested parties can be timely and appropriately disclosed. In addition, the company regularly holds corporate briefing meetings every year, and places relevant information in the public information Observatory to provide investors with operational and financial information of the company. (III)The company has reported its financial report and monthly operating report in accordance with the specified date of "business matters for issuers of listed securities on the Taiwan Stock Exchange". The annual financial report shall be announced and reported within two months after the end of the fiscal year, and the operation shall be announced earlier than the prescribed deadline.	No difference
VIII.Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies,	✓		1. Employees' rights and interests: the company has working rules to ensure the protection of employees' rights and interests, and protects employees' rights and interests in accordance with the provisions of the labor basic law. In addition, the company has "measures for the implementation of labor management meetings" to serve as a channel for communication between employers and employees. 2. Employee care: the company obtained OHSAS18001 occupational safety and health management system certification. The international organization for Standardization (ISO) announced in March 2018 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. The labor safety department is responsible for supervising and guiding all departments to	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
liability insurance for the Company's directors and supervisors)?			carry out independent inspection and improvement, and regularly carry out various work safety inspection, so as to improve the safety and health of operators, and firefighting training, AED+CPR first aid training, factory emergency response training, and other industrial safety-related education and training are held regularly every year, so as to cultivate employees' ability of emergency response and self safety management, so as to provide safe and appropriate working environment and necessary emergency rescue. 3. Investor relations, supplier relations, rights of interested parties: the company discloses information through the public information Observatory and the company's website, so that investors can fully understand the company's operating conditions, and communicate with investors through the shareholders' meeting and the spokesman mechanism. In addition, a special area for interested parties is set up on the company's website to respond to important issues of concern to interested parties. 4. The situation of directors' Further Education: Directors of the company may attend the courses of professional knowledge such as finance and business as required. Please refer to the situation of directors' further education on page 63~64. 5. Implementation of risk management policies and risk measurement standards: major operational policies, investment proposals, acquisition or disposal of assets, etc. are evaluated and analyzed by relevant departments, and then submitted to the board of directors for resolution. According to the risk assessment results, the Audit Office formulates the annual audit plan and implements it to implement the risk control and supervision mechanism. 6. Implementation of customer policy: the company has quality engineering department and business support department to provide	

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			transparent and effective after-sales service and customer complaint handling for products and services. 7. The company purchases liability insurance for directors: the company purchases liability insurance for directors. The insured amount in 2024 is US \$5 million, which has been submitted to the 10th session of the 9th board of directors and reported to the public information Observatory in accordance with regulations.	
IX. Please explain improvements that have been made as well as priorities and measures to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center: The company has completed self-assessment and review, and will continue to strengthen the level of corporate governance.				

Important corporate social responsibility issues of concern to stakeholders and communication channels

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2023
client	- Customer relationship management - Corporate Governance - Code of conduct - Regulatory Compliance - Grievance mechanism - Innovation and development	- Sustainability report (annual). - Review meetings with customers: including technology, products, after-sales service, prohibited substances, conflict minerals, environment, etc. (irregular, QBR/HBR/ABR). - Customer satisfaction survey (annual). - Corporate website (irregularly). - Customer supplier meeting (irregular).	- Provide the 2022 sustainability report on the company's official website. - Complete the annual customer satisfaction survey. - Disclose the latest product technology on the corporate website. - Participate in customer information security, ESG and other promotional meetings. - Cooperate with customer product, environment, responsibility and other requirements and checks, and cooperate with prevention and continuous improvement. contact window Tel:03-5632255 extension 2816 Miss Yu E-mail: epi.sales@epi.episil.com
supplier	- Supply chain management - Supplier rating - Professional ethics - Conflict-free minerals - Supplier ESG policy and management	- Supplier audit (irregular). - Rating of suppliers and outsourcers (annual). - Supplier code of conduct requirements (annual). - Requirements for declaration of non-conflict minerals (irregularly). - Stakeholder conflict questionnaire survey and analysis	- A total of 11 key suppliers were audited throughout the year. - The evaluation of key suppliers is completed in December every year. - There are 44 key suppliers that comply with the ethical standards. - Key suppliers sign back a declaration of non-use of conflict minerals (100%). - Key suppliers self-assess their risks using the "Sustainability Management Self-Assessment Questionnaire" (once every two years). contact window Tel:03-5632255 extension 2300 Director Lai E-mail:neilson.lai@epi.episil.com
staff	- Human rights protection - Talent Attraction and Retention - Talent cultivation and development - Salary and benefits	- Labor-management meeting (quarterly). - Employee welfare committee meeting (quarterly). - Education and training (irregular). - Departmental communication and	- A total of 4 labor-management meetings are held every quarter. - A total of 4 regular meetings of the Employee Welfare Committee are held every quarter. - Conduct training for new recruits to help them understand the company. Provide internal and external training resources, and the average training hours for each employee is about 20.4

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2023
	- Workplace safety and health - Employee Care and Care	work meetings (irregular). 5. Internal information announcement (irregular). 6. Employee complaint hotline (timely). 7. Meetings of the Occupational Safety and Health Committee (quarterly).	hours, effectively achieving talent cultivation and development. 4. Conduct corporate information security/business secret training courses to improve employees' legal literacy. 5. Hold a supervisor meeting every week to assist the supervisors of each unit to understand the company's operating conditions and improve communication efficiency. 6. Organize annual budget briefings and strategic consensus camps for middle/senior executives, and assist supervisors in understanding the company's future operating strategies and product development directions. 7. Release company information announcements from time to time, so that all colleagues can understand company-related information in real time. 8. Employee complaint calls: 0 times. 9. A total of 4 Occupational Safety and Health Committee meetings are held every quarter. contact window Tel:03-5632255 extension 2226 Ms. Chen E-mail:2226@epi.episil.com
Investors	- Integrity management - Organization strategy vision - Risk Management - Follow the law - Information transparency for shareholder rights protection - Economic performance	1. Shareholders' meeting (annual). 2. Legal person briefing (annual). 3. Release operating income (monthly). 4. Public information observation station (updated in real time). 5. Company website (updated immediately).	1. One annual general meeting of shareholders. 2. Hold a briefing session for legal persons. 3 Regularly disclose the company's financial and business information on the public information observation station and the company's website. 4 There are spokespersons and acting spokespersons to respond to issues of concern to investors in real time. contact window Spokesperson:Fan Guirong, Deputy General Manager Acting Spokesperson:Director Lin Tingyuan Tel:03-5632255 E-mail:epi@epi.episil.com
Government Units and	Integrity management	1. Respond to government	1. In accordance with the requirements of government regulations, provide

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2023
Competent Authorities	• Risk Management • Follow the law	agencies' requests in official documents (immediately). 2. Update the information on the company website and public information observation station (monthly, quarterly, and yearly). 3. Questionnaires and interviews (irregular). 4. Accept the evaluation of government agencies (annual). 5. Participate in relevant activities of government agencies (irregularly).	relevant reports or replies on a regular basis. 2. Complete the 2023 corporate governance evaluation. 3. 5 directors participated in the publicity and briefing session of the securities regulatory authority for a total of 15 hours. contact window Address: No. 10, Duxing 1st Road, Hsinchu Science Park Tel: 03-5632255
Nonprofits and Communities	• Social care • Community Involvement • Charitable activities	1. Talent recruitment platform and activities (daily). 2. The company's external website (daily). 3. Public welfare donations (irregular).	1. The recruitment platform provides employment opportunities and participates in about 1 local recruitment activity. Participate in the government's stable employment incentive program: Stable Employment Program. In 2023, a total of 7 new colleagues will meet the program conditions and receive a total of 14,000 yuan in labor employment incentives. 2. Purchase public welfare products; donate materials to public welfare groups. 3. Completed charity donations to 5 companies. contact window Tel: 03-5632255 extension 2226 Ms. Chen E-mail: 2226@epi.episil.com
School	• Integrity management • Compliance with laws and regulations	1. Industry-university cooperation negotiation (annual). 2. Participation in conferences related to industry-	1. Complete 9 industry-university cooperation. 2. Participate in promotion meetings related to industry-university cooperation, where the latest national policies and international trends are discussed.

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2023
	· Talent attraction and retention · Talent cultivation and development	university cooperation (annual). 3.Participate in campus recruitment activities (annual).	3.Participate in a total of about 7 school talent recruitment activities, provide employment opportunities, and hold campus seminars on company and industry trends to increase employment willingness. contact window Tel: 03-5632255 extension 2226 Ms. Chen E-mail: 2226@epi.episil.com

(IV) Composition, Responsibilities and Operations of the Remuneration Committee:

I、Professional Qualifications and Independence Analysis of Remuneration Committee Members：

Title	Criteria Name	seniority	Professional Qualification Requirements and Experience	Independence situations	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Convener)	Wei-Min Shen	8 years	Please refer to "Disclosure of Directors' Professional Qualifications and Independent Directors' Independence Information" on page 13		3
Independent director	Ze-Peng Chen	8 years			0
Independent director	Han-Liang Hu	5 years			1

II、Attendance of Members at Remuneration Committee Meetings：

(1) There are 3 members in the Remuneration Committee.

(2) A total of 2 (A) Remuneration Committee meetings were held in 2023. The attendance record of the Remuneration Committee members was as follows：

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Wei-Min Shen	2	0	100%	
Committee Member	Ze-Peng Chen	2	0	100%	
Committee Member	Han-Liang H	2	0	100%	

Other mentionable items：

I、If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II、Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Remuneration Committee Meeting	Major resolutions	All compensation committee comments and follow-up processing
2023.02.24 5th Term 2nd Session	I.The 2022 annual employee compensation and director compensation distribution plan. II.2023 Employee Compensation and Director Compensation Appraisal Proposal. III.2023 Director's Business Execution Fee. IV.The salary proposal for managers in 2023. V.Manager incentives and performance bonuses.	The above proposals, except for independent directors to withdraw their interests due to the director's remuneration, and propose that the remuneration of independent directors be submitted to the board of directors for negotiation. The other motions have been approved by all the members of the Compensation Committee and all the directors without any objection or reservation from the independent directors.
2023.11.06 5th Term 3rd Session	I.2024 Director's Business Execution Fee. II.Manager appointment case. III.The salary proposal for managers in 2024.	
2024.02.26 5th Term 4nd Session	I.The 2023 annual employee compensation and director compensation distribution plan. II.2024 Employee Compensation and Director Compensation Appraisal Proposal. III.Amend the company's "Manager Incentive and Performance Bonus Measures" . IV.Manager incentives and performance bonuses.	

(V) Promoting Sustainable Development Implementation:

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
I. Has the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	✓		Following the vision and mission of the company's ESG policy, the " ESG Steering Committee " is established in 2022 to serve as the highest-level sustainable development decision-making center within the company. The chairman serves as the chairman and reviews the company together with many senior executives in different fields. The core operating capabilities of the company have established a medium- and long-term sustainable development plan. The " ESG Implementation Committee " serves as a cross-departmental communication platform integrating top and bottom and horizontally connecting. Through meetings and task groups set up according to issues, identify sustainable issues related to company operations and stakeholders, formulate corresponding strategies and work guidelines, compile budgets related to sustainable development of each organization, plan and implement annual plans, At the same time, track the implementation results to ensure that the sustainable development strategy is fully implemented in the company's daily operations. The ESG steering committee regularly reports to the board of directors on the progress of sustainable development.	No difference
II. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle?	✓		The company has established "Corporate Social Responsibility Code", "Corporate Governance Code", "Integrity Management Code", "Episil-Precision Inc. Human Rights Policy" " Labor and Ethics Management Code" " Code of Ethics for Employees" and other relevant regulations, actively planning corporate social responsibility strategies and directions, and promoting sustainable operations. Governance, and strictly abide by laws and regulations, to provide colleagues with a good working environment and reasonable remuneration and benefits; at the same time shoulder the important mission of a sustainable environment, the company colleagues start from themselves, implement environmental protection and energy	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			conservation, and call on colleagues to participate in social welfare activities. The company has formulated the "Business Continuity Management (BCM) Operational Standards" and internal risk management policies, carries out risk assessment operations, and takes preventive measures in advance to reduce losses caused by risks, and to deal with any issues that may affect the company's achievement of its goals. Potential risks are identified, assessed, processed and monitored, and are regularly tracked and incorporated into the daily operations of each unit.	
III. Environmental Issues (I) Has the Company developed an proper environmental management system, given its distinctive characteristics?	✓		(I) We, EPI, based on the concept of sustainable operation, staying abreast of global climate change trends, strive to protect the earth and environment, advocate green manufacturing, energy saving and carbon reduction, minimize the environmental impact of our products and activities, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, protect environment, sustainable growth of enterprises. We determine to strictly comply with applicable legal requirements and other requirements relevant to Environment prevention. Pay attention to Environment issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing Environment and objectives to enhance the Environment and performance. All factories of the company obtained the ISO14001 environmental management system certification in December 2001, and regularly obtain third-party verification and pass the review every year, which is continuously valid; at the same time,	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(II)Is the Company committed to achieving Energy efficiency and efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		starting from 2021, the greenhouse gas inventory will be carried out every year in accordance with the ISO14064-1/GHG protocol and passed verification by the third party (II) Based on the environmental spirit of "cherishing natural resources", the company combines the core business of environmental protection with customers' trust, and jointly creates the concept of "sustainable operation" and social feedback, so as to continuously promote waste reduction and reuse..	No difference
(III)Has the Company made an assessment on the potential risks and opportunities posed by climate changes to the present and future of the Company and undertaken countermeasures pertaining to climate changes?	✓		(III)The company has assessed the potential risks and opportunities of climate change for enterprises now and in the future, incorporated them into risk management, and actively promoted energy and carbon reduction related operations.	No difference
(IV) Has the Company measured its greenhouse gas emission, water use and total weight of waste, and established policies pertaining to energy conservation, reduction in water use, or management of waste disposal?	✓		(IV)The Company measured its greenhouse gas emission, water use and total weight of waste, and established policies pertaining to energy conservation, reduction in water use, or management of waste disposal on page 52 & 58.	No difference
IV. Social Issues (I)Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(I) The company refers to the "United Nations Universal Declaration of Human Rights" and "United Nations International Labor Organization" " Labor and Ethics Management Code" and other international human rights conventions, and has formulated the " Episil-Precision Inc. Human Rights Policy ". Recognize and follow the principles proclaimed in international human rights conventions, and take consistent actions of the Responsible Business Alliance to provide employees with a fair and safe working	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
	✓		environment, treat and respect all stakeholders with dignity, and eliminate any violations and violations of human rights. And abide by the labor laws of the local government, and fulfill the responsibility of management, publicity and risk reduction.. (1) The company implements a childcare leave without pay system, and also provides family care leave and physiological leave for colleagues. With reference to the international human rights conventions and the belief in respect for the equal rights and interests of men and women, the company establishes a special chapter on gender equality in work and sexual harassment prevention measures in the work rules. (2)Protect the rights and interests of employees In order to ensure the fairness of employees, the company will uphold the relevant provisions of the Labor Standards Law and Employment Service Law, protect human rights and prohibit employment discrimination, and provide a friendly working environment. (3)Human rights advocacy and training In 2023, the "Best Friendly Workplace" related training was carried out for colleagues. The number of people who completed the training was 703, accounting for 100% of the total number of employees, and the total number of training hours was 703 hours. In the future, we will continue to pay attention to issues of human rights protection, Promote relevant education and training as well as human rights risk assessment and control to increase awareness of human rights protection and reduce the possibility of related risks.	

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary?			(II) The company has provided a number of welfare policies for employees. In addition to labor insurance, health insurance, pension allocation and parental leave stipulated by laws and regulations, it also handles annual health checkups for employees, distribution of gift money and gift certificates for three festivals, wedding and funeral celebrations and condolences, and employee group insurance. In addition, according to the company's articles of association, the company should allocate no less than 5% of the employee's remuneration according to the annual profit situation, and distribute it to all colleagues after the annual performance appraisal, so as to encourage all colleagues to work together. The company's goal is to work hard. In addition, the company has formulated the "Salary Management Measures" as the basis for employee salary assessment, and actively grasps the market salary level to regularly review the company's salary policy, and has a corresponding salary adjustment mechanism to provide employees with good salary conditions. The company also has a performance bonus, which is awarded according to the annual operating performance (operating results), financial status, operating status and personal work performance, in order to achieve the purpose of rewarding employees.	No difference
(III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues?	✓		(III) We, EPI, strive to enhance safety and health, prevent injury and ill health, and eliminate hazard and reduce OH&S risks, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, maintain a healthy safety atmosphere, and sustainable growth of	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			enterprises. In order to protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, Episil-Precision monitors the workplace twice a year to gradually understand the actual status of workers' exposure. We determine to strictly comply with applicable legal requirements and other requirements relevant to OH&S hazard prevention. Pay attention to OH&S issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing OH&S objectives to enhance the OH&S performance. Establish a complete communication structure to actively communicate to all persons working under EPI, and be available to interested parties. Promote independent safety inspections by unit supervisors, as well as regular inspections by safety engineers and irregular project inspections to achieve the goal of continuous improvement. Regarding employee education and training, both new and in-service employees are required to carry out safety training in accordance with the law. OHSAS 18001 safety and health management system certification in January 2010. The international organization for Standardization (ISO) announced in March 107 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. The expiry date is 2025/11/24, and it will be reviewed every year to keep it valid. The company had no fire incidents and no casualties in 2023. Excluding occupational accidents related to commuting to and from get off work, there are no cases of occupational accidents and disability among employees. It shows	

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	✓		that the company's employees have good safety and health performance. (IV) The company has established a complete functional map and career development plan for employees, including newcomer training, management function training, professional training, core competence training, etc., through internal and external training, and C-Learning, E-Learning, OJT and other multiple learning methods, effective Improve work ability, and provide colleagues with on-the-job degree training assistance, language training assistance, etc., to motivate and assist colleagues in continuous self-development. The company has been awarded the Bronze Medal Award of Taiwan Training Quality System, which strengthens the professional skills of employees and provides the company with competitiveness and long-term development. 2023 annual training results: (1) The completion rate of the annual training plan is 99.2%. (2) The total number of hours of annual course bidding is about 3,405.5 hours, the total number of participants is about 14,870, the total number of training hours is 21,105 hours, and the average number of training hours per employee per year is about 30 hours.	No difference
(V) Pertaining to the health and safety of customer when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer and customer protection and complaint procedure?	✓		(V) The marketing and labeling of our products and services comply with and comply with relevant laws and regulations and international standards.	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(VI)Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertinent to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	✓		(VI) The company has a supplier evaluation system. Before dealing with suppliers, we will conduct a qualification review to confirm that there is no record of impacting the environment and society in the past. Suppliers are also required to abide by the relevant business ethics system formulated by the company.	No difference
V. Does the Company refer to universal standard or guideline for report preparation when preparing for Sustainability Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?	✓		Since 2022, the company refers to internationally accepted reporting standards or guidelines to prepare a sustainability report to disclose the company's non-financial information, and reports it on the public information observatory and the company's website. The greenhouse gas inventory information disclosed in the previous report has obtained the confidence or assurance opinion of a third-party verification unit.	No difference
VI. If the Company has established integrity management principles in accordance with " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" please describe the currentpractices and any deviations from the Best Practice Principles :The company attaches great importance to the promotion of sustainable development. In the future, it will regularly review the implementation situation in accordance with the code and improve accordingly. There is no difference in the implementation so far.				
VII. Other important information to facilitate better understanding of corporate conduct and ethics compliance practices of the Company: All factories of the company have obtained the international standard certification of environmental management system (ISO 14001: 2015) and occupational safety and health management system (ISO 45001:2018). "Chemical Substances Operation Management Regulations" and "Environmental Banned Substances Management Procedures" strictly control all products and materials as standards for the management of banned/restricted chemical substances for suppliers to comply with international conventions, environmental protection laws and customer specifications; And through the implementation of the ISO14001 environmental management system, the optimization of energy saving is carried out, the water and electricity energy consumption is managed from the source, the impact on the environment is reduced and the cost is saved.The company conducts conflict ore source investigations on suppliers semi-annually and irregularly, and requires suppliers not to purchase or use mines from conflict areas controlled by non-governmental military groups or illegal military factions in the Democratic Republic of the Congo, including the metals such as Au, Ta, W and Sn are also publicly promoted through the company's website, declaring the policy of not using conflict minerals; supplier management is in accordance with IATF 16949:2016 and the requirements of RoHS and related laws and regulations to confirm whether its quality system complies with ISO9001.				

