Stock Code: 3707

# Episil Technology Inc.
# (Formerly Episil Holding 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 https://www.episil.com

Printed on April 16, 2024

I. Spokesperson and Acting Spokesperson Contact Information

Vice President Spokesperson：FAN,GUI-RONG / Vice President

Acting Spokesperson：LIN,TING-YUAN / Director

Tel: (03)5779245 Email:episil_mail@episil.com

II. Episil Address and Telephone Number

1. Headquarters：Episil Technology Inc.

   Address：1F, No.18, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   Tel：(03)5779245 Website：www.episil.com

2. Branch office：None

3. Factory：

   DF1 Address：No.3, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   DF6A Address：No.5, Creation Road II, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   DF6B Address：No.18, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

4. Subsidiary

   Episil-Precision Inc. Tel：(03)5632255

   Address：No.10, Dusing Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM1 Address：No.3, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM2 Address：No.12-1, Creative Road IV, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM3 Address：No.10, Dusing Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

III. Common Share Transfer Agent and Registrar

Company：The Transfer Agency Department of KGI

Address：5F, No.2, Section 1, Chongqing South Road, Taipei, Taiwan R.O.C.

Tel：(02)23892999 Website：www.kgi.com.tw

IV. Independent Auditors

Accounting Firm：PWC

Auditors：Hsieh, Chih Cheng、Chiang, Tsai -Yen

Address：27F, No.333, Section 1, Keelung Road, Taipei, Taiwan R.O.C.

Tel：(02)27296666 Website：www.pwc.tw

V. Corporate Website：www.episil.com

# Contents

# One、Letter to Shareholders

Dear Shareholders:

As rising inflation affected terminal demand, revenue fell by 20% compared with the previous year, and operations faced the first recession in the past five years. Facing the new year, although short-term terminal demand is still facing inventory pressure, with the expectation that inflation will gradually come under control, terminal demand will gradually recover and get back on track.

We continue to be optimistic about the long-term development of compound semiconductors in the next few years. Under the general trend of energy conservation and carbon reduction, there will be long-term growth in the demand for semiconductor green energy and electric vehicles, thereby expanding the demand for compound semiconductor power components. Faced with these long-term growth momentum, Episil has successively invested resources to develop next-generation new technologies and fully expanded its gallium nitride (GaN) and silicon carbide (SiC) related product lines and deployment capabilities to expand our expertise in professional power components and Market share in the field of energy components.

The management team will adhere to the above-mentioned business principles, commit to the continuous improvement of the quality system, the improvement of production efficiency and cost control, and show a good presentation of revenue and profitability.

**2023 Business Performance：**

Implementation and Results of 2023 Business Plan:

Consolidated revenue amount to NT$7.080 billion in 2023. A decrease of 20.26% compared with NT$8.879 billion in 2022. The net profit in 2023 is NT$136 million, a decrease of 87.68% compared with the net profit in 2022 of NT$1.106 billion.

**Operating Performance in 2023**

Consolidated financial results：

Unit；NT$ thousands (Except EPS: NT$)

| Item | 2023Y | 2022Y |
|---|---|---|
| Operating Revenue | 7,080,216 | 8,879,881 |
| Gross Profit(Gross loss) | 809,484 | 1,735,994 |
| Profit after tax(Net loss) | 136,199 | 1,106,087 |
| Earnings Per Share (Deficit) | 0.2 | 2.47 |

## Research and Developments Status

1. Continue to have stable mass production, enhance the capacity and competitive process: Mainly to complete the development of FRED and FRMOS, while TVS and ATV have progressed into mass production. We will continue to develop new process and explore the application of the technology.
2. WBG components: 4-inch and 6-inch SiC SBD and MOSFET products have entered mass production; at the same time, a new generation of 6-inch SiC technology with higher performance and smaller size has also been developed and introduced to customers for trial production. Gallium Nitride GaN-HEMT product strategy: At present, the customer’ s new-generation G6 product development has entered small-scale mass production, gradually replacing the previous generation of products, which can reduce the chip area by half.
3. Strengthen execution and focus on niche products, accelerate their revenue ratio and increase gross profit margin.

## Future Outlooks:

According to the 2024 market outlook released by market research agency Gartner, the global semiconductor market will grow by 16.8%, reaching a scale of US$624 billion. The global compound power semiconductor market size is estimated to be around US$5 billion in 2024, and is expected to expand at a compound annual growth rate of 34.6% during the forecast period, reaching US$10 billion in 2026. For Episil Technology, the demand for automobiles, green energy and energy-saving products is rising steadily, driving the demand for compound components to heat up. This layout will cater to the market growth opportunity. The company's 4-inch SiC production line and the existing 6-inch SiC production line are both at full capacity. In order to meet customer needs, the 6-inch SiC production line will expand new production capacity this year. It is the first foundry in Taiwan to take the lead in expanding SiC production capacity. Due to geopolitical relations, Hanlei Technology has an excellent advantage in the development of global customer sources. It has continued to invest heavily in compound semiconductors, which are more profitable. At present, it has obtained the A-level certification of the VDA6.3 quality system, and continues to develop related automotive electronic products and customers. In the future, we will strive to create value for customers, shareholders and all employees.

Chairman: JH Shyu

President：Can-Wun Liou

# Two、Company Profile

I. Date of incorporation: October 1, 2014

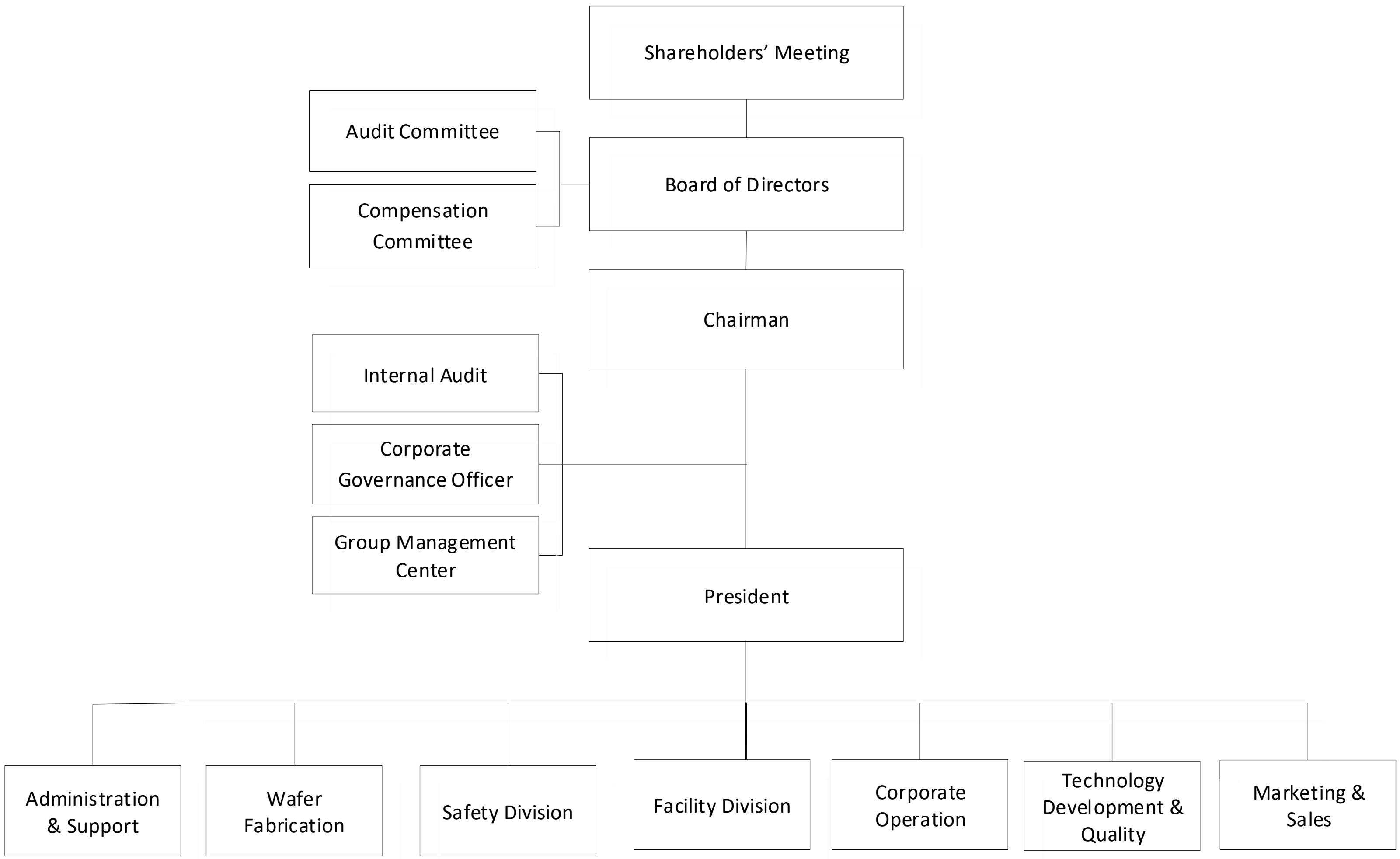
II. A brief history of the company:

| | |
|---|---|
| 2023 | Election of the 4th term board of directors (including independent directors) in the shareholders' meeting, with Chien-Hua Hsu re-elected as Chairman. |
| 2022 | Issued the 4th domestic secured convertible corporate bond with a total nominal amount of NT$1,000 million & Cash capital increase by issuing 2,200,000 new shares at a premium of NT$95 per share. |
| 2021 | The Board of Directors approved the merger of subsidiary, Episil Technology Inc., and the name of the company after the merger will be changed to Episil Technology Inc. (stock symbol maintained at 3707). The base date for the merger is set for 1 September 2021. |
| 2020 | The subsidiary (Episil Technology Inc.) obtain VDA6.3 certification. |
| 2020 | The subsidiary (Episil Technology Inc.) obtain ISO 45001 change version certification. |
| 2020 | Election of the 3rd term board of directors (including independent directors) in the shareholders' meeting, with Chien-Hua Hsu re-elected as Chairman. |
| 2019 | The subsidiary (Episil Technology Inc.) continued to obtain ISO 14001:2015 and OHSAS 18001:2007 certification. |
| 2018 | The subsidiary (Episil Technology Inc.) established a 6-inch SiC production line, deploying niche products, and expanding investment in SiC processing. |
| 2018 | Issued the 2nd domestic secured convertible corporate bond with a total nominal amount of NT$750 million. |
| 2017 | Cash capital increase by issuing 50,000,000 new shares at a premium of NT$11.85 per share. |
| 2016 | Former Chairman Min-Ci Huang resigned and became honorary chairman, while the board of directors elected Director JH Shyu as the new Chairman. |
| 2016 | Merger of the subsidiary (Episil Semiconductor Wafer, Inc.) and Precision Silicon Corp. After the merger, Episil Precision Inc. is the surviving company, and Episil Semiconductor Wafer, Inc. is the merged company. After the merger, Precision Silicon Corp. was renamed Episil-Precision Inc. After the merger, the paid-in capital of Episil Precision Inc. increased from NT$940 million to NT$2.436 billion. The Company owns 61.4% shareholding of Episil Precision Inc. and became the largest shareholder. |
| 2015 | The board of directors approved the merger of the subsidiary (Episil Semiconductor Wafer, Inc.) and Episil Precision Inc. |
| 2015 | The subsidiary (Episil Technology Inc.) continued to obtain ISO9001:2008 and ISO/TS16949:2009 certification. |
| 2015 | The subsidiary (Episil Technology Inc.) split and transferred its epitaxial and compound semiconductor business on January 5, 2015 to the newly established Episil Semiconductor Wafer, Inc., in order for industrial and technological specialization. |
| 2016 | Issued the 1st domestic secured convertible corporate bond with a total nominal amount of NT$650 million. |
| 2014 | The Company and its subsidiaries implement independent business management policies to improve sales performance and competitiveness for the purpose of business development. On June 6, 2014, the subsidiary Episil Technology Inc. was established via share conversion by resolution of the shareholders' meeting and was listed on the OTC on the date of incorporation in accordance with relevant regulations, with the stock code of 3707. |

# Three、Corporate Governance Report

## I. Organizational System

(1) Organizational Structure



(2) Department functions

| Department | Main Functions |
|---|---|
| Internal Audit | ･Responsible for the planning and execution of internal audit operations and the tracking of improvement results |
| Corporate Governance Officer | • Handling matters related to board meetings and shareholders' meetings, preparing minutes of board and shareholders' meetings, assisting directors in their appointment and continuing education, providing information necessary for directors to perform their business, and assisting directors in complying with laws and regulations. |
| Group Management Center | • Effective use of capital management and rapid provision of correct financial and accounting information, business performance analysis and review, external environment and competition analysis.<br>• Provide strategic planning and subsidiary management, investment analysis, analysis of the company's operating processes and assistance in improvement for management decision-making.<br>• Counseling, support, provision and other legal matters related to legal affairs. |
| Administration & Support | • Strategic co-ordination and communication of human resources.<br>• Provision of measures for the administration of important human resources of the company.<br>• Human Resource Management and Talent Development.<br>• Management and co-ordination of public affairs within the enterprise.<br>• Promote the development and maintenance of computerized and information systems throughout the company. |
| Wafer Fabrication | • Responsible for factory operation management<br>• Responsible for product production planning, manufacturing, shipment management and development of manufacturing technology<br>• Continuous process capability optimization, yield improvement, and improvement of the company's competitiveness with customers<br>• Budget control and production cost optimization<br>• Establish factory discipline management system and supervision |
| Safety Division | • Lead iso 14001/45001 environmental safety management system continues to be effective.<br>• Occupational safety and health management, and environmental protection business management.<br>• Implementation of education and training on safety, health and environmental protection.<br>• Worker health checks, health management, emergency injury treatment and occupational disease prevention, etc. |

| Department | Main Functions |
| --- | --- |
| Facility Division | • Manage the stability of the operation of the plant system and the rationality of water and electricity consumption.<br>• Establish a pre-issuance prevention mechanism for the factory system and an abnormal handling command. |
| Corporate Operation | • Do wafer production services for customers, supervise the performance of the production cycle and control the delivery of goods, meet customer needs, and achieve the company's performance and profit requirements as the main task.<br>• Wafer production portfolio planning, and formulation of related chipping, output, and shipment plans.<br>• Factory output capacity planning, complete the upgrading of various production capacity and expansion of output capacity.<br>• Analyze production costs and promote cost rationalization to improve cost structure.<br>• Purchase raw materials and machine parts in a timely and appropriate amount, and properly store them to achieve continuous and stable supply.<br>• Provide customs clearance services required for import and export of raw materials, machinery and equipment.<br>• Maintain good supplier relationships, handle raw materials, repairs, spare parts and machine purchase orders, and obtain the company's maximum interests through bargaining and strategic allocation, and reduce the impact of price increases. |
| Technology Development & Quality | • Development of new products<br>• Stable mass production of existing products<br>• Evaluation and development of new technologies<br>• Management of the company's internal quality control system<br>• Maintenance of various quality systems (including automotive) |
| Marketing & Sales | • Market information collection and expansion assessment.<br>• Formulation of sales plans, achievement of operational objectives and performance.<br>• Business promotion, including the development and maintenance of new and existing customers.<br>• Process development for new market applications and feasibility analysis of new process development.<br>• Handling of customer engineering problems and customer complaints.<br>• Customer service and customer satisfaction improvement.<br>• Order processing, shipping matters, account processing, sales statistics and other matters. |

## II. Directors and Management Team：

### （I）Directors

April 16, 2023

| 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 | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | R.O.C | Sincere Holding Company | - | 109.06.11 | 3 | 109.06.11 | 15,964,245 | 5.39 | 16,294,539 | 4.89 | 0 | 0 | 0 | 0 | None | SYNASPIRE CORP.<br>NanoClean Materials Co., LTD.<br>NDV Therapeutics Corporation<br>Hepius Care Inc.<br>GIGA SOLAR MATERIALS CORPORATION<br>ProMOS TECHNOLOGIES INC. | None | | | — |
| | R.O.C | Representative：JH Shyu | Male 65 years old | 109.06.11 | 3 | 105.06.08 | 0 | 0 | 151,000 | 0.05 | 0 | 0 | 0 | 0 | Master's degree in chemical engineering , National Cheng Kung University | Legal Representative Chairman of Episil-Precision Inc.<br>Legal Representative Chairman of Wellknown Holdings Ltd.<br>Legal Representative Charman and President of Taiwan Hi-Tech Corp.<br>Independent director of Ultra Chip, Inc.<br>Independent director of Upi Semiconductor | None | | | — |
| Director | R.O.C | Sincere Holding Company | - | 109.06.11 | 3 | 109.06.11 | 15,964,245 | 5.39 | 16,294,539 | 4.89 | 0 | 0 | 0 | 0 | None | SYNASPIRE CORP.<br>NanoClean Materials Co., LTD.<br>NDV Therapeutics Corporation<br>Hepius Care Inc.<br>GIGA SOLAR MATERIALS CORPORATION<br>ProMOS TECHNOLOGIES INC. | None | | | — |
| | R.O.C | Representative：Shu, Chin-Yung | Male 73 years old | 109.06.11 | 3 | 103.06.06 | 0 | 0 | 0 | 0 | 5,393 | 0 | 0 | 0 | Master's degree in Institute of EO Engineering from National Chiao Tung University. | Huntertex Corp.<br>HERON NEUTRON MEDICAL CORP.<br>SHINYU LIGHT CO., LTD.<br>HonSean-JY Company Limited<br>JadeYale-CY Company Limited<br>HERMES-EPITEK CORPORATION<br>HAN SHIN CORP.<br>ADVANCED ION BEAM TECHNOLOGY, INC.<br>GIGA SOLAR MATERIALS CORPORATION | None | | | — |
| Director | R.O.C | Hermes-Epitek Corporation | - | 109.06.11 | 3 | 103.06.06 | 17,792,745 | 6.01 | 18,160,870 | 5.45 | 0 | 0 | 0 | 0 | None | Hermes Advanced Therapy Systems Corp. | None | | | — |
| Director | R.O.C | Representative：Chen,Hsi-Hsin | Male 67 years old | 109.08.01 | 3 | 109.08.01 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Academic degree in Solid State Physics from University of Texas, USA | Legal Representative Director of EPISIL-PRECISION INC.<br>Director of ENERGIC TECHNOLOGIES CORPORATION<br>Chairman of ADVANCED ION BEAM TECHNOLOGY, INC. | None | | | — |
| | R.O.C | Representative：Shen,Hsiao-Lien | Male 53 years old | 109.08.01 | 3 | 109.08.01 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree from National Jiaojiao university | Legal Representative Chairman of NDV Therapeutics Corporation.<br>Director of ENERGIC TECHNOLOGIES CORPORATION | None | | | — |

| 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 | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | R.O.C | Vision Holdings Ltd. | - | 109.06.11 | 3 | 103.06.06 | 1,417,636 | 0.48 | 1,771,450 | 0.53 | 0 | 0 | 0 | 0 | None | Legal Representative Chairman of GENESE INTELLIGENT TECHNOLOGY CO., LTD.<br>Legal Representative Director of EXCELLENCE OPTOELECTRONICS INC.<br>Legal Representative Director of EPILEDS TECHNOLOGIES, INC. | None | | | — |
| | R.O.C | Representative：Su,Chien-Chi | Male 52 years old | 109.06.11 | 3 | 108.01.14 | 5,298 | 0 | 5,298 | 0 | 0 | 0 | 0 | 0 | Academic degree inMaterials Science and Engineeringe from National Cheng Kung University. | Legal Representative Chairman of Voltraware Semiconductor Co.,LTD. | None | | | — |
| | R.O.C | Representative：Fan,Gui Rong | Female 60 years old | 109.06.11 | 3 | 103.06.06 | 0 | 0 | 18,361 | 0.01 | 0 | 0 | 0 | 0 | Master's degree in MBA,University of Leicester | Legal Representative Director of Episil-Precision Inc.<br>Legal Representative Director of Taiwan Hi-Tech Corp. | None | | | — |
| Independent Director | R.O.C | Jhih-Da Yan | Male 56 years old | 109.06.11 | 3 | 106.06.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Academic degree in Department of Public Finance from National Chengchi University | Independent Director of Advanced Lithium Electrochemistry Co., Ltd<br>Independent director of Prolight Opto Technology Corporation. | None | | | — |
| Independent Director | R.O.C | Zong-Si Ke | Male 65 years old | 109.06.11 | 3 | 106.06.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree in Management of Technology from National Chiao Tung University. | Director of M31 Technology Corporation<br>Chief Strategy Officer of ANANAVI TECHNOLOGY CORPORATION | None | | | — |
| Independent Director | R.O.C | Mao-Song Deng | Male 62 years old | 109.06.11 | 3 | 106.06.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master's degree in business Administration from National Taiwan University. | Director and Presiden of Etron Technology, Inc.<br>Legal Representative Chairman/ Presiden of Eever Technology, Inc.<br>Legal Representative Chairman of Eys3d Microelectronics, Co.<br>Supervisor of Decloak technology<br>Director of Great Team Backend Foundry, Inc.<br>Director of Etron Technology America, Inc.<br>Director of eCapture Technologies,Inc. Director of eCapture Ltd. Co.<br>Director of eCapture Co., Limited<br>Director of S Square System Limited<br>Director of Insignis Technology,Inc.<br>Director of Insignis Technology Corporation<br>Director of Anzon Technology, Inc.<br>Director of eEver Technology Limited<br>Director of eYs3D Microelectronics, Inc.<br>Director of AiYs3D Microelectronics, Inc.<br>Director/President of Invention and Collaboration Laboratory Pte. Ltd | None | | | — |

Note:

1.The Company completed the reelection of its directors for the fourth term commencing on June 14, 2023 and expiring on June 13, 2026 at the General Meeting of the Shareholders on June 14, 2023.