The company' s water consumption and total waste weight in the past two years

Year	Data Coverage	water consumption (m3/Yr)	Total weight of waste (tons)			Waste reuse rate
			hazardous waste	non-hazardous waste	total	
2023	All factories	654,332	4.60	152.26	156.85	51%
2022	All factories	623,037	5.20	174.45	179.65	46%

Company policy on water reduction or other waste management

Develop policies for greenhouse gas reduction, water use reduction or other waste management	Promotional measures to achieve the goal	Achievement
Water consumption per unit wafer<15.5 ton/m ²	1. Increase the ratio of process wastewater used by Local scrubber. 2. Install water-saving devices on faucets in the factory area 3. Assess the cooling tower to increase conductivity and reduce drainage.	Water consumption per unit wafer is about 11.5 ton/m ²
Waste recycling rate>=50%	1. Recycle and reuse empty boxes of finished products 2. Process test wafer recycling and reusing. 3. Manage from the source through education, training, supervision and publicity, and actively implement waste reduction and classification management.	A total of 931 waste paper boxes were recycled and reused, and 5,495 process test wafer were recycled and reused. The waste recycling and reuse rate was 51%.

(VI) Climate-related information of listed companies:

1 Implementation of climate-related information

Item	Execution situation					
1. Describe the board and management's oversight and governance of climate-related risks and opportunities.	Climate change is one of the most concerning environmental issues around the world today. Jiaying discloses climate-related information in accordance with relevant regulations. The highest supervision unit of Jiaying's risk management is the board of directors, which regularly reviews and supervises risks and opportunities related to climate change to ensure the effective implementation of the risk management system. In 2022, Epi established the "ESG Steering Committee", which is the highest organization for climate change management. The chairman serves as the chairman and leads the management team to jointly review climate change strategies and goals, propose countermeasures, and regularly report implementation plans and results to the board of directors. Based on the company's climate change strategy and goals, the management team is responsible for preparing the relevant budgets required for relevant strategies, planning and executing annual plans, and regularly tracking and reporting implementation results.					
	Epi conducted cross-department discussions and identified short-term, medium-term, and long-term climate risks and opportunities. A total of 6 key risks and opportunities were identified, and scenarios were conducted to address the potential operational and financial impacts that these 6 key risks and opportunities would bring to the company. Analyze and set goals and strategies.					
	Transformation	Type	climate risk	Situation description	potential financial impact	Opportunities and response strategies
		Policies and Regulations	Energy policy adjustments	In response to the rise in international energy prices and the trend of carbon reduction, the electricity price will be increased	Increased operating costs	◆ Improve energy efficiency: Organize an energy-saving management project team to implement energy-saving optimization of equipment and replace equipment with low energy efficiency
		Technology	Uncertainty in the development of new energy-saving and carbon-reducing technologies	Various equipment and corresponding green energy technologies lead to increased costs	Assessment costs increase	◆ Develop new energy-saving and carbon-reducing technologies: Evaluate new energy-saving and carbon-reduction technologies and promote energy-saving and carbon-reduction plans
2. Describe how the identified climate risks and opportunities affect the company's business, strategy and finance (short-term, medium-term, long-term).	Transformation	Market	Demand for energy-saving products	Increased preference and attention for energy-saving products	Increased investment in factory expansion	◆ Improve sales of energy-saving products: Leveraging compound semiconductor epitaxial technology to respond to demand for energy-saving and carbon-reducing products

3. Describe the financial impact of extreme climate events and transition actions.	Transformation	Goodwill	Impact on company image	Failure to meet the expectations of stakeholders affects reputation	Lost sales	◆ Improve corporate reputation: Obtained ISO14001, carbon inventory verification, and transparently disclosed carbon information
	Entity	Soon	Sudden climate disasters disrupt supply chains	Sudden climate disasters disrupt supply chains	Delays in product shipments and increased operating expenses	◆ Improve supply stability: Establish backup suppliers, multi-source transportation routes, and increase local supplier warehousing capacity
	Entity	Long term	Extreme climate intensification_water shortage	Water shortage affects production	Operation interruption, increased operating costs	◆ Increase water resource utilization and response: Establish a water regime monitoring mechanism and a water shortage response mechanism, and sign contracts with water trucks to supply water.
Global warming has caused climate anomalies, and the frequency of extreme weather such as heavy rains or droughts has increased, resulting in longer raw material preparation periods, increased transportation costs, and increased factory production costs, increasing the company's operating costs. Net-zero carbon emissions have become a global trend. The European Union's Carbon Border Adjustment Mechanism (CBAM) will be trialled in October 2023. The U.S. Clean Competition Act (CCA) is also planned to be launched in 2024. Taiwan proposed a draft carbon fee charging method in 2023. Starting from 2024, Taiwan will enter an era of pricing carbon emissions. Semiconductors are a high-carbon emission industry, which will significantly increase production costs. Epi proposes specific management countermeasures for climate change risks as follows: (1) Actively promote various energy conservation and carbon reduction programs to strengthen the company's ability to cope with extreme climate, including: - Completed 14 energy-saving actions, with an annual electricity saving rate of 1.9%, equivalent to saving 1.75 million kilowatt hours of electricity. - Establish an energy-saving project management team to continuously carry out energy-saving optimization measures for equipment and facilities. - Establish a greenhouse gas inventory management review committee, establish greenhouse gas inventory procedures, introduce management systems such as ISO14001 and ISO/CNS14064-1, conduct greenhouse gas inventory verification personnel training, conduct greenhouse gas inventory every year, and pass inspections by third-party agencies. (2) R&D and production of low energy consumption products to provide customers with lower carbon products: Actively develop and mass-produce new energy-saving products (compound semiconductors GaN and SiC) to provide customers with more advanced product choices with energy-saving and carbon-reducing advantages.						

4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Based on the TCFD framework, the ESG Steering Committee identifies and evaluates climate-related risks, and continues to track the climate risks and opportunities faced by Jiajing's peers every year. After identifying key issues, it sets relevant indicators and goals, tracks the achievement of goals, and adjusts management measures and responses.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used should be explained.	As of the publication date of the annual report, the Company has not used scenario analysis to assess its resilience to climate change risks, so it is not applicable.
6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and goals used to identify and	As of the publication date of the annual report, the Company has not completed its transformation plan to manage climate-related risks. The relevant content will be disclosed upon completion.

manage physical risks and transformation risks. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. 8. If climate-related goals are set, information such as the activities covered, greenhouse gas emission scope, planning schedule, annual achievement progress, etc. should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as Explain the	As of the publication date of the annual report, the Company has not used internal carbon pricing as a planning tool, so it is not applicable. As of the publication date of the annual report, the Company has not set climate-related targets, so it is not applicable.
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source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed.	Greenhouse gas inventory and confirmation status as well as reduction targets, strategies and specific action plans are as follows 1-1. As of the publication date of the annual report, it is not necessary to disclose the reduction targets, strategies and specific action plans, and will be disclosed in accordance with legal requirements in the future.
9. Greenhouse gas inventory and confirmation, reduction goals, strategies and specific action plans (fill in 1-1 and 1-2 separately).	

1-1 Company greenhouse gas inventory and confirmation status in the last two years

Basic information of the company ☐ Companies with capital of more than NT\$10 billion, steel industry, cement industry ☐ Companies with capital of more than NT\$5 billion but less than NT\$10 billion ☒ Companies with capital of less than NT\$5 billion	According to the provisions of the sustainable development road map of listed companies, at least ☒ Individual inspection of the parent company ☐ Inspection of the consolidated financial report of subsidiaries ☐ Parent company' s individual confidence ☐ Consolidated financial report subsidiary' s confidence
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greenhouse gas inventory and confirmation status for 2022

Data coverage Total emissions		Total emissions (metric tons CO2e)	Intensity (metric tons CO2e/million yuan)	Believe in the organization	Description of the belief situation (including the scope of the belief, the assurance agency, the assurance criteria and the assurance agency)
Scope1	parent company	489.386	0.1	BSI	The company's total greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 are 63349.19 metric tons of CO2e, of which Scope 1 accounts for 0.77% of the total emissions, Scope 2 accounts for 83.68%, and Scope 3 accounts for 15.55%. It has been confirmed by the assurance agency using the ISAE3410/ISO 14064-3 : 2006 standard. The opinions in Category 1 and 2 are reasonable guarantees, and the opinions in Category 3 are limited guarantees.
Scope2	parent company	53011.481	9		
Scope3	parent company	9848.327	1.7		

greenhouse gas inventory and confirmation status for 2023

Data coverage Total emissions		Total emissions (metric tons CO2e)	Intensity (metric tons CO2e/million yuan)	Believe in the organization	Description of the belief situation (including the scope of the belief, the assurance agency, the assurance criteria and the assurance agency)
Scope1	parent company	602.9347	0.1	BSI	The company's total greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 are 51,915.9841 metric tons CO2e, of which Scope 1 accounts for 1.16% of the total emissions, Scope 2 accounts for 81.90%, and Scope 3 accounts for 16.94%. It is expected to be carried out in April 2024 by a third-party agency, which will be certified by BSI in accordance with the agreement between the two parties and in accordance with the ISAE3410/ISO 14064-3 : 2019 standard. The information will be reported continuously. Book Revealed.
Scope2	parent company	42517.0993	10.0		
Scope3	parent company	8795.9501	2.1		

(VII) Status of Implementation of Integrity Operation:

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	✓		(I) In order to implement the policy of good faith operation and actively prevent dishonest behaviors, the company has formulated the code of good faith operation and the code of ethics for employees to specifically regulate the matters that the board of directors, management and all employees should pay attention to when carrying out business.	No difference
(II) Has the Company established an risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(II) The code of good faith practices of the company has formulated preventive measures for the business activities with high risk of dishonest behavior in the code of good faith practices of listed and OTC companies or other business scope, established effective accounting system and internal control system, and reviewed them from time to time, so as to ensure the continuous and effective implementation of the system.	No difference
(III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?	✓		(III) The company has formulated "code of conduct for good faith" and "code of ethics for employees", which specify the operation procedures, conduct guidelines, punishment and complaint system for violations, and implemented them, and regularly reviewed and amended them.	No difference
II. Enforcement of ethical management				
(I) Does Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior	✓		(I) According to the company's code of conduct on good faith, before conducting business transactions, the legitimacy and reputation of the objects of business transactions should	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
provisions in contracts with such counterparties?			be considered to avoid dealing with those who have dishonest behaviors. In addition, the terms of dishonest behaviors should be specified in the relevant business contracts. If the opposite party is involved in dishonest behaviors, the contract may be terminated or terminated at any time.	
(II) Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on ethical management policy, as well as the supervision of measures for prevention of unethical conduct?	✓		(II) In order to improve the management of good faith operation, the management center is responsible for the formulation of good faith operation policies and preventive plans, which are supervised and implemented by the audit unit and reported to the board of directors when necessary.	No difference
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(III) The company has formulated the "Code of Integrity Management" and "Employee Code of Ethics" to prevent conflicts of interest, and set up investment zones, corporate governance zones, corporate sustainable development zones, and stakeholder zones on the company's website to benefit shareholders and Stakeholders etc.	No difference
(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, and had internal auditors made audit plans according to the results of the risk assessment of unethical conduct, so as to inspect the compliance of the preventive measures, or commissioned external CPA to conduct the audit?	✓		(IV) The company has established an effective accounting system and internal control system, and the operation is normal. The internal auditors regularly carry out audit according to the audit plan and make audit reports, and the audit reports are sent to the chairman and independent directors for inspection, so as to implement honest operation and avoid fraud.	No difference
(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(V) Through departmental meetings, the company promotes and enables employees to understand the company's principles and norms of good faith management.	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
III. Implementation of the Whistleblowing System (I) Has the Company established specific whistle-blowing and reward procedures, accessible reporting channels, and designated personnel to handle the reported misconducts?	✓		(I) The company has established "code of conduct for good faith" and "code of ethics for employees". According to different issues, the company sets up special handling personnel and provides relevant reporting channels. Any violation of the company's code of ethics will be severely punished in accordance with the company's reward and punishment measures. In this year, there was no punishment for breach of integrity management regulations.	No difference
(II) Has the Company established standard operating procedures for investigating misconducts, follow-up measures taken after investigation and confidentiality protection mechanism?	✓		(II) The company has a suggestion mailbox and a full-time personnel unit responsible for handling employee complaints. Reporters can report through letters, emails, telephone lines, etc., and handle them in a confidential manner. The company's website has also set up a stakeholder contact platform to serve as a communication channel for handling stakeholder suggestions, doubts and disputes. In addition, to ensure the rights and interests of stakeholders, a rigorous reporting mechanism allows stakeholders to be safe and confidential. Convey the message.	No difference
(III) Has the Company provided proper whistleblower protection?	✓		(III) The company provides a reporting channel and takes appropriate protection measures in accordance with the law to maintain the personal data and privacy of the informant.	No difference
IV、Strengthen information disclosure? Enhancement of Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	✓		The company has disclosed the content of the Code of Integrity and its promotion results on his website .	No difference
V. If the Company has established integrity management principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
VI. Other important information to facilitate better understanding of the Company’ s corporate conduct and ethics compliance practices (e.g., review the company’ s corporate conduct and ethics policy): Up to now, the company has not violated the integrity management rules, affecting the operation of the company.				

(VIII) If the Company has established corporate governance principles or other relevant guidelines, the channels of access to such principles must be disclosed:

Please refer to the Company' s website (<http://www.epi.episil.com>) or Open Information Observatory (<http://mops.twse.com.tw>) for the company' s Corporate Governance Principles.

(IX) Other important information material to the understanding of corporate governance within the Company: In order to improve the corporate good governance system, the company has formulated the "Code of Procedure for the Board of Directors", "Rules of Procedure for the Board of Shareholders", "Method for the Election of Directors", "Code of Corporate Governance", "Code of Ethical Business Practice" and "Code of Corporate Social Responsibility".

(1) Corporate Governance Supervisors :

Title	Name	During training	Organizer	Course title	Hours
Head of Corporate Governance	Shu-Rong Wu	2023/06/09	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
		2023/09/11	The Institute of Internal Auditors-Chinese Taiwan	"Functions and Tasks of Corporate Governance Personnel under the Corporate Governance Blueprint" and "Latest Practical Development of Domestic Offshore Trading"	6
		2023/10/19	Taiwan Corporate Governance Association	Trends in digital technology and artificial intelligence and risk management	3
		2023/11/03	Securities and Futures Institute	Listed Companies - Insight into the Derivatives Financial Market and Towards Corporate Sustainability Seminar	3
		2023/11/15	Securities and Futures Institute	2023 Insider Equity Trading Act compliance publicity briefing	3

(2)Director's training :

Title	Name	During training	Organizer	Course title	Hours
Chairman	Jian-Hua Syu	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		2023/08/31	Securities and Futures Institute	Insider/short-term case analysis and business judgment rules and case analysis	3
Director	Hsi-Hsin Chen	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
Director		2023/08/15	Taiwan Corporate Governance Association	How expatriate directors and managers can do good governance	3
Director	Guei-Rong Fan	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
Director	Ching-Tzong Sune	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
Director	Wun-Guei Ye	2023/09/04	Financial Supervisory Commission R.O.C. (Taiwan)	The 14th Taipei Corporate Governance Forum	6
		2023/05/23	Taiwan Stock Exchange	Listed OTC companies sustainable development action plan publicity meeting	3
Director	Rong-Huang Luo	2023/09/04	Financial Supervisory Commission R.O.C. (Taiwan)	The 14th Taipei Corporate Governance Forum	3
		2023/06/09	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
Director	Wei-Min Shen	2023/10/27	Securities and Futures Institute	How does the board of directors ensure the sustainable operation of the enterprise - starting from the discovery and cultivation of talents	3
		2023/09/04	Securities and Futures Institute	Grasp the global economic situation and technological pulse - key issues for enterprises	3
		2023/08/31	Securities and Futures Institute	Insider/short-term case analysis and business judgment rules and case analysis	3
		2023/07/27	Securities and Futures Institute	Business operations and risk response management	3

Title	Name	During training	Organizer	Course title	Hours
Director	Ze-Peng Chen	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		2023/10/13	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
Director	Han-Liang Hu	2023/10/19	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3
		2023/09/28	Corporate Operating and Sustainable Development Association	The senior executives of listed companies' understanding of supervision by competent authorities	3
		2023/09/21	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulation	3

(X) Status of Implementation of Internal Control System

1. Statement of internal control system :

Episil-Precision Inc.

Statement of Internal Controls

Date: February 26, 2024

The following statement has been made based on a self-assessment of the Company' s internal control system in 2023:

- I. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcomes and efficiency of the Company' s operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.
- II. There are inherent limitations to even the best designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the effectiveness of its internal control system design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further divided into several sub-elements. Please refer to the "Regulations" for the above mentioned elements.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as of December 31, 2023. This system (including the supervision and management of subsidiaries) has provided assurance concerning the Company's business results, target accomplishments, reliability, timeliness, and transparency of reported information, and its compliance with relevant laws.

- VI. This statement constitutes part of the Company' s annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed at the board meeting held on February 26, 2024 by all 9 attending Directors.

Episil-Precision Inc.

Chairman: : Jian-Hua Syu

General Manager : Ching-Tzong Sune

2. If the Company is required by the Security and Futures Bureau to hire an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: Not applicable.

(XI) In the most recent year up till the printing date of this annual report, penalties imposed against the Company and employees for regulatory violation, or penalties against employees imposed by the Company for violation of internal control policy, which would affect the shareholders' interests and the share price significantly, if any, shall have the content of the penalties, areas of weakness and any corrective actions taken described: None.

(XII) Major resolutions passed at shareholders' meetings and board meetings held in the most recent year up till the printing date of this annual report:

1. Major resolutions and execution of the shareholders' meeting:

Shareholders' meeting	Resolutions	Execution
Shareholders' meeting May 31, 2023	1. Acknowledgement of the 2022 financial statement 2. Acknowledging the 2022 surplus allocation. 3. Approved the amendment of the company's "Articles of Association" 4. Approved the amendments to the company's "Rules of Procedure for Shareholders' Meetings" 5. By amending the company's "procedures for handling assets	1. The resolution was adopted. 2. Worked in accordance with the resolution results. NT\$2 will be distributed per share, and a cash dividend of NT\$577,078,738 will be distributed on August 3, 2023. 3. The resolution has been followed. 4. The resolution has been followed. 5. The resolution has been followed.

2. Major resolutions passed in board meetings:

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
2023.2.24 9th Term 5th Session	1. Approved the company's 2022 employee remuneration and director remuneration distribution proposal. 2. Approved the company's 2023 employee remuneration and director's remuneration estimation proposal 3. Approved the 2022 annual business report and financial report. 4. Approved the company's 2022 profit distribution proposal. 5. Approve the date, venue and reason for convening the company's 2023 regular shareholders' meeting. 6. Pass the 2022 internal control system effectiveness assessment and internal control system statement. 7. Pass the 2023 financial statement review and certification of the appointment and remuneration of certified accountants and their eligibility and independence assessment. 8. Pass the 2023 Directors Business Executive Fee. 9. Approved the appointment of the directors and supervisors of the subsidiary (PRECISION SILICON JAPAN CO., LTD.) 10. Approval of the 2023 salary proposal for managers. 11. Through manager incentives and performance bonuses.	None	NA	All the directors present agree to pass
2023.05.08 9th Term 6th Session	1. Adopt the financial report for the first quarter of 2023. 2. Adopted the amendment of the company's "Corporate Social Responsibility Code". 3. Adopt revision of the company's internal control system.	None	NA	All the directors present agree to pass
2023.08.07 9th Term 7th Session	1. Adopt the financial report for the second quarter of 2023. 2. Get a loan from a financial institution.	None	NA	All the directors present agree to pass
2023.11.06 9th Term 8st Session	1. Adopt the third quarter financial report of 2023. 2. Adopt the 2024 internal audit plan. 3. Pass the director's business execution fee in 2024. 4. Approved the appointment of managers. 5. Adopt the manager's 2024 remuneration proposal.	None	NA	All the directors present agree to pass
2023.12.25 9th Term 9nd Session	1. Adopt the 2024 operating plan and related budgets for manpower, equipment and expenses. 2. Develop "Related Party Transaction Management Operating Procedures".	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
	3. Approved the revision of the company' s internal control system and internal audit rules. 4. Pass the manager' s concurrent appointment and lift the manager' s non-competition case.			
2024. 02. 26 9th Term 10rd Session	1. Approved the company's 2023 employee remuneration and director remuneration distribution proposal. 2. Approved the company's 2024 employee remuneration and director's remuneration estimation proposal 3. Approved the 2023 annual business report and financial report. 4. Pass the 2024 financial statement review and certification of the appointment and remuneration of certified accountants and their eligibility and independence assessment. 5. Approved the company's 2023 profit distribution proposal. 6. Approve the date, venue and reason for convening the company's 2024 regular shareholders' meeting. 7. Pass the 2023 internal control system effectiveness assessment and internal control system statement. 8. Amend the company' s "Manager Incentive and Performance Bonus Measures" . 9. Through manager incentives and performance bonuses.	None	NA	All the directors present agree to pass

3. Important decisions of the Audit Committee:

Board of Directors Date/Term	Proposal content and subsequent handling	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors
2023.02.24 9th Term 5th Session	1. Business report and financial report for 2022. 2. The company's 2022 earnings distribution proposal. 3. 2022 internal control system effectiveness assessment and internal control system statement. 4. Appointment and remuneration of certified public accountants for the 2023 financial statement review and assessment of their suitability and independence.	✓	None
Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.			
2023.05.08 9th Term 6th Session	1. Financial Report for the First Quarter of 2023 2. Revise the company's internal control system	✓	None
Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.			
2023.08.07 9th Term 7th Session	1. Financial Report for the Second Quarter of 2023	✓	None
Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.			
2023.11.06 9th Term 8th Session	1. Financial Report for the Third Quarter of 2023 2. Formulate an internal audit plan for 2024	✓	None
Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.			
2023.12.25 9th Term 9th Session	1. 2024 operating plan and related manpower, equipment and expense budgets 2. Amendment of internal control system and internal audit rules 3. Concurrently serving as a manager and lifting the manager's non-competition	✓	None
Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.			
2024.02.26 9th Term 10th Session	1. Business report and financial report for 2023. 2. Appointment and remuneration of certified public accountants for the 2024 financial statement review and assessment of their suitability and independence. 3. The company's 2023 earnings distribution proposal. 4. 2023 internal control system effectiveness assessment and internal control system statement.	✓	None

Board of Directors Date/Term	Proposal content and subsequent handling	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors
	Audit Committee Resolution: All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		

(XIII) Written opinions or declarations made by Directors or Supervisors against board resolutions in the most recent year, up till the printing date of this annual report: None.