2.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 16, 2024

| Name of Institutional Shareholders | Major Shareholders |
| --- | --- |
| Vision Holdings Ltd. | GREEN COVE ENTERPRISES INC. 80.00%<br>Hwang,Ming-Chi 8.30%<br>Lu,Fei-Chian 3.86%<br>Lin,Su-Lin 4.46%<br>Hwang,Mei-Yun 2.38%<br>JadeYale-CY Company Limited 1.00% |
| Hermes-Epitek Corporation | GREEN COVE ENTERPRISES INC.69.13%<br>Hwang,Ming-Chi 11.55%<br>Lu,Fei-Chian 8.49%<br>Lin,Su-Lin 4.57%<br>Hwang,Mei-Yun 2.50%<br>HonSean-JY Company Limited 2.04%<br>VISION HOLDINGS LTD. 1.24%<br>JadeYale-CY Company Limited 0.48% |
| Honder Holdings Ltd. | GREEN COVE ENTERPRISES INC. 76.00%<br>Yeh Tzu Charitable Trust Fund 11.88%<br>Hwang,Mei-Yun 6.00%<br>Lu,Fei-Chian 3.60%<br>HERM INVESTMENT CO. LTD. 2.40%<br>SINCERE HOLDING COMPANY 0.12% |
| Sincere Holding Company | Yeh Tzu Charitable Trust Fund 100.00% |

Major shareholders of the Company’s major institutional shareholder：

April 16, 2024

| Name of Institutional Shareholders | Major Shareholders |
| --- | --- |
| GREEN COVE ENTERPRISES INC. | Fortis Corp. 100% |
| HonSean-JY Company Limited | Shu, Chin-Yung 39.382%<br>LEE, KUI-HUA 37.912%<br>Hsu,Ching-Hsiang 22.706% |
| JadeYale-CY Company Limited | Shu, Chin-Yung 31.447%<br>LEE, KUI-HUA 31.447%<br>Hsu, Ching-Ling 37.106% |
| Yeh Tzu Charitable Trust Fund | Not applicable |

2. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors：

| condition / name | Professional qualifications and experience | Independence situations | Concurrently serves as an independent director of other publicly issued companies |
|---|---|---|---|
| JH Shyu | He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Chairman of Episil-Precision Inc., Legal Representative Chairman of Wellknown Holdings Ltd., Legal Representative Charman and President of Taiwan Hi-Tech Corp., Independent director of Ultra Chip, Inc., Independent director of Upi Semiconductor, with diversified industry expertise, as well as business management capabilities.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | - | 2 |
| Shu, Chin-Yung | He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Director of Huntertex Corp.<br>Legal Representative Director of SHINYU LIGHT CO., LTD.、Chairman of HonSean-JY Company Limited.、 Chairman of JadeYale-CY Company Limited.、Chairman of GeoThings Inc.、Director of Hermes-Epitek Corporation、Director of Advanced Ion Beam Technology, Inc.、Legal Representative Director of GIGA SOLAR MATERIALS CORPORATION、Legal Representative Director of ProMOS Technologies Inc. , with diversified industries of professional, as well as enterprise management capabilities.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | - | 0 |
| Chen,Hsi-Hsin | He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Director of EPISIL-PRECISION INC.、Legal Representative Director of HIGH POWER OPTOELECTRONICS, INC.、Director of ENERGIC TECHNOLOGIES CORPORATION、Director of ADVANCED ION BEAM TECHNOLOGY, INC. with diversified industry expertise, as well as enterprise management capabilities.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | - | 0 |
| Shen,Hsiao-Lien | Director of the Semiconductor Industry, Director of ENERGIC TECHNOLOGIES CORPORATION, with expertise in diverse industries and business management capabilities.<br>There is no one of the various paragraphs of | - | 0 |

| | | | |
|---|---|---|---|
| | Article 30 of the Companies Act. | | |
| Su,Chien-Chi | As the manager of Herman Technology in the semiconductor industry, he has the professionalism of diversified industries and the ability of enterprise operation and management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | - | 0 |
| Fan,Gui Rong | Serves as a director of the semiconductor industry such as the legal representative director of Galvan Electronics, with the expertise of diversified industries and the ability of enterprise operation and management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | - | 0 |
| Jhih-Da Yan | He is currently an associate professor of the Department of Finance and Taxation of Taichung University of Science and Technology, and independent director of Prolight Opto Technology Corporation., and has professional ability in financial accounting.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | Not an employee, director or supervisor of the company or its affiliates.<br>A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others.<br>There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.<br>No article 27 of the Companies Act provides for the election of a government, a legal person or its representative. | 1 |
| Zong-Si Ke | As a director of Electronic Technology, he has the expertise of diversified industries and the ability of enterprise operation and management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | Not an employee, director or supervisor of the company or its affiliates.<br>A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others.<br>There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.<br>No article 27 of the Companies Act provides for the election of a government, a legal person or its representative. | 0 |
| Mao-Song Deng | Served as a number of directors of the electronic technology and semiconductor industries such as Director and General Manager of E-Tech, Chairman of the Legal Representative of E-Group Technology, Chairman of the Legal Representative of E-Li Microelectronics, Director of Great Team Backend Foundry, Inc., Director of Etron Technology America, Inc., Director of | Not an employee, director or supervisor of the company or its affiliates.<br>A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. | 0 |

| | | | |
|---|---|---|---|
| | eCapture Technologies, Director of Inc., Director of eCapture Ltd. Co., Director of eCapture Co., Limited,<br>Director of S Square System Limited, Director of Insignis Technology, Inc., Director of Insignis Technology Corporation, Director of Anzon Technology, Inc., Director of eEver Technology Limited eYs3D Microelectronics, Director of Inc., with the professional ability of diversified industries and business management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.<br>No article 27 of the Companies Act provides for the election of a government, a legal person or its representative. | |

3. Diversity and independence of the Board

（1）Board Diversity:

The composition of the Board of Directors of the Company is based on the Corporate Governance Code and the Election Of Directors to consider the diversity of the Board of Directors from various aspects. The Company has a total of 9 directors, including 3 independent directors, one of which is a female director; the professional background of the board members covers electronics, semiconductor, finance and management industry experience, with the company's need for industrial knowledge, operational judgment ability, international market concept, leadership ability and decision-making ability, etc., can give professional advice from different angles, can improve the company's operating performance and management efficiency.

（2）Board Board Independence:

The Company attaches importance to the independence of the members of the Board of Directors and the policy objective of diversification management is that directors who are also the managers of the Company should not exceed one-third of the number of directors. Achieve management goals in 2023.

（3）More diversity of board members is as follows:

| Diversified core items eye / Names of directors | Basic conditions and values | | | | | | | | Industry experience | | | | | | | Professional competence |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | nationality | gender | Concurrently serve as an employee of the | age | | | The term of office of the independent directors is senior | Electronics industry | Semiconductor industry | Operational and decision management capabilities | Marketing and business development | Crisis management and industry knowledge | financial management | Accounting and financial analysis skills | Semiconductor process technology |
| | | | | 41 to 50years old | 51 to 60years old | 61 to 70years old | 7 years | | | | | | | | |
| JH Shyu | R.O.C | Male | | | | V | | V | V | V | V | V | V | V | V |
| Shu,Chin-Yung | | Male | | | | V | | V | V | V | V | V | V | V | V |
| Chen,Hsi-Hsin | | Male | | | | V | | V | V | V | V | V | V | V | V |
| Shen,Hsiao-Lien | | Male | | | V | | | V | V | V | V | V | V | V | |
| Su,Chien-Chi | | Male | | V | | | | V | V | V | V | V | V | V | V |
| Fan,Gui Rong | | Female | V | | V | | | V | V | V | V | V | V | V | |
| Jhih-Da Yan | | Male | | | V | | V | | | | | V | V | V | |
| Zong-Si Ke | | Male | | | | V | V | V | V | V | V | V | V | V | V |
| Mao-Song Deng | | Male | | | | V | V | V | V | V | V | V | V | V | V |

(II) Management Team：

April 16, 2024

| 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 |
| CEO | R.O.C | JH Shyu | Male | 2016.06 | 151,000 | 0.05 | - | - | - | - | Master's degree in chemical engineering , National Cheng Kung University | Legal Representative Chairman of Episil-Precision Inc.<br>Legal Representative Chairman of Wellknown Holdings Ltd.<br>Legal Representative Charman and President of Taiwan Hi-Tech Corp.<br>Independent director of Ultra Chip, Inc.<br>Independent director of Upi Semiconductor | None | | |
| President | R.O.C | Tw Liu | Male | 2021.03 | 111,430 | 0.03 | - | - | - | - | Bachelor's degree in Electrical Engineering department,National Central University | None | None | | |
| Vice President | R.O.C | Fan,Gui Rong | Female | 2014.10 | 18,361 | 0.01 | - | - | - | - | Master's degree in MBA,University of Leicester | Legal Representative Director of Episil-Precision Inc. | None | | |
| Vice President | R.O.C | Yuan-Bei Gu | Female | 2020.06 | 11,000 | 0 | - | - | - | - | Master's degree in Department of Business Administration, National Taiwan University | None | None | | |
| Vice Presiden | R.O.C | Zhang,Zai-Liang | Male | 2021.09 | 56,218 | 0.02 | - | - | - | - | Master of Electrical Engineering and Master of Business Administration, Virginia Institute of Technology, USA<br>Itetech Director | None | None | | |
| Vice Presiden | R.O.C | Chen,Yan-Zhang | Male | 2021.09 | 54,076 | 0.02 | - | - | - | - | Master of Electronics, Jiaotong University<br>Senior Manager of Applied Materials, Taiwan | None | None | | |
| Vice Presiden | R.O.C | Zhou,Zheng-Yi | Male | 2021.11 | 3,000 | 0 | - | - | - | - | Master of Chemistry, National Taiwan University<br>Senior Manager, UMC | None | None | | |
| Assistant Vice President | R.O.C | Chang,Po-Yen | Male | 2022.10 | 6,000 | 0 | - | - | - | - | Master of Industrial Engineering, Chung Yuan Christian University<br>Senior Manager, UMC | None | None | | |
| Head of Finance and Accounting | R.O.C | Zhong,Jia-Qi | Female | 2020.10 | 6,600 | 0 | - | - | - | - | Department of Economics, private Tunghai University<br>Director of EPISIL | None | 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. Remuneration of Directors, Independent Directors, General Manager and Deputy General Manager

### (Ⅰ) Y2023 Remuneration of Directors and Independent Directors

Unit: NT$ thousands

| Title | Name | Remuneration: Base Compensation (A) – The company | Remuneration: Base Compensation (A) – All companies in the consolidated financial statements | Remuneration: Severance Pay (B) – The company | Remuneration: Severance Pay (B) – Companies in the consolidated financial statements | Remuneration: Directors Compensation (C) – The company | Remuneration: Directors Compensation (C) – Companies in the consolidated financial statements | Remuneration: Allowances (D) – The company | Remuneration: Allowances (D) – Companies in the consolidated financial statements | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) – The company | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) – Companies in the consolidated financial statements | Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E) – The company | Salary, Bonuses, and Allowances (E) – Companies in the consolidated financial statements | Severance Pay (F) – The company | Severance Pay (F) – Companies in the consolidated financial statements | Employee Compensation (G) – The company – Cash | Employee Compensation (G) – The company – Stock | Employee Compensation (G) – Companies in the consolidated financial statements – Cash | Employee Compensation (G) – Companies in the consolidated financial statements – Stock | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) – The company | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) – Companies in the consolidated financial statements | Remuneration from ventures other than subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Chairman | Sincere Holding Company<br>Representative：Jian-JH Shyu | 0 | 0 | 0 | 0 | 491 | 491 | 495 | 645 | 986<br>1.47% | 1,136<br>1.69% | 4,537 | 4,537 | 108 | 108 | 0 | 0 | 1,250 | 0 | 5,631<br>8.40% | 7,031<br>10.48% | 12 |
| Director | Hermes-Epitek Corporation<br>Representative：Chen,Hsi-Hsin<br>Representative：Shen,Hsiao-Lien | | | | | | | | | | | | | | | | | | | | | |
| Director | Sincere Holding Company<br>Representative：Shu, Chin-Yung | | | | | | | | | | | | | | | | | | | | | |
| Director | Vision Holdings Ltd.<br>Representative：Su,Chien-Chi | | | | | | | | | | | | | | | | | | | | | |
| Director | Honder Holdings Ltd.<br>Representative：Fan,Gui Rong | | | | | | | | | | | | | | | | | | | | | |
| Director | Vision Holdings Ltd.<br>Representative：Fan,Gui Rong | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Jhih-Da Yan | 0 | 0 | 0 | 0 | 246 | 246 | 1,170 | 1,170 | 1,416<br>2.11% | 1,416<br>2.11% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,416<br>2.11% | 1,416<br>2.11% | 0 |
| Independent Director | Zong-Si Ke | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Mao-Song Deng | | | | | | | | | | | | | | | | | | | | | |

1.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:The remuneration of the independent directors of the Company is based on the degree of participation in the operation of the Company (including the attendance of directors, the frequency of communication, the advice provided... etc.), the Remuneration Committee shall then make recommendations to the Board of Directors after considering the degree of participation and contribution value of each director in the operation of the Company and the performance of the Company's operations.
2.Except as disclosed in the table above, the remuneration received by a company director in the most recent year for services rendered to all companies in the financial report (Parent company/all companies in the financial report/reinvestment business, etc.)：0
3.On Feb 27, 2024, the Board of Directors of the Company resolved to pay the remuneration of directors for the year 2023, which is an estimate in the above table and has not yet been reported to the ordinary meeting of shareholders.
The allowances are paid to individuals, while the remuneration from profit distribution is entitled to legal entities.

Range of Remuneration

| Range of Remuneration | Name of Director | | | |
|---|---|---|---|---|
| | The total amount of the first four remunerations (A+B+C+D) | | The total amount of the first seven items of remuneration (A+B+C+D+E+F+G) | |
| | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements |
| Less than NT$ 1,000,000 | Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, , Fan,Gui Rong Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd, Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng | Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, , Fan,Gui Rong, Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd, Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng | Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng | Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng |
| NT$1,000,000～NT$1,999,999 | | | | |
| NT$2,000,000～NT$3,499,999 | | | | |
| NT$3,500,000～NT$4,999,999 | | | Fan,Gui Rong | Fan,Gui Rong |
| NT$5,000,000～NT$9,999,999 | | | | |
| 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 | 13 | 13 | 13 | 13 |

(II)、Y2023 Remuneration of Presidents and Vice Presidents Unit: NT$ thousands

| Title | Name | Base Compensation (A) | | Bonus to Supervisors (B) | | Allowances (C) | | Employee Compensation (D) (Note1) | | | | Total and ratio of Total Remuneration (A+B+C+D) 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 | | | |
| CEO | JH Shyu | 22, 933 | 22, 933 | 648 | 648 | 13, 194 | 13, 194 | 0 | 0 | 1,250 | 0 | 36,775 54.83% | 38,025 56.69% | 0 |
| President | Tw Liu | | | | | | | | | | | | | |
| Vice President | Fan,Gui Rong | | | | | | | | | | | | | |
| Vice President | Yuan-Bei Gu | | | | | | | | | | | | | |
| Vice Presiden | Zhang,Zai-Liang | | | | | | | | | | | | | |
| Vice Presiden | Chen,Yan-Zhang | | | | | | | | | | | | | |
| Vice Presiden | Zhou,Zheng-Yi | | | | | | | | | | | | | |

Note1：On Feb 27, 2024, the Board of Directors of the Company resolved to pay employees for the year 2023, which is an estimate in the above table and has not yet been reported to the Ordinary Meeting of Shareholders.

Range of Remuneration

| Range of Remuneration | Name of Executive Officers | |
|---|---|---|
| | The company | All companies in the financial report |
| Less than NT$ 1,000,000 | JH Shyu | JH Shyu |
| NT$1,000,000～NT$1,999,999 | | |
| NT$2,000,000～NT$3,499,999 | 、 | |
| NT$3,500,000～NT$4,999,999 | Fan,Gui Rong、Zhang,Zai-Liang、Yuan-Bei Gu | Fan,Gui Rong、Zhang,Zai-Liang、Yuan-Bei G |
| NT$5,000,000～NT$9,999,999 | Chen,Yan-Zhang、Zhou,Zheng-Yi | Chen,Yan-Zhang、Zhou,Zheng-Yi |
| NT$10,000,000～NT$14,999,999 | Tw Liu | Tw Liu |
| 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 | 7 | 7 |

Names of managers and distribution of compensation to employees in 2023：

Unit: NT$ thousands

| Title | | Name | The amount of the stock | Cash amount (Note 1) | Total (Note 1) | Total as a percentage of net profit after tax (%) |
|---|---|---|---|---|---|---|
| Managers | CEO | JH Shyu | 0 | 0 | 0 | 0 |
| | President | Tw Liu | | | | |
| | Vice President | Fan,Gui Rong | | | | |
| | Vice President | Yuan-Bei Gu | | | | |
| | Vice Presiden | Zhang,Zai-Liang | | | | |
| | Vice Presiden | Chen,Yan-Zhang | | | | |
| | Vice Presiden | Zhou,Zheng-Yi | | | | |
| | Assistant Manager | Jeffish chang | | | | |
| | Head of Finance and Accounting | Zhong,Jia-Qi | | | | |
| | Corporate Governance Officer | WU,SHU-RONG | | | | |

Note 1: On Feb 27, 2024, the board of directors of the company decided to distribute employee remuneration for 2023. The above table is a tentative estimate and has not yet been reported to the general meeting of shareholders.

(III) Analysis of the ratio of the total remuneration paid by the Company and all companies in the consolidated statements to the Company in the most recent two years to the net profit after tax, and explain the policy, standard and combination of remuneration, the procedures for setting remuneration and the correlation between business performance and future risks:

1.Analysis of the proportion of the total remuneration paid to directors, general managers and deputy general managers in the last two years to the net profit after tax

Unit: NT$ thousands

| Year / Identity | Y2022 | | | | Y2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 10,972 | 1.34% | 11,242 | 1.37% | 7,047 | 10.51% | 8,447 | 12.59% |
| president and vice Presidents | 27,411 | 3.34% | 27,411 | 3.34% | 36,775 | 54.83% | 38,025 | 56.69% |

Note 1: On Feb 27, 2024, the Board of Directors of the Company resolved to pay employees for 2023, which is an estimate in the above table and has not yet been reported to the ordinary 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 pay its employees not less than one-tenth of the profit position of the current year and shall pay directors not more than two percent" 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 "Management Measures for Managers' Compensation" and " Manager incentive and performance bonus method "

The Company established the Remuneration Committee on 2014. 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.

# IV. Implementation of Corporate Governance

## （I）Board of Directors

A total of 6 meetings of the Board of Directors were held in 2023 The attendance of director were as follows:：

<table>
<tr><th>Title</th><th colspan="2">Name</th><th>Attendance in Person (註 1)</th><th>By Proxy</th><th>Attendance Rate (%)</th><th>Remarks</th></tr>
<tr><td>Chairman</td><td>Sincere Holding Company</td><td>Representative：JH Shyu</td><td>6</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Director</td><td>Sincere Holding Company</td><td>Representative：Shu, Chin-Yung</td><td>5</td><td>1</td><td>83.33</td><td></td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Hermes-Epitek Corporation</td><td>Representative：Chen,Hsi-Hsin</td><td>6</td><td>0</td><td>100</td><td rowspan="2"></td></tr>
<tr><td>Representative：Shen,Hsiao-Lien</td><td>5</td><td>1</td><td>83.33</td></tr>
<tr><td>Director</td><td>Vision Holdings Ltd.</td><td>Representative：Su,Chien-Chi</td><td>5</td><td>1</td><td>83.33</td><td></td></tr>
<tr><td>Director</td><td>Vision Holdings Ltd.</td><td>Representative：Fan,Gui Rong</td><td>6</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent Director</td><td colspan="2">Jhih-Da Yan</td><td>6</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent Director</td><td colspan="2">Zong-Si Ke</td><td>6</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent Director</td><td colspan="2">Mao-Song Deng</td><td>6</td><td>0</td><td>100</td><td></td></tr>
<tr><td colspan="7">Other mentionable items：<br>(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.</td></tr>
</table>

| board of directors Term/ Date | Period | Contents of the motion | Opinions of all independent directors | The Company's handling of the opinions of independent directors |
|---|---|---|---|---|
| 2023.03.07 | 3rd Term 16th Session | 1. Passed the Company's 2022 annual employee remuneration and directors' remuneration expenses.<br>2. The Company's 2023 compensation of employee and director appraisal proposal<br>3. The 2023 financial statement review and certification of the appointment and remuneration of certified accountants and their suitability and independence assessment<br>4. Issuance of common shares by not continuing to process private placements.<br>5. Issuance of common stock through private placement.<br>6. Self-audit report and internal control system statement for 2022 | agree | NA |
| 2023.05.09 | 3rd Term 17th Session | 1. Issuance of new shares through the Company's third domestic secured conversion of corporate bonds into capital.<br>2. Amendment to the Sustainable Development Best Practice Principles<br>3. Revise the company’ s internal control system | agree | NA |
| 2023.08.08 | 4th Term 2nd Session | 1. Issuance of new shares through the Company's third domestic secured conversion of corporate bonds into capital | agree | NA |
| 2023.11.07 | 4th Term 3rd Session | 1. 2024 annual audit plans.<br>2. Director’ s business execution fee<br>3. Manager compensation proposals | agree | NA |
| 2023.12.26 | 4th Term 4th Session | 1. Internal control system and internal audit rules revised<br>2. Lift the manager’ s non-compete | agree | NA |
| 2024.02.27 | 4th Term 5th Session | 1. 2023 financial statements and consolidated financial statements.<br>2. The Status that the Company regularly evaluates the independence of auditor.<br>3. Distribution of 2023 Retained Earnings.<br>4. ssuance of common shares by not continuing to process private placements.<br>5. Issuance of common stock through private placement.<br>6. 2023 Statement of Internal Control System. | agree | NA |

(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 avoid the reason | A vote situation |
|---|---|---|---|---|
| 3rd Term 16th 2023.03.07 | Fan,Gui Rong | Manager incentive and performance bonus | Director herself | The rest of the directors present approved the case |
| | | Managers 2023 Compensation Proposals | Director herself | The rest of the directors present approved the case |
| | JH Shyu<br>Fan,Gui Rong<br>Shu, Chin-Yung<br>Chen,Hsi-Hsin<br>Shen,Hsiao-Lien<br>Su,Chien-Chi | Discuss the Company's general directors' carriage and horse fees | Director himself | The rest of the directors present approved the case |
| | Jhih-Da Yan<br>Zong-Si Ke<br>Mao-Song Deng | Discuss the cost of carriage and horseback for the independent directors of the Company | Director himself | The rest of the directors present approved the case |
| | JH Shyu<br>Fan,Gui Rong<br>Shu, Chin-Yung<br>Chen,Hsi-Hsin<br>Shen,Hsiao-Lien<br>Su,Chien-Chi | Discuss general director remuneration distribution proposals | Director himself | The rest of the directors present approved the case |
| | Jhih-Da Yan<br>Zong-Si Ke<br>Mao-Song Deng | Discuss independent directors remuneration distribution proposals | Director himself | The rest of the directors present approved the case |
| 4th Term 2nd 2023.08.08 | Jhih-Da Yan<br>Zong-Si Ke<br>Mao-Song Deng | Appoint salary compensation members. | Director herself | The rest of the directors present approved the case |
| 4th Term 3rd 2024.11.07 | JH Shyu<br>Fan,Gui Rong<br>Shu, Chin-Yung<br>Chen,Hsi-Hsin<br>Shen,Hsiao-Lien<br>Su,Chien-Chi | Discuss the Company's general directors' carriage and horse fees | Director himself | The rest of the directors present approved the case |
| | Jhih-Da Yan<br>Zong-Si Ke<br>Mao-Song Deng | Discuss the cost of carriage and horseback for the independent directors of the Company | Director himself | The rest of the directors present approved the case |
| | Fan,Gui Rong<br>JH Shyu | Managers 2024 Compensation Proposals | Director himself | The rest of the directors present approved the case |
| 4th Term 4th 2023.12.26 | JH Shyu | Lift the manager’s non-compete. | Director himself | The rest of the directors present approved the case |
| 4th Term 5th2024.02.27 | JH Shyu<br>Fan,Gui Rong<br>Shu, Chin-Yung<br>Chen,Hsi-Hsin<br>Shen,Hsiao-Lien<br>Su,Chien-Chi | Discuss general director remuneration distribution proposals | Director himself | The rest of the directors present approved the case |
| | Jhih-Da Yan<br>Zong-Si Ke<br>Mao-Song Deng | Discuss independent directors remuneration distribution proposals | Director himself | The rest of the directors present approved the case |

| | | | | |
|---|---|---|---|---|
| | Fan,Gui Rong<br>JH Shyu | Manager incentive and performance bonus | Director herself | The rest of the directors present approved the case |

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 | Evaluation Content | Evaluate the results of implementation |
|---|---|---|---|---|---|
| Annually | 2023/1/1~ 2023/12/31 | Individual board members | Self-assessment by directors | Six aspects:<br>(1) Mastery of the company's goals and tasks.<br>(2) Awareness of the duties of directors.<br>(3) The degree of participation in the company's operations.<br>(4) Internal relationship management and communication.<br>(5) Professional and continuous training of directors.<br>(6) Internal control | "Beyond the standard". In the future, the Company 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's assessment |
| Annually | 2023/1/1~ 2023/12/31 | Board of Directors | self-evaluation | Five aspects:<br>(1) The degree of participation in the company's operations.<br>(2) Improve the quality of decision-making of the board of directors.<br>(3) Composition and structure of the board of directors.<br>(4) Selection and continuous training of directors.<br>(5) Internal control. | "Beyond the standard". In the future, the Company 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's assessment |
| Annually | 2023/1/1~ 2023/12/31 | Audit Committee Remuneration Committee | self-evaluation | Five aspects:<br>(1) The degree of participation in the company's operations.<br>(2) Functional Committee Responsibilities Cognition.<br>(3) The quality of functional committee decision-making.<br>(4) Composition and selection of members of the functional committee.<br>(5) Internal control. | "Beyond the standard". In the future, the Company 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's assessment |

IV、Measures taken to strengthen the functionality of the board：

(I) The Board of Directors has authorized its Audit Committee and Compensation Committee, which are composed of three independent directors, to assist the Board of Directors in the performance of their respective oversight duties. The chairmen of the committees report regularly to the board on their activities and resolutions.

| |
|---|
| (II) To enhance the transparency of information, the Company's directors' shareholding ratio, financial information, major resolutions of discussions, directors' attendance at the board of directors and other information have been published on the Open Information Observatory in accordance with the relevant laws and regulations. |

Note 1: Actual attendance rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.

（II）Audit Committee：

The operation of the audit committee：The Audit Committee held meetings 5 times in 2023. Attendance status of Independent Directors is as follows：

| Title | Name | Attendance in Person | By Proxy | Attendance Rate (%)(Note) | Remarks |
|---|---|---|---|---|---|
| Independent director | Jhih-Da Yan | 5 | 0 | 100 | |
| Independent director | Zong-Si Ke | 5 | 0 | 100 | |
| Independent director | Mao-Song Deng | 5 | 0 | 100 | |

Other mentionable items：

I、If the operation of the audit committee falls under any of the following circumstances, the date, period, content of the proposals, the independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and the company's handling of the audit committee's opinions shall be stated. :.

(一) Matters referred to in Article 14-5 of the Securities and Exchange Act.

| The Audit Committee | Contents of the motion | Outcome of the audit committee's resolutions | The Company's handling of the Audit Committee's opinion |
|---|---|---|---|
| 2nd Term 15th 2023.03.07 | 1. Approved the 2022 annual business report and financial report.<br>2. Pass the 2023 financial statement review and certification of the appointment and remuneration of certified accountants and their suitability and independence assessment<br>3. Distribution of surplus through the Company in 2022.<br>4. Issuance of common shares by not continuing to process private placements.<br>5. Issuance of common stock through private placement<br>6. Self-audit report and internal control system statement for 2022 | agree | Passed as proposed |
| 2nd Term 16th 2023.05.09 | 1. Issuance of new shares through the Company's third domestic secured conversion of corporate bonds into capital<br>2. 2023 Q1 consolidated financial statements.<br>3. Revise the company's internal control system | agree | Passed as proposed |
| 3rd Term 1th 2023.08.08 | 1. Issuance of new shares through the Company's third domestic secured conversion of corporate bonds into capital<br>2. 2023 Q2 consolidated financial statements. | agree | Passed as proposed |
| 3rd Term 2th 2023.11.07 | 1. 2023 Q3 consolidated financial statements<br>2. 2024 annual audit plans. | agree | Passed as proposed |
| 3rd Term 3th 2023.12.26 | 1. The 2024 annual business plan and related manpower, equipment and expenses budget<br>2. Internal control system and internal audit rules revision<br>3. Agree to lift manager's non-compete | agree | Passed as proposed |
| 3rd Term 3th 2024.2.27 | 1. Approved the 2023 annual business report and financial report. | agree | Passed as proposed |

| | | | |
|---|---|---|---|
| | 2. the 2024 financial statement review and certification of the appointment and remuneration of certified accountants and their suitability and independence assessment<br>3. 2023 distribution from retained earnings.<br>4. Issuance of common shares by not continuing to process private placements.<br>5. Issuance of common stock through private placement<br>6. 2023 Statement of Internal Control System. | | |

(二) 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 |
|---|---|---|
| 3rd Term 16th Session 2023.03.07 | Discuss the expenses of independent directors of the company | Discuss the expenses of independent directors of the company, avoided interests, and did not participate in the voting |
| | Discuss proposals for distribution of remuneration for independent directors | Discuss proposals for distribution of remuneration for independent directors, avoided interests, and did not participate in the voting |
| 4th Term 2th Session 2023.08.08 | Appointment of members of the Company's Remuneration Committee | The independent director is a member of the remuneration committee, avoids interests, and does not participate in voting. |
| 4th Term 3th Session 2023.11.07 | Discuss the expenses of independent directors of the company | Discuss the expenses of independent directors of the company, avoided interests, and did not participate in the voting |
| 4th Term 5th Session 2023.11.07 | Discuss proposals for distribution of remuneration for independent directors | Discuss proposals for distribution of remuneration for independent directors, avoided interests, and did not participate in the voting |

III、Communication between Independent Directors, head of internal audit, and CPAs：

(I) When the audit committee and the board of directors are held regularly every quarter, the audit director shall report the audit business, submit the audit report to the independent director for review every month, and record the discussion matters in the minutes of the meeting, so that the independent director and the audit director can fully communicate.

(II) During the review of the annual financial statements of the Company, the accountants will attend the audit committee and the board of directors as non-voting participants to explain the review of financial reports, the evaluation of significant assets and accounting estimates, etc. The accountants will discuss and communicate with the directors on the questions raised by the directors.

(III) Communication between Independent Directors, head of internal audit, and CPAs:

| Date | Communicate matters with head of internal audit | Communicate matters with CPAs |
|---|---|---|
| 2023.03.07 (individual meeting) | 1. Implementation of the audit plan for the fourth quarter of 2022<br>2. Internal Control System Effectiveness Assessment and Internal Control System Statement<br>3. Audit manager explains the issues raised by the | 1. Audit of financial reports for the fourth quarter of 2022<br>2. Communicate with major governance units<br>3. The accountant explains the questions raised by the audit committee |

| | | |
|---|---|---|
| | audit committee | |
| 2023.05.09 (individual meeting) | 1. Implementation of the audit plan for the first quarter of 2023<br>2. Revision of Internal Control System | 1. The financial statement and result for the first quarter of 2023<br>2.Communicate with major governance units<br>3.The accountant explains the questions raised by the audit committee |
| 2023.08.08 (individual meeting) | 1. Implementation of the audit plan for the second quarter of 2023<br>2. Audit manager explains the issues raised by the audit committee | 1. The financial statement and result for the second quarter of 2023<br>2.Communicate with major governance units<br>3.The accountant explains the questions raised by the audit committee |
| 2023.11.07 | 1. Implementation of the audit plan for the third quarter of 2023 | 1. The financial statement and result for the third quarter of 2023<br>2.Communicate with major governance units<br>3.The accountant explains the questions raised by the audit committee |
| 2024.02.27 (individual meeting) | 1. Implementation of the audit plan for the fourth quarter of 2023<br>2. 2022 Internal Control System Effectiveness Assessment and Internal Control System Statement | 1. The financial statement and result for the fourth quarter of 2023<br>2.Communicate with major governance units<br>3.The accountant explains the questions raised by the audit committee |

Operation of the audit committee and annual focus of work:

(一) Work Priorities in 2023：

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 Certified Public Accountant,.
6. Independent assessment of accountants and public service fees.
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. Compliance.

Note : Actual attendance rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.

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

| Evaluation Item | Implementation Status | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”? | V | | The Company has formulated the "Corporate Governance Best-Practice Principles" with relevant regulations to protect the rights and interests of shareholders, strengthen BOD functions, respect stakeholders, and improve information transparency. Please refer to the official website (www .episil.com) for the Company's "Corporate Governance Best-Practice Principles.” | None |
| II. Equity structure and shareholder rights<br>(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? | V | | The Company convenes shareholder meetings in accordance with the Company Act and relevant laws and regulations and formulates a comprehensive Shareholders’ Meeting Procedure Rules. The Company has a spokesperson system and designates personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes, disclosing contact information so that shareholders can express their opinions and receive a proper response. | None |
| (II) Does the Company maintain a list of major Company shareholders and the ultimate owners of these shareholders? | V | | In accordance with the Securities and Exchange Act, the Company discloses equity changes of insiders (directors, managers and shareholders with more than 10% shareholding) to the MOPS on a monthly basis, in order to retain the holding company’s register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders, and ensuring stable operating rights<br>. | None |
| (III) Has the Company built and executed a risk management mechanisms and “firewall” between the Company and its affiliates? | V | | To establish sound financial transactions with related enterprises, our company has established the "Rules Governing Financial and Business Matters Between the Company and its Related Parties.," which regulate transactions such as fund loans, endorsements, and guarantees with related enterprises. Additionally, internal controls for supervising subsidiaries have been established to manage risks. | None |
| (IV)Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market? | V | | The Company has adopted internal rules prohibiting insiders from trading securities using information not disclosed to the market,and continue to promote the policy of avoiding insider trading.<br>"Insider trading prevention education" is conducted at least once a year for current directors, managers and all employees. The total number of insider trading prevention training hours in 2023 is 212.25 hours, with a total of 849 people participating. | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| III. Composition and responsibilities of the Board of Directors<br>(I) Has the board of directors formulate diversity policies, specific management objectives and implement them? | V | | The composition of the Company's board members considers diversity from various aspects based on the "Corporate Governance Best-Practice Principles" and the "Procedures for the Election of Directors." There 9 directors and 3 independent directors in the Company's board of directors, including a female director. The board members have professional backgrounds such as management, science and engineering, and financial analysis. They have experience in technological businesses, possessing the required semiconductor industry knowledge, judgment, international market concepts, leadership, and decision-making capabilities. This provides professional opinions from different aspects to improve the Company's operating performance and managerial efficiency. The Company pays attention to gender equality in the composition of the board of directors, to have 20% of board members as female directors, and plans to add 1 female director in the 4th term board of directors to achieve its goal. Please refer to page 30 for more information on board diversity. | None |
| (II) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee of its own accord? | V | | In addition to the Remuneration Committee and Audit Committee, the Company also voluntarily established a special committee for mergers and acquisitions. The other functional committees will be established when necessary in the future. | None |
| (III) Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance 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? | V | | The Company has formulated the standard and method for evaluating the performance of the Board. Evaluation of the board of directors, board members and functional committees. On February 27, 2024, the 2023 evaluation results were submitted to the 16th meeting of the 3rd term board of directors as the basis for review and improvement. The evaluation results of overall board performance will be used as a reference for the election or nomination of directors (including independent directors). In contrast, the directors' individual performance evaluation results will be used as a reference for their remuneration and re-election in the future. | None |
| (IV) Does the Company assess the independence of external auditors on a regular basis? | V | | 1. The Company regularly evaluates the auditor's professional qualifications and independence on an annual basis, which were submitted together with the independence declaration to the board of directors.<br>2. The company regularly evaluates the independence of CPAs, with the main contents as follows: | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | (1) Whether the CPA himself/herself, his/her spouse, dependents or relatives has an investment or profit-sharing relationship with the Company.<br>(2) Whether the CPA himself/herself, his/her spouse, dependents or relatives has a business relationship with the Company's directors/ managers that affects independence.<br>(3) Whether the auditor himself/ herself or his/ her spouse or minor children currently serve as a director or manager of the company or has a significant influence on the audit case during the audit period.<br>(4) Whether the auditor is a spouse, lineal relatives by blood, lineal relatives by marriage or blood relatives within the second degree of kinship with the Company's directors and managers.<br>3. According to the results of the 5th meeting Board Of Directors of the Fourth Session of the Company on February 27, 2023, the Company's visa accountants did not violate the provisions of the Company's Professional Ethics Bulletin No. 10, the two accountants did not hold the position of director, manager or significant influence of the Company, nor did they have other financial interests or business relationships, and the accountant's family members did not violate the independence requirements and met the conditions of independence and appropriateness. | |
| 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 compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of board/shareholder meetings)? | V | | In order to implement corporate governance and promote the board of directors to play its due functions to safeguard the rights and interests of investors, the company has designated Wu Shurong, the financial director, as the head of corporate governance, to be responsible for corporate governance related matters, and Manager Wu Shurong has more than three years of experience in the position of financial supervisor of the public offering company.<br>Courses completed in 2023 include: "<br>Trends in digital technology and artificial intelligence and risk management " held by CGA, " Listed Companies - Insight into the Derivatives Financial Market and Towards Corporate Sustainability Seminar " and "<br>2023 Insider Equity Trading Act compliance publicity briefing " and "<br>2023 Insider Trading Prevention Promotion Conference" held by CFI, "<br>"Functions and Tasks of Corporate Governance Personnel under the Corporate Governance Blueprint" and "Latest Practical Development of Domestic Offshore Trading" " held by | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | The Institute of Internal Auditors, during the 2023 training Count to 18 hours.<br>The main business implementation situation is as follows:<br>1. Assisting the Board or its committees with drawing up annual work plans and meeting agendas and collecting, researching, analyzing, or providing related materials.<br>2. Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees for reference by the Board and its committees during deliberations.<br>3. Ensuring that the operations of the Company's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Company's Articles of Incorporation, shareholders' meeting resolutions, and Guidelines for Corporate Governance.<br>4. Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings.<br>5. Informed directors of the agenda for board of directors seven days before the meeting, convened a meeting and provided meeting materials, reminded directors to recuse if there is a conflict of interest in the agenda items in advance, and completed the minutes of the board of directors meetings within 20 days after the meetings.<br>6. Assessing and taking out appropriate D&O liability insurance for directors, supervisors, and managers. | |
| 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? | V | | The Company has set up a stakeholder section on our website with a dedicated email for stakeholder communication and contact. Any question, suggestion, or voice can be channeled through this mailbox for open and effective communication. | None |
| VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | V | | The Company engaged a professional shareholder services agent (KGI Securities) to handle shareholder meeting matters. | None |
| VII. Information Disclosure<br>(I)Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance status? | V | | The Company has set up an official website (www.episil.com) for timely disclosure of financial and corporate governance information. | None |
| (II)Does the Company adopt other information disclosure channels (e.g. maintaining an English-language website, | V | | The Company has set up an English website, and has a spokesman for external communication and designated personnel to disclose information about | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? | | | the company and the institutional investor conferences at market observation post system in accordance with the statutory requirements. In addition, the Company holds the investor conference on an annual basis. It discloses relevant information on the MOPS and company website to respond to the investors' queries related to business operations and financial information. | |
| (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? | V | | The Company announced and reported the 2023 annualfinancial statements within two months after the end of the fiscal year, and announced and reported quarterly financial statements as well as the operating status of each month before the prescribed deadline. | None |
| 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, liability insurance for the Company's directors and supervisors)? | V | | 1. Employee rights and interests: The Company and its subsidiaries have established work rules to protect employee rights and interests in accordance with the Labor Standards Act and have also stipulated the Regulations for Implementing Labor-Management Meeting for labor-management communication.<br>2. Employee care: The International Organization for Standardization (ISO) announced the new ISO 45001:2018 system to replace Episil's original OHSAS18001 certification in March 2018, and the Company obtained ISO45001 certification in August 2020. The dedicated occupational safety department is responsible for supervision and guidance for each department to conduct self-inspections and improvements, with various industrial safety inspections regularly to improve occupational safety and health, as well as fire drills and occupational safety education and training, for emergency response, safety self-management, and provide a safe and suitable working environment and necessary emergency relief.<br>3. Investor relations, supplier relations, and rights of stakeholders: The Company discloses information on the MOPS and its official website so that investors can fully understand the Company's operating status and communicate with investors via the shareholder meeting and spokesman system. The Company has also established a dedicated section for stakeholders on the official website to respond to major issues concerned by stakeholders.<br>4. Continuing education opportunities for directors: | None |