(XIV) Resignation or dismissal of chairman, general managers, accounting directors, financial directors, internal auditors, corporate governance and R&D supervisors, up till the printing date of this annual report: None.

IV、Visa Accountant Fees：

Unit: Thousand (TWD)

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-Audit fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Jhih-Jheng Sie Cai-Yan Jiang	2023/01/01- 2023/12/31	2,470	810	3,280	

(I) In 2023, the non-audit services will be paid for business registration, non-executive salary review and tax visa services, with a total amount of NT\$810 Thousand.

(II) If there is a reduction of audit fees paid compared to that in the previous year due to change of accounting firms, the amount of fees reduced, percentage, and reason shall be disclosed: No such situation.

(III) If the audit fees paid is less than 10% of that in the previous year, the amount of fees reduced, percentage, and reason shall be disclosed: No such situation.

(IV) Alternation of CPA：

1. About the former accountant

Change Date	2023/01/01	2024/01/01	
Reasons and explanations for the change	In line with the internal rotation policy of Chengcheng United Certified Public Accountants, the accountants for auditing and approving financial statements (including review) were changed from accountants Jhih-Jheng Sie and Yu-Kuan Lin, to accountants Jhih-Jheng Sie and Cai-Yan Jiang	In line with the internal rotation policy of Chengcheng United Certified Public Accountants, the accountants for auditing and approving financial statements (including review) were changed from accountants Jhih-Jheng Sie and Cai-Yan Jiang, to accountants Dian-Yi Li, and Jhih-Jheng Sie	
Indicate that the appointer or accountant has terminated or	parties Situation	Accountant	Appointing Person
	Voluntary termination of appointment	NA	NA

refused to accept the appointment.	No longer accept (continue) appointment	NA	NA
Opinions and reasons for audit reports issued within the latest two years other than unqualified opinions	None		
Any disagreements with the issuer?	Yes		Accounting principles or practices
			Financial Report Disclosure
			Check scope or steps
			Other
	No	V	
	Description: Not applicable		
Other disclosures (Items 1-4 to 1-7 of Paragraph 6 of Article 10 of this Code should be disclosed)	None		

2. About the successor accountant

Firm name	PricewaterhouseCoopers Taiwan	PricewaterhouseCoopers Taiwan
Accountant name	Jhih-Jheng Sie & Cai-Yan Jiang	Dian-Yi Li, and Jhih-Jheng Sie
Date of appointment	2023/01/01	2024/01/01
Pre-appointment consulting matters and results regarding accounting treatment methods or accounting principles for specific transactions and opinions on the possible issuance of financial reports	Not applicable	
Written opinions of the successor accountant on matters with different opinions from the predecessor accountant	Not applicable	

3. Reply from the former accountant on matters 1 and 3 of paragraph 6 of Article 10 of these Standards: Not applicable.

(V)Any of the Company' s Chairman, General Manager, or managers responsible for Financial or Accounting Affairs being employed by the auditor' s firm or any of its affiliated Company in the most recent year: No such situation.

V、Changes in Shareholding of Directors, Supervisors, Managers and Major

Shareholders :

Title	Name	2023		As of Apr. 1, 2024	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director & Major shareholder	Episil Technologies Inc.	0	0	0	0
Chairman & CSO	Representative: Jian-Hua Syu	0	0	0	0
Director	Representative: Hsi-Hsin Chen	0	0	0	0
Director & General Manager	Representative: Ching-Tzong Sune	0	0	0	0
Director	Representative: Guei-Rong Fan	0	0	0	0
Director	Nan Ya Photonics Incorporation	0	0	0	0
	Representative: Rong-Huang Luo	0	0	0	0
Director	Jiacai Investment Co. Ltd	100,000	0	0	0
	Representative: Wun-Guei Ye	27,000	0	0	0
Independent Director	Wei-Min Shen	0	0	0	0
Independent Director	Ze-Peng Chen	0	0	0	0
Independent Director	Han-Liang Hu	0	0	0	0
Deputy General Manager	Shao-Hao Lyu	0	0	0	0
Associate	Jhih-Kai Jhang	0	0	0	0
Associate(Note)	Jie-Biao Wang	0	0	0	0
Head of finance & Accounting	Pei-Yuan Chen	0	0	0	0
Head of Corporate Governance	Shu-Rong Wu	0	0	0	0

Note : Associate Jie-Biao Wang resigned in March 2024.

1. The counterparties of equity transfer are related parties : None
2. The counterparties of share pledges are related parties : None

VI、Information on Relationships among Top 10 Largest Shareholders：

Name	Shareholding		Shares Held by Spouse & Minors		Total shares held in the name of others		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Name	Relationship	
Episil Technologies Inc	166,961,680	57.86	NA	NA	0	0	None	None	
Representative: Jian-Hua Syu	150,000	0.05	0	0.00	0	0	None	None	
Nan Ya Photonics Incorporation	9,847,325	3.41	NA	NA	0	0	None	None	
Representative: Wen-chao Wang	0	0.00	0	0.00	0	0	None	None	
Wun-Guei Ye	3,200,632	1.11	2,500,855	0.87	0	0	Siou-Cing Chen Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Jiacai Investment Co. Ltd	3,100,793	1.07	NA	NA	0	0	None	None	
Representative: Siou-Cing Chen	2,500,855	0.87	3,200,632	1.11	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Bi-xiang Ye	2,912,385	1.01	2,667,814	0.92	0	0	Wu-Shun Huang Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Wu-shun Huang	2,667,814	0.92	2,912,385	1.01	0	0	Bi-Siang Ye Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Siou-Cing Chen	2,500,855	0.87	3,200,632	1.11	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
You-Cin Yang,	940,000	0.33	0	0.00	0	0	None	None	
Jhih-Ying Yang	869,075	0.31	0	0.00	0	0	None	None	
Gao-Huang Lin	850,000	0.29	0	0.00	0	0	None	None	

VII、Combined Shareholding Ratio：

March 31, 2024/ Unit: shares

Affiliated Enterprise (Note1)	Ownership by the Company		Ownership by Directors, Supervisors, Managerial officers, and directly/indirectly owned subsidiaries		Total Ownership	
	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding
PRECISION SILICON JAPAN CO., LTD.	200	100	-	-	200	100

Note1 : Investment by the company using the equity method

Four. Capital Overview

I、Capital and Shares：

(I) Sources of Capital：

April 1, 2024 Unit: shares

Share categories	Authorized capital			Note
	Outstanding shares (public listed)	Unissued shares	Total	
Registered Common Shares	288,541,819	211,458,181	500,000,000	-

April 1, 2024

Unit: shares / NTD

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
105.01	10	300,000,000	3,000,000,000	243,575,315	2,435,753,150	Marge with Episil Semiconductor Co. Ltd	—	Note 1
105.05	10	300,000,000	3,000,000,000	244,179,315	2,441,793,150	Execute employee stock warrants 604,000 shares	—	Note 2
105.08	10	300,000,000	3,000,000,000	244,290,315	2,442,903,150	Execute employee stock warrants 111,000 shares	—	Note 3
105.11	10	300,000,000	3,000,000,000	244,320,315	2,443,203,150	Execute employee stock warrants 30,000 shares	—	Note 4
106.02	10	300,000,000	3,000,000,000	244,401,315	2,444,013,150	Execute employee stock warrants 81,000 shares	—	Note 5
107.01	29.8	300,000,000	3,000,000,000	274,401,315	2,744,013,150	Capital increase from cash 30,000,000 shares	—	Note 6
109.08	10	500,000,000	5,000,000,000	277,491,213	2,774,912,130	Corporate bonds into shares 3,089,898 shares	—	Note 7
109.11	10	500,000,000	5,000,000,000	278,816,103	2,788,161,030	Corporate bonds into shares 1,324,890 shares	—	Note 8
110.03	10	500,000,000	5,000,000,000	279,635,585	2,796,355,850	Corporate bonds into shares 819,482 shares	—	Note 9
110.05	10	500,000,000	5,000,000,000	280,068,790	2,800,687,900	Corporate bonds into shares 433,205 shares	—	Note 10
110.08	10	500,000,000	5,000,000,000	280,538,097	2,805,380,970	Corporate bonds into shares 469,307 shares	—	Note 11
110.11	10	500,000,000	5,000,000,000	282,320,639	2,823,206,390	Corporate bonds into shares 1,782,542 shares	—	Note 12

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
111.01	10	500,000,000	5,000,000,000	284,376,729	2,843,767,290	Corporate bonds into shares 2,056,090 shares	—	Note 13
111.05	10	500,000,000	5,000,000,000	284,715,486	2,847,154,860	Corporate bonds into shares 338,757 shares	—	Note 14
111.06	10	500,000,000	5,000,000,000	288,015,486	2,880,154,860	Capital increase from cash 3,300,000 shares	—	Note 15
111.11	10	500,000,000	5,000,000,000	288,539,369	2,885,393,690	Corporate bonds into shares 523,883 shares	—	Note 16
113.03	10	500,000,000	5,000,000,000	288,541,819	2,885,418,190	Corporate bonds into shares 2,450 shares	—	Note 17

Note 1 : Approved by February 19, 2016, GSZ No. 1050004119

Note 2 : Approved by May 24, 2016, GSZ No. 1050013773

Note 3 : Approved by August 22, 2016, GSZ No. 1050023364

Note 4 : Approved by November 21, 2016, GSZ No. 1050032283

Note 5 : Approved by February 06, 2017, GSZ No. 1060002669

Note 6 : Approved by January 12, 2018, GSZ No. 1070002205

Note 7 : Approved by August 18, 2020, GSZ No. 1090023232

Note 8 : Approved by November 23, 2020, GSZ No. 1090032888

Note 9 : Approved by February 22, 2021, GSZ No. 1100007646

Note 10 : Approved by May 24, 2021, GSZ No. 1100014727

Note 11 : Approved by August 20, 2021, GSZ No. 1100023377

Note 12 : Approved by November 23, 2021, GSZ No. 1100034547

Note 13 : Approved by January 19, 2022, GSZ No. 1110001782

Note 14 : Approved by May 26, 2022, GSZ No. 1110016327

Note 15 : Approved by June 28, 2022, GSZ No. 1110019931

Note 16 : Approved by November 18, 2022, GSZ No. 1110037183

Note 17 : Change registration has not yet been processed

(II) Status of Shareholders :

April 1, 2024

Shareholder Structure Quantity	Government agencies	Financial institutions	Others institutional investors	Individuals	Foreign institutions & individuals	Total
Number of Shareholders	1	6	55	34,829	104	34,995
Shareholding	1	929,929	180,535,806	103,619,881	3,456,202	288,541,819
Percentage of Shareholding (%)	0.00	0.32	62.57	35.91	1.20	100.00

(III) Shareholding Distribution Status :

April 1, 2024

Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage%
1-999	12,494	1,054,614	0.37
1,000-5,000	19,110	35,300,070	12.23
5,001-10,000	1,995	15,052,554	5.22
10,001-15,000	569	7,073,793	2.45
15,001-20,000	280	5,084,822	1.76
20,001-30,000	241	5,982,168	2.07
30,001-40,000	97	3,406,733	1.18
40,001-50,000	47	2,161,644	0.75
50,001-100,000	90	6,350,616	2.20
100,001-200,000	43	5,797,359	2.01
200,001-400,000	13	3,653,095	1.27
400,001-600,000	1	412,664	0.14
600,001-800,000	5	3,334,128	1.16
800,001-1,000,000	3	2,686,075	0.93
1,000,001 and above	7	191,191,484	66.26
Total	34,995	288,541,819	100.00

(IV) List of major shareholders :

April 1, 2024

Shares Name of major shareholders	Shares Held (Shares)	Holding Percentage
Episil Technologies Inc.	166,961,680	57.86%
Nan Ya Photonics Incorporation	9,847,325	3.41%
Wun-Guei Ye	3,200,632	1.11%
Jiacai Investment Co. Ltd	3,100,793	1.07%
Bi-Siang Ye	2,912,385	1.01%
Wu-Shun Huang	2,667,814	0.92%
Siou-Cing Chen	2,500,855	0.87%
You-Cin Yang,	940,000	0.33%
Jhih-Ying Yang	896,075	0.31%
Gao-Huang Lin	850,000	0.29%

(V) Information on Market Price, Book Value, Earnings Per Share and Dividends :

Unit: NT\$

Year		2022	2023	As of April 1, 2024 of current year
Items				
Market price per share	Highest	139.50	80.30	64.30
	Lowest	66.10	56.00	51.10
	Average	92.23	65.35	59.04
Equity per share	Before distribution	18.38	16.97	-
	After distribution(Note1)	16.38	16.47	-
Earnings per share	Weighted-average shares (thousand shares)	286,615	288,539	-
	Earnings per share (NTD)	2.38	0.57	-
Dividend per share (NTD)	Cash dividends(Note1)	2.00	0.50	-
	Stock dividends	From earnings	-	-
		From capital surplus	-	-
	Cumulative undistributed dividends	-	-	-
Investment return analysis	P/E ratio (Note 2)	38.75	114.65	-
	Price-dividend ratio (Note 3)	46.12	130.70	-
	Cash dividend yield (Note 4)	2.17	0.77	-

Note 1: The 2023 profit distribution plan was approved by the board of directors on February 26, 2024

Note 2 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price °

(VI) Dividend Policy and Execution Status :

1. 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.
2. Situation of dividend distribution discussed this year: The company's board of directors resolved on February 26, 2024 to issue a cash dividend of NT\$0.5 per share, totaling NT\$144,269,685.

(VII) The impact of the free allotment proposed by the shareholders' meeting on the company's business performance and earnings per share: not applicable.

(VIII) Employee dividends and directors' remuneration:

1. The percentage or range of employee dividends and directors' remuneration as set out in the articles of association:

Article 25 of the articles of association:

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.

Employees may be remunerated in stock or cash, and the objects of payment in stock or cash may include employees of subordinate companies who meet certain conditions.

2. According to the approval of the board of directors, the employee compensation and director compensation in 2023 are NT \$18,026,242 and NT \$2,253,280 respectively, all of which are paid in cash. It is based on the amount of the company's net profit before tax deducting the employee compensation and director compensation multiplied by the distribution ratio of employee compensation and director compensation proposed in the articles of association. There is no difference in the annual cost estimates.
3. The actual distribution of employee dividends and directors' remuneration in the previous year (including the number of shares distributed, amount and share price), and the difference between the actual distribution and the remuneration of recognized employees and directors, the reasons for the difference and the handling situation: no difference.

(IX) Share repurchases: None

II、Corporate Bonds:

(I) Corporate bonds issued but not repaid:

April 1, 2024

Corporate Bond Type		The fourth domestic unguaranteed corporate bonds
Issue date		March 29, 2022
Denomination		NT\$100,000
Issuing and transaction location		Taipei Exchange
Issue price		Issue by denomination 101%
Total price		NT\$500,000,000
Coupon rate		0%
Tenor		3 years Maturity: March 29, 2025
Guarantee agency		None
Consignee		KGI Commercial Bank Co., Ltd.
Underwriting institution		KGI Securities Co., Ltd.
Certified lawyer		Handsome Attomeys-at- Law Lawyer Ya-Wen Chiu
CPA		PWC Chih-Cheng Hsieh, CPA、Yu-Kuan Lin, CPA
Repayment method		Unless the holders of the convertible bonds are converted into the common shares of the company in accordance with Article 10 of the issuance and conversion rules, or the company purchases and cancels the bonds at the business offices of securities firms, the company will repay the bonds held by the bondholders in cash in one lump sum according to the face value of the bonds at the maturity of the bonds.
Outstanding principal		NT \$499,700,000
Terms of redemption or advance repayment		Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	As of 2024/04/01, NT\$300,000 has been converted.
	Issuance and conversion (exchange or subscription) method	Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds.
Issuance and conversion exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Please refer to the appendix of the public statement of the fourth domestic unguaranteed corporate bonds.
Transfer agent		None

(II) Issue convertible bonds, exchangeable bonds, and corporate bonds with warrants in general, and disclose the information of convertible bonds, exchangeable bonds, and corporate bonds with warrants in general.

A · Convertible Bonds

Corporate bond type		4 th Unsecured Convertible Corporate Bond	
Year		Y2023	As of 2024/4/1
Item			
Market price of the convertible bond	Highest	101.00	100.40
	Lowest	96.20	96.30
	Average	97.48	98.19
Convertible Price		From Jun 14, 2022, the conversion price will be adjusted from NT\$128.0 to NT\$127.8; From July 23, 2022, the conversion price will be adjusted from NT\$127.8 to NT\$126.2 From July 12, 2023, the conversion price will be adjusted from NT\$126.2 to NT\$122.4	
Issue date and conversion price at issuance		Issue Date : March 29, 2022 Conversion price at issuance: : NT\$128.0	
Conversion methods		Issuing of new stocks	

B · Exchangeable Bonds Information : None

C · Shelf Registration for Issuing Bonds : None

D · Corporate Bonds with Warrants : None

III · Issuance of Special Stock:None

IV · Issuance of Global Depositary Receipts:None

V · Issuance of Employee Stock Options:None

VI · Status of New Shares Issuance in Connection with Mergers and Acquisitions:None

VII · Financing Plans and Implementation:None

Five. Business overview

I、Business Content:

(I) Scope

1. Main content: Manufacture of silicon epitaxy wafers, buried-layer epitaxy wafers, multi-layer epitaxy wafers, silicon epitaxy on SOI (Silicon on Insulator) wafer, GaN epitaxy wafers, SiC epitaxy wafers.

2. 2022 Consolidated operating proportion :

Unit: NT\$ Thousand ; %

Year Major Divisions	Y2022		Y2023	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Epitaxial wafers	5,899,587	100.00	4,236,502	100.00
Total	5,899,587	100.00	4,236,502	100.00

3. Current portfolios: production and foundry of Silicon Epitaxy, Silicon Carbide Epitaxy and Gallium Nitride Epitaxy.

4. New products planned to be developed

(1) 8" GaN-on-Silicon medium and low voltage epitaxial wafers for low and medium voltage applications.

(2) 8" SiC-on-SiC epitaxial wafers.

(II) Industrial overview

1. Current status of the industry

Fall 2023	Amounts in US\$M			Year on Year Growth in %		
	2022	2023	2024	2022	2023	2024
Americas	141,136	132,536	162,154	16.2	-6.1	22.3
Europe	53,853	57,048	59,480	12.8	5.9	4.3
Japan	48,158	47,209	49,275	10.2	-2.0	4.4
Asia Pacific	330,937	283,333	317,455	-3.5	-14.4	12.0
Total World - \$M	574,084	520,126	588,364	3.3	-9.4	13.1
Discrete Semiconductors	33,993	35,951	37,459	12.0	5.8	4.2
Optoelectronics	43,908	42,583	43,324	1.2	-3.0	1.7
Sensors	21,782	19,417	20,127	13.7	-10.9	3.7
Integrated Circuits	474,402	422,174	487,454	2.5	-11.0	15.5
Analog	88,983	81,051	84,056	20.1	-8.9	3.7
Micro	79,073	76,579	81,937	-1.4	-3.2	7.0
Logic	176,578	174,944	191,693	14.0	-0.9	9.6
Memory	129,767	89,601	129,768	-15.6	-31.0	44.8
Total Products - \$M	574,084	520,126	588,364	3.3	-9.4	13.1

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

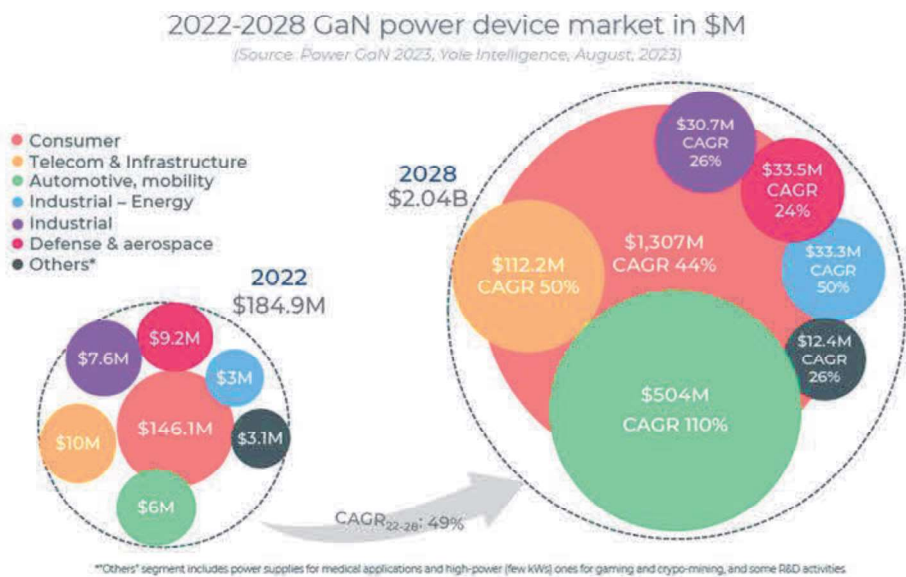
Source : WSTS, November 2023

According to the November 2023 report of World Semiconductor Trade Statistics (WSTS), the global semiconductor market declined in 2023, with a scale of \$520.126 billion dollars, an annual decrease of 9.4% from \$574.084 billion in 2022. In 2024, the overall semiconductor market is expected to grow by 13.1%, and the analog IC

and discrete device markets, which are more closely related to the epitaxy material, will grow by 3.7% and 4.2% respectively.

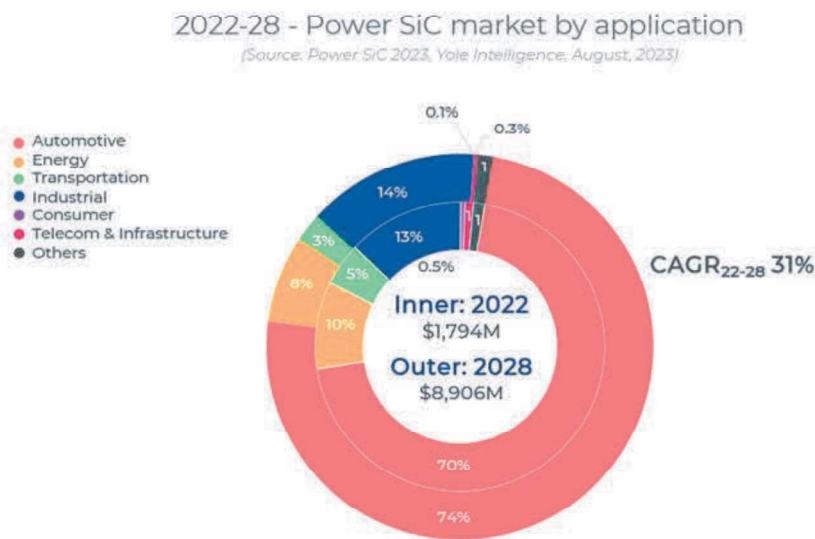
In addition, GaN-on-Silicon wafers and GaN-on-SiC wafers, which have higher performance than silicon materials and have been successfully developed by Episil-Precision, are expected to be more widely adopted in Power discrete market.

About WBG (wide band gate), according to Yole’s 2023 forecast, the GaN power device market size will be from \$185 million in 2022 to \$2.04 billion in 2028 which expected to reach 49% CAGR (2022–2028). Fast charger adoption in mobile phone, data center, and 5G base station will be the main driven application.



Sources: Yole, August 2023

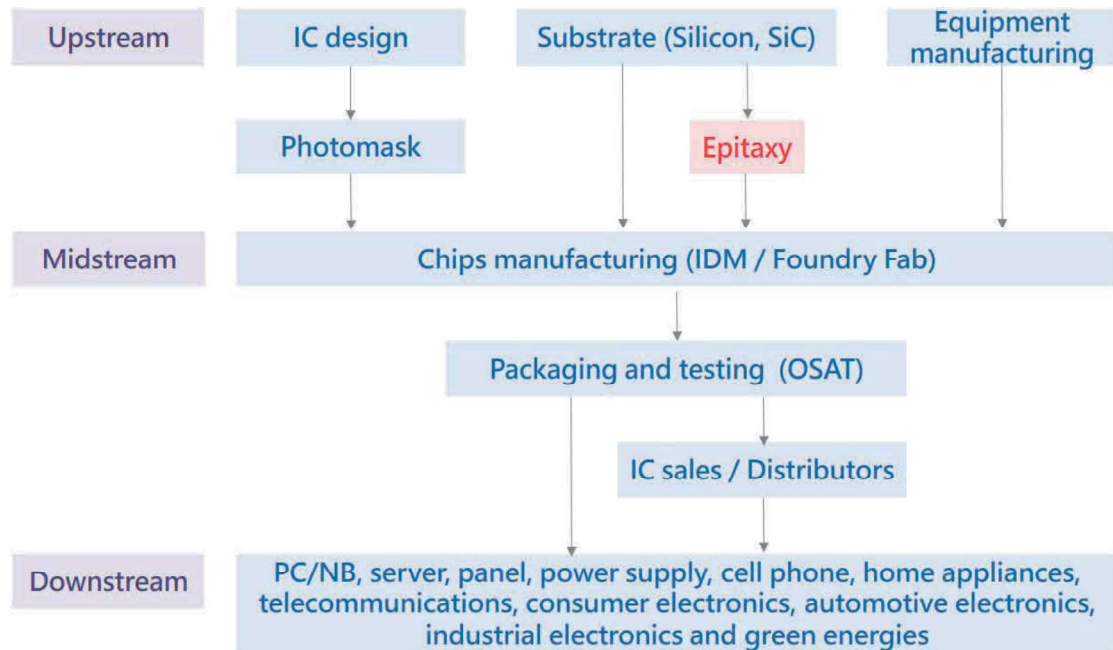
In terms of SiC, Yole predicted a market size will be from \$1.8 billion in 2022 to \$8.9 billion in 2028 which expected to reach 31% CAGR (2022–2028), and will play an important role in the EV, PV, and industrial sectors.



Sources: Yole, August 2023

2. Relevance of the industry

Relevance of the industry are shown in the figure below, the upstream industries include: wafer manufacturing or reclaiming, IC design, chemical manufacturing, equipment manufacturing, lead frame manufacturing and mask manufacturing, etc. The downstream industries are: packaging and testing, IC sales, system manufacturers. Episil-Precision belongs to the upstream wafer related industry.



With the evolution of vertical integration of semiconductor industry, the upstream are IC design companies and silicon wafer manufacturing companies. IC design companies design the circuit diagrams base on customers' request, and silicon wafer manufacturing companies use polysilicon as raw materials to produce silicon wafers. For the midstream, The IC wafer manufacturer companies follows the circuit diagram designed by IC design Companies and prints the basic circuit pattern on the wafer with photo mask, and then produces the circuit and device on the wafer by oxidation, diffusion, CVD, etching, ion implantation and other methods. The finished wafers are then sent to downstream IC packaging and testing companies, the dice are coated with plastic, ceramic or metal to protect from contamination and easy assembly, and attain the effect of electrical connection and heat dissipation between the chip and electronic system. Lastly testing process including function, electrical and heat dissipation tests. Episil-Precision' s silicon and compound semiconductor (SiC and GaN) epitaxy belong to the upstream industry.

The major products of Episil-Precision and subsidiary are Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, Multi-Layer Epitaxial Wafer, GaN Epitaxial Wafer and SiC Epitaxial Wafer, which are important materials for Power Semiconductors, such as Power MOSFET, Diodes, Insulated Gate Bipolar Transistor (IGBT), and Power Management IC (PMIC). There are many applications of its downstream products, such as consumer electronics, automotive electronics, industrial control, telecommunications, computers, etc.

3. Industrial trend

Moving into the future, emerging technologies such as IoTs, wireless charging, and autopilot will increase the semiconductor content in end products, which can be expected to increase the production value of the semiconductor industry. Epitaxy technology, due to the superior electrical properties, it can be widely applied to discrete devices and ICs, such as power management, driver, optoelectronic, and protective devices to meet ESG concept. Current mainstream power devices use 6 inches and 8 inches epitaxial wafers, but major IDMs have begun pushing production towards 12 inches power devices. In some application that beyond silicon's limit, there are increasing companies adopting wide band gap semiconductor devices. Episil-Precision is also working on SiC-on-SiC and GaN-on-Silicon epitaxy development.

4. Competition

Foreign competitors are mainly silicon substrate manufacturing companies in Japan, German and United States. These competitors have substrate ingot, slicing, grinding, polishing, cleaning and epitaxy. Most of them focus on large-size (8" /12") standard CMOS processes. In addition, China has some competitors in the small/medium-size silicon epi house.

Episil-Precision's epitaxial technology has recognized by domestic and foreign customers. We will go on developing new processes to provide quality, costly and competitive products to our customers.

(III) Overview of technology and R&D

1. Technical level and research development of the business

Episil-Precision has developed key epitaxial technologies for quality improvements such as gas supply stability monitoring technology, equipment improving for parameter stabilization and decompression growth technology. Our 6, 8 inch epitaxial silicon wafers, 6, 8 inch buried layer epitaxial silicon wafer and 8 inch super-junction epitaxial silicon wafers have been certified and adopted by large semiconductor manufacturers. In addition to legacy silicon materials, our new developed GaN and SiC epitaxy technologies are also certified and in mass production.

2. Research and Development Expenses by the Central Research Institute (CRI) in the Past year

Unit : NT\$ thousands

Year	Y2023	2024/01/01~2024/03/31
Total Expenses	88,345	25,427
Total Sales	4,236,502	1,030,060
%	2.09%	2.47%

3. Successfully developed technology or product

(1) Recent developed technologies or products

- 1) Gen 2 High Grade SiC-on-SiC epitaxial wafers.
- 2) RF GaN (GaN-on-Silicon) epitaxial wafers.
- 3) Gen 2 650V GaN-on-Silicon epitaxial wafers.
- 4) Reduced pressure process for high resistance silicon epitaxial wafers.

(2) Patents

Up to now, 7 ROC patents, 2 US patents, 2 China patents and 1 Japan patent have been filed and approved.

(IV) Long-term and short-term business plan

(1) Short-term business plan

The short-term business plan is to maintain good customer relationships, deepen the niche market, differentiate the market with high quality, avoid price-cutting competition, improve the profitability, and keep the competitive advantage.

(2) Long-term business plan

Due to long-term effort in business internationalization, service and quality improvement, we have been recognized by customers. In recent years, Episil-Precision develops China and emerging markets in response to the growing needs of Asian and China semiconductor market, and produce various types of epitaxy such as SOI, SiC-on-SiC and GaN-on-Silicon to expand the epitaxy business.

II. Market and Sales Overview:

(I) Market analysis

1. Sales (Service) Region

Unit : NT\$ thousands

Area		2022		2023	
		Amount	(%)	Amount	(%)
Domestic sales	Taiwan	3,178,107	53.87	1,925,955	45.46
Export sales	Japan	1,484,141	25.16	1,491,222	35.20
	Mainland China	503,822	8.54	214,844	5.07
	Other	733,517	12.43	604,481	14.27
Total Sales		5,899,587	100.00	4,236,502	100.00

2. The future demand and growth of the market

With the booming development of EVs, green energy, and 5G related applications, the reliance on semiconductors is increasing, and the semiconductor market is bound to continue to expand in the coming years. Coupled with higher energy efficiency requirements, this is also driving both qualitative and quantitative improvements in power semiconductors. Since Episil-Precision' s silicon epitaxial products and compound semiconductor epitaxial products are necessary raw materials for power semiconductors, we are optimistic that the demand for epitaxial products will continue to grow.

3. Niche of Competition

A. With a complete product line and market reputation

Episil-Precision has excellent epitaxial production technology, R&D capabilities, and market reputation. It is an important supplier for global silicon epitaxial material which can provide complete services in response to the needs of different customers. Market position is small amount of variety, and customer orders are all customized products.

B. Key technologies through strategic alliances

In addition to our own research and development, Episil-Precision also cooperates with customers and allied companies to develop processes technology. To reduce production costs, increase product yield, we also upgraded the transferred technology by our own technology and established a long-term relationship. In the other hand, employees are rewarded to apply patents with their research results for intellectual property protection.

C. Independent research and development capabilities

With the trend of consumer electronics products becoming lighter, thinner and shorter, the industry continues to introduce products with more power-saving, low-power and fast data transmission characteristics. Semiconductor material companies must also provide silicon substrates that are in line with future trends to help device manufacturers achieve the best performance. Epitaxial silicon wafers are essential materials for energy saving trends. Episil-Precision' s epitaxial technology can

be applied to energy-saving and carbon reduction power components and develop energy-saving products. In addition to legacy silicon materials, we also develop and mass-produced new epitaxial materials GaN and SiC, provide a superior epitaxy material and become a pioneer in the energy-saving and carbon reduction power electronics industry.

D. A robust portion of vertically integrated IC industry in Taiwan

For Taiwan stands a key position in the global semiconductor industry, Episil-Precision is an integral part of this value chain and has been closely integrated with upstream and downstream, and share mutual benefits. Therefore, Episil-Precision is not only internationally competitive, but also effective in developing new markets.

E. High-quality product is highly recognized by customers

About quality, Episil-Precision is ISO 9001:2015 and ISO/TS16949:2016 certified.

In terms of environmental safety and health, Episil-Precision is ISO 14001:2015 and ISO 45001:2018 certified.

4. Advantages and disadvantages of development prospects and countermeasures

A. Advantages

- (A) For silicon epitaxial foundry, Episil-Precision and the subsidiaries have long-term cooperation with customers and have established good relationships, to optimize the capacity and expansion plans. °
- (B) Episil-Precision and the subsidiaries have been researching and manufacturing on epitaxy for more than 30 years and has accumulated mature technology in terms of quality and human resource. The complete foundry service enables well-known domestic and foreign companies to participate in technical cooperation. We have obtained a large number of orders and long-term orders in Japan market, and also made great efforts to develop European, American and China markets, to become a diversified market.
- (C) Silicon wafer materials market grows as global semiconductor demand continues to grow. Devices like smart phones, tablets, computers are in strong demand, making memory, processors, communications chips and other IC components in short supply, also makes semiconductor materials market continued growth.

B. Disadvantages

- (A) New competitors are coming into the market, squeezing margins. In addition, China government actively supports there domestic semiconductor industry, and the market competition becomes more fierce.

Countermeasures

- a. Episil-Precision works with customers to develop new processes and products, and work on yield improvement to enhance the competitiveness of products. In recent years, epitaxial silicon wafer technologies have been applied in many products, including energy-saving products. Episil-Precision will continue to upgrade new manufacturing processes to face competition.
 - b. To develop business, adjust product portfolio, and establish strategic alliances to reduce impact from industry competition and economic.
 - c. To develop the epitaxial materials and device manufacturing technologies for next generation power semiconductors, and expend mass production lines, increase product value, and avoid price competition.
- (B) Silicon wafers are essential materials for semiconductor devices. They are part of the semiconductor industry and are subject to semiconductor booms and booms..

Countermeasures

To carefully evaluate investment plans and schedule for personnel, machinery, capital and technology. Reduce the impact of business fluctuations by flexibility.

(II) Important use and production process of main products

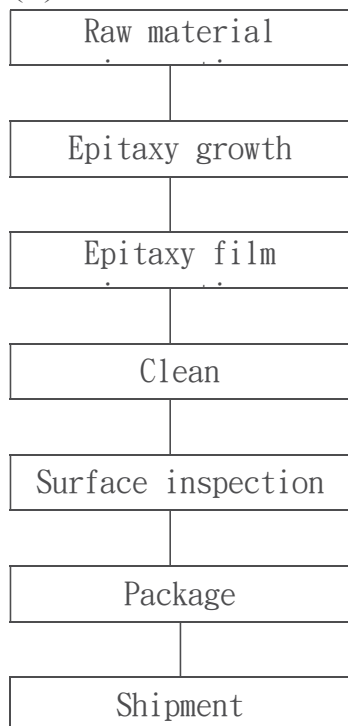
(1) Important use of main products

The major products of Episil-Precision and subsidiary are Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, Multi-Layer Epitaxial Wafer, GaN Epitaxial Wafer and SiC Epitaxial Wafer, which are important materials for Power Semiconductors, such as Power MOSFET, Diodes, Insulated Gate Bipolar Transistor (IGBT), and Power Management IC (PMIC).

Product	Function	Use
Silicon epitaxial wafer (Buried layer epitaxial wafer)	It can increase the breakdown voltage and maintain the fast response time of the transistor	Essential materials for power FET (field-effect transistor), small signal transistors, FRD (fast recovery diodes), CMOS (Complementary Metal-Oxide-Semiconductor), VLSI (very-large-scale integration)
Multilayer epitaxial wafer	Achieve ultra-low MOSFET on-resistance	For ultra-low resistance power FET manufacturing.
Silicon epitaxy on SOI (Silicon on Insulator)	High speed devices	For RF IC manufacturing
GaN epitaxy wafer	It can increase the breakdown voltage and	Suitable for applications on communication,

Product	Function	Use
	10 times better than silicon wafer, and increase the operating frequency	military, aerospace, high-speed/high-voltage/high-current power
SiC epitaxy wafer	It can increase the breakdown voltage and better than GaN wafer, and reduce on-resistance	Suitable for applications on high-speed/high-voltage/ultra-high-current power, such as 1200V applications

(2)Process flow



Thickness/uniformity/resistance

Particle /Metal

(III)Raw materials supply chain

Epi is committed to stabilizing the supply of raw materials and managing and certifying suppliers. There are more than 2 suppliers to buy the raw materials with reasonable price, good quality, and rapid delivery, and to enhance competitiveness. Epi has established long-term cooperative relations with suppliers, and regularly evaluates them to ensure the stability of quality and delivery.

In recent years, Epi has developed energy-saving products and has been certified by major IDMs, which has resulted in stable revenue. In addition, Epi is also constantly develop products application and customer, to avoid the risk of market concentration.

(IV)Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease

1. Major Suppliers in the Last Two Calendar Years :

Unit:NT\$ thousands

Item	Y2022				Y2023			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	B	709,161	24.89	None	B	338,742	18.49	None
2	A	473,409	16.62	None	A	288,484	15.75	None
3	C	424,241	14.89	None				None
4	Others	1,241,965	43.60		Others	1,204,787	65.76	
	Net Total Supplies	2,848,776	100.00		Net Total Supplies	1,832,013	100.00	

2. Major Clients in the Last Two Calendar Years :

Item	Y2022				Y2023			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	A	688,579	11.67	parent company	B	797,501	18.82	None
2	B	667,491	11.31	None				
3								
4	Others	4,543,517	77.02		Others	3,439,001	81.18	
	Net Total Clients	5,899,587	100.00		Net Total Clients	4,236,502	100.00	

(V) Production in the Last Two Years

Unit: floor; NT \$ thousands

Year Output Major Products	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Epitaxial Wafers	5,106,000	4,523,856	5,824,562	5,146,000	2,906,320	4,205,912

Note: production capacity refers to the quantity that the company can produce under normal operation by using existing production equipment after measuring factors such as necessary downtime and holidays. Different product mix will affect the conversion of total capacity.