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | The Company's directors participate in advanced professional training courses related to finance and sales according to their needs.<br>5. Implementation of risk management policy and risk measurement criteria: The major business policies, investment projects, and acquisition or disposal of assets, are evaluated and analyzed by related departments, and then submitted to the board of directors for resolution before its implementation.<br>6. Implementation of customer policy: The Company's subsidiaries have established quality assurance and customer service departments to provide transparent and effective after-sales service and respond to customer complaints.<br>7.The Company's insurance against directors' liabilities: The Company has been purchasing liability insurance for protection against the directors' liabilities. In 2024 the insured amount is US$5 million, which has been submitted to the 5th meeting of the 4th term board of directors, and reported on the MOPS 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: Episil has completed self-assessment and review, and will continue to strengthen the level of corporate governance. | | | | |

Important CSR issues of concern to stakeholders and communication channels

| Stakeholders | Important corporate social responsibility issues of concern | Communication Form and Frequency | The actual implementation status and communication results of each negotiation pipeline in 2022 |
|---|---|---|---|
| Customer | 1. Product safety and quality management<br>2. Innovative research and development and intellectual property management<br>3. Data security and privacy | 1. Customer visit meeting: including technology, product, price, after-sales service, etc.: QBR (quarterly), HBR (every half year), ABR (annual/irregular)<br>2. Customer audit meetings include technology, products, after-sales service, prohibited substances, conflict minerals, environment, etc.: QBR (quarterly), HBR (every six months), ABR (annual/irregular)<br>3. Customer satisfaction survey (annual)<br>4. The customer holds a supplier conference (annual/irregular) | 1. Telephone interview with customers to discuss technology, products, prices, after-sales service, etc.<br>2. In 2023, cooperate with customers to conduct ESG requirements audits, and discuss prevention and improvement mechanisms together<br>3. Complete 16 questionnaires in the annual customer satisfaction survey |
| Investor | 1. Integrity management<br>2. Economic benefits<br>3. Product research and development and intellectual property management<br>4. Sales services and privacy | 1. Annual report (every year)<br>2. shareholders' meeting (annual)<br>3. Corporate briefing session<br>4. investment seminars (irregular)<br>5. face-to-face meetings, video conferences and telephone conferences(monthly)<br>6. External legal person project forum (irregular)<br>7.monthly revenue report<br>8. Information released on the company's official website, press releases, and public observation stations (real-time)<br>9. Set up telephone numbers and email addresses for spokespersons and acting spokespersons to respond to investor concerns (immediate) | 1.Hold one regular shareholder meeting in 2023<br>2. One corporate briefing session to be held in 2023<br>3. Regularly disclose company financial and business information on public information observatories and company websites<br>4. There are telephone numbers and emails of spokespersons and acting spokespersons to respond to investor concerns immediately |
| Supplier | 1. Supply chain management<br>2. Integrity management<br>3. Compliance with environmental regulations | 1. Supplier ESG questionnaire survey (annual/irregular)<br>2. Supplier audit and interview (annual/irregular)<br>3. Supplier conflict mineral survey (half a year/irregularly)<br>4. Hold supplier meetings (annual/irregular) | 1.100% of the suppliers sign the declaration of non-use of conflict minerals<br>2. The code of ethics and supply code of conduct for the first-tier suppliers complies with the signing completion rate of 100% (*The annual transaction volume exceeds 10 million, excluding suppliers of one-time transactions, excluding machine and electronic spare parts manufacturers, there are a total of 17 manufacturers.)<br>3. First-level supplier BCM management, complete 100% risk avoidance<br>4. Continue to conduct evaluations of decentralized production bases and local suppliers, complete a diversified supply plan for raw materials, and complete 5 local raw material evaluations in 2023<br>5. Improve the production process and quality of 16 suppliers through the audit and guidance mechanism<br>6. Advocate and require supplier confidentiality agreement, 100% supplier NDA completed and signed |
| Employees | 1. Labor safety and health<br>2. Talent attraction and retention<br>3. Employee Diversity and Equality | 1. Labor-management meeting (quarterly)<br>2. Employee welfare committee meeting (quarterly)<br>3. Education and training courses (according to the plan)<br>4. Department work meeting and communication (weekly)<br>5. Internal information announcement (irregular)<br>6. Employee Complaint Hotline (Instant)<br>7. Occupational safety and health committee meetings (quarterly)<br>8. Education and training implementation effectiveness review meeting (quarterly)<br>9. Health lectures (irregular)<br>10. Quarterly kitchen meeting (quarterly)<br>11. Suitability function project (irregular) | 1. Held labor-management meetings, a total of three factories, a total of 12 sessions<br>2. Hold the Employee Welfare Committee, a total of 4 sessions<br>3. Conducted training for new recruits, a total of 35 sessions, to help new recruits understand the company's culture, system and improve environmental safety and health knowledge<br>4. Conducted business secret protection publicity seminars, with a total of 118 trainees, to improve the legal literacy of supervisors and colleagues in related positions, and to avoid the risks of leaking company business secrets.<br>5. A total of 70 executive meetings were held, and the supervisors of each unit conducted work reports, communication and coordination of important issues, and policy announcements.<br>6. A total of 4 bimonthly meetings for migrant workers were held. At the beginning of the year, because the epidemic had not yet slowed down, it was necessary to avoid group gatherings, so it was suspended twice.It was resumed in June.<br>7. Publish company information announcements, so that all colleagues can understand company-related information in real time.<br>8. Handle employees' opinions and maintain labor-management harmony, 0 appeal calls; 20 gentle words<br>9. Hold occupational safety and health committee meetings, a total of 4 sessions<br>10. Held a review meeting on the effectiveness of education and training implementation, a total of 4 sessions, to assist and supervise various departments to achieve the training plan<br>11. Conduct employee health lectures, consultations or health checks<br>12. Hold quarterly kitchen meetings to maintain food safety and improve employee satisfaction<br>13. A total of 200 people were introduced into the adaptive project |

| Stakeholders | Important corporate social responsibility issues of concern | Communication Form and Frequency | The actual implementation status and communication results of each negotiation pipeline in 2022 |
|---|---|---|---|
| Government agencies and authorities | 1. Integrity management<br>2. Compliance with environmental regulations<br>3. Greenhouse gas management<br>4. Labor safety and health<br>5. Waste management and resource recycling | 1. Cooperate with the government and competent authorities to reply to the request (irregularly)<br>2. Regularly cooperate with various financial information questionnaires (monthly/quarterly/yearly)<br>3. Regularly announce the website and public information observation station information (monthly/quarterly/yearly)<br>4. Guild communication platform (monthly)<br>5. Meetings such as: briefings, public hearings, symposiums, seminars (irregular) | 1. Cooperate with the requirements of the government and competent authorities to reply a total of 519 times within a limited time<br>2. Regularly cooperate with various financial information questionnaires for a total of 13 times<br>3. Regularly disclose financial and operating reports in the public information observation station for a total of 16 times<br>4. Participated in a total of 14 environmental protection and safety conferences of the association<br>5. Participate in public hearings, symposiums, seminars, etc. from time to time, actively communicate with the competent authorities, and provide a total of 14 pieces of industry operation experience and content suggestions (including conveyed through associations)<br>6. Irregularly communicated with the competent authority to respond to laws and regulations, and provided industry experience and suggestions for a total of 14 drafts |
| Nonprofits and Communities | 1. Water resource management<br>2. Energy management<br>3. Greenhouse gas management<br>4. Waste management and resource recycling | 1. Public welfare projects (irregular) | 1. Cooperate with "Benevolence Foundation" & "Eden Foundation" to hold a Mid-Autumn Festival Thanksgiving Charity Sale. Colleagues subscribe for cookies, gift boxes and company donations, and work together for charity<br>2. The Welfare Committee invites charity groups to the factory to conduct charity sales, so that colleagues can show their love during the short lunch break.<br>3. Donate to the Home of Charity in Hsinchu, the start of work and Zhongyuan Purdue snack biscuits<br>4. Donate the love invoice boxes of the 3 factories of the Genesis Foundation<br>5. Donate COVID-19 rapid screening to public welfare/disadvantaged groups "New Life Social Welfare Development Promotion Association of the Republic of China", "Shuangfu Social Welfare Charitable Foundation", and "New Life Association for Cancer Friends of the Republic of China".<br>6. Organize the [Hot Blood Donation] love blood donation event to arouse more people' s love and care with practical actions |
| Other-School | 1. Social participation | 1. Industry-university cooperation projects (every year) | 1. Conduct industry-university cooperation with schools to provide corporate internships |

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

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members：

| condition / name | Professional qualifications and experience | Independence situations | Concurrently serves as an independent director of other publicly issued companies |
|---|---|---|---|
| Jhih-Da Yan (convener) | He is currently an associate professor of the Department of Finance and Taxation of Taichung University of Science and Technology, and an independent director of Dazhong Integrated Circuit, an independent director of Jingtuo Technology, and an independent director of The Electronic Technology Industry of Futian Technology, and has professional ability in financial accounting.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | (1)(2)(3)(4)(5)<br>(6)(7)(8)(9)(10) | 1 |
| Zong-Si Ke | As a director of Electronic Technology, he has the expertise of diversified industries and the ability of enterprise operation and management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | (1)(2)(3)(4)(5)<br>(6)(7)(8)(9)(10) | 0 |
| Mao-Song Deng | Served as a number of directors of the electronic technology and semiconductor industries such as Director and General Manager of E-Tech, Chairman of the Legal Representative of E-Group Technology, Chairman of the Legal Representative of E-Li Microelectronics, Director of Great Team Backend Foundry, Inc., Director of Etron Technology America, Inc., Director of eCapture Technologies, Director of Inc., Director of eCapture Ltd. Co., Director of eCapture Co., Limited,<br>Director of S Square System Limited, Director of Insignis Technology, Inc., Director of Insignis Technology Corporation, Director of Anzon Technology, Inc., Director of eEver Technology Limited eYs3D Microelectronics, Director of Inc., with the professional ability of diversified industries and business management.<br>There is no one of the various paragraphs of Article 30 of the Companies Act. | (1)(2)(3)(4)(5)(6)<br>(7)(8)(9)(10) | 0 |

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

2、Attendance of Members at Remuneration Committee Meetings

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

(2) Term: August 8, 2023 solstice June 13, 2026.

A total of 4 Remuneration Committee meetings were held in 2023. The attendance record of the Remuneration Committee members was as follows：

| Title | Name | Attendance in Person | By Proxy | Attendance Rate (%) | Remarks |
|---|---|---|---|---|---|
| Convener | Jhih-Da Yan | 2 | 0 | 100 | |
| Committee Member | Zong-Si Ke | 2 | 0 | 100 | |
| Committee Member | Mao-Song Deng | 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 |
|---|---|---|
| 2023.03.07<br>3rd Term 9th Session | 1.Discuss the company's 2022 compensation of employee and director distribution plan.<br>2.The Company's 2023 compensation of employee and director appraisal proposal<br>3.Approval of incentive and performance bonus for managers.<br>4.Approval of the executive compensation proposal.<br>5.Approval of the executive incentives and performance bonuses. | The independent directors have expressed no objection or reservation to the following motions, and the motions have been approved by all members of the Compensation Committee and all directors. |
| 2023.11.07<br>4th Term 1st Session | 1.Director’s business execution fee in 2023<br>2.Approval of the executive compensation proposal. | |
| 2024.02.27<br>4th Term 2nd Session | 1.Distribution of 2023 directors’ remuneration and officers’ compensation.<br>2.The Company's 2023 compensation of employee and director appraisal proposal<br>3.Amend the Company’s “Manager Incentive and Performance Bonus Measures”<br>4.Approval of the executive compensation proposal. | |

(V) Promotion of Sustainable Development, Status, and Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| 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? | V | | Following the vision and mission of the company's ESG policy, the "ESG Steering Committee" has been established in 2022. It is the highest-level sustainable development decision-making center within the company, chaired by Chairman JH Shyu, and a number of senior executives from different fields. Review the company's core operating capabilities, formulate ESG vision, direction and strategy, and provide resources to the Steering Committee to promote the work.<br>"ESG Implementation Committee", chaired by General Manager TW liu, integrates and horizontally connects cross-departmental communication platforms, draws up action plans, supervises implementation, confirms implementation effects, and continues to improve, reports implementation results to the Steering Committee to ensure sustainable development strategies Fully implemented in the daily operation of the company.<br>The "ESG Committee" regularly reports to the board of directors on sustainable development implementation plans and results. | None |
| 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? | V | | The company actively plans the CSR strategy and direction, promoting sustainability, corporate governance, and strictly abides by laws and regulations to provide colleagues with a good working environment, reasonable compensation, and bonuses. Meanwhile, the Company also commits to maintaining a sustainable environment, executed the environmental protection and energy saving, and urges employees to participate in social welfare activities.<br>In principle, Episil’s internal risk management policy takes preventive measures to reduce the loss caused by risks. It verifies, evaluates, handles and monitors potential risks that may affect the Company’s goals. Episil also conducts regular tracking, incorporating the measures into the daily operations of each department. | None |
| III. Environmental Issues | | | | |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| (I)Has the Company developed an proper environmental management system, given its distinctive characteristics? | V | | Since the Company obtained ISO14001 certification in 2001, and has been valid for more than 20 years, and maintained in an effective state to ensure the operation of environmental management system and integrate the concept of environmental protection into the corporate culture, so as to achieve the goal of continuous improvement; And according to ISO14064-1 specification, annual Greenhouse gas inventory tracking emissions reduction effect.<br>Verification certificates are publicly disclosed on our website, and the raw materials used are in line with EU RoHS and REACH. | None<br>None |
| (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? | V | | Since the Company obtained the ISO14001 certification in 2001,energy saving and waste reduction have been clearly stipulated in the Company's environmental protection policy and continue to promote various energy reduction measures; Reduce the energy consumption of businesses and products by setting energy saving targets and using energy efficient and energy reducing equipment.<br><br>Waste toward the direction of sorting, recycling and reuse. The total weight of recycling also accounted for more than 88.5% of the original amount of waste in 2023 , Compared with 2022, 25.26% reduction, effectively reducing the impact of waste on environmental load.<br>In addition, for the unrecyclable waste, according to the law and its characteristics, the legal cleaning and processing manufacturers are entrusted to do the best disposal.<br><br>The total electricity consumption in 2023 is 74790.605 (kilowatt-hours), compared with the total electricity consumption in 2022 of 79971.41 (kilowatt-hours), the electricity consumption is reduced by 5181 (kilowatt-hours), and the reduction of 6.5% has reached the target for this year. | None<br>None |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | In 2024, the target is to maintain the energy use intensity reduction by 1%. | |
| (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? | V | | Episil has assessed present and future risks and opportunities of climate change, incorporating it into risk management, and actively promoted related operations for energy saving and carbon reduction.<br><br>To complete the climate risk assessment by the end of 2023, listing two major risks: carbon pricing policies and water disruption.<br><br>It has been verified by ISO 14064 in 2023 and is continuously maintained in a valid state.<br><br>In order to mitigate the risk factor, the Company also identifies feasible opportunities and develops countermeasures: improve the efficiency of process water recovery in the plant process, implement water-saving measures, replace energy-saving pumps, and optimize the system Settings of plant equipment parameters, improve operation efficiency; Low-carbon manufacturing is promoted, raw materials with low carbon displacement are used, and process gas is replaced by C4F8. | |
| (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 carbon and greenhouse gas emission, reduction in water use, or management of waste disposal? | V | | The company is uphold the concept of sustainability and committed to protecting the environment, green production, preventing occupational injuries and diseases, reducing the impact of activities and products on the environment, and creating a safe, healthy and comfortable working environment.<br>According to the GHG emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management. (For more information on the above, please refer to the environmental protection | |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>information)<br><br>(1)In terms of energy conservation, we optimize the external air, temperature, and humidity ranges for semiconductor fabs with higher electricity consumption to achieve the highest operational efficiency of the fab using the least energy.<br><br>Energy savings: 171.9 million kWh and 261.8 million kWh in the fiscal years of 2022 and 2023 respectively.<br><br>(2)All plants of the company have completed the inspection of ISO 14064-1 category I and II in 2023.<br><br><u>Greenhouse gas emissions in the last 2 years</u>:<br><br>Unit: Metric ton CO2e<br><table><tr><th>year</th><th>scope</th><th>Category I</th><th>Category II</th></tr><tr><td>2022</td><td>All</td><td>42,437</td><td>38,015</td></tr><tr><td>2023</td><td>All</td><td>26,726</td><td>37,490</td></tr></table><br>In addition, in order to cope with climate change and make the company sustainable, the Company will continue to implement energy-saving and carbon reduction measures, so as to achieve the target of 1% direct carbon emission reduction in the future (2024).<br><br>(3) The company is committed to water-saving improvement measures, and continues to pay attention to the issues of water conservation and environmental protection. It has formulated water-saving policies and objectives, including water treatment and recycling in the process, water saving equipment replacement, water-saving promotion and efficient water management, evaluated improvement measures and implemented effective control, established energy improvement framework organization, and improved communication and publicity mechanism.</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>
<u>Water consumption in the last 2 years:</u><br>Unit: million liters<br>
<table>
<tr><th>Year</th><th>scope</th><th>Total water consumption</th></tr>
<tr><td>2022</td><td>All</td><td>822.748</td></tr>
<tr><td>2023</td><td>All</td><td>755.176</td></tr>
</table>
<br>The total water consumption in 2023 is 784.2 million liters, which is a decrease of 58.19 million liters compared with the total water consumption in 2022 of 842.39 million liters. The 6.9% reduction in 2023 has reached the current year's target.<br><br>(4) The company's general and hazardous wastes are properly disposed of by our outsourced professional waste disposal firm and recyclers to effectively and safely dispose of wastes, recycle available materials and minimize their impact on the environment. Device Foundry 6B has implemented an ammonia nitrogen waste liquid reduction project in 2023, reducing ammonia nitrogen waste liquid emissions by approximately 8380 kilograms per month, effectively reducing waste output and reducing environmental impact.<br><br><u>Amount of waste produced in the last 2 years</u>:<br><br>Unit: Metric ton<br>
<table>
<tr><th>Year</th><th>Hazardous waste</th><th>Non-hazardous waste</th></tr>
<tr><td>2022</td><td>323.75</td><td>164.02</td></tr>
<tr><td>2023</td><td>284.91</td><td>109.10</td></tr>
</table>
</td><td></td></tr>
<tr><td>IV. Social Issues<br>(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?</td><td>V</td><td></td><td>The Company and its subsidiaries formulate work rules and human resource regulations for corporate management in accordance with the Labor Act. In order to ensure gender equality in the workplace, the Company provides unpaid parental leave, family medical leave and physiological leave for employees. It refers to the International Bill of Human Rights for equal rights and interests of men and women to</td><td>None</td></tr>
</table>

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | establish the special chapter of gender equality promotion and sexual harassment prevention in the work rules.<br><br>Our company is committed to ensuring equality in employee recruitment, assessment, compensation, benefits, training, and promotion. In the event of any human rights violations or improper management incidents, employees are encouraged to utilize the communication channels provided by the company to voice their concerns. We strictly protect the information of the individuals involved to ensure the freedom and confidentiality of employee complaints and to prevent any retaliatory actions. In 2023, our company had no incidents of discrimination, coercion, forced labor, or human rights complaints. All operating locations of Hanlei underwent human rights reviews and assessments in 2023. New employees are required to undergo human rights education training upon joining the company, and department managers are periodically required to complete various human rights training and declarations. We promote our human rights policy on the company's homepage, prohibit harassment and discrimination in the work environment, and assist our colleagues in understanding the importance of human rights. | |
| (II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary? | V | | Episil provides various employee welfare policies, in addition to legal compliance on labor insurance, health insurance, retirement pension and parental leave. It also provides health check-up for employees on an annual basis, three festival gifts and gift vouchers, wedding gifts and funeral condolences, and employee group insurance. In addition, the Company allocates no less than 0.01% of surplus earnings as compensation for employees for harmonious labor-management relationship. | None |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| (III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues? | V | | Workplace Diversity and Equality<br>In the fiscal year 2023, the average proportion of female employees was 46%, while the average proportion of female supervisors was 30%.<br><br><u>Occupational safety and health policy</u><br><br>The company establishes an occupational safety and health management system in accordance with Article 1-1 of the Occupational Safety and Health Management Regulations, implements occupational safety and health policies, plans and implements a safe and healthy working environment; in addition, according to the occupational safety and health education and training regulations, implements safety and health on-the-job education. Training, and according to the nature of the work, compare the corresponding different training hours to implement the training.<br><br><u>Health management measures</u><br><br>The company takes the health of employees as the starting point, healthy and happy employees can create more efficient performance.<br><br>Medical examination shall be carried out for all new employees according to law to confirm that they are fit for the new job. Besides, health examination which is superior to laws and regulations shall be planned and various health promotion activities shall be arranged so that all employees can get proper health care and management, so as to enhance the concept of self-health management for employees and shape the workplace health culture.<br><br>According to laws and regulations, the company has established four protection projects, including abnormal work load, maternal protection, Ergonomic | None |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | hazards and workplace violence, which take risk assessment and hierarchical management, arrange health consultation with doctors, provide health guidance and health management measures, and build physical and mental health protection projects to jointly create a friendly and healthy workplace and maintain the physical and mental health of employees.<br><br>In order to achieve comprehensive health promotion, the company is committed to promoting the health of its employees. It organizes various physical and mental health talks and related activities as required, covering disease prevention, fat reduction competition, first aid education, diet care, exercise and health and stress management.<br>Through participation in activities, encourage staff to take part in healthy living activities to enhance their motivation to take care of their own health.<br>In terms of emergency rescue, the company has set up AEDs since 2018, and actively promotes CPR and AEDs training every year, in order to provide a safer workplace environment.<br><br><u>Staff injury and sickness care service</u><br>In case of physical, psychological, traffic accidents, etc., the nurse will visit, telephone and E-mail the staff for care, and arrange the service physician consultation according to the health condition to assist the staff to return to work.<br>Work resumption and allocation plan shall be formulated, health assessment shall be carried out according to the recovery needs of employees, appropriate positions and jobs shall be adjusted, and joint assistance from doctors, nurses, department heads and human resources departments shall be combined to enable employees to return to work. | |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | Occupational disease control<br><br>In accordance with the "Regulations of the Labor Health Protection", the company establishes the abnormal work load triggered disease prevention plan, and through the assistance of occupational disease specialists in the medical center, the possible hazards of occupational disease risk are examined to control related health hazards, and the health status of employees in the operation area is taken care of irregularly, in order to achieve the goal of zero occupational disease.<br><br>working environment monitoring<br><br>In order to protect employees from harmful substances in the workplace and provide healthy and comfortable working environment for employees, the company carries out operating environment monitoring every six months according to law to gradually understand the exposure status of staff and ensure that the working environment has no impact on employees' health.<br>Safe working environment management measures<br><br>The company will take the initiative to provide protective equipment for employees working in high noise areas.<br>In the implementation of safety and health education, work safety seminars and health promotion seminars are held every year to enhance employees' attention and related knowledge on safety and health.<br>In view of the increasing number of chemical splashing cases in the society, we plan to provide education and training for colleagues, chemical hazards and emergency use of medicines, so that employees can understand the possible hazards of using chemicals and understand the appropriate handling methods when dealing with abnormalities.<br>(For more information on the above, please refer to the | |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | environmental protection information)<br><br>Work safety education, training and promotion<br><br>In 2023, the company implemented 29 occupational safety and health education and training programs, holding 102 sessions with 1,698 participants.<br><br>Company verification situation<br><br>The company annually through ISO 45001 occupational safety and health management system verification, continuous maintenance of effective status. | |
| (IV) Has the Company implemented an effective training program that helps employees develop skills over their career? | V | | The Company establishes an effective self-development training program for employees, including new employees, management, professional, and external training, as well as further education subsidies for colleagues. Set employee learning plans with learning targets and blueprints. | None |
| (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 protection and complaint procedure? | V | | The marketing and labeling of products and services by the Company and its subsidiaries are in compliance with and subject to relevant laws, regulations and international standards. | None |
| (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? | V | | The Company's subsidiaries have created a supplier evaluation system. Before taking on business partnerships with suppliers, the Company will conduct a qualification review and confirm whether there are impacts on the environment and society in the past. If there is, the Company will not take on business partnerships with the supplier. The supplier is required to sign an agreement and abide by all relevant | None |

| Evaluation Item | Implementation Status | | | Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | professional ethics systems established by the Company. | |
| V. Does the Company refer to universal standard or guideline for report preparation when preparing for ESG Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports? | V | | The company publishes Sustainability /Corporate Social Responsibility reports in accordance with GRI standards to disclose business performance, corporate governance, stakeholder negotiation, social participation, environmental protection, friendly workplaces, and employee care. It has set up a ESG area on the official website and disclose relevant information on the company website and MOPS based on its implementation status. | V |
| VI. If the company has its own sustainable development code in accordance with the "Code of Practice for Sustainable Development of Listed Counters", please describe its operation and the differences: There were no deviations with the Company's implementation status. | | | | |
| VII. Other important information to help understand the implementation of promoting sustainable development:<br>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 Prohibited Substances Management Procedures strictly control all products and materials as standards for the management of prohibited/restricted chemical substances to suppliers, in order to comply with international conventions, environmental protection laws and customer specifications; By the implementation of ISO14001 environmental management system, the optimization of electric energy saving is carried out, and the water and electric energy consumption is managed from the source, so as to reduce the impact on the environment and save costs.<br>The company conducts conflict mineral 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 Congo, including: gold (Au) , tantalum (Ta), tungsten (W) and tin (Sn) and other metals 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 RoHS and related laws and regulations According to the requirements of the provisions, confirm whether its quality system meets the ISO9001 or IATF16949 third-party certification, and the supplier needs to provide direct or indirect raw materials that meet the requirements of RoHS and environmental protection related laws and regulations. Direct or indirect proof is directly related to production quality New suppliers or new raw material evaluations for raw materials (including Wafer, Mask, Chemical, Gas, Quartz, Target).<br>Number of intern from industry -academia cooperation:1 people<br>In 2023, company and the department of Electrical Engineering of Mingxin University of Science and Technology conducted industry -academia cooperation, HR profile the company's profile, welfare, and adaptive career development and explain the content of the internship work to students as a reference for their future career planning or choosing career. | | | | |

## （IV）Comany Climate Related Information

1. Implementation of climate-related information

<table>
<tr><td>Item</td><td>Implementation Status</td></tr>
<tr><td>1. Describe board and management oversight and governance of climate-related risks and opportunities.</td><td>Episil's sustainable organizational structure has the Board of Directors as the highest guidance body. The chairman serves as the chairman, and the general manager and deputy general manager serve as members. They are responsible for ESG vision, direction and strategy, provide resources and supervise the promotion work, and report implementation plans and results to the board of directors every year.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities affect the corporate business, strategy, and finances (short, medium, and long term).</td><td>
<table>
<tr><td>Type</td><td colspan="2">Short-term climate change risks</td></tr>
<tr><td>Topics</td><td>Greenhouse gas reduction</td><td>Water risk management</td></tr>
<tr><td>Description</td><td>The United Nations, governments, society and the business community all regard climate change as one of the important environmental issues. In order to reduce carbon emissions and increase the use of green electricity, national policies and regulations have adopted various requirements and strengthened public participation, green finance, carbon Supporting measures such as pricing and education promotion.<br>(1) The 27th United Nations Climate Change Conference (COP27) hopes that countries will propose more ambitious emission reduction policies to control the temperature rise within 1.5 degrees.<br>(2) Article 4 of the Climate Change</td><td>1. Climate change, uneven distribution of rainfall, increasing probability of drought, and the following situations:<br>(1) The water storage capacity of tap reservoirs has decreased, and the government is required to cooperate with the water restriction policy.<br>(2) When seeking alternative water sources, the water quality is unstable and increases water treatment costs.<br>2. The tap water pipeline outside the factory is abnormal, causing water outage.</td></tr>
</table>
</td></tr>
</table>

| | | | |
|---|---|---|---|
| | | Response Act clearly stipulates that the country' s long-term greenhouse gas reduction goal is to achieve net-zero greenhouse gas emissions by 2050. | |
| | Potential impact | (1) The carbon fee will be officially launched, and the carbon fee is planned to be collected in stages. The first phase will target "large carbon emitters" with annual emissions exceeding 25,000 metric tons of carbon dioxide equivalent ($CO_2e$), including the semiconductor industry.<br>(2) If you cannot propose process improvements or invest in carbon reduction measures, and cannot achieve the specified reduction targets, you will miss the opportunity to apply preferential rates.<br>(3) The electricity price will increase by about 11% on average from April 2023, which will increase operating or investment costs. It will be imperative to implement energy reduction, emission reduction, power-saving projects and renewable energy. | (1) Depending on the water conditions and in compliance with the government's water restriction policy, production will be affected.<br>(2) The quality of the alternative water source is poor, causing damage to the factory and production equipment.<br>(3) The cost of obtaining water sources increases. (Purchasing fees for alternative water sources, levying water consumption fees, and increasing maintenance costs for water treatment equipment)<br>(4) Serious water shortage, causing work to stop. |
| | Potential opportunities | (1) In response to the government's net-zero transformation, we adopt energy conservation and carbon reduction plans to reduce the entire plant's power usage and | (1)Water management<br>(2) Improve water efficiency |

| | | | |
|---|---|---|---|
| | | carbon tax costs.<br>(2) If you achieve the energy conservation and carbon reduction targets specified by government units, you will have the opportunity to obtain preferential rates.<br>(3) Use environmentally friendly raw materials and energy-saving equipment to enhance the company's environmentally sustainable image. | |
| | Countermeasures | (1) In order to reduce carbon emissions, examine the performance of existing facilities and the possibility of installing new reduction equipment.<br>(2) Evaluate source reduction plans, seek alternative raw materials and improve manufacturing processes to reduce carbon emissions.<br>(3) Plan power-saving plans to replace old power-consuming equipment and reduce overall power consumption to improve energy efficiency.<br>(4) Evaluate renewable energy and green power procurement projects to promote the company towards a green, low-carbon and environmentally sustainable enterprise.<br>(5) Continue to pay attention to changes in domestic and foreign policies and | (1)Water management strategies:<br>A. Routine management: Daily tracking and management of water use reports and monthly water balance report management.<br>B. Water restriction period management: Develop water shortage contingency plan process, hold cross-department coordination meetings, and sign water tanker supply contracts.<br>(2) Improve water efficiency<br>A. Water conservation: use water-saving equipment, use recycled water for toilet flushing, warning notices for manual water replenishment on production machines, water-saving publicity and education and training. |

| | | |
|---|---|---|
| | regulations, care about the needs of stakeholders, and take actions to support the net-zero transformation. | B. Improve industrial water recovery rate:<br>a. Series utilization - RO concentrated wastewater is reused and supplied to other equipment for use<br>b. Water recycling--cooling water tower drainage is recycled and reused.<br>c. Process drainage recycling and reuse - the process flushing water is processed by the recycling system and then supplied to the pure water system for use.<br>d. Rainwater is recycled for reuse in secondary systems.<br>e. After the acidic wastewater is recovered, it will be supplied to the air pollution prevention and control equipment (alkali discharge) scrubber for reuse. |

| Type | Long-term climate change risks | |
|---|---|---|
| Topics | Uncertainties in process technology for new energy conservation and carbon reduction | Conflicts in perceptions of new carbon reduction issues |

| | | | |
|---|---|---|---|
| | Description | The introduction of compound semiconductor materials into the production and use of semiconductor processes can significantly reduce IC energy consumption, thereby achieving the benefits of energy conservation and carbon reduction; however, during its development process, products that combine the customer's design with the new process are prone to high initial development costs due to high initial development costs. Price factors affect the market's willingness to adopt, and there is a risk of uncertainty in future market substitution. | The implementation of ESG has derived various carbon reduction evaluation methods, such as carbon neutrality, carbon footprint and net zero emissions. There is no relevant work in the existing organization and operation process. Later, during customer visits and inquiries, There is a risk of insufficient competitiveness. |
| | Potential impact | (1) Because the cost is too high, the market is not willing to accept it, and the output is not enough to support the company's development.<br>(2) The development of alternative technologies for compound semiconductors is booming. If the market fails to gain a dominant position in the early stage, it will become irreplaceable and will easily fall behind in subsequent competition. | (1) The industry has taken the lead in jumping into the carbon reduction plan, and through the implementation of the plan, it has differentiated itself from its peers and gained competitive advantages.<br>(2) End customers require relevant carbon reduction plans and are unable to provide a complete plan, which affects customers' willingness to place orders and reduces competitiveness. |

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| | | Potential opportunities | (1) In emerging markets, you can gain a seat in the market early before a large number of competitors join.<br>(2) Through the supply and manufacturing model of mutual assistance and cooperation, a stable reciprocal model can be established to reduce costs and enhance the stability of supply. | (1) The concept of ESG has begun to sprout, and relevant peers have already prototyped carbon reduction assessment practices. They can follow relevant experience to establish their own carbon reduction assessment methods to shorten differences.<br>(2) The public sector encourages ESG energy conservation and carbon reduction, and provides various incentives and cooperation. Companies can use opportunities to obtain resources to reduce risks.<br>(3) Utilize its own new energy-saving and carbon-reducing production technology for compound semiconductors to provide existing and potential customers with choices and gain opportunities in new markets. |
| | | Countermeasures | (1) Strengthen the supply stability and quality of compound semiconductor materials, use information sharing and feedback to improve the quality of materials, reduce costs, and enhance product competitiveness. | (1) Arrange relevant personnel to participate in relevant carbon reduction courses and seminars, absorb relevant experience, develop strategies and implement them.<br>(2) Invest sufficient R&D resources |

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|---|---|---|
| | (2) Pay attention to the R&D technology needs of major customers, carry out process generation planning based on their common needs, develop process technology capabilities with competitors, and lead market demand. | to accelerate the completion of new energy-saving and carbon-reducing technologies and production capacity improvements. |

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|---|---|
| Type | Long-term climate change risks |
| Topics | Supply chain production environment impact and resource consumption issues |
| Description | Carbon emissions have increased due to supply chain production environment impacts and resource consumption issues. |
| Potential impact | 1. Unable to meet the international 2050 carbon neutrality goal<br>2. Cause unnecessary waste of resources |
| Potential opportunities | 1. Mitigating the impact of climate risks<br>2. Reduce deadweight losses caused by supply chain processes<br>3. Enhance the company’ s sustainable image and expand business opportunities |
| Countermeasures | 1. Promote an increase in the proportion of local procurement and set procurement targets for indirect raw materials, spare parts and back-end equipment.<br>2. In addition to the strict review of banned substances in the selection of raw materials, the packaging materials and transportation methods are also controlled to achieve resource utilization of waste and increase the proportion of resource reuse. |

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| 3. Describe the financial impact of extreme climate events and transitional actions. | In order to avoid the potential risk of each factory drawing water from areas with high water stress that affects local ecology and residents' water supply, Episil uses the World Resources Institute (WRI) water resource assessment tool Aqueduct Water Risk Atlas to analyze the locations of each operating site. An overall water risk assessment was conducted, and the results showed that Episil's three factories are all |

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| | located in medium-low water risk areas, and there is no risk of drawing water from medium-high water pressure areas. |
| 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 Implementation Committee has completed the identification and assessment of climate-related risks, and reported the assessment results and corresponding plans to the ESG Steering Committee. It continues to track the climate risks and opportunities faced by Episil's peers every year, and conducts cross-border research on key industry issues. Unit interviews are focused, and relevant indicators and goals are set after identifying key issues. The achievement of goals is tracked every year and management measures and responses are dynamically adjusted. |
| 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors adopted, and major financial impacts should be explained. | Not applicable. |
| 6. If there is a transition plan for managing climaterelated risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transition risks. | Not applicable. |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. | Not applicable. |
| 8. If climate-related goals are set, the activities covered, scope of greenhouse gas emissions, planing schedule, annual progress and other information should be stated; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of carbon reduction credits to be offset or the number of renewable energy certificates (RECs) should be stated. | Not applicable. |

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| 9. Greenhouse Gas Inventory and Confirmation Status | Please refer to pages 59-60 of the annual report for the greenhouse gas inventory and confirmation. |

2. Greenhouse Gas Inventory and Confirmation Status

| Basic Company Information | Minimal disclosure according to the regulations of the Sustainable Development Roadmap of listed companies |
|---|---|
| □ Companies with over 10 billion NTD in capital, the iron and steel industry, and the cement industry<br>□ Companies with between 5 billion and 10 billion NTD in capital<br>■ Companies with less than 5 billion NTD in capital | ■ Parent company individual check<br>□ Parent company individual certified<br>□ Consolidated financial report subsidiaries check<br>□ Consolidated financial report subsidiaries certified |

2022

| Scope 1 | | Total Emissions (tCO2e) | Density (tCO2e/M NTD) | Certifying Institute | Certification Statement |
|---|---|---|---|---|---|
| Scope 1 | Parent Company | 42,437 | 11.59 | SGS Taiwan Ltd. | The Greenhouse Gas Emissions with Episil Technologies Inc for the period from 2022-01-01 to 2022-12-31 was verified, the Total greenhouse gas emissions 80452 tonnes of CO2 equivalent.<br>Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1/CNS 14064-1. |
| Scope 2 | Parent Company | 38,015 | 10.39 | SGS Taiwan Ltd. | |