(VI) Shipments and Sales in the Last Two Years

Unit: Piece;NT\$ thousands

Year Shipments & Sales Major Products	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Epitaxial Wafers	2,648,123	3,169,389	1,623,858	2,730,198	1,685,422	1,925,955	886,572	2,310,547

III、Human Resources：

Employees information in the most recent two years and as of the publication date of the annual report

Year		2022	2023	As of 2024/4/1
Numbers Of Employees	Operators	294	269	271
	Indirect	440	434	427
	Total	734	703	698
Average Age		41.08	39.40	39.59
Average Years of Employment		11.85	10.38	10.61
Level of Education(%)	Ph. D.	0.68%	0.57%	0.57%
	Master' s Degree	13.08%	14.08%	14.33%
	Bachelor' s & Associates Degree	69.35%	69.13%	69.05%
	Senior High School	15.67%	14.94%	14.76%
	Other	1.23%	1.28%	1.29%

IV、Environmental Protection Expenditure：

(I)Amount of losses and penalties for environmental pollution in the most recent year and up to the date of publication of the annual report: none.

(II)Future countermeasures and possible expenditures:

The company is committed to protecting the earth and the environment and providing safe and healthy workplaces. In the planning of the plant, we have carefully considered the pollution prevention and control facilities and treatment methods. After being reviewed by the Environmental Protection Bureau of Hsinchu County / city and the Administration Bureau of Hsinchu

Science and Industry Park, we have met the statutory discharge standards and obtained the air, water, waste and poison permits. According to the law, the company has a special person responsible for the supervision and management of relevant environmental protection business, all of whom have relevant certificates. In December, 2001, Episil-Precision obtained the certification of ISO 140001. The current issue date is 2022/11/25 and the expiry date is 2025/11/24. Obtained OHSAS18001 safety and health management system certification in 2010. In March 2018, the International Organization for Standardization (ISO) announced a new version of the occupational health and safety management system (ISO 45001:2018) to replace OHSAS 18001. The company has obtained ISO45001:2018 certification in October 2019 , the current issue date is 2022/11/25 and the expiry date is 2025/11/24. Whether it is the environmental management system or the occupational safety and health management system, it is regularly reviewed every year. In the future, continuous improvement actions will be taken to strengthen pollution prevention, risk control, and reduce the impact on the environment and the risk of safety and health.

(III) Protection actions for working environment and personal safety of employees:

1. The company has set up an Occupational safety and health department, which is responsible for the planning, implementation and audit of the safety and health management work in the plant area, continuously improving various safety and health measures, and creating a safe and healthy working environment.
2. In order to make the colleagues have a correct understanding of the hazards and preventive measures in the operation, the safety and health education, training, propaganda and drills should be carried out regularly every year or irregularly, so as to enhance the safety awareness and emergency response ability of the colleagues.
3. Conduct staff health examination and health promotion activities (such as health weight loss, health lecture, etc.), and provide the latest health information to take care of and improve staff's physical and mental health.
4. A professional organization shall be entrusted to monitor the working environment every half a year, divide the similar exposure groups and establish their exposure status. According to the results of exposure assessment, chemicals shall be classified and managed, and relevant protective measures and operation control shall be taken to provide a safe and comfortable working environment for employees, so as to maintain their physical and mental health.
5. Formulate annual automatic inspection schedule, formulate inspection items covering hazard prevention of machinery and equipment according to the requirements of each unit, and implement the supervision and audit mechanism to prevent accidents and meet the requirements of laws and regulations.

V、Labor and Management Relationship:

(I) Employees welfare、 further Study and training、 retirement system and its implementation， as well as labor-management agreements and employee rights：

1. Employees welfare：

(1)All employees participate in labor insurance and national health insurance：

Employees from the day they officially start to work participate in labor insurance, national health insurance and accident insurance to ensure their rights.

(2)Employees regular health check：

In order to ensure the health of employees, in addition to providing regular free health check-ups, the company also adds other specific item health check-ups for special operators.

(3) Staff training：

A. Staff training and training methods

Employees are the company's most important asset. In order to cultivate talents, the company has established complete training procedures and implemented various training courses based on the employees functions. The company's training covers orientation training, on-the-job training, external training, self-development, and certification and appraisal methods to improve the work efficiency of employees and provide customers with better product quality and services.

B. Staff training and expenditure information

Year 2023 current employees training as follows:

Items	Total	Class	Total hours	Cost(\$NT)
Talent development training	118	3	21.0	\$303,975
Function Professional Training	3,714	496	3,150.5	\$92,250
Class Management Training	681	17	18.0	\$333,590
Others	10,357	109	216.0	\$573,836
Total	14,870	625	3,405.5	\$1,303,651

(4) Employees welfare：

The Employee Welfare Committee provides subsidies for birthdays, marriages, childbirth, funeral ceremonies and organizes employee tours and a number of club activities to enhance the friendship of employees and relax their bodies and minds.

2. Employee Retirement System：

Epi's retirement system is established in accordance with the Labor Pension Ordinance and protects the retirement rights of employees under the old system

who are subject to the Labor Standards Act, or employees under the new system who are subject to the Labor Pension Ordinance. For employees who are subject to the old system, the employer will contribute 2% to 15% of the employee's total monthly salary to the labor retirement reserve fund account on a monthly basis. The account is earmarked for special use, and the ownership belongs to the employer, and the Bank of Taiwan (Trust Department) handles the fund's receipts, payments, custody and use. When an employee meets the retirement conditions and applies for pension from the employer, the employer can pay it from the labor retirement reserve account. For colleagues who are subject to the new system, in addition to the employer's monthly pension contribution of 6% of salary, they can voluntarily contribute pension within the range of 6%, and the full amount will be deducted from the total personal comprehensive income of the current year. The ownership of this special account belongs to labor.

3. Other important agreements :

The company has always spared no effort in protecting the rights of employees and caring for employees' body and mind. The labor-management relationship is very harmonious. The company has established an employee welfare committee to be responsible for the planning of employee welfare matters.

Use more communication and coordination methods for labor and management to ensure that both labor and management can obtain a common understanding, so that all tasks can be promoted smoothly. In addition to strengthening the communication between labor and management and cooperation team, it also attaches importance to the opinions and complaints of employees. Labor-management meetings are held regularly, and no labor-management disputes have occurred so far.

4. Other important information that helps to understand the operation of corporate social responsibility :

The company's labor relations policy has always adhered to the philosophy of sincerity, cooperation, and sharing, constantly strives to create a harmonious happy working atmosphere and living environment through internal communication, with the hope to establish a satisfactory relationship of mutual trust between employees and management to allow all employees to enjoy the company, prosperity and growth together; Implementation of external social responsibilities is in the planning and execution of the company's various employee relationship activities, long-term donation of materials to the private Hsinchu Ren'ai Children's Home in Hsinchu City, supporting public welfare activities in the neighborhood, and participating in donations and charity sales (see the table below) to give back to stakeholders in the community.

Item		Donation / Order
2019/4/12	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Young Happiness ~ Development & Environmental	50,000

Item		Donation / Order
	Love Garden Party】	
2019/5/3	Corporate World Peace Association 【Rescue Children from Starvation 2019 Children' s Drama Charity Performance】	20, 000
2019/9/6	Eden Social Welfare Foundation 【Eden-Elderly Care Service Plan (Spend a Quality life with Them】	30, 000
2020/1/17	Corporate World Peace Association 【Happy Chinese New Year for hungry children】	20, 000
2020/3/27	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Christmas Happiness, Learning Achievement Parent-Child Activity】	50, 000
2020/11/6	Eden Social Welfare Foundation 【2020 The disabled Service Program】	30, 000
2021/11/26	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Happiness Painted Pottery Music and Grass Concert - Art Creation Exhibition for People with Disabilities】	50, 000
2021/11/19	Eden Social Welfare Foundation 【2021 The disabled Service Program】	30, 000
2022/2/18	Corporate World Peace Association 【2022 Happy Chinese New Year for hungry children】	20, 000
2022/3/30	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Animal Rhapsody Painted Kneading Pottery - Art Creation Exhibition for People with Disabilities】	50, 000
2022/10/17	Eden Social Welfare Foundation 【2022 The disabled Service Program】	30, 000
2023/03/24	Corporation Changhua Country Joyce-Polio Care Association	Order charity products 3,090
2023/05/05	Corporate World Peace Association	Lovingly donating COVID-19 rapid screening kits 150 copies
2023/05/11	Corporate World Peace Association 【2023WPACChildren's Theater Charity Performance】	20, 000
2023/05/26	(Nara Catholic Church) Hsinchu County Jianshi Township Tribal Family Growth and Culture Association	Love Donation- Flashlights and COVID-19 Rapid Screening Kits 200 copies
2023/08/26	Children Are Us Foundation	Order charity products 20,800
2023/09/19	Down Syndrome Foundation R.O.C 【Home care, safe care】	50, 000
2023/10/24	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【2023 Happy Christmas Fun-Learning Results】	50, 000

Item		Donation / Order
2023/11/24	The Garden of Hope Foundation 【 Rebuilding the lives of battered women and children 】	50,000
2023/11/27	Eden Social Welfare Foundation 【 Disability service plan 】	30,000

(II) Losses suffered due to labor disputes in the most recent year and as of publication date of the annual report, the estimated amount and corresponding measures that may occur at present and in the future are disclosed: None

(III) Employee Code of Conduct:

1. In order to comply with the relevant regulations of listed companies such as the Securities Exchange Law, to protect the rights and interests of employees, customers and shareholders, the company has formulated a code of conduct for employees, as summarized below:

A. Corporate governance standards

Be truthful with shareholders, customers, suppliers, competitors, at all levels of government agencies and other persons or organizations that will be affected by the company's activities. Strictly abide the various laws and regulations, commit to the transparency of the company's response to external disclosure as well and respect social culture.

Uphold the principle of fair competition as the foundation of business operations, and aim to continuously provide high-quality products and services. To maintain profitability as the company's operation goal for a long time to ensure shareholder's remuneration rights.

B. Maintain the trading order and fairness of the securities market

The company has established a code of conduct for employees. Any information that may affect the market price of the company's stocks should be disclosed by the company's spokesperson. Before the authority and responsible unit announced according to law, employees should keep confidential the information learned due to their duties. Prohibited to disclose without authorization.

If an employee is an insider as defined by the stock exchange, the person must comply with the "Insider Equity Transition Reporting Operation" to handle equity changes.

C. Maintain an excellent working environment

Within the company, propaganda for political parties or politicians is not allowed, nor allowed to spread religion or recruit for charitable organizations.

Department heads above employees should avoid relatives within third-degree relatives (including) to work in the company. Employees performing non-official services should be approved by their superiors.

D. Promote social harmony

No employee of the company shall accept any form of bribery. If there is a gift for the holidays and festivals, it should be shared by all departments or given to the Welfare Committee for use in activities.

Employees shall not introduce illegal software to the company's computer system for use.

2. In order to establish an accurate concept of gender equality among colleagues and protect employee's rights and interests at work, the company provides a working environment free from sexual harassment, and formulates sexual harassment prevention, complaints and punishment measures.
3. In order to promote workplace harmony, protect all employees' workplace safety and work rights, prevent employees while performing their duties encounters internal and external workplace violence incidents. There is a 「Workplace Violence Prevention Measures」 to prevent unlawful violations.

VI、Information security management：

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

(1) Infocom Security Risk Management Framework：

- A. The company's information department is responsible for information security policy management and planning, and an information security team is responsible for information security-related incident handling and reporting.
- B. Regularly report to the general manager on the anti-virus, disaster prevention, hacking, and leakage prevention mechanisms of information security.

(2) Information Security Policy：

Formulate information security management specifications to ensure the confidentiality and security of the company's information assets and legal compliance, and formulate hazard handling procedures to minimize the impact.

(3) specific management plan：

- A. Endpoint device protection and control: install antivirus software, keep operating system updated, import DLP mechanisms, and file encryption security solutions。
- B. Central external control: establish a security protection

platform such as Firewall, Mail Gateway, Proxy Gateway, etc.

C. Data protection: important data is stored in different places and heterogeneous platforms through the backup system.

D. The company regularly conducts information security publicity for colleagues, enhances information security awareness, and strengthens information security protection.

(4) 17.44 million yuan has been invested in the introduction of existing information security solutions. The annual continuous maintenance investment is 1.75 million yuan. The information security budget for 2024 includes an investment of 6.1 million yuan based on protection needs.

(II) In the most recent year and as of the date of publication of the annual report, losses, possible impacts and countermeasures due to major information security incidents: None.

VII、Important contracts：

Nature of contract	Parties	Contract start and end date	Main contents	Restrictions and remarks
Sales contract	Company C	From 2018 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company D	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company E	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company F	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company G	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company H	From 2022 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company I	From 2020 to 2030	To formulate the relevant conditions, rights and obligations of both parties	None

Six. Financial Information

I、Condensed Balance Sheet and Consolidated Income Statement

(I) Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		2,933,641	3,306,410	4,229,977	5,161,538	4,306,433
Property, Plant and Equipment		2,495,653	2,059,306	1,799,031	2,008,385	2,020,775
Intangible assets		58,639	55,096	53,245	52,520	55,648
Other assets		534,286	544,752	531,282	449,731	429,130
Total assets		6,022,219	5,965,564	6,613,535	7,672,174	6,811,986
Current liabilities	Before distribution	1,044,706	1,103,174	1,530,855	1,452,709	1,043,973
	After distribution	1,113,306	1,173,184	1,872,107	2,029,787	1,188,243(Note)
Non-current liabilities		1,157,811	816,851	472,601	915,778	870,768
Total liabilities	Before distribution	2,202,517	1,920,025	2,003,456	2,368,487	1,914,741
	After distribution	2,271,117	1,990,035	2,344,708	2,945,565	2,059,011(Note)
Equity attributable to shareholders of the parent		3,819,702	4,045,539	4,610,079	5,303,687	4,897,245
Capital stock		2,744,013	2,796,356	2,843,767	2,885,394	2,885,394
Advance share capital		0	0	0	0	0
Capital surplus		875,577	1,104,180	1,313,939	1,614,778	1,614,778
Retained earnings	Before distribution	199,631	144,555	453,283	804,670	398,971
	After distribution	131,031	74,545	112,031	227,591	254,701(Note)
Other equity interest		481	448	(910)	(1,155)	(1,898)
Total equity	Before distribution	3,819,702	4,045,539	4,610,079	5,303,687	4,897,245
	After distribution	3,751,102	3,975,529	4,268,827	4,726,609	4,752,975(Note)

Source: Financial report audited and certified by accountants.

Note: The 2023 profit distribution plan was approved by the resolution of the board of directors on February 26, 2024.

(II) Individual Condensed balance sheet - Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		2,927,749	3,295,949	4,218,979	5,145,585	4,290,239
Property, Plant and Equipment		2,495,653	2,059,306	1,799,031	2,008,385	2,020,775
Intangible assets		58,639	55,096	53,245	52,520	55,648
Other assets		539,863	554,221	540,832	461,323	441,392
Total assets		6,021,904	5,964,572	6,612,078	7,667,813	6,808,054
Current liabilities	Before distribution	1,044,391	1,102,182	1,529,398	1,448,348	1,040,041
	After distribution	1,112,991	1,172,192	1,870,650	2,025,426	1,184,311(Note)
Non-current liabilities		1,157,811	816,851	472,601	915,778	870,768
Total liabilities	Before distribution	2,202,202	1,919,033	2,001,999	2,364,126	1,910,809
	After distribution	2,270,802	1,998,043	2,343,251	2,941,204	2,055,079(Note)
Equity attributable to shareholders of the parent		3,819,702	4,045,539	4,610,079	5,303,687	4,897,245
Capital stock		2,744,013	2,796,356	2,843,767	2,885,394	2,885,394
Advance share capital		0	0	0	0	0
Capital surplus		875,577	1,104,180	1,313,939	1,614,778	1,614,778
Retained earnings	Before distribution	199,631	144,555	453,283	804,670	398,971
	After distribution	131,031	74,545	112,031	227,592	254,701(Note)
Other equity interest		481	448	(910)	(1,155)	(1,898)
Total equity	Before distribution	3,819,702	4,045,539	4,610,079	5,303,687	4,897,245
	After distribution	3,751,102	3,975,529	4,268,827	4,726,609	4,752,975(Note)

Source: Financial report audited and certified by accountants.

Note: The 2023 profit distribution plan was approved by the resolution of the board of directors on February 26, 2024.

(III) Consolidated Condensed Statement of Comprehensive Income - Based on IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	3,854,729	4,039,180	5,043,332	5,899,587	4,236,502
Gross profit	245,406	243,959	726,433	1,101,881	495,473
Income from operations	6,399	11,488	464,113	784,799	182,969
Non-operating income & expenses	4,082	8,371	16,556	69,866	22,646
Income before tax	10,481	19,859	480,669	854,665	205,615
Continue with the business unit					
Net (loss) profit for the current period	10,478	25,693	380,530	681,271	164,039
Net income (Loss)	10,478	25,693	380,530	681,271	164,039
Other comprehensive income (income after tax)	(1,421)	(12,202)	(3,150)	11,123	6,597
Total comprehensive income	9,057	13,491	377,380	692,394	170,636
Net income attributable to shareholders of the parent	10,478	25,693	380,530	681,271	164,039
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	9,057	13,491	377,380	692,394	170,636
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	0.04	0.09	1.35	2.38	0.57

Source: Financial report audited and certified by accountants.

(IV) Individual Condensed Statement of Comprehensive Income - Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	3,838,154	4,022,775	5,027,125	5,880,611	4,217,444
Gross profit	235,334	233,311	718,625	1,091,859	486,181
Income from operations	4,766	6,902	462,154	781,319	180,116
Non-operating income & expenses	5,212	12,284	18,234	72,344	24,933
Income before tax	9,978	19,186	480,388	853,663	205,049
Continue with the business unit Net (loss) profit for the current period	10,478	25,693	380,530	681,271	164,039
Net income (Loss)	10,478	25,693	380,530	681,271	164,039
Other comprehensive income (income after tax)	(1,421)	(12,202)	(3,150)	11,123	6,597
Total comprehensive income	9,057	13,491	377,380	692,394	170,636
Earnings per share	0.04	0.09	1.35	2.38	0.57

Source: Financial report audited and certified by accountants.

(V) Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	CPA	Audit Opinion
2019	PricewaterhouseCoopers Taiwan	Dian-Yi Li Ya-Huei Jheng	Clean audit opinion
2020	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion
2021	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion
2022	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion
2023	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Cai-Yan Jiang	Clean audit opinion

II、Financial analysis

(1) Consolidated Financial Analysis - Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	36.57	32.19	30.29	30.87	28.11
	Ratio of long-term capital to property, plant and equipment	199.45	236.12	282.52	309.67	285.44
Solvency (%)	Current ratio	280.81	299.72	276.83	355.30	412.50
	Quick ratio	193.27	221.55	216.35	283.67	317.06
	Interest earned ratio (times)	1.59	2.04	38.96	41.27	7.44
Operating performance	Accounts receivable turnover (times)	3.55	4.24	4.37	4.62	3.82
	Average collection period	103	86	83	79	96
	Inventory turnover (times)	4.19	4.23	4.77	4.97	3.68
	Accounts payable turnover (times)	8.30	9.71	9.42	10.59	10.94
	Average days in sales	87	86	77	74	99
	Property, plant and equipment turnover (times)	1.51	1.77	2.61	3.10	2.10
	Total assets turnover (times)	0.64	0.67	0.80	0.83	0.58
Profitability	Return on total assets (%)	0.41	0.68	6.21	9.78	2.62
	Return on stockholders' equity (%)	0.27	0.65	8.79	13.74	3.22
	Pre-tax income to paid-in capital (%)	0.38	0.71	16.90	29.62	7.13
	Profit ratio (%)	0.27	0.64	7.55	11.55	3.87
	Earnings per share (NT\$)	0.04	0.09	1.35	2.38	0.57
Cash flow	Cash flow ratio (%)	37.80	44.98	45.23	79.88	53.03
	Cash flow adequacy ratio (%)	64.18	70.88	74.38	91.96	103.74
	Cash reinvestment ratio (%)	1.48	5.15	6.94	8.26	(0.20)
Leverage	Operating leverage (Note)	63.14	40.24	2.01	1.58	3.75
	Financial leverage	(0.56)	(1.50)	1.03	1.03	1.21

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Decrease in Interest earned ratio (times): The decrease was mainly due to decrease in net profit in 2023.
2. Increase in Average collection period, decrease in Property, plant and equipment turnover(times) & Total assets turnover(times): The increase & decrease was mainly due to decrease in sales in 2023.
3. Decrease in Inventory turnover (times) & increase in Average days in sales:
The decrease & increase was mainly due to decrease in sales & capacity utilization in 2023.
4. Decrease in Profitability related ratios: The decrease was mainly due to decrease in sales & capacity utilization in 2023, led to the decrease in operating gross profit and operating profit, and the decrease in net profit before tax in 2023.
5. Decrease in Cash flow ratio (%) & Cash reinvestment ratio (%): The decrease was mainly due to decrease in net profit and net cash flow from operating activities in 2023.
6. Increase in operating leverage: The increase was mainly due to decrease in operating profit in 2023.