2023

| Scope 1 | | Total Emissions (tCO2e) | Density (tCO2e/M NTD) | Certifying Institute | Certification Statement |
|---|---|---|---|---|---|
| Scope 1 | Parent Company | 29,985 | 8.46 | SGS Taiwan Ltd. | The Greenhouse Gas Emissions with Episil Technologies Inc for the period from 2023-01-01 to 2023-12-31 was verified, the Total greenhouse gas emissions 62216 tonnes of CO2 equivalent.<br>The third-party agency certification is expected to be carried out in August 2024, and will be certified by Taiwan Inspection |
| Scope 2 | Parent Company | 37,259 | 11.87 | SGS Taiwan Ltd. | |

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| | | | | | Technology Co., Ltd. (SGS Taiwan Ltd.) in accordance with the ISO 14064-1/CNS 14064-1 |

（VII）Status of Implementation of Integrity Operation:

| Evaluation Item | Implementation Status | | | Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| 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? | V | | In order to implement integrity management policy and actively prevent dishonest behaviors, the Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics." The board of directors, managers and all employees are subject to the aforementioned regulations when performing their duties. | None |
| (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? | V | | The Company's "Ethical Corporate Management Best Practice Principles" has formulated preventive measures in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies" against business activities within their business scope that are at a higher risk of being involved in unethical conduct. They established prevention programs accordingly, reviewing the adequacy and effectiveness of the accounting system and internal control system on an irregular basis. | None |
| (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? | V | | The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics," with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, the commitment to implement the policies, and regular review and amendment. | None |
| II. Enforcement of ethical management<br>(I) Does Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties? | V | | According to the Company's "Ethical Corporate Management Best Practice Principles," prior to any commercial transactions, the Company shall take into | None |

| Evaluation Item | Implementation Status | | | Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| | | | consideration the legality of its trading counterparties. It shall avoid any dealings with persons involved in unethical conduct. The Company shall include in contract terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts. | |
| (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? | V | | In order to strengthen integrity management, the management center is responsible for stipulating integrity management policies and prevention plans, which are supervised by the audit department and reported to the board of directors when necessary. | None |
| (III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? | V | | The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics" to prevent conflicts of interest, and set up the investor relations contact window, dedicated sections for corporate governance, corporate social responsibility and stakeholders on the official website as reference for shareholders and stakeholders | None |
| (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? | V | | The Company has established an effective accounting and internal control system with normal operating conditions. The internal auditors regularly conduct audits based on the audit plan and submits the audit reports to the Chairman and independent directors for review in order to implement integrity management and prevent fraud. | None |

| Evaluation Item | Implementation Status | | | Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| (V) Does the Company provide internal and external ethical conduct training programs on a regular basis? | V | | Through departmental meetings, the Company' s advocates and ensures that employees understand the concept and standards of integrity management. Once a year, all employees will be educated on the relevant laws and regulations on preventing insider trading. The course content includes: the reasons for the formation of insider trading, the identification process, and legal responsibilities for violating insider trading. | None |
| III、Implementation of the company's reporting system<br>(I) Has the Company established specific whistle-blowing and reward procedures, accessible reporting channels, and designated personnel to handle the reported misconducts? | V | | The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics." It sets up the integrity hotline with dedicated personnel to respond to different issues. According to the Guidelines for Rewards and Punishments, any violation of the Company's ethical standards will be punished. There were no punishments and violations of the Company's ethical standards in 2022. | None |
| (II) Has the Company established standard operating procedures for investigating misconducts, follow-up measures taken after investigation and confidentiality protection mechanism? | V | | The Company has set up an employee complaints mailbox and a dedicated unit responsible for handling employee complaints. Whistleblowers can report through letters and emails, which are handled by dedicated personnel. The Company also set up a stakeholder contact platform on its official website to respond to stakeholders' opinions, concerns, and disputes. In addition, to ensure the stakeholders' rights and interests, the Company also has a rigorous and secure reporting system for stakeholders to communicate confidential information. | None |
| (III) Has the Company provided proper whistleblower protection? | V | | The Company provides whistleblowing channels and takes appropriate protection measures to protect the privacy and personal data of the whistleblower. | None |
| IV. Enhancement of Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about | V | | Episil has disclosed information of the "Ethical Corporate Management Best Practice Principles" on its official website (https:/www.episil.com). | None |

| Evaluation Item | Implementation Status | | | Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies |
|---|---|---|---|---|
| | Y | N | Abstract Illustration | |
| implementation of such guidelines on its website and Market Observation Post System? | | | | |
| 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. | | | | |
| 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:

For better corporate governance, the Company has formulated relevant regulations including the "Regulations Governing Procedure for Board of Directors Meetings," "Shareholders' Meeting Procedure Rules," "Procedures for the Election of Directors," "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles" and the "Corporate Social Responsibility Best Practice Principles."

(1) Situation of further training for directors：

| Job title | Name | Training date | Host | Course Title | Hours |
|---|---|---|---|---|---|
| president of the board | JH Shyu | 2023/05/23 | TPEx | Publicity benefits for sustainable development action plans of listed companies | 3 hours |
| | | 2023/10/19 | TCGA | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| director | Fan,Gui Rong | 2023/10/13 | Securities and Futures Institute | 2023 Insider Trading Prevention Promotion Conference | 3 hours |
| | | 2023/10/19 | TCGA | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| director | Shu, Chin-Yung | 2023/08/11 | TCGA | Legal Risks and Responses of Enterprises - Starting from Enterprise Investment and Financing | 3 hours |
| | | 2023/08/15 | TCGA | How expatriate directors and managers can do good governance | 3 hours |

| Job title | Name | Training date | Host | Course Title | Hours |
|---|---|---|---|---|---|
| director | Shen,Hsiao-Lien | 2023/08/15 | TCGA | How expatriate directors and managers can do good governance | 3 hours |
| | | 2023/10/19 | | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| director | Su,Chien-Chi | 2023/08/15 | TCGA | How expatriate directors and managers can do good governance | 3 hours |
| | | 2023/10/19 | | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| director | Chen,Hsi-Hsin | 2023/08/15 | TCGA | How expatriate directors and managers can do good governance | 3 hours |
| | | 2023/10/19 | | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| independent director | Yan ,Jhih-Da | 2023/05/23 | TPEx | Promotion of sustainable development action plans for listed companies | 3 hours |
| | | 2023/10/19 | TCGA | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| independent director | Zong-Si Ke | 2023/05/23 | TPEx | Promotion of sustainable development action plans for listed companies | 3 hours |
| | | 2023/09/04 | Financial Supervisory Commission | The 14th Taipei Corporate Governance Forum | 6 hours |
| | | 2023/10/19 | TCGA | Trends and risk management of digital technology and artificial intelligence | 3 hours |
| independent director | Mao-Song Deng | 2023/05/04 | Taiwan Investor Relations Association | Core ESG issues that the board of directors and management should be concerned about | 2 hours |
| | | 2023/09/20 | Taiwan Investor Relations Association | In the era of digital economy, how can companies innovate and achieve breakthroughs in profitability? | 3hours |
| | | 2023/10/19 | TCGA | Trends and risk management of digital technology and artificial | 3 hours |

| Job title | Name | Training date | Host | Course Title | Hours |
|---|---|---|---|---|---|
| | | | | intelligence | |

(2) Corporate Governance Supervisors：

| Job title | Name | Training date | Host | Course Title | Hours |
|---|---|---|---|---|---|
| Head of Corporate Governance | SHU-RONG WU | 2023/06/09 | Securities & Futures Institute | 2023 Insider Trading Prevention Promotion Conference | 3 hours |
| | | 2023/09/11 | The Institute of Internal Auditors | "Functions and Tasks of Corporate Governance Personnel under the Corporate Governance Blueprint" and "Latest Practical Development of Domestic Offshore Trading" | 6 hours |
| | | 2023/10/19 | TCGA | Trends in digital technology and artificial intelligence and risk management | 3 hours |
| | | 2023/11/03 | Securities and Futures Institute | Listed Companies - Insight into the Derivatives Financial Market and Towards Corporate Sustainability Seminar | 3 hours |
| | | 2023/11/15 | Securities and Futures Institute | 2023 Insider Equity Trading Act compliance publicity briefing e | 3 hours |

(X) Status of Implementation of Internal Control System

1. Statement of internal control system：

EPISIL TECHNOLOGIES INC
(Formerly EPISIL HOLDING INC.)
Statement of Internal Controls

Date: February 27, 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 accomplishts, 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 27, 2024 by all 9 attending Directors.

EPISIL TECHNOLOGIES INC

Chairman: JH Shyu

President：Can-Wun Liou

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) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1、 Material resolutions and implementation status of the 2023 shareholders meeting

| Meeting Date | Important Resolutions | Implementation Status |
|---|---|---|
| June 14, 2023 | Rectification<br>1.2022 business report and financial statements.<br>2.Distribution of 2022 retained earnings<br>Approval<br>1.To revise the Articles of Incorporation<br>2.To revise the Rules And Procedures Of Shareholders’ Meeting<br>3.To revise the Procedures for Acquisition or Disposal of Assets<br>4.Approved the private placement of common equity.<br>Election of Directors (including Independent Directors)<br>Other proposals | Rectification<br>1. Approved<br>2. Approved<br>Shareholder’s cash dividend: NT$1 per share.Distributed on August 3, 2023<br>. Approved.<br>Obtained the approval letter for registration change:2023/06/28<br>. Approved<br>Announced on website and proceeded as the amended procedures by June 14,2023<br>. Approved<br>Announced on website and proceeded as the amended procedures by June 14,2023<br>. Approved<br>Announced on website and proceeded as the amended procedures by June 14,2023<br>Election results are as follows:<br>Directors:<br>Sincere Holding Company Representative：JH Shyu, Shu, Chin-Yung / Hermes-Epitek Corporation Representative：Chen,Hsi-Hsin, Shen,Hsiao-Lien / Vision Holdings LtdRepresentative：Su,Chien-Chi, Fan,Gui Rong<br>Independent Directors: Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng<br>Other proposals |

2、Material resolutions of the board of directors meeting

| Meeting Date | Content and resolutions | Independent director has a dissenting opinion or qualified opinion |
|---|---|---|
| March 07, 2023<br>3-16 | 1. The 2022 Annual Staff Remuneration and Directors' Remuneration Distribution Project<br>2. The 2023 Annual Employee Compensation and Director Compensation Appraisal Proposal<br>3. Approved the 2022 Business Report and Financial Statements<br>4. Discussion on the appointment and remuneration of certified accountants for the audit of financial statements in 2023 and their suitability and independence assessment<br>5. Discuss the company's 2022 earnings distribution proposal<br>6. Approved not continuing the private placement of common equity.<br>7. Handling private placement of ordinary shares<br>8. Discuss the election of directors<br>9.. Discuss and review the list of candidates for directors (including independent directors) nominated by the board of directors<br>10. Discussion on the lifting of restrictions on new directors' competition<br>11. Date and venue of the 2023 Annual General Meeting of Shareholders<br>12. Discuss the 2022 internal control system effectiveness assessment and internal control system statement12. The 2022 manager compensation case<br>13. Discuss 2023 Directors Business Executive Fees | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |
| May 9, 2023<br>3-17 | 1. Discuss the capital increase from issuance of new shares by converting the Company's 3rd domestic secured convertible bonds.<br>2. 2023 Q1 consolidated financial statements.<br>3. The Company's "Corporate Social Responsibility Best Practice Principles" was revised to "Sustainable Development Best Practice Principles".<br>4. Revise the company's internal control system | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |
| June 14, 2023<br>4-1 | 1. Election of the Chairman of the 4th term board of directors. | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |
| August 8, 2023<br>4-2 | 1. Discuss the capital increase from issuance of new shares by converting the Company's 3rd domestic secured convertible bonds.<br>2. 2023 Q2 consolidated financial statements.<br>3. The loan case of financial institutions<br>4. Appointment of 5th term Remuneration Committee members. | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |

| | | |
|---|---|---|
| November 7, 2023<br>4-3 | 1. 2023 Q3 consolidated financial statements.<br>2. 2024 annual audit plans.<br>3. The director's travel expenses.<br>4. Manager compensation proposals | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |
| December 26, 2023<br>4-4 | 1. Approved the 2024 annual operation plan and the budget of related manpower, equipment and expenses.<br>2. Establish the Company's " Rules Governing Financial and Business Matters Between the Company and its Related Parties".<br>3. Revise the internal control system and internal audit rules<br>4. Concurrently serving as a manager and lifting the manager' s non-competition | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |
| February 27, 2024<br>4-5 | 1. Employees' compensation and Directors' remuneration of 2023.<br>2. 2024 Employee Remuneration and Director Remuneration Proposal<br>3. 2023 business report. and Financial Statements<br>4. Discussion on the appointment and remuneration of certified accountants for the audit of financial statements in 2024 and their suitability and independence assessment<br>5. Distribution of 2023 Retained Earnings.<br>6. Approved not continuing the private placement of common equity.<br>7. Handling private placement of ordinary shares<br>8. Cause for convening 2023 regular shareholders' meeting.<br>9. 2023 Statement of Internal Control System.<br>10. Amend the Company' s "Manager Incentive and Performance Bonus Measures"<br>11. Manager incentives and performance bonuses | None |
| | Qualified Opinion from an Independent Director: None.<br>Handling of the opinions of independent directors: None.<br>Resolutions: Approved by all independent directors with no dissenting opinion. | |

3、Important decisions of the Audit Committee

| Meeting Date | Content and resolutions | The matters listed in Article 14-5 of the Securities Exchange Act | Matters that have not been approved by the audit committee but have been approved by more than two-thirds of all the directors |
|---|---|---|---|
| March 07, | 1. Approved of the 2022 Business Report and Financial Statements | V | None |

| | | | |
|---|---|---|---|
| 2023<br>3-16 | 2. Approval of the appointment, remuneration and appropriateness and independence evaluation of the certified public accountant for financial statement audit in 2023<br>3. Approval of the company's 2022 annual earning distribution proposal<br>4. Approved not continuing the private placement of common equity.<br>5. Approved the 2022 annual internal control system self-examination report and internal control system statement.<br>6. Handling private placement of ordinary shares | | |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |
| May 9, 2023<br>3-17 | 1. Discuss the capital increase from issuance of new shares by converting the Company's 3rd domestic secured convertible bonds.<br>2. 2023 Q1 consolidated financial statements.<br>3. Revise the company' s internal control system | V | None |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |
| August 8, 2023<br>4-2 | 1. Discuss the capital increase from issuance of new shares by converting the Company's 3rd domestic secured convertible bonds.<br>2. 2023 Q2 consolidated financial statements. | V | None |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |
| November 7, 2023<br>4-3 | 1. 2023 Q3 consolidated financial statements.<br>2. 2024 annual audit plans. | V | None |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |
| December 26, 2023<br>4-4 | 1. Approved the 2024 annual operation plan and the budget of related manpower, equipment and expenses.<br>2. Revise the internal control system and internal audit rules<br>3. Concurrently serving as a manager and lifting the manager' s non-competition | V | None |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |
| February 27, 2024<br>4-5 | 1. 2023 business report. and Financial Statements<br>2. Discussion on the appointment and remuneration of certified accountants for the audit of financial statements in 2024 and their suitability and independence assessment<br>3. Distribution of 2023 Retained Earnings.<br>4. Approved not continuing the private placement of common equity.<br>5. Handling private placement of ordinary shares<br>6. 2023 Statement of Internal Control System.. | V | None |
| | Resolution of the audit committee: approved by all members of the audit committee.<br>The company's handling of the audit committee's opinion: all the directors present agree to approve. | | |

(XIII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors and said dissenting opinion had been recorded or prepared as a written declaration: None.

(XIV) A summary of resignations and dismissals, during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer : None.

## V. Certified Public Accountant Fees：

Unit: NT$ thousand

| Name of accounting firm | Name of CPA | Audit period | Audit fees | Non-Audit fees | Total | Remarks |
|---|---|---|---|---|---|---|
| PricewaterhouseCoopers Taiwan | Hsieh, Chih-Cheng | 2023/01/01~ 2023/12/31 | 2, 170 | 1, 050 | 3, 220 | |
| | Lin, Yu-Kuan | | | | | |

(I) Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

(I) Audit fee reduced not less than 10% compared to previous year::Not applicable.

(II) The total amount of non-audit public expenses in 2023 is NT$1,050,000; the main contents are Business registration, the company's Tax Compliance Audit and non-executive salary review fees, etc.

## VI. Alternation of CPA

1.Regarding the former CPA

| Replacement Date | January 1, 2023 | January 1, 2024 | |
|---|---|---|---|
| Replacement reasons and explanations | The internal regular rotation of PricewaterhouseCoopers Taiwan | The internal regular rotation of PricewaterhouseCoopers Taiwan | |
| Describe whether the Company terminated or the CPA rejected the appointment | Parties / Status | CPA | The Company |
| | Appointmen terminated automatically | - | - |
| | Appointment rejected (continued) | - | - |
| The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note) | None | | |
| Is there any disagreement in | Yes | | Accounting principles or practices |
| | | | Disclosure of Financial Statements |

| | | | |
|---|---|---|---|
| opinion with the Company | | | Audit scope or steps |
| | | | Others |
| | No | V | |
| | Explanation | | |
| Supplementary Disclosure | None | | |

2. Regarding the Successor CPA

| | | |
|---|---|---|
| Name of accounting firm | PricewaterhouseCoopers Taiwan | PricewaterhouseCoopers Taiwan |
| Name of CPA | Hsieh, Chih-Cheng 、Chiang, Tsai-Yen | Li, Tien-Yi、Hsieh, Chih-Cheng |
| Date of appointment | January 1, 2023 | |
| Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that the CPA might issue on the Financial Report. | None | |
| Written Opinions from the Successor CPA are different from the Former CPA's opinions. | None | |

## VII. 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

None.

## VIII. Other Related Information

(I) Equity transfer and share pledges in Shareholding of Directors, Managers and Major Shareholders：

1、Changes in Shareholding of Directors, Managers and Major Shareholders

| Title | Name | 2023 | | As of document is printed | |
|---|---|---|---|---|---|
| | | 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 | Sincere Holding Company (Note2) | 0 | 0 | 0 | 0 |
| | Representative：JH Shyu | 0 | 0 | 0 | 0 |
| | Representative：Shu, Chin-Yung | 0 | 0 | 0 | 0 |
| Director | Hermes-Epitek Corporation | 0 | 0 | 0 | 0 |
| | Representative：Chen,Hsi-Hsin | 0 | 0 | 0 | 0 |
| | Representative：Shen,Hsiao-Lien | 0 | 0 | 0 | 0 |
| Director | Vision Holdings Ltd. | 0 | 0 | 0 | 0 |
| | Representative：Su,Chien-Chi | 0 | 0 | 0 | 0 |
| Director and Vice President | Honder Holdings Ltd. | 0 | 0 | 0 | 0 |
| | Representative：Fan,Gui Rong | 0 | 0 | 0 | 0 |
| | Representative：Shu, Chin-Yung | 0 | 0 | 0 | 0 |
| Independent Director | Jhih-Da Yan | 0 | 0 | 0 | 0 |
| Independent Director | Zong-Si Ke | 0 | 0 | 0 | 0 |
| Independent Director | Mao-Song Deng | 0 | 0 | 0 | 0 |
| President | Can-Wun Liou | 0 | 0 | 0 | 0 |
| Vice President | Yuan-Bei Gu | (1,000) | 0 | 0 | 0 |
| Vice President | ZAI-LIANG ZHANG | 0 | 0 | 0 | 0 |
| Vice President | YAN-ZHANG CHEN | 0 | 0 | 0 | 0 |
| Vice President | ZHENG-YI ZHOU | 0 | 0 | 0 | 0 |
| Assistant vice president | CHANG,PO-YEN | 0 | 0 | 0 | |
| Finance and accounting director | JIA-QI ZHONG | 0 | 0 | 0 | 0 |
| Head of Corporate Governance | SHU-RONG WU | 0 | 0 | 0 | 0 |

2、The counterparties of equity transfer are related parties：None

3、The counterparties of share pledges are related parties：None

（II）Information on Relationships among Top 10 Largest Shareholders：

April 16 2024

| 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 | | emarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Percentage of Shareholding | Number of shares | Percentage of Shareholding | Number of shares | Percentage of Shareholding | Number of shares | Relationship | |
| HAN SHIN CORP. | 21,615,907 | 6.49 | NA | NA | NA | NA | None | None | |
| Representative:,Fong-Hua,Bie | 0 | 0.00 | 0 | 0 | 0 | 0 | None | None | |
| HAN SHIN HOLDINGS LTD | 20,726,446 | 6.22 | NA | NA | NA | NA | None | None | |
| Representative:,Mei-Jhih,Huang | 0 | 0.00 | 0 | 0 | 0 | 0 | None | None | |
| HERMES-EPITEK CORPORATION | 18,160,870 | 5.45 | NA | NA | NA | NA | None | None | |
| Representative: Min-Ci Huang | 5,112,145 | 1.53 | 2,590,663 | 0.78 | 0 | 0 | Shu-Ling Lin | Spouse | |
| SINCERE HOLDING COMPANY | 16,294,539 | 4.89 | NA | NA | NA | NA | None | None | |
| Representative:Li-Guei,Chen | 1,675,684 | 0.5 | 6,651 | 0 | 0 | 6,651 | None | None | |
| Fubon Life Insurance Co., Ltd. | 16,212,000 | 5.37 | NA | NA | NA | NA | None | None | |
| Min-Ci Huang | 5,112,145 | 1.53 | 2,590,663 | 0.78 | 0 | 0 | Shu-Ling Lin | Spouse | |
| Shu-Ling Lin | 2,590,663 | 0.78 | 5,112,145 | 1.53 | 0 | 0 | Min-Ci Huang | Spouse | |
| Perlas World S.A | 2,498,078 | 0.75 | NA | NA | NA | NA | None | None | |
| Chase Custodian Van Garde Group emerging markets fund investment account | 2,283,189 | 0.69 | NA | NA | NA | NA | None | None | |
| Chase trusteeship into the starlight advanced total international stock index | 2,106,233 | 0.63 | NA | NA | NA | NA | None | None | |

（III）Combined Shareholding Ratio：

December 31, 2023

| Affiliated Enterprises (Note1) | Ownership by the Company | | Direct or Indirect Ownership by Directors, Supervisors, Managers | | Total Ownership | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| Episil-Precision Inc. | 166,961,680 | 57.86 | 161,000 | 0.06 | 167,122,680 | 57.92 |
| Wellknown Holdings Ltd. | 15,000,000 | 100.00 | 0 | 0.00 | 15,000,000 | 100.00 |
| Taiwan Hi-Tech Corp | 17,093,398 | 37.49 | 1,731,599 | 3.80 | 18,824,997 | 41.29 |
| Wellknown Holding Company Ltd. | 0 | 0.00 | 150,000 | 100.00 | 150,000 | 100.00 |
| EPISIL TECHNOLOGIES INC. (SHANGHAI) | 0 | 0.00 | 150,000 | 100.00 | 150,000 | 100.00 |
| PRECISION SILICON JAPAN CO.,LTD | 0 | 0.00 | 200 | 100.00 | 200 | 100.00 |

Note1：Investments made by the company using the long - term equity method。

# Four、Fund Raising

## I. Capital and Shares：

( I )Share Type

April 16, 2024

| Share categories | Authorized capital | | | Note |
|---|---|---|---|---|
| | Outstanding shares (public listed) | Unissued shares | Total | |
| Registered Common Shares | 333,215,747 | 166,784,253 | 500,000,000 | Stocks listed in OTC |

(II)Sources of Capital

April 16, 2024

| YYYY.MM | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount | Source of capital | Paid-in properties other than cash | Others |
| 2019.03 | 10 | 300,000,000 | 3,000,000,000 | 281,475,703 | 2,814,757,030 | Corporate bonds into shares | None | Approval number of 10801029160 |
| 2019.12 | 10 | 500,000,000 | 5,000,000,000 | 281,178,117 | 2,861,781,170 | Corporate bonds into shares | None | Approval number of 10801169190 |
| 2020.03 | 10 | 500,000,000 | 5,000,000,000 | 293,724,419 | 2,937,244,190 | Corporate bonds into shares | None | Approval number of 10901050770 |
| 2020.05 | 10 | 500,000,000 | 5,000,000,000 | 296,036,597 | 2,960,365,970 | Corporate bonds into shares | None | Approval number of 10901080510 |
| 2020.09 | 10 | 500,000,000 | 5,000,000,000 | 298,060,979 | 2,980,609,790 | Corporate bonds into shares | None | Approval number of 10901157740 |
| 2020.12 | 10 | 500,000,000 | 5,000,000,000 | 308,192,641 | 3,081,926,410 | Corporate bonds into shares | None | Approval number of 10901223180 |
| 2021.03 | 10 | 500,000,000 | 5,000,000,000 | 312,187,746 | 3,121,877,460 | Corporate bonds into shares | None | Approval number of 11001049100 |
| 2021.05 | 10 | 500,000,000 | 5,000,000,000 | 313,782,855 | 3,137,828,550 | Corporate bonds into shares | None | Approval number of 11001091820 |
| 2021.08 | 10 | 500,000,000 | 5,000,000,000 | 319,934,073 | 3,199,340,730 | Capital increase from cash and corporate bonds into shares | None | Approval number of 1100024852 |

| YYYY.MM | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount | Source of capital | Paid-in properties other than cash | Others |
| 2021.11 | 10 | 500,000,000 | 5,000,000,000 | 323,406,734 | 3,234,067,340 | Corporate bonds into shares | None | Approval number of 1100034546 |
| 2022.01 | 10 | 500,000,000 | 5,000,000,000 | 330,666,411 | 3,306,664,110 | Corporate bonds into shares | None | Approval number of 1110001781 |
| 2022.05 | 10 | 500,000,000 | 5,000,000,000 | 330,919,121 | 3,309,191,210 | Corporate bonds into shares | None | Approval number of 1110016326 |
| 2022.06 | 10 | 500,000,000 | 5,000,000,000 | 333,119,121 | 3,331,191,210 | Capital increase from cash | None | Approval number of 1110019577 |
| 2022.08 | 10 | 500,000,000 | 5,000,000,000 | 333,203,470 | 3,332,034,700 | Corporate bonds into shares | None | Approval number of 1110027182 |
| 2023.05 | 10 | 500,000,000 | 5,000,000,000 | 333,206,198 | 3,332,061,980 | Corporate bonds into shares | None | Approval number of 1120016394 |
| 2023.08 | 10 | 500,000,000 | 5,000,000,000 | 333,215,747 | 3,332,157,470 | Corporate bonds into shares | None | Approval number of 1120016394 |

## II. Status of Shareholders

April 16, 2024

| Shareholder Structure / Quantity | Government agencies | Financial institutions | Others institutional investors | Individuals | Foreign institutions & individuals | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | 0 | 3 | 254 | 74,484 | 187 | 74,928 |
| Shareholding | 0 | 16,952,000 | 84,981,356 | 197,324,267 | 33,958,124 | 333,215,747 |
| Percentage of Shareholding (%) | 0 | 5.09 | 25.51 | 59.21 | 10.19 | 100 |

III. Shareholding Distribution Status

April 16, 2024

| Shareholding | Number of Shareholders | Total Shares Held | Holding Percentage% |
|---|---|---|---|
| 1-999 | 29,191 | 3,129,088 | 0.94 |
| 1,000-5,000 | 38,191 | 72,716,401 | 21.82 |
| 5,001-10,000 | 4,349 | 32,366,759 | 9.71 |
| 10,001-15,000 | 1,254 | 15,730,477 | 4.72 |
| 15,001-20,000 | 626 | 11,351,264 | 3.41 |
| 20,001-30,000 | 565 | 14,176,624 | 4.25 |
| 30,001-40,000 | 248 | 8,795,645 | 2.64 |
| 40,001-50,000 | 131 | 6,043,985 | 1.81 |
| 50,001-100,000 | 226 | 15,727,221 | 4.72 |
| 100,001-200,000 | 81 | 11,322,259 | 3.40 |
| 200,001-400,000 | 28 | 7,555,817 | 2.27 |
| 400,001-600,000 | 10 | 5,039,979 | 1.51 |
| 600,001-800,000 | 4 | 2,797,878 | 0.84 |
| 800,001-1,000,000 | 5 | 4,507,236 | 1.35 |
| 1,000,001 and above | 19 | 121,955,114 | 36.61 |
| Total | 74,928 | 333,215,747 | 100.00 |

## IV. List of major shareholders

April 16, 2024

| Name of major shareholders \ Shares | Shares Held (Shares) | Holding Percentage (%) |
|---|---|---|
| HAN SHIN CORP. | 21,615,907 | 6.49 |
| HAN SHIN HOLDINGS LTD. | 20,726,446 | 6.22 |
| HERMES-EPITEK CORPORATION | 18,161,870 | 5.45 |
| SINCERE HOLDING COMPANY | 16,294,539 | 4.89 |
| Fubon Life Insurance Co., Ltd. | 16,212,000 | 4.87 |
| Min-Ci Huang | 5,112,145 | 1.53 |
| Lin,Su-Lin | 2,590,663 | 0.78 |
| Perlas World S.A. | 2,498,078 | 0.75 |
| Chase Custodian Van Garde Group emerging markets fund investment account | 2,283,189 | 0.69 |
| Chase trusteeship into the starlight advanced total international stock index | 2,106,233 | 0.63 |

## V. Information on Market Price, Book Value, Earnings Per Share and Dividends

| Items \ Year | | | 2022 | 2022 | As of Apil 16, 2024 |
|---|---|---|---|---|---|
| Market price per share share | Highest | | NT$148.50 | NT$102.50 | NT$79.70 |
| | Lowest | | NT$80.60 | NT$68.10 | NT$55.30 |
| | Average | | NT$111.13 | NT$84.99 | NT$64.72 |
| Equity per share | Before distribution | | NT$17.33 | NT$16.58 | - |
| | After distribution | | NT$17.33 | NT$16.58 | - |
| Earnings per share | Weighted-average shares (thousand shares) | | 332,171 | 333,211 | - |
| | Earnings per share (NTD) | | NT$2.47 | NT$0.2 | - |
| Dividend per share (NTD) | Cash dividends | | NT$1 | - | - |
| | Stock dividends | From earnings | - | - | - |
| | | From capital surplus | - | - | - |
| | Cumulative undistributed dividends | | - | - | - |
| Investment return analysis | P/E ratio (Note1) | | 43.74 | 404.6 | - |
| | Price-dividend ratio (Note 2) | | 108.03 | - | - |
| | Cash dividend yield (Note 3) | | 0.93 | - | - |

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price。

## VI. Company's dividend policy and implementation thereof

（I） Dividend policy：

If there is a surplus in the final accounts of the Company, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as a statutory surplus reserve, and in accordance with the law, the special surplus reserve shall be increased or rotated. If there is a surplus still, the BOD shall prepare the surplus earnings distribution proposal in accordance with Paragraph 2, Article 20 of the Articles of Incorporation to present in the shareholders’ meeting for resolution of distribution of shareholders' dividends and shareholder bonus.

The Company authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors. In addition, thereto a report of such distribution shall be submitted to the shareholders’ meeting. The Act governing the resolutions of Shareholders' meeting shall not apply.

The company is a high-tech company with stable growth. Since the Company is currently at the growth stage, the surplus allocation should consider the future funding needs of the Company and the long-term financial plan that is to be allocated by the Board of Directors and meet the shareholders' demand on cash inflow. If there is a surplus, the distribution of cash dividends/ bonuses shall be no less than 10 percent of the sum of cash and stock dividends/ bonuses.

（II）Distribution of stock dividends at the Shareholders’ Meeting: No dividend distribution.

## VII. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

Not applicable.

## VIII. Compensation of employees and directors:

(I)Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company’s Articles of Incorporation: The proportion of the employees’ compensation shall be no less than 0.01%. The proportion of the directors' compensation shall be no higher than 2%. However, the company’s accumulated losses shall have been covered. Employees’ compensation shall be distributed in the form of shares or cash. Employees with required qualifications, including the employees of parents or subsidiaries of the company meeting certain specific requirements, shall be entitled to receive shares or cash. The aforementioned profit refers to the net profit before tax of the current year, deducting the distribution of compensation to employees and directors. The Company may, by a resolution adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, have the profit distributable as compensation for employees and directors; and in addition, a report of such distribution shall be submitted to the shareholders’ meeting.

(II) The estimated basis of the remuneration of employees, directors and supervisors estimated in the current period, the calculation basis of the number of shares for the employee compensation distributed by stock, and the accounting treatment if the actual distribution amount is different from the estimated amount:

(1) Basis for estimating the remuneration amount of employees, directors and supervisors: the basis for estimating is based on the distribution ratio stated in the company's articles of association and with reference to the distribution situation in the previous year.

(2) Calculated based on the number of shares for employee compensation distributed by shares: It is planned to distribute cash to employees in the current period, so it is not applicable.

(3) Accounting treatment if the actual distribution amount is different from the estimated amount: According to the accounting treatment of employee dividends and directors and supervisors' remuneration in Letter No. 052 of the Accounting Research and Development Foundation of the Republic of China (96) Ji Mi Zi No. 052 It is stipulated that if there is a discrepancy between the actual distribution amount and the estimated amount as resolved by the shareholders' meeting, it shall be listed as the profit or loss for the year as the shareholders' meeting has resolved.

(III) Employee compensation and Remuneration to Directors resolved by the Board of Directors

(1) Remuneration of employees and directors and supervisors distributed in cash or stock. If there is a discrepancy with the estimated amount in the year of recognition of expenses, the discrepancies, reasons and handling shall be disclosed:

i. Distribution of employee remuneration and directors' remuneration

ii. The Proposal of 2023 Employees' Compensation and Remuneration to Directors resolved at the Board of Directors held on February 27, 2024. The distribution of employee remuneration NT$5,896,571 and director compensation NT$737,071 were all paid in cash.

iii. If there is a discrepancy with the estimated amount in the year of recognition of expenses, the number of discrepancies, reasons and handling shall be disclosed:

Unit: NTD thousand

| Assign items | Actual distribution amount | Estimated number of lines on the account | Difference amount | Reason and handling situation |
|---|---|---|---|---|
| Employee cash compensation | 5,897 | 5,897 | 0 | No difference。 |
| Director's Remuneration | 737 | 737 | 0 | |

(2) The ratio of the amount of employee remuneration distributed in stock to the net profit after tax and total employee remuneration for the current period: The company does not distribute employee remuneration in stock, so it is not applicable.

(IV) Shareholders' meeting reports on the situation and results of distribution of remuneration: it has not been convened, so it is not applicable.

(V)The actual distribution of compensation for employees and directors in the previous fiscal year: The 2022 employee remuneration and the remuneration of directors and supervisors were reviewed and approved by the board of directors on March 7, 2023. The employee remuneration distribution of NT$72,175,418 and the director's salary of NT$9,021,927 have been fully distributed in 2023. The actual distribution of employees' compensation and directors' remuneration is the same as accrued amounts in 2022..

## IX. Share repurchases:

None.

## X. Status of Corporate bonds, preferred shares, Global Depository Receipts (GDR), Employee Stock Warrants, New Restricted Employee Shares, and New Shares Issuance in Connection with Mergers and Acquisitions：

### (I) Issuance of Corporate Bonds：

1.Information on issued and outstanding corporate bonds

(1) 3rd Domestic Secured Convertible Corporate Bond

April 16, 2024

<table>
<tr><td colspan="2">Corporate bond type</td><td>3rd Domestic Secured Convertible Corporate Bond</td></tr>
<tr><td colspan="2">Date issued</td><td>June 22, 2021</td></tr>
<tr><td colspan="2">Face value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and exchange</td><td>TPEx</td></tr>
<tr><td colspan="2">Issue price</td><td>101% issuance by denomination</td></tr>
<tr><td colspan="2">Total</td><td>Total face value of NT$600million</td></tr>
<tr><td colspan="2">Interest rate</td><td>0%</td></tr>
<tr><td colspan="2">Duration</td><td>3 years; maturity date: June 22, 2024</td></tr>
<tr><td colspan="2">Guaranteeing institution</td><td>First Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Trustee</td><td>KGI Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>KGI Securities Co.,Ltd.</td></tr>
<tr><td colspan="2">Board Certified Attorney</td><td>Lawyer Yi-Cheng Peng of Handsome Attorneys-at-Law</td></tr>
<tr><td colspan="2">CPA</td><td>CPAs Yu-Kuan Lin and Zhi-zheng Xie of PwC Taiwan</td></tr>
<tr><td colspan="2">Repayment method</td><td>Unless the bondholders convert the convertible corporate bonds to the Company’ s common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value.</td></tr>
<tr><td colspan="2">Outstanding principal balance</td><td>NT$ 89,800,000</td></tr>
<tr><td colspan="2">Terms for redemption or early repayment</td><td>Please refer to Attachment 1: Regulations Governing the Issuance and Conversion of 3rd Domestic Secured Convertible Corporate Bond of the Prospectus for the 3rd Domestic Secured Convertible Corporate Bond.</td></tr>
<tr><td colspan="2">Restriction Clause</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating organization, rating date, bond rating results</td><td>None</td></tr>
<tr><td rowspan="2">Other rights of bondholders</td><td>As of the report printing date, the conversion (exchange or subscription) of common shares, overseas depository receipts, or other negotiable securities in dollar amounts.</td><td>As of April 16, 2024, 5,109 corporate bonds with total face value of NT$510,900,000 have been converted to 6,941,655 common shares.</td></tr>
<tr><td>Issuance and conversion (traded or subscribed) regulations</td><td>Please refer to Annex 1 of the Company's Public Prospectus for the Third Domestic Convertible Corporate Bonds with Guaranteed Issue and Conversion Measures for the Third Domestic Secured Convertible Corporate Bonds.</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms</td><td>Please refer to P.54~P.55 of the Company's Third Domestic Secured Convertible Corporate Bond Public Prospectus.</td></tr>
<tr><td colspan="2">Name of the commissioned custodial institution for objects exchanged</td><td>None</td></tr>
</table>

(2) 4th Secured Convertible Corporate Bond

| | | |
|---|---|---|
| Corporate bond type | | 4th Domestic Secured Convertible Corporate Bond |
| Date issued | | April 7, 2022 |
| Face value | | NT$100,000 |
| Place of issuance and exchange | | TPEx |
| Issue price | | 101% issuance by denomination |
| Total | | Total face value of NT$1000million |
| Interest rate | | 0% |
| Duration | | 3 years; maturity date: April 7, 2025 |
| Guaranteeing institution | | First Commercial Bank Co., Ltd. |
| Trustee | | KGI Commercial Bank Co., Ltd. |
| Underwriting institution | | KGI Securities Co.,Ltd. |
| Board Certified Attorney | | Lawyer Yi-Cheng Peng of Handsome Attorneys-at-Law |
| CPA | | CPAs Yu-Kuan Lin and Zhi-zheng Xie of PwC Taiwan |
| Repayment method | | Unless the bondholders convert the convertible corporate bonds to the Company' s common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value. |
| Outstanding principal balance | | NT$ 1,000,000,000 |
| Terms for redemption or early repayment | | Please refer to Annex 1 of the Company's Fourth Domestic Secured Convertible Corporate Bonds Public Prospectus - Measures for Issuance and Conversion of the Fourth Domestic Secured Convertible Corporate Bonds. |
| Restriction Clause | | None |
| Name of credit rating organization, rating date, bond rating results | | None |
| Other rights of bondholders | As of the report printing date, the conversion (exchange or subscription) of common shares, overseas depository receipts, or other negotiable securities in dollar amounts. | As of April 16, 2024, 0 corporate bonds with total face value of NT$0 have been converted to 0 common shares. |
| | Issuance and conversion (traded or subscribed) regulations | Please refer to Annex 1 of the Company's Fourth Domestic Secured Convertible Corporate Bonds Public Prospectus - Measures for Issuance and Conversion of the Fourth Domestic Secured Convertible Corporate Bonds. |
| Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms | | Please refer to P.54~P.55 of the Company's Fourth Domestic Secured Convertible Corporate Bond Prospectus. |
| Name of the commissioned custodial institution for objects exchanged | | None |

2.The information of Convertible Bonds、Exchangeable Bonds、Shelf Registration for Issuing Bonds and Corporate Bonds with Warrants

A · Convertible Bonds Information

| Corporate bond type | | 3rd Secured Convertible Corporate Bond | |
|---|---|---|---|
| Item \ Year | | Y2023 | As of April 16, 2024 |
| Market price of the convertible bond | Highest | 135.00 | 115.00 |
| | Lowest | 125.00 | 102.00 |
| | Average | 131.28 | 107.50 |
| Convertible Price | | 72.4 | 72.4 |
| Issue date and conversion price at issuance | | Issue Date：June 26, 2021<br>Conversion price at issuance：NT$73.8<br>Since July 23, 2023, the conversion price has been adjusted from NT$73.30 to NT$72.40 | |
| Conversion methods | | Issuing of new stocks | |

| Corporate bond type | | 4th Secured Convertible Corporate Bond | |
|---|---|---|---|
| Item \ Year | | Y2023 | As of April 16, 2024 |
| Market price of the convertible bond | Highest | 112.00 | 111.00 |
| | Lowest | 106.05 | 102.80 |
| | Average | 108.35 | 105.33 |
| Convertible Price | | 118.40 | 118.40 |
| Issue date and conversion price at issuance | | Issue Date：April 7, 2022<br>Conversion price at issuance：NT$118.8<br>Since July 23, 2023, the conversion price has been adjusted from NT$118.40 to NT$117.00 | |
| Conversion methods | | Issuing of new stocks | |

B · Exchangeable Bonds Information：None

C · Shelf Registration for Issuing Bonds：Non。

D · DCorporate Bonds with Warrants：None

(II)Issuance of special stock：None

(III)Issuance of Global Depository Receipts：None

(IV)Issuance of Employee Stock Options：None

(V)Issuance of New Restricted Employee Shares：None

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

## XI. Financing Plans and Execution Status： None

# Five、Operational Highlights

Episil is a holding company specializing in investment, with main business items including development, design, manufacturing and sales of related products such as epitaxy wafer and wafer foundry service of power IC and analog IC. Episil’ s main businesses are as follows.