Source: Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

(2) Individual Financial Analysis - Based on IFRS

Year Item		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	36.57	32.17	30.28	30.83	28.08
	Ratio of long-term capital to property, plant and equipment	199.45	236.12	285.52	309.67	285.44
Solvency (%)	Current ratio	280.33	299.04	276.37	355.27	412.32
	Quick ratio	192.78	220.81	215.84	283.43	316.52
	Interest earned ratio (times)	1.56	2.00	38.95	41.23	7.43
Operating performance	Accounts receivable turnover (times)	3.46	4.14	4.29	4.50	3.68
	Average collection period	105	88	85	81	99
	Inventory turnover (times)	4.18	4.22	4.76	4.96	3.67
	Accounts payable turnover (times)	8.29	9.70	9.42	10.60	10.98
	Average days in sales	87	86	77	74	99
	Property, plant and equipment turnover (times)	1.51	1.77	2.61	3.09	2.09
	Total assets turnover (times)	0.64	0.67	0.80	0.82	0.58
Profitability	Return on total assets (%)	0.41	0.68	6.21	9.78	2.63
	Return on stockholders' equity (%)	0.27	0.65	8.79	13.74	3.24
	Pre-tax income to paid-in capital (%)	0.36	0.69	16.89	29.59	7.11
	Profit ratio (%)	0.27	0.64	7.57	11.59	3.91
	Earnings per share (NT\$)	0.04	0.09	1.35	2.38	0.57
Cash flow	Cash flow ratio (%)	38.52	45.04	44.51	78.87	53.74
	Cash flow adequacy ratio (%)	55.30	68.75	72.14	89.10	100.55
	Cash reinvestment ratio (%)	1.57	5.16	6.81	7.61	(0.17)
Leverage	Operating leverage (Note)	84.43	66.31	2.02	1.58	3.79
	Financial leverage	(0.36)	(0.56)	1.03	1.03	1.22

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Decrease in Interest earned ratio (times): The decrease was mainly due to decrease in net profit in 2023.
2. Increase in Average collection period, decrease in Property, plant and equipment turnover (times) & Total assets turnover (times): The increase & decrease was mainly due to decrease in sales in 2023.
3. Decrease in Inventory turnover (times) & increase in Average days in sales:
The decrease & increase was mainly due to decrease in sales & capacity utilization in 2023.
4. Decrease in Profitability related ratios: The decrease was mainly due to decrease in sales & capacity utilization in 2023, led to the decrease in operating gross profit and operating profit, and the decrease in net profit before tax in 2023.
5. Decrease in Cash flow ratio (%) & Cash reinvestment ratio (%): The decrease was mainly due to decrease in net profit and net cash flow from operating activities in 2023.
6. Increase in operating leverage: The increase was mainly due to decrease in operating profit in 2023.

Source: Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

Note : The calculation formula for financial analysis is as follows :

1. Financial structure:

- (1) Debt of long fund to bank property and equipment = $\frac{\text{total liabilities}}{\text{total assets}}$
- (2) Ratio of liabilities to assets = $\frac{(\text{net shareholder's equity} + \text{long-term liabilities})}{\text{net fixed assets}}$

2. Solvency:

- (1) Current ratio = $\frac{\text{current assets}}{\text{current liabilities}}$
- (2) Quick ratio = $\frac{(\text{current assets} - \text{inventory} - \text{prepaid expense})}{\text{current liabilities}}$
- (3) Times interest earned ratio = $\frac{\text{net income before tax and interest expense}}{\text{interest expense}}$

3. Operating ability:

- (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = $\frac{\text{net sales}}{\text{average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)}}$
- (2) Days sales in account receivable = $\frac{365}{\text{account receivable turnover}}$
- (3) Inventory turnover = $\frac{\text{cost of goods sold}}{\text{average inventory}}$
- (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = $\frac{\text{operating costs}}{\text{average balance of account payable (including accounts payable and notes payable resulted from business operation)}}$
- (5) Average days in sales = $\frac{365}{\text{inventory turnover}}$
- (6) Fixed property and equipment turnover = $\frac{\text{net sales}}{\text{net fixed assets}}$
- (7) Total assets turnover = $\frac{\text{net sales}}{\text{average total assets}}$

4. Profitability:

- (1) Ratio or return on total assets = $\frac{[\text{net income} + \text{interest expense} \times (1 - \text{tax rate})]}{\text{average total assets}}$
- (2) Ratio or return on shareholder's equity = $\frac{\text{net income}}{\text{average net shareholder's equity}}$
- (3) Profit ratio = $\frac{\text{net income}}{\text{net sales}}$
- (4) Earnings per share = $\frac{(\text{net income} - \text{preferred stock dividend})}{\text{weighted average stock shares issued}}$

5. Cash flow:

- (1) Cash flow ratio = $\frac{\text{net cash flow from operating activity}}{\text{current liabilities}}$
- (2) Cash flow adequacy ratio = $\frac{(\text{net cash flow from operating activities within five year})}{(\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year}}$
- (3) Cash re-investment ratio = $\frac{(\text{net cash flow from operating activity} - \text{cash dividend})}{(\text{total fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})}$

6. Balance :

- (1) Operation balance = $\frac{(\text{net operating income} - \text{operating variable cost and expense})}{\text{operating income}}$
- (2) Financial balance = $\frac{\text{operating income}}{(\text{operating income} - \text{interest expense})}$

III、Audit Committee's Report

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
2022 Annual Meeting of Shareholders, Episil-Precision Inc.

Chairman of the Audit Committee: Tzer Peng Chen

Date: February 26, 2024

IV 、 Financial report including accountant's audit report

EPISIL-PRECISION INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of the affiliates, are the same as the entities required to be included in the consolidated financial statements of Episil-Precision Inc. and subsidiary in accordance with International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of the affiliates has all been disclosed in the consolidated financial statements of Episil-Precision Inc. and subsidiary, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Episil-Precision Inc.

Representative: Xu, Jian-Hua

February 26, 2024

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	

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

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)

	Notes	Equity attributable to owners of the parent									
		Capital Reserves					Retained Earnings				
		Share capital - common stock	Additional paid-in capital	Warrants	Restricted stocks	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 (loss)	6(19)	-	-	-	-	-	-	-	11,368	(245)	11,123
Total comprehensive income (loss)		-	-	-	-	-	-	-	692,639	(245)	692,394
Appropriation of 2021 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	37,874	-	(37,874)	-	-
Special reserve		-	-	-	-	-	-	910	(910)	-	-
Cash dividends		-	-	-	-	-	-	-	(341,252)	-	(341,252)
Conversion of corporate bonds	6(13)(16)(17)	8,627	40,591	(2,246)	-	-	-	-	-	-	46,972
Issuance of corporate bonds	6(13)	-	-	21,757	-	-	-	-	-	-	21,757
Corporate bonds not converted after the due date		-	(14)	-	-	14	-	-	-	-	-
Cash capital increase	6(16)	33,000	235,737	-	-	-	-	-	-	-	268,737
Compensation cost for cash capital increase retained for employees	6(15)	-	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 (loss)	6(19)	-	-	-	-	-	-	-	7,340	(743)	6,597
Total comprehensive income (loss)		-	-	-	-	-	-	-	171,379	(743)	170,636
Appropriation of 2022 earnings	6(18)	-	-	-	-	-	-	-	-	-	-
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 consolidated financial statements.

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.

EPISIL-PRECISION INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED 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 regulatory 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 consolidated financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc.

The Company and its subsidiary (collectively referred herein as the “Group”) are 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 Technologies Inc. is the Company’s ultimate parent company.

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

These consolidated 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 FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
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 Group’s financial position and financial performance based on the Group’s assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 Group’s financial position and financial performance based on the Group’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 IFRS Accounting Standards as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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 exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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").

(2) Basis of preparation

- A. Except for the following items, the consolidated 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) The subsidiary is included in the Group's consolidated financial statements. Subsidiary is the entity (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.
- (b) Inter-company transactions, balances and unrealised gain or losses on transactions between companies within the Group are eliminated.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2023	December 31, 2022
Episil-Precision Inc.	PRECISION SILICON JAPAN CO., LTD.	Sales of silicon epitaxial wafer	100%	100%

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

(5) Classification of current and non-current items

- 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.

(6) 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.

(7) 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 Group 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 Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group 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.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(9) 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 Group 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 Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group 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 Group 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 Group has not retained control of the financial asset.

(11) 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.

(12) 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.

(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 Group 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 Group. 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 consolidated 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 Group 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 Group manufactures and sells silicon epitaxy wafers 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 Group'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 Group 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 Group 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.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 Group'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 Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 379	\$ 422
Checking accounts and demand deposits	243,655	287,133
Time deposits	1,292,555	1,896,356
Bonds sold under repurchase agreements	747,500	657,500
	<u>\$ 2,284,089</u>	<u>\$ 2,841,411</u>

- A. The Group 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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Pledged time deposits	<u>\$ 13,583</u>	<u>\$ 13,565</u>

- 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 Group was \$13,583 and \$13,565, respectively.

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

(3) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 880,798	\$ 1,026,092
Accounts receivable due from related parties	102,958	207,799
Less: Loss allowance	(152)	(152)
	<u>\$ 983,604</u>	<u>\$ 1,233,739</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Accounts receivable (including related	Accounts receivable (including related
	parties)	parties)
Not past due	\$ 925,851	\$ 1,110,105
Up to 30 days	54,987	102,834
31 to 90 days	<u>2,918</u>	<u>20,952</u>
	<u>\$ 983,756</u>	<u>\$ 1,233,891</u>

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 \$1,320,004.
- C. As of December 31, 2023 and 2022, collaterals held by the Group as security for accounts receivable was \$1,000 and \$5,000, respectively.

- D. As of 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 Group's accounts receivable was \$983,604 and \$1,233,739, 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
	<u>\$ 1,027,962</u>	<u>(\$ 108,244)</u>	<u>\$ 919,718</u>

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
	<u>\$ 1,006,054</u>	<u>(\$ 58,978)</u>	<u>\$ 947,076</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 3,174,612	\$ 4,640,332
Unamortised manufacturing expenses	512,454	154,807
Inventory valuation loss	49,266	891
Inventory scrapped	4,697	1,676
	<u>\$ 3,741,029</u>	<u>\$ 4,797,706</u>

(5) 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	(1,413,314)	(3,348,504)	(60,292)	-	(4,822,110)
Accumulated impairment	(420)	(936)	-	-	(1,356)
	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>
<u>2023</u>					
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	<u>\$ 903,538</u>	<u>\$ 787,985</u>	<u>\$ 25,468</u>	<u>\$ 303,784</u>	<u>\$ 2,020,775</u>
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)
	<u>\$ 903,538</u>	<u>\$ 787,985</u>	<u>\$ 25,468</u>	<u>\$ 303,784</u>	<u>\$ 2,020,775</u>
	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)
	<u>\$ 758,768</u>	<u>\$ 901,695</u>	<u>\$ 10,441</u>	<u>\$ 128,127</u>	<u>\$ 1,799,031</u>
<u>2022</u>					
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	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>
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)
	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>

A. The Group 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.

(6) Lease transactions—lessee

- A. The Group 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:

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

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

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$1,140 and \$1,070, respectively.
- E. Information on profit or loss in relation to lease agreements is as follows:

	<u>Year ended December</u>	<u>Year ended December</u>
	<u>31, 2023</u>	<u>31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 5,576	\$ 5,858
Expense on short-term lease agreements	1,820	1,369

- F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$17,050 and \$17,134, respectively.
- G. Extension and termination options

In determining the lease term, the Group 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.

(7) Leasing arrangements – lessor

- A. The Group 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 leasees.
- B. For the years ended December 31, 2023 and 2022, the Group 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 177,825</u>	<u>\$ 241,281</u>

(8) Investment property

	<u>2023</u>
	<u>Buildings and Structures</u>
At January 1	
Cost	\$ 206,227
Accumulated depreciation and impairment	(45,907)
	<u>\$ 160,320</u>
At January 1	\$ 160,320
Depreciation expense	(4,923)
At December 31	<u>\$ 155,397</u>
At December 31	
Cost	\$ 206,227
Accumulated depreciation and impairment	(50,830)
	<u>\$ 155,397</u>

	<u>2022</u>
	<u>Buildings and Structures</u>
At January 1	
Cost	\$ 211,322
Accumulated depreciation and impairment	(41,743)
	<u>\$ 169,579</u>
At January 1	\$ 169,579
Depreciation expense	(4,996)
Transfer	(4,263)
At December 31	<u>\$ 160,320</u>
At December 31	
Cost	\$ 206,227
Accumulated depreciation and impairment	(45,907)
	<u>\$ 160,320</u>

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

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Rental revenue from investment property	<u>\$ 39,260</u>	<u>\$ 41,607</u>
Direct operating expenses arising from the investment property that generated rental revenue during the year	<u>\$ 9,724</u>	<u>\$ 9,363</u>

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was \$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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	11.65%	11.01%
Annual rent (net income)	\$34,475	\$36,267
Duration	10 years	10 years

C. The Group 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 Group has no investment property pledged to others as

collateral.

(9) 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)
	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>
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	<u>\$ 5,760</u>	<u>\$ 48,369</u>	<u>\$ 1,519</u>	<u>\$ 55,648</u>
At December 31				
Cost	\$ 10,638	\$ 48,369	\$ 39,898	\$ 98,905
Accumulated amortisation and impairment	(4,878)	-	(38,379)	(43,257)
	<u>\$ 5,760</u>	<u>\$ 48,369</u>	<u>\$ 1,519</u>	<u>\$ 55,648</u>
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)
	<u>\$ -</u>	<u>\$ 48,369</u>	<u>\$ 4,876</u>	<u>\$ 53,245</u>
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	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>
At December 31				
Cost	\$ 5,618	\$ 48,369	\$ 39,270	\$ 93,257
Accumulated amortisation and impairment	(3,001)	-	(37,736)	(40,737)
	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>

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

	Year ended December	Year ended December
	31, 2023	31, 2022
Operating costs	\$ 1,278	\$ 3,857
Administrative expenses	1,242	-
	<u>\$ 2,520</u>	<u>\$ 3,857</u>

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

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

(10) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 266,950</u>	6.120% ~ 6.502%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 178,624</u>	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.

(11) Accounts payable

	December 31, 2023	December 31, 2022
Accounts payable	\$ 218,597	\$ 387,080
Estimated accounts payable	38,408	32,059
	<u>\$ 257,005</u>	<u>\$ 419,139</u>

(12) 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' compensation and directors' remuneration payable	20,279	84,428
Accrued expenses-others	72,171	82,565
	<u>\$ 362,648</u>	<u>\$ 621,779</u>

(13) Bonds payable

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

A. The domestic unsecured convertible bonds issued by the Group

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 both amounts were \$21,757.

(14) 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:

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

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

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

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

(d) The Bank of Taiwan was commissioned to manage the fund of the Group'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 Group 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 was both 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%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligations	(\$ 3,934)	\$ 4,067	\$ 3,566	(\$ 3,474)
<u>December 31, 2022</u>				
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 in 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 Group 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 Group 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 Group for the years ended December 31, 2023 and 2022 were \$28,904 and \$28,070, respectively.

(15) Share based payment

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

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

B. The Group 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:

	Year ended December 31, 2023	Year ended December 31, 2022
Equity-settled	\$ -	\$ 5,000

(16) Share capital

A. As of December 31, 2023, the Group’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	<u>288,539</u>	<u>288,539</u>

- 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.

(17) 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.

(18) 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	<u>\$ 646,587</u>	

- 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	<u>\$ 380,036</u>	

- 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.

(19) Other equity items

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

(20) Operating revenue

	Years ended December 31	
	2023	2022
Revenue from contracts with customers	\$ 4,236,502	\$ 5,899,587

A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31, 2023</u>	<u>Sales of silicon epitaxy wafer</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 4,213,836	\$ 22,666	\$ 4,236,502
Timing of revenue recognition			
At a point in time	\$ 4,213,836	\$ 22,666	\$ 4,236,502

<u>Year ended December 31, 2022</u>	<u>Sales of silicon epitaxy wafer</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 5,889,033	\$ 10,554	\$ 5,899,587
Timing of revenue recognition			
At a point in time	\$ 5,889,033	\$ 10,554	\$ 5,899,587

B. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
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 year	\$ -	\$ 79,596

(21) Interest income

	Years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 30,776	\$ 14,058

(22) Other income

	Years ended December 31,	
	2023	2022
Rental revenue	\$ 40,348	\$ 42,703
Dividend income	-	1
Other income, others	5,350	1,434
	<u>\$ 45,698</u>	<u>\$ 44,138</u>

(23) Other gains and losses

	Years ended December 31,	
	2023	2022
Net currency exchange (loss) gain	(\$ 8,739)	\$ 46,768
Gains on disposals of property, plant and equipment	1,599	-
Depreciation on investment property	(4,923)	(4,996)
Other losses	(9,844)	(8,879)
	<u>(\$ 21,907)</u>	<u>\$ 32,893</u>

(24) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense :		
Bank borrowings	\$ 19,090	\$ 8,071
Bonds payable	6,973	5,558
Lease liabilities	5,576	5,858
Others	132	1,564

Finance expenses	150	172
	<u>\$ 31,921</u>	<u>\$ 21,223</u>

(25) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 750,238	\$ 938,648
Depreciation expenses on property, plant and equipment	499,742	452,954
Amortisation expenses on intangible assets	2,520	3,857

(26) Employee benefit expenses

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 608,606	\$ 786,552
Share-based payments	-	5,000
Labour and health insurance fees	60,334	57,279
Pension costs	29,936	28,786
Other personnel expenses	51,362	61,031
	<u>\$ 750,238</u>	<u>\$ 938,648</u>

- 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 was accrued at \$18,026 and \$75,047, respectively; while directors' remuneration was 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' 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".

(27) Income taxes

A. Income tax benefit expenses

Components of income tax benefit expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 56,480	\$ 170,552
Prior year income tax (overestimation) underestimation	(7,652)	1,324
Total current tax	48,828	171,876
Deferred tax:		
Origination and reversal of temporary differences	(7,252)	1,518
Total deferred tax	(7,252)	1,518
Income tax expense	<u>\$ 41,576</u>	<u>\$ 173,394</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 41,576	\$ 171,735
Expenses disallowed by tax regulation	1,395	1,112
Change in assessment of realisation of deferred tax assets	6,257 (	777)
Prior year income tax (overestimation) underestimation	(7,652)	1,324
Income tax expense	<u>\$ 41,576</u>	<u>\$ 173,394</u>

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
	<u>32,095</u>	<u>5,972</u>	<u>38,067</u>
Deferred income tax liabilities:			
Income on investments	1,293	(275)	1,018
accounted for using equity method			
Property, plant and equipment - book-tax difference	19,218	553	(18,665)
Investment property - book-tax difference			
Intangible assets - book-tax difference	(515)	515	-
	<u>(36,148)</u>	<u>1,280</u>	<u>(34,868)</u>
	<u>(\$ 4,053)</u>	<u>\$ 7,252</u>	<u>\$ 3,199</u>

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	<u>5,415</u>	<u>3,202</u>	<u>8,617</u>
	<u>\$ 34,014</u>	<u>(\$ 1,919)</u>	<u>\$ 32,095</u>
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)
	<u>(36,549)</u>	<u>401</u>	<u>(36,148)</u>
	<u>(\$ 2,535)</u>	<u>(\$ 1,518)</u>	<u>(\$ 4,053)</u>

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

(28) Earnings per share

Year ended December 31, 2023			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary			
shareholders of the parent	\$ <u>164,039</u>	<u>288,539</u>	\$ <u>0.57</u>
<u>Diluted earnings per share</u>			
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	\$ <u>164,039</u>	<u>288,987</u>	\$ <u>0.57</u>
Year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary			
shareholders of the parent	\$ <u>681,271</u>	<u>286,615</u>	\$ <u>2.38</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary			
shareholders of the parent	681,271	286,615	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,125	
Convertible bonds	<u>4,447</u>	<u>3,426</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>685,718</u>	<u>291,166</u>	\$ <u>2.36</u>

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.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2023	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	<u>\$ 608,688</u>	<u>\$ 475,557</u>

B. Financing activities with no cash flow effects:

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

(30) Changes in liabilities from financing activities

	2023				
	Short-term	Lease	Guarantee	Bonds	Liabilities
	borrowings	liabilities	deposits	payable	from financing
			received		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	<u>\$ 266,950</u>	<u>\$232,845</u>	<u>\$ 8,095</u>	<u>\$491,143</u>	<u>\$ 999,033</u>

	2022				
	Short-term	Lease	Guarantee	Bonds	Liabilities
	borrowings	liabilities	deposits	payable	from financing
			received		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	<u>\$ 178,624</u>	<u>\$252,494</u>	<u>\$ 8,095</u>	<u>\$ 484,170</u>	<u>\$ 923,383</u>

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

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2023	2022
Sales of goods:		
-Parent company	\$ 315,034	\$ 688,579
-Other related parties	7,651	1,286
	<u>\$ 322,685</u>	<u>\$ 689,865</u>

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	\$ 8,277	\$ 9,044
-Other related parties	<u>5,562</u>	<u>1,059</u>
	<u>\$ 13,839</u>	<u>\$ 10,103</u>
Purchases of services:		
-Parent company	<u>\$ 12,116</u>	<u>\$ 13,469</u>

The price and terms on sales 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
-Other related parties	<u>3,606</u>	<u>-</u>
	<u>\$ 102,958</u>	<u>\$ 207,799</u>
Other receivables:		
-Parent company	<u>\$ 10,452</u>	<u>\$ 8,472</u>

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	\$ 4,169	\$ 811
-Other related parties	<u>1,806</u>	<u>1,074</u>
	<u>\$ 5,975</u>	<u>\$ 1,885</u>
Other payables:		
-Parent company	\$ 4,004	\$ 5,037
-Other related parties	<u>28,577</u>	<u>31,046</u>
	<u>\$ 32,581</u>	<u>\$ 36,083</u>

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 revenue 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:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
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(18).