I. Business Activities

(I) Scope of the business

i. The main operational categories of the company

(1) 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) Episil provides integrated semiconductor foundry services, including Bipolar IC, high power MOSFET, Mix-mode integrated circuit (logic device), FRD, TVS, SiC and GaN discrete device

ii. The sales proportion of the main products of the business

Unit：NT$ thousands

| Major Divisions | 2022 | | 2023 | |
|---|---|---|---|---|
| | Total Sales | % | Total Sales | % |
| Epiwafer | 5,210,340 | 58.67 | 3,905,580 | 55.16 |
| IC wafer | 3,635,098 | 40.94 | 3,127,407 | 44.17 |
| Other | 34,443 | 0.39 | 47,229 | 0.67 |
| Total | 8,879,881 | 100.00 | 7,080,216 | 100.00 |

iii. The company's current product (service)

A. production and foundry of Silicon Epitaxy, Silicon Carbide Epitaxy and Gallium Nitride Epitaxy.

B. Integrated circuit foundry s

C. Foundry service of power discrete

D. Consultation and testing services for above products

iv. New product (services) development projects

A. 8” GaN-on-Silicon medium and low voltage epitaxial wafers for low and medium voltage applications.

B. 8” SiC epitaxial wafers

C. 6” SiC G3/G4 Platform Development

D. 6” SiC Trench Development

E. SiC Schottky Diode 4500V process

F. SiC MOSFET 3300V process

G. GaN Power ICs process

H. 6” high voltage Gan on Si fabrication

I. Low Capacitor, Low Clamp New Generation Trench TVS

(II) Industry Overview

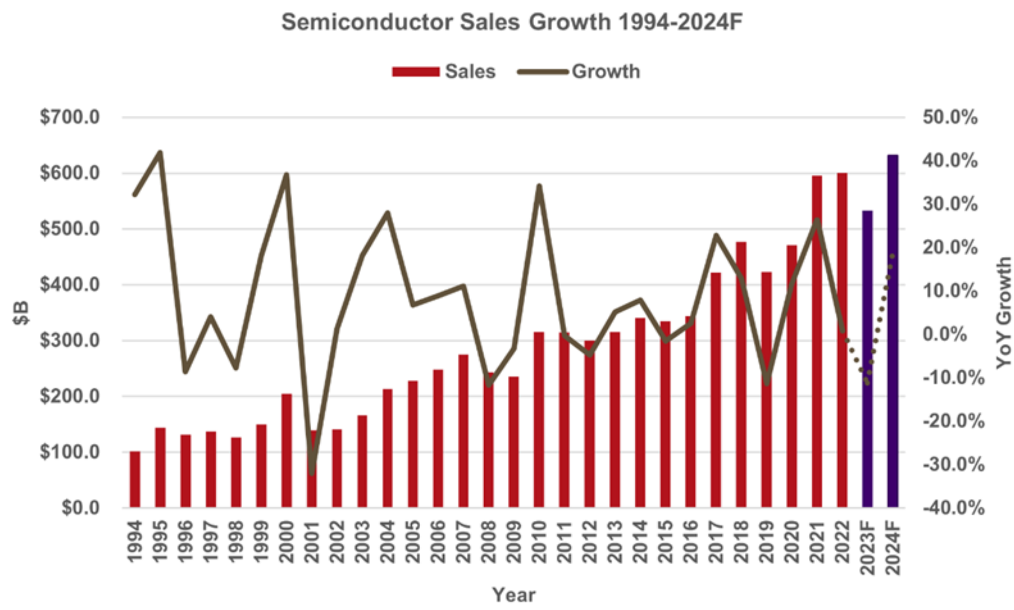
1. Industry status and development

A. Global Semiconductor Industry outlook

According to market information advisory firm Gartner, Inc., global semiconductor industry revenue is projeced to grow 16.8% in 2024 to total US$624 billion after the declined nearly 11% in 2023. The overall size of the market will exceed that of in 2021 and 2022, and will increase by 15.5% to US$721 billion in 2025. The expansion of the AI (artificial intelligence) market will drive the overall demand for semiconductor industry. Previously sluggish demands for smartphones, personal computers and consumers are expected to return in the following years.

The problem of the semiconductor inventory will be solved in 2024, however, the overall economy, export control and local capacities still navigate uncertainty to the market. With the growing demand of the inventory replenishment and rising of the capacity utilization, the overall semiconductor sales market is expected to increase after 2024 Q2 at the soonest. Nevertheless, as far as the upstream, the global top 3 silicon wafer suppliers stated that the prosperity in the first half of 2024 needs to be viewed conservatively because of the current capacity utilization rate of wafer foundries is not full, and the overall electronics industry in the next six months should still be in the bottoming stage ,and it is anticipated to perform better in the second half of 2024.

Global semiconductor market trends from 1994 to 2024



Power semiconductor market size estimate

Silicon Wafer Market

| Fall 2022 | Amounts in US$M | | | Year on Year Growth in % | | |
|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| **Americas** | 121,481 | **142,138** | **143,278** | 27.4 | 17.0 | 0.8 |
| **Europe** | 47,757 | **53,774** | **54,006** | 27.3 | 12.6 | 0.4 |
| **Japan** | 43,687 | **48,064** | **48,280** | 19.8 | 10.0 | 0.4 |
| **Asia Pacific** | 342,967 | **336,151** | **311,005** | 26.5 | -2.0 | -7.5 |
| **Total World - $M** | 555,893 | **580,126** | **556,568** | 26.2 | 4.4 | -4.1 |
| **Discrete Semiconductors** | 30,337 | **34,098** | **35,060** | 27.4 | 12.4 | 2.8 |
| **Optoelectronics** | 43,404 | **43,777** | **45,381** | 7.4 | 0.9 | 3.7 |
| **Sensors** | 19,149 | **22,262** | **23,086** | 28.0 | 16.3 | 3.7 |
| **Integrated Circuits** | 463,002 | **479,988** | **453,041** | 28.2 | 3.7 | -5.6 |
| Analog | 74,105 | 89,554 | 90,952 | 33.1 | 20.8 | 1.6 |
| Micro | 80,221 | 78,790 | 75,273 | 15.1 | -1.8 | -4.5 |
| Logic | 154,837 | 177,238 | 175,191 | 30.8 | 14.5 | -1.2 |
| Memory | 153,838 | 134,407 | 111,624 | 30.9 | -12.6 | -17.0 |
| **Total Products - $M** | 555,893 | **580,126** | **556,568** | 26.2 | 4.4 | -4.1 |

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.

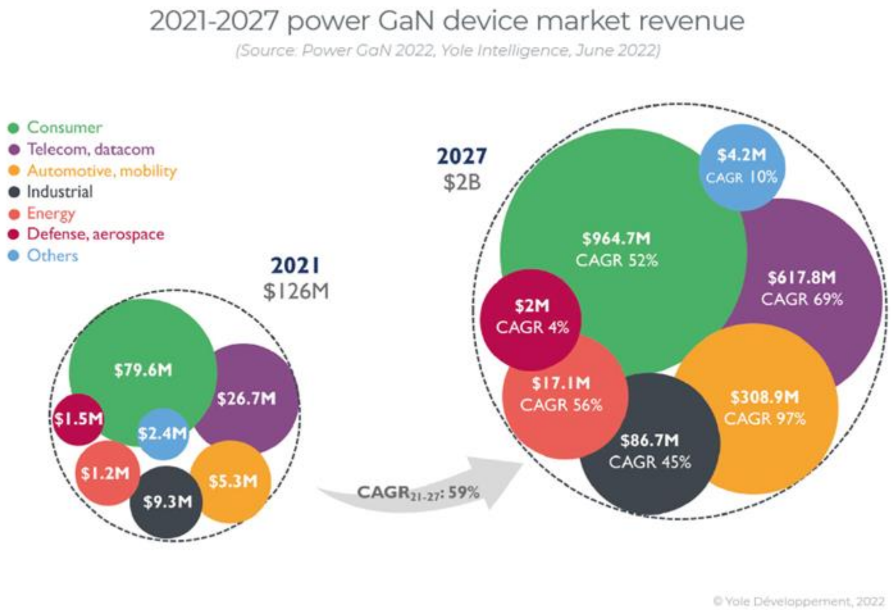
Source: WSTS, November 2022

According to the November 2022 report of World Semiconductor Trade Statistics (WSTS), the global semiconductor market grew in 2022, with a scale of $580.126 billion dollars, an annual increase of 4.4% from $555.893 billion in 2021. In 2023, the overall semiconductor market is expected to decline by 4.1%, however the analogic IC and discrete device markets, which are more closely related to the epitaxy material, will slightly grow by 1.6% and 2.8% 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 2021 forecast, the GaN power device market size will be from $21 million in 2019 to $1.1 billion in 2026 which expected to reach 70% CAGR (2019-2026). Fast charger adoption in mobile phone, data center, and 5G base station will be the main driven application.

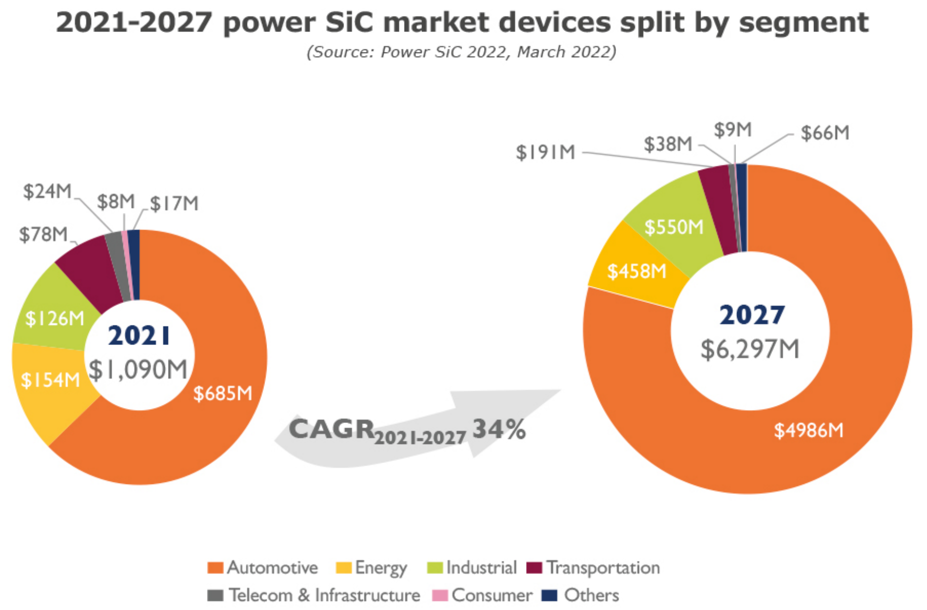
About WBG (wide band gate), according to Yole’ s 2022 forecast, the GaN power device market size will be from $126 million in 2021 to $2 billion in 2027 which expected to reach 59% CAGR (2021-2027). Fast charger adoption in mobile phone, data center, and 5G base station will be the main driven application..




Soure：Yole, May 2022

In terms of SiC, Yole predicted a market size will be from $520 million in 2019 to $3.27 billion in 2026 which expected to reach 30% CAGR (2019-2026), and will play an important role in the EV, PV, and industrial sectors.

In terms of SiC, Yole predicted a market size will be from $1.1 billion in 2021 to $6.3 billion in 2027 which expected to reach 34% CAGR (2021-2027), and will play an important role in the EV, PV, and industrial sectors.




Source: Yole, March 2022

B.Status and development of Taiwan's semiconductor industry

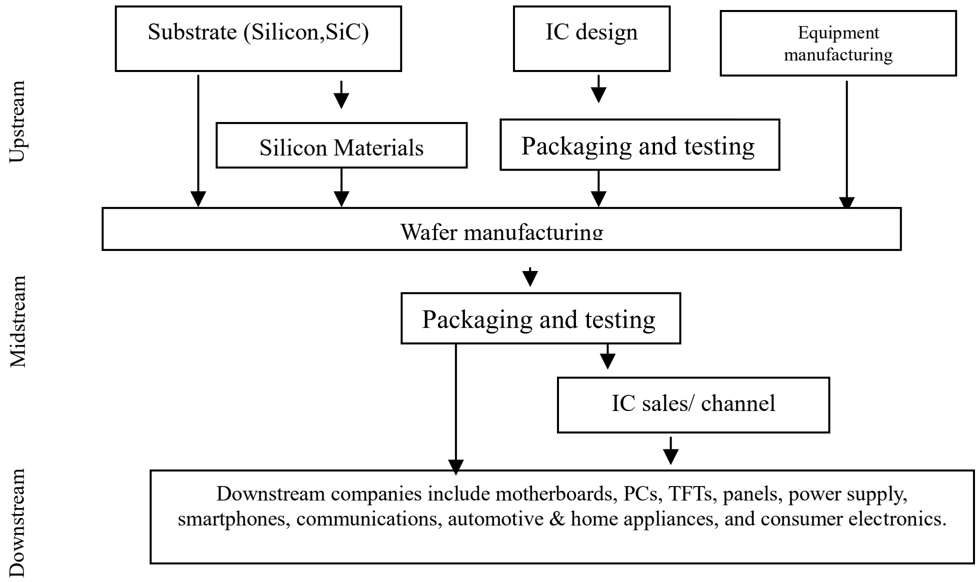
Taiwan's IC industry has gradually developed into the current vertical upstream and downstream division of labor industrial structure, which has an advantage of fine division of labor and a complete structure in the industrial value chain from upstream wafer materials to IC design, manufacturing, packaging, and testing.

Industrial Technology Research Institute (ITRI) indicated that Taiwan’ s semiconductor industry hit its bottom in 2023 due to the weakening global economy, the external factors impacting corporate and consumer markets, as well as the adjustment of inventory depletion. As the inventory adjustment comes to an end in 2024, the end consumer demands recovery, and the continuously growth of AI and High Performance Computing (HPC), IC design, manufacturing, packaging and testing industries are expected to get rid of the market slump and gradually return to positive growth. It is expected that IC industry output value will grow 14.1% in 2024 to total NTD 4.9 trillion compared to that of 2023.

Moreover, IC packaging and testing industry takes new opportunities with the benefit of the rise of generative AI. There’ s a large room for growth of compound semiconductor markets, its importance will attract more attention with the rising issues of energy-saving and Next-Generation Communications. It is predicted that the output value of Taiwan’ s IC industry will decline to NTD 4.3 trillion in 2023, a decrease of 11.2% from 2022.

2. Relevance of upstream, mid-stream and downstream industries

The correlation diagram of the upstream, middle and downstream of the semiconductor industry is shown in the figure below. With the evolution of the vertical division of labor and integration of semiconductors, according to the manufacturing process, it can be divided into upstream IC design companies and silicon wafer manufacturing companies. IC design companies design according to customer needs. The circuit diagram is produced, and the silicon wafer manufacturing company uses polysilicon as raw material to manufacture silicon wafers; the IC wafer manufacturing plant in the middle reaches prints the basic circuit pattern on the wafer according to the circuit diagram designed by the IC design company. The circuit and the components on the circuit are fabricated on the wafer by oxidation, diffusion, CVD, etching, ion implantation and other methods; and the completed wafer is sent to the downstream IC packaging and testing factory for processing. After cutting, the die is covered with plastic, ceramic or metal to protect the die from contamination and easy to assemble, and achieve the electrical connection and heat dissipation effect between the chip and the electronic system, and finally perform IC functions, electrical performance and heat dissipation tests. Among them, the epitaxy and compound semiconductor business of the company belongs to the upstream industry, and the component and integrated circuit business belongs to the midstream wafer manufacturing.




The major products of Episil-Precision and subsidiary are Silicon Epitaxial Wafer, Buried 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. Various development trends of produc

A. Epitaxy and compound semiconductor business

Looking into the future, emerging application technologies such as the Internet of Things, wireless charging, and autonomous driving will lead to higher and higher semiconductor content in terminal products, which is expected to increase the future output value of the semiconductor industry. Due to the excellent electrical characteristics of the epitaxy process, it can be widely used in various discrete components or integrated circuits, such as power management components, drive components, optoelectronics and protection components. These power components are responding to the energy-saving trend generated by environmental awareness Under the circumstances, the demand cannot be underestimated. At present, the mainstream is to use 6-inch and 8-inch episilicon wafers as raw materials, but large-scale IDM factories have begun to produce power components to 12-inch factories. In addition, because in some application fields, the characteristics of silicon materials have reached their physical limits, and product performance can no longer be improved. Therefore, more and more companies are looking for breakthroughs in the next generation of wide-bandgap semiconductor components. The company is also actively developing SiC and GaN-on-Silicon epitaxy development.

B. Components and integrated circuit business

The semiconductor vertical division of labor formed by wafer foundries in China reduces production costs by mass-producing products for different customers. For IC designers or IDM companies, it can provide more efficient market supply flexibility and its future demand. Growth is an inevitable trend. In the analog power electronics market, it can be roughly divided into two categories: discrete power components and power ICs. In terms of separating power components, Episil entered the market from traditional silicon-based MOSFETs, expanded to IGBT and FRED components, and actively introduced VDA6.3 into the layout of automotive products. With the blossoming of mobile devices, electric vehicles, and 5G applications, the supply chain of compound semiconductors such as GaAs, InP, GaN, and SiC is expected to emerge and become another bright group besides traditional silicon semiconductors. At present, Episil's next-generation SiC and GaN materials are developing It has entered the mass production stage and is expected to bring new growth momentum to Episil. In the power IC part, Episil has expanded to high-power and high-voltage CMOS processes to provide diversified services. Combining the advantages of Bipolar, CMOS and DMOS components in high voltage and high current, it has launched a BCD process suitable for power ICs, which is conducive to power conversion management, LED lighting, power amplifiers and automotive electronics markets.

4. Competition situation

A. Epitaxy and compound semiconductor business

Foreign competitors are mainly silicon wafer manufacturers in Japan, Germany and the United States. These competitors all have a consistent process of growing