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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 Group'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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ <u>17</u>	\$ <u>17</u>
Financial assets at amortised cost		
Financial assets at amortised cost	\$ 13,583	\$ 13,565
Cash and cash equivalents	2,284,089	2,841,411
Accounts receivable	880,646	1,025,940
Accounts receivable due from related parties	102,958	207,799
Other receivables	27,516	27,584
Other receivables due from related parties	10,452	8,472
Refundable guarantee deposits	<u>1,073</u>	<u>1,108</u>
	<u>\$ 3,320,317</u>	<u>\$ 4,125,879</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 266,950	\$ 178,624
Accounts payable	257,005	419,139
Accounts payable to related parties	5,975	1,885
Other payables	362,648	621,779
Other payables to related parties	32,581	36,083
Bonds payable (including current portion)	491,143	484,170
Guarantee deposits received	<u>8,095</u>	<u>8,095</u>
	<u>\$ 1,424,397</u>	<u>\$ 1,749,775</u>
Lease liability	<u>\$ 232,845</u>	<u>\$ 252,494</u>

B. Policy of risk management

- (a) The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group'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 Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiary 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 require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group 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 Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and the subsidiary's functional currency: JPY). 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		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,809	30.708	\$ 608,295
JPY:NTD	9,015	0.218	1,962
RMB:NTD	21,520	4.325	93,074
USD:JPY	4,632	141.121	142,239
Non-monetary items: None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,957	30.708	\$ 397,884
JPY:NTD	73,106	0.218	15,908
RMB:NTD	7,718	4.325	33,380
USD:JYP	126	141.121	3,869
Non-monetary items: None.			

December 31, 2022			
	Foreign currency		Book value
	amount	Exchange rate	
	(in thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 37,261	30.720	\$ 1,144,658
JPY:NTD	15,532	0.233	3,619
RMB:NTD	13,285	4.406	58,534
USD:JPY	1,833	132.016	56,310
Non-monetary items: None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 15,395	30.720	\$ 472,934
JPY:NTD	41,915	0.233	9,766
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 Group for the years ended December 31, 2023 and 2022, amounted to (\$8,739) and \$46,768, respectively.

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

Year ended December 31, 2023				
Sensitivity analysis				
	Change in	Effect on profit	Effect on other	
	exchange rate	(loss)	comprehensive	
			income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	6,083	\$ -
JPY:NTD	1%		20	-
RMB:NTD	1%		931	-
USD:JPY	1%		1,422	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	3,979)	\$ -
JPY:NTD	1%	(	159)	-
RMB:NTD	1%	(	334)	-
USD:JPY	1%	(	39)	-

Year ended December 31, 2022				
Sensitivity analysis				
	Change in	Effect on profit	Effect on other	
	exchange rate	(loss)	comprehensive	
			income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	11,447	\$ -
JPY:NTD	1%		36	-
RMB:NTD	1%		585	-
USD:JPY	1%		563	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	4,729)	\$ -
JPY:NTD	1%	(	98)	-
RMB:NTD	1%	(	741)	-

Price risk

- i. The Group'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 Group'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 Group's main interest rate risk arises from short-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. December 31, 2023 and 2022 the Group's borrowings at floating rates were mainly denominated in New Taiwan 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 Group 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 Group manages their credit risk taking into consideration the entire group's perspective. Only rated banks and financial institutes with an optimal rating are accepted. According to the Group's credit policy, each local entity in the Group 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 Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
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.

- 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 into 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 Group 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 Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group 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
<u>December 31, 2023</u>							
Expected loss rate	0.01%	0.01%	0.12%	0.69%	0.12%	0.12~4.72%	
Total book value	\$ 906,411	\$ 45,006	\$ 2,919	\$ -	\$ -	\$ 29,420	\$ 983,756
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	(\$ 152)	(\$ 152)
<u>December 31, 2022</u>							
Expected loss rate	0.01%	0.01%	0.13%	0.77%	0.12%	0.12~5.26%	
Total book value	\$ 1,054,418	\$ 76,720	\$ 148	\$ -	\$ -	\$ 102,605	\$ 1,233,891
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	(\$ 152)	(\$ 152)

- ix. Movements in relation to the Group 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 Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group'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 Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group'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 Group treasury. Group 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 headroom as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Group held money market position of \$2,283,710 and \$2,840,989, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group has the following undrawn borrowing facilities:

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

- iv. The table below analyses the Group'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.

	Less than	Between	Between	
	1 year	1 and 2 years	2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2023</u>				
Short-term borrowings	\$ 266,950	\$ -	\$ -	\$ -
Accounts payable				
(including related parties)	262,980	-	-	-
Other payables				
(including related parties)	395,229	-	-	-
Lease liabilities	12,158	11,693	33,894	260,464
Bonds payable	-	500,000	-	-
Deposits received	-	-	8,095	-

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
<u>December 31, 2022</u>				
Short-term borrowings	\$ 178,624	\$ -	\$ -	\$ -
Accounts payable				
(including related parties)	421,024	-	-	-
Other payables				
(including related parties)	657,862	-	-	-
Lease liabilities	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 Group's convertible bonds payable is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group'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				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 491,143	\$ -	\$ 491,800	\$ -

December 31, 2022				
	Book value	Fair 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				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ -	\$ -	\$ 17	\$ 17

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

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

	<u>Listed shares</u>	<u>Closed-end fund</u>
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 consolidated 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 Group'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 Group'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 consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- iv. The Group 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 Group'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:

	<u>2023</u>	<u>2022</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
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. Group 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	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
	<u>31, 2023</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>inputs to fair value</u>
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	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
	<u>31, 2022</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>inputs to fair value</u>
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 Group 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	
		Favourable	Unfavourable	Favourable	Unfavourable
	Input	Change	change	change	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	
		Favourable	Unfavourable	Favourable	Unfavourable
	Input	Change	change	change	change
Financial assets					
Equity instrument	Price to book ratio multiple	±10%	\$ -	\$ -	\$ 2 (\$ 2)

13. Supplementary Disclosures

(1) Significant transactions information

- Loans to others: None.
- Provision of endorsements and guarantees to others: None.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- 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.
- Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

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

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker who assesses performance and allocates resources of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group is a single reportable segment, related segment profit (loss) before tax, assets and liabilities are consistent with consolidated profit (loss), assets and liabilities.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segment is as follows:

	Years ended December 31	
	2023	2022
Revenue from external customers	\$ 4,236,502	\$ 5,899,587
Inter-company revenue	\$ 398,304	\$ 282,969
Segment income	\$ 205,615	\$ 854,665
Segment assets	\$ 6,811,986	\$ 7,672,174

(4) Reconciliation for segment income (loss)

None.

(5) Information on products and services

Revenue from external customers is mainly from silicon epitaxy wafers and epitaxy wafer foundry. Details of revenue balance are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Sales revenue from silicon epitaxy wafer	\$ 3,249,338	\$ 4,790,531
Epitaxy wafer foundry	964,498	1,098,501
Others	22,666	10,555
	<u>\$ 4,236,502</u>	<u>\$ 5,899,587</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,925,955	\$ 2,452,813	\$ 3,178,107	\$ 2,463,851
Japan	1,491,222	-	1,484,141	-
China	214,844	-	503,822	-
Others	604,481	-	733,517	-
	<u>\$ 4,236,502</u>	<u>\$ 2,452,813</u>	<u>\$ 5,899,587</u>	<u>\$ 2,463,851</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>			<u>Year ended December 31, 2022</u>	
	Revenue	Segment		Revenue	Segment
B	<u>\$ 797,501</u>	All segment	A	<u>\$ 688,579</u>	All segment
			B	<u>\$ 667,491</u>	All segment

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)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2023			Footnote (Note 4)
				Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	
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

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

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

Episi-Precision Inc. and Subsidiaries

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

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

	Counterparty	Relationship	Balance as at December 31, 2023	Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Amount	Turnover rate	Action taken subsequent to the balance sheet date		

Episi-Precision Inc.	Precision silicon Japan Co., Ltd	with the counterparty Subsidiary	\$	156,847	3.39	\$	24,536	\$
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Note 1: Please rely on the account receivable, bills, other receivable... etc.

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			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	\$ 391,325	General terms	9.24%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	6,978	General 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) Parent company 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)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) of the investee for the year ended December	Investment income (loss) recognised by the Company for the year ended December	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	(%)	31, 2023	year ended December	
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	57.86%

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	100
5000 Operating costs	6(4) and 7	(	3,731,263)	(89)	(4,788,752)	(81)
5900 Gross profit from operation			<u>486,181</u>	<u>11</u>	<u>1,091,859</u>	<u>19</u>
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		(	<u>306,065</u>	<u>(7)</u>	<u>(310,540)</u>	<u>(5)</u>
6900 Operating profit			<u>180,116</u>	<u>4</u>	<u>781,319</u>	<u>14</u>
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)		<u>1,376</u>	<u>-</u>	<u>2,279</u>	<u>-</u>
7000 Total non-operating income and expenses			<u>24,933</u>	<u>1</u>	<u>72,344</u>	<u>1</u>
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		\$	<u>164,039</u>	<u>4</u>	<u>681,271</u>	<u>12</u>
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		\$	<u>6,597</u>	<u>-</u>	<u>11,123</u>	<u>-</u>
8500 Total comprehensive income for the year		\$	<u>170,636</u>	<u>4</u>	<u>692,394</u>	<u>12</u>
Basic earnings per share						
9750 Basic earnings per share (in dollars)	6(29)	\$		0.57	\$	2.38
Diluted earnings per share						
9850 Basic earnings per share (in dollars)	6(29)	\$		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				Financial statements translation differences of	Total equity	
	Notes	Share capital - common stock	Additional paid-in capital	Warrants	Restricted stock	Others	Legal reserve	Special reserve	Unappropriated			
									retained earnings			foreign operations
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	\$ 101,315	\$ 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	\$ 101,315	\$ 910	\$ 702,441	(\$ 1,155)	\$ 5,303,687	
Profit for the year		-	-	-	-	-	-	-	164,035	-	164,035	
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
<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 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 exchangeability'	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) Classification of current and non-current items

- 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 2,239,419</u>	<u>\$ 2,790,736</u>

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Pledged time deposits	<u>\$ 13,583</u>	<u>\$ 13,565</u>

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	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	<u>2,919</u>	<u>20,952</u>
	<u>\$ 1,018,985</u>	<u>\$ 1,271,932</u>

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

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
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	<u>79,711</u>	<u>(1,871)</u>	<u>77,840</u>
	<u>\$ 1,027,962</u>	<u>(\$ 108,244)</u>	<u>\$ 919,718</u>

	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
	<u>\$ 1,006,054</u>	<u>(\$ 58,978)</u>	<u>\$ 947,076</u>

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
	<u>\$ 3,731,263</u>	<u>\$ 4,788,752</u>

(5) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
Precision Silicon Japan Co., Ltd.	<u>\$ 12,763</u>	<u>\$ 12,129</u>

- 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)
	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>
<u>2023</u>					
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	<u>\$ 903,538</u>	<u>\$ 787,985</u>	<u>\$ 25,468</u>	<u>\$ 303,784</u>	<u>\$ 2,020,775</u>
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)
	<u>\$ 903,538</u>	<u>\$ 787,985</u>	<u>\$ 25,468</u>	<u>\$ 303,784</u>	<u>\$ 2,020,775</u>
	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)
	<u>\$ 758,768</u>	<u>\$ 901,695</u>	<u>\$ 10,441</u>	<u>\$ 128,127</u>	<u>\$ 1,799,031</u>
<u>2022</u>					
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	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>
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)
	<u>\$ 887,686</u>	<u>\$ 841,327</u>	<u>\$ 11,043</u>	<u>\$ 268,329</u>	<u>\$ 2,008,385</u>

- 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:

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

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

- 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:

	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 177,825</u>	<u>\$ 241,281</u>

(9) Investment property

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

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

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

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

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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)
	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>
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	<u>\$ 5,760</u>	<u>\$ 48,369</u>	<u>\$ 1,519</u>	<u>\$ 55,648</u>
At December 31				
Cost	\$ 10,638	\$ 48,369	\$ 39,898	\$ 98,905
Accumulated amortisation and impairment	(4,878)	-	(38,379)	(43,257)
	<u>\$ 5,760</u>	<u>\$ 48,369</u>	<u>\$ 1,519</u>	<u>\$ 55,648</u>
	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)
	<u>\$ -</u>	<u>\$ 48,369</u>	<u>\$ 4,876</u>	<u>\$ 53,245</u>
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	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>
At December 31				
Cost	\$ 5,618	\$ 48,369	\$ 39,270	\$ 93,257
Accumulated amortisation and impairment	(3,001)	-	(37,736)	(40,737)
	<u>\$ 2,617</u>	<u>\$ 48,369</u>	<u>\$ 1,534</u>	<u>\$ 52,520</u>

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	-
	<u>\$ 2,520</u>	<u>\$ 3,857</u>

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	<u>\$ 266,950</u>	6.120%~6.502%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 178,624</u>	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
	<u>\$ 256,976</u>	<u>\$ 418,765</u>

(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
	<u>\$ 362,575</u>	<u>\$ 621,702</u>

(14) Bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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)
	<u>\$ 491,143</u>	<u>\$ 484,170</u>

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:

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

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

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

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
	<u>183,555</u>	<u>(101,827)</u>	<u>81,728</u>
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
	<u>(3,627)</u>	<u>(7,741)</u>	<u>(11,368)</u>
Change in employee transfers	12,822	-	12,822
Pension fund contribution	-	(15,844)	(15,844)
Paid pension	<u>(6,251)</u>	<u>6,251</u>	<u>-</u>
At December 31	<u>\$ 186,499</u>	<u>(\$ 119,161)</u>	<u>\$ 67,338</u>

(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	<u>1.30%</u>	<u>1.30%</u>

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%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligations	(\$ 3,934)	\$ 4,067	\$ 3,566	(\$ 3,474)
<u>December 31, 2022</u>				
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	<u>577,078</u>	\$ 2.0
Total	<u>\$ 646,587</u>	

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	<u>341,252</u>	\$ 1.2
Total	<u>\$ 380,036</u>	

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	<u>(\$ 1,898)</u>	<u>(\$ 1,155)</u>

(21) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 4,217,444</u>	<u>\$ 5,880,611</u>

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:

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

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

B. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 85,704</u>	<u>\$ 119,639</u>	<u>\$ 133,693</u>

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

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

(22) Interest income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 30,774</u>	<u>\$ 14,056</u>

(23) Other income

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

(24) Other gains and losses

	Years ended December 31,	
	2023	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)
	<u>(\$ 21,002)</u>	<u>\$ 33,100</u>

(25) Finance costs

	Years ended December 31,	
	2023	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	<u>150</u>	<u>172</u>
	<u>\$ 31,908</u>	<u>\$ 21,222</u>

(26) Expenses by nature

	Years ended December 31,	
	2023	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	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	<u>51,349</u>	<u>61,009</u>
	<u>\$ 745,909</u>	<u>\$ 934,278</u>

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	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	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		
		<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>At December 31</u>
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		<u>8,617</u>	<u>1,179</u>	<u>9,796</u>
		<u>32,095</u>	<u>5,972</u>	<u>38,067</u>
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	(	<u>515</u>	<u>515</u>	<u>-</u>
		<u>(36,148)</u>	<u>1,280</u>	<u>(34,868)</u>
	(\$	<u>4,053)</u>	<u>\$ 7,252</u>	<u>\$ 3,199</u>
		2022		
		<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>At December 31</u>
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		<u>5,415</u>	<u>3,202</u>	<u>8,617</u>
		<u>34,014</u>	<u>(1,919)</u>	<u>32,095</u>
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	(	<u>515</u>	<u>-</u>	<u>(515)</u>
		<u>(36,549)</u>	<u>401</u>	<u>(36,148)</u>
	(\$	<u>2,535)</u>	<u>(\$ 1,518)</u>	<u>(\$ 4,053)</u>

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			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 164,039</u>	<u>288,539</u>	<u>\$ 0.57</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	164,039	288,539	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>448</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 164,039</u>	<u>\$ 288,987</u>	<u>\$ 0.57</u>
Year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 681,270</u>	<u>286,615</u>	<u>\$ 2.38</u>
<u>Diluted earnings per share</u>			
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	<u>4,447</u>	<u>3,426</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares			<u>\$ 685,717</u>

\$ 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	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	<u>\$ 608,688</u>	<u>\$ 475,557</u>

B. Financing activities with no cash flow effects:

	Years ended December 31,	
	2023	2022
Convertible bonds being converted to capital stocks	<u>\$ -</u>	<u>\$ 46,972</u>

(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	<u>\$ 266,950</u>	<u>\$ 232,845</u>	<u>\$ 8,095</u>	<u>\$ 491,143</u>	<u>\$ 999,033</u>

	2022				
	Short-term	Lease	Guarantee	Bonds	Liabilities
	borrowings	liabilities	deposits	payable	from financing
	received				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	<u>\$ 178,624</u>	<u>\$ 252,494</u>	<u>\$ 8,095</u>	<u>\$ 484,170</u>	<u>\$ 923,383</u>

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
	<u>\$ 714,010</u>	<u>\$ 968,281</u>

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
	<u>\$ 25,873</u>	<u>\$ 23,211</u>

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	-
	<u>\$ 259,805</u>	<u>\$ 281,901</u>
Other receivables:		
-Parent company	<u>\$ 10,452</u>	<u>\$ 8,472</u>

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
	<u>\$ 2,475</u>	<u>\$ 1,598</u>
Other payables:		
-Parent company	\$ 4,004	\$ 5,037
-Other related parties	28,577	31,046
-Subsidiary	-	204
	<u>\$ 32,581</u>	<u>\$ 36,287</u>

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:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ <u>17</u>	\$ <u>17</u>
Financial assets at amortised cost		
Current financial 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	<u>572</u>	<u>572</u>
	<u>\$ 3,303,700</u>	<u>\$ 4,109,472</u>
<u>Financial liabilities</u>		
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	<u>8,095</u>	<u>8,095</u>
	<u>\$ 1,420,795</u>	<u>\$ 1,749,241</u>
Lease liability	<u>\$ 232,845</u>	<u>\$ 252,494</u>

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 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		Book value
	amount	Exchange rate	
	(in thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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	Effect on	Effect on other
	exchange rate	profit (loss)	comprehensive
			income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 7,617	\$ -
JPY:NTD	1%	54	-
RMB:NTD	1%	931	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 11,981	\$	-
JPY:NTD	1%	243		-
RMB:NTD	1%	585		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
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:

	Up to 30 days		31~90 days		91~180 days		Over 180 days			
	Not past due	past due	past due	past due	past due	past due	Individual	Total		
<u>December 31, 2023</u>										
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)		
<u>December 31, 2022</u>										
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	
	<u>Accounts receivable</u>		<u>Accounts receivable</u>	
At January 1 / December 31	\$	<u>152</u>	\$	<u>152</u>

(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:

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

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

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>December 31, 2023</u>				
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

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>December 31, 2022</u>				
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	

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

(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:

	<u>Listed shares</u>	<u>Closed-end fund</u>	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:

	<u>2023</u>	<u>2022</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
At January 1 / December 31	<u>\$ 17</u>	<u>\$ 17</u>

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,	Valuation	Significant unobservable	Range (weighted	Relationship of
	<u>2023</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>inputs to fair value</u>
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,	Valuation	Significant unobservable	Range (weighted	Relationship of
	<u>2022</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>inputs to fair value</u>
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

- Loans to others: None.
- Provision of endorsements and guarantees to others: None.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- 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

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2023			Footnote (Note 4)
				Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	
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

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
Episil-Precision Inc.	Episil Technologies Inc.	Parent company	(Sales)	\$ 315,034	7.44%	30-90 days after monthly billings	\$ -	General 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	-	General 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

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		

Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	\$ 156,847	3.39	\$ -	- Amount collected subsequent to the balance sheet date	24,536	\$ -
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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			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	\$ 391,325	General terms	9.24%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	6,978	General 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)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Book value	Ownership (%)	Number of shares	Net profit (loss) of the investee for the year ended December 31, 2023		Investment income
				Balance as at December 31, 2023	Balance as at December 31, 2022						(loss) recognised by the Company for the year ended December 31, 2023	(Note 2(3))	
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			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%

V、In the most recent fiscal year and up to the date of publication of the annual report, if the company and its related enterprises have financial difficulties and their impact on the financial position of the company: None.

Seven. Review of Financial Conditions, Operating Results, and Risk Management

I、Financial situation：

(I) Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference Amount	Difference %
Current Assets	4,306,433	5,161,538	(855,105)	(16.57)
Property, Plant and Equipment	2,020,775	2,008,385	12,390	0.62
Intangible assets	55,648	52,520	3,128	5.96
Other Assets	429,130	449,731	(20,601)	(4.58)
Total Assets	6,811,986	7,672,174	(860,188)	(11.21)
Current Liabilities	1,043,973	1,452,709	(408,736)	(28.14)
Long-term Liabilities	870,768	915,778	(45,010)	(4.91)
Total Liabilities	1,914,741	2,368,487	(453,746)	(19.16)
Capital stock	2,885,394	2,885,394	-	-
Capital surplus	1,614,778	1,614,778	-	-
Retained Earnings	398,971	804,670	(405,699)	(50.42)
Other Adjustments	(1,898)	(1,155)	(743)	(64.33)
Total Stockholders' Equity	4,897,245	5,303,687	(406,442)	(7.66)

1. The main reasons for the major changes in assets, liabilities and stockholders' equity in the last two years (those with changes of more than 20 percent in the previous and late periods and the amount of change amounting to NT\$10 million) and their impact and future response plans

(1) Decrease in Current Liabilities: The decrease was mainly due to decrease in account payable , equipment payment and bonuses payables.

(2) Decrease in retained earnings: The decrease was mainly due to decrease in net profit in 2023. .

2. Future Response Plan: The above changes have no significant impact on the Company.

II、Financial performance：

(I) Analysis of Financial Performance：

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference Amount	Difference %
Net Sales	4,236,502	5,899,587	(1,663,085)	(28.19)
Cost of Sales	3,741,029	4,797,706	(1,056,677)	(22.02)
Gross Profit	495,473	1,101,881	(606,408)	(55.03)
Operating Expenses	312,504	317,082	(4,578)	(1.44)
Operating Income	182,969	784,799	(601,830)	(76.69)
Non-operating Income and Loss	22,646	69,866	(47,220)	(67.59)
Income Before Tax	205,615	854,665	(649,050)	(75.94)
Income tax (cost) benefits	(41,576)	(173,394)	(131,818)	(76.02)
Net income	164,039	681,271	(517,232)	(75.92)

(I) The main reasons for the significant changes in net sales, operating income and income before tax in the last two years (those who changed by more than 20 percent in the previous and late periods and the amount of change amounted to NT\$10 million)

- (1) Decrease in Net Sales、Cost of Sales and Gross Profit: The decrease was mainly due to the decrease in sales and capacity utilization, the increase in unit costs, lead to operating gross profit decreased in 2023.
- (2) Decrease in Operating Income: The decrease was mainly due to the decrease in operating gross profit in 2023.
- (3) Decrease in Non-operating Income and Loss: The decrease was due to exchange losses increases in 2023.
- (4) Decrease in Income Before Tax, Income tax and Net income: The decrease was due to decrease in Operating Income for the period, and decreased non-operating income due to exchange losses increases. Net profit before tax, income tax expense and net profit for the period were reduced as a result.

(II) Expected sales volume and basis for the coming year, possible impact on the company's future financial business and corresponding plan:

The company according to the industrial environment and the future supply and demand of the market and consider the R & D plans, business development and other related information for evaluation, set the annual sales target, the company belongs to the industry is still in the growth stage, the future will be based on the market demand changes, expand the market share, enhance the company's profitability. Due to the low profit margin of the silicon crystal industry, in addition to stabilizing production quality and reducing production costs, the company is actively expanding its customer base and continuing to lay out large customer (IDM) cooperation projects in the field of compound semiconductors to open up the blue ocean of the market.

III 、Cash Flow Analysis for the Current Year :

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year(A)	Net Cash Flow from Operating Activities (B)	Cash Outflow (C)	Cash Surplus (Deficit) (A)+(B)-(C)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,841,411	553,668	(1,110,990)	2,284,089	—	—
Analysis of change in cash flow in the current year:					
1. Cash Shortage Improvement Plan: The Company is expected to be not cash-free for the current year, sufficient to meet normal operating requirements.					
2. Cash liquidity analysis for the coming year: not applicable.					

IV 、Major Capital Expenditure Items: None

V 、The reinvestment policy for the most recent year, the main reason for its profit or loss, improvement plan and investment plan for the next year :

The company's reinvestment under the equity method focuses on long-term strategic purposes. In the future, the company will continue to prudently evaluate reinvestment plans based on the principle of long-term strategic investment.

VI 、Analysis of Risk Management :

(I)Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures :

Unit: NT\$ thousands

Item	Export %	Exchange (profit) and loss	Total Sales	(%) of Total Sales
2023	54.54%	(8,739)	4,236,502	(0.21%)

- 1、The company regularly evaluates the bank loan interest rate, monitors the change of market interest rate at any time, and keeps close contact with the bank to strive for preferential loan interest rate. As a result, the change of interest rate has little impact on the company's profit and loss.
- 2、In terms of foreign exchange management, the company regularly evaluates and monitors the adjustment of net foreign exchange position, and when necessary, conducts derivative financial commodity transactions for the purpose of hedging. Therefore, the exchange gains and losses are within the controllable range,

which has limited impact on the company's overall profits and losses.

3、Inflation is a change in the overall economic environment that has a limited impact on the company's profits and losses.

(II) For the most recent fiscal year and up to the date of publication of the annual report, the policies, main reasons for profit or loss, and future countermeasures for engaging in high-risk, highly leveraged investment, loan of funds to others, endorsement and guarantee, and derivatives trading are as follows:

- 1.The company and its subsidiaries are not engaged in derivatives trading.
- 2.The company and its subsidiaries are not engaged in capital lending to others or external endorsement and guarantee transactions.
- 3.The company and its subsidiaries are not engaged in high-risk and highly leveraged investment.

(III) Future R&D plan and expected R&D Expenditure:

1.Future R&D plan:

- (1)8" GaN-on-Silicon medium and low voltage epitaxial technologies.
- (2)8" SiC-on-SiC epitaxial technologies.
- (3)GaN-on-Engineered substrates epitaxial technologies.

2.The estimated R & D expense in the year of 2023 is NT\$59,897 thousand.

3.In recent years, our company has actively researched and developed silicon epitaxy and wide band gap component epitaxy related technologies, and invested in research and development for epitaxy equipment optimization. At present, these R & D activities have achieved initial results. The company will continue to improve its characteristics and expand its R&D field in order to obtain more international IDM certification.

- (IV) The impact of major domestic and foreign policy and legal changes on the company's financial business in the most recent year and up to the date of publication of the annual report and the corresponding measures: the company and its subsidiaries continue to pay attention to the changing trend of domestic and foreign situations and the changes of policies and laws, and take various corresponding measures. In the most recent fiscal year and up to the date of publication of the annual report, there were no significant changes in policies and laws at home and abroad, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.
- (V) Impact of technological changes and industrial changes on the company's financial business in the most recent fiscal year and up to the date of publication of the annual report and corresponding measures: the company and its subsidiaries shall keep abreast of the industrial changes and market trends, and pay attention to the development and changes of relevant technologies. During the most recent fiscal year and up to the date of publication of the annual report, there were no significant technological and industrial changes, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.
- (VI) In the most recent year and up to the date of publication of the annual report, the impact of corporate image change on corporate crisis management and Countermeasures: since the establishment of the company and its subsidiaries, the company has actively strengthened the operation and management of the company and its subsidiaries, and abided by relevant laws and regulations, so as to maintain a good corporate image. During the most recent fiscal year and up to the date of publication of the annual report, there was no major change in the corporate image that led to a crisis.
- (VII) Expected benefits, possible risks and Countermeasures of M & A in the most recent year and up to the date of publication of the annual report: During the most recent year and up to the date of

publication of the annual report, the company and its subsidiaries did not conduct merger and acquisition.

(VIII) Expected benefits, possible risks and Countermeasures of plant expansion in the most recent year and up to the publication date of the annual report: the company and its subsidiaries did not expand their plant in the most recent year and up to the publication date of the annual report.

(IX) In the most recent financial year and up to the date of publication of the annual report, the risks faced by the centralized purchase or sale of goods and the corresponding measures:

1. Purchase risk and Countermeasures: the main purchase manufacturers account for 34% of the net purchase amount. Considering the factors of product quality, purchase cost and cooperation with manufacturers, in addition to manufacturers with good long-term cooperative relationship, they also actively develop other new purchase sources to avoid the risk caused by purchase concentration.

2. In recent years, the company has actively researched and developed energy-saving products, which have been certified by international manufacturers, and the revenue has been growing steadily. The company will also continue to develop product applications and expand customers at home and abroad, in order to avoid the risk caused by the concentration of sales.

(X) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the substantial transfer or replacement of shares by directors or major shareholders holding more than 10% of the shares on the company: none.

(XI) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the change of management right on the company: not applicable.

(XII) In the most recent fiscal year and up to the date of publication of the annual report, the company and its directors, general

managers, substantial responsible persons, major shareholders holding more than 10% of the shares, and subordinate companies have decided or are still in the process of major litigation, non litigation, or administrative litigation, the results of which may have a significant impact on shareholders' equity or securities prices: none.

(XIII) Other important risks and Countermeasures:

1. Risk management policy

The company and its subsidiaries have always adopted preventive policies for risk management. Strict internal control system is established in accordance with the law, and the implementation is checked by auditors. In addition, relevant insurance for specific projects, such as property insurance and cargo insurance, is insured to reduce the loss caused by risks. In addition, the company and its subsidiaries are not engaged in high-risk, highly leveraged investment and other businesses, and the subsidiaries are not allowed to lend funds to others or provide endorsement and guarantee by resolution of the board of directors.

The company and its subsidiaries shall, in accordance with the operation policy, reduce possible losses within the scope of acceptable risk exposure. On the premise of achieving a balance between risk and reward, we should achieve the operation goal, improve the shareholders' wealth and optimize the capital allocation.

2. Organizational structure of risk management

The company adopts a comprehensive risk management and control system to identify all risks (including market risk, credit risk and operational risk) and measure the value at risk of all kinds of risks, so that the management of the company can effectively control and measure the market risk, credit risk and operational risk. Therefore, a risk management team is set up, which is responsible for Responsible for risk management, the team sets limits and carries out risk management in accordance with relevant laws and regulations and the company's relevant regulations.

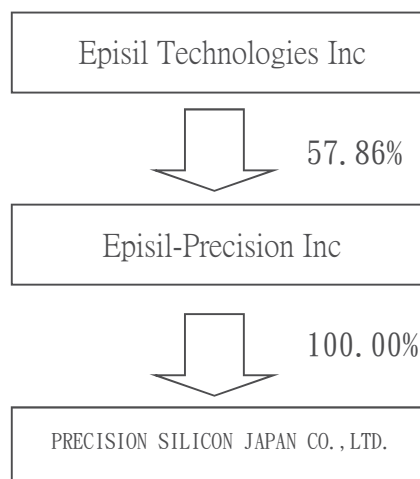
VII、Other important matters: None

Eight. Special Disclosure

I 、Related information of related enterprises:

(I) Business report on merger of related enterprises:

1. Relationship enterprise organization chart:



2.The company is not presumed to have control and subordination in accordance with article 369-3 of the company law, and there is no controlled subsidiary company or mutual investment company specified in article 369-2, paragraph 2 and article 369-9 of the company law.

3.Basic information of related enterprises

Unit: NT \$1000

Enterprise name	Date of establishment	Address	Paid in capital	Main business or production items
Episil Technologies Inc	2014/10/01	1F, No. 18, Innovation 1st Road, Hsinchu Science Park	\$3,332,157	Component and IC foundry
PRECISION SILICON JAPAN CO., LTD.	2002/1/18	2 / F, Ho Ho building, 1-32-6, Toyoshima, Tokyo	\$2,740 (exchange rate 0.2740)	Business of epitaxial silicon wafer

4.The information of the same shareholder who is presumed to have control and subordination

Unit: NT \$1000 ; Shares%

Subsidiary company	Presumptive cause	Name (Note1)	Shares held (Note2)		Date of establishment	address	Paid in capital	Main business items
			shares	%				
		None						

Note 1:if the shareholders are the same as legal person, fill in the name of legal person; if the shareholders are the same as natural person, fill in the name of natural person. Natural person shareholders only fill in the presumption reason, name and shares held.

Note 2:the holding of shares refers to the information of shareholders holding shares in the controlling company.

5. Industries covered by the business of the overall relationship enterprise
The business scope of the company and its related enterprise, Precision Silicon Japan Co.,Ltd., includes Manufacture of silicon epitaxy wafers, buried-layer epitaxy wafers, multi-layer epitaxy wafers, silicon epitaxy on SOI (Silicon on Insulator) wafer, GaN epitaxy wafers, SiC epitaxy wafers.
6. Information of directors, supervisors and general managers of related enterprises

Enterprise name	Title	Name or representative	Shares held (Note 3)(Note 4)	
	(Note 2)		shares	Shareholding ratio (%)
Episil Technologies Inc	Chairman	Jian-Chu, SYU (Representative of Sincere Holding Company)	Sincere Holding Company holds 16,294,539 shares	4.89
	Director	Chin-Yung, Shu (Representative of Sincere Holding Company)		
	Director	Hsi-Hsin, Chen (Representative of Hermes-Epitex Corporation)	Hermes-Epitex Corporation holds 18,160,870 shares	5.45
	Director	Shen, Hsiao-Lien (Representative of Hermes-Epitex Corporation)		
	Director	Gui Rong, Fan (Representative of Vision Holdings Ltd.)	Vision Holdings Ltd. holds 1,771,450 shares	0.53
	Director	Chien-Chi, Su (Representative of Vision Holdings Ltd.)		

	Independent Director	Jhih-Da, Yan	Jhih-Da Yan holds 0 shares	0.00
	Independent Director	Zong-Si, Ke	Zong-Si Ke holds 0 shares	0.00
	Independent Director	Mao-Song, Deng	Mao-Song Deng holds 0 shares	0.00
	General manager	Tw Liu	Tw Liu holds 111,430 shares	0.03
Precision Silicon Japan Co., Ltd.	Chairman	Ching-Tzong Sune (Representative of episil precision inc)	episil precision inc holds 200 shares	100
	Director	Ming-zhe lu (Representative of episil precision inc)		
	Director	Huei-Fen KangG, (Representative of episil precision inc)		
	Supervisor	Pei-Yuan chen (Representative of episil precision inc)		
	General manager	Ming-zhe lu	Ming-zhe lu holds 0 shares	0

Note 1: as of December 31, 2023.

Note 2: if the related enterprise is a foreign company, its position is equivalent.

Note 3: if the invested company is a joint-stock company, please fill in the number of shares and shareholding ratio, and others please fill in the amount and proportion of capital contribution and indicate it.

Note 4: when a director or supervisor is a legal person, the relevant information of the representative shall be disclosed.

7. An overview of the operation of the relationship enterprise

The financial position and operating results of each relationship enterprise :

Unit: NT \$1000

Company	Capital	Total Assets	Total Liabilities	Total Equity	Sales	Operating Income	Net income	Earnings per share
Episil Technologies Inc	3,332,157	8,029,840	2,503,678	5,526,162	3,158,702	(52,922)	67,073	0.20
PRECISION SILICON JAPAN CO., LTD.	2,740	173,915	161,152	12,763	417,363	2,853	1,376	6.88

Note 1: As of December 31, 2023.

(II) Consolidated financial statements of related enterprises for the most recent year: please refer to page 109 of the company's annual report.

(III) Latest annual relationship report: please refer to page 278 of the company's annual report.

II 、Private placement of Securities for the most recent year and up to the date of publication of the annual report: None.

III 、Shares held or disposed of by subsidiaries in the most recent year and up to the date of publication of the annual report: None.

IV 、Other necessary supplementary notes: None.

Nine. Matters Affecting Shareholders' Equity or Stock Price : None

EPISIL-PRECISION INC.

Declaration of Affiliation Report

For the year ended December 31, 2023, (from January 1, 2023 to December 31, 2023), has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.

This declaration is solemnly made by

Episil-Precision Inc.

Representative: Jian-Hua Syu

February 26, 2024

EPISIL-PRECISION INC.

CPA' s Re-Audit Report towards Affiliation Report

PWCM23000506

To EPISIL-PRECISION INC.

The 2023 Affiliation Report of EPISIL-PRECISION INC. (January 1 through December 31, 2023) is prepared according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and the related financial information has been verified by the CPAs against related information disclosed in the notes to the foregoing financial statements.

Based on the CPAs’ review results, the 2023 Affiliation Report of Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises had related information disclosed in compliance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” . The financial data are consistent with those shown in the financial statements; therefore, no major modifications are required.

PwC Taiwan

Hsieh Chi-Cheng

CPA

Chiang Tsai-Yen

Financial Supervisory Commission

Approved Document: Jin Guan Zheng Shen Tzi# 0990042599

Jin Guan Zheng Shen Tzi# 1060025097

February 26, 2024

EPISIL-PRECISION INC.

Y2023 Annual Relationship Report

I、The Company is a subsidiary of Episil Technologies Inc. and its information are as follows:

Unit: Share, %

Name of the controlling company	Control Causes	Control the company's shareholding and pledge			Control the company's staff Serving as a director, supervisor or manager	
		Number of Shareholding	Shareholding%	Set the number of pledged strands	Title	Name
Episil Technologies Inc	The parent company	166, 961, 680	57.86	-	Chairman Director Director Director	Jian-Hua Syu Hsi-Hsin Chen Ching-Tzong Sune Guei-Rong Fan

II、The transactions between the Company and Episil Technologies Inc. are as follows:

(1)Purchase and sale transactions:

Expressed in thousands, %

Transaction				Transaction terms		General term		Difference reason	% of consolidated total sales or total assets		Amount collected subsequent to the balance sheet date		Note
Purchases (sales)	Amount	% of total purchases (sales)	Gross profit from operation	Unit price (in dollars)	Credit term	Unit price (in dollars)	Credit term		Balance	% of total sale or total assets	Amount	Action taken subsequent to the balance sheet date	
Sales	\$315, 034	7. 44%	\$ 52, 351	\$ -	30-90 days after monthly billings	\$ -	30-90 days after monthly billings	-	\$ 99, 352	10. 10%	\$17, 537	Amount collected subsequent to the balance sheet date	\$ -

(2)Property transactions: None.

(3)Financing conditions: None.

(4)Lease transition:

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

(b)For the years ended December 31, 2023, rental expense due to leasing certain buildings and structures from affiliate companies amounted to \$122, which is paid monthly.

(5)Other important transactions: None.

III、Provision of endorsements and guarantees to others: None.

IV、Other matters that have a significant impact on finance and business: None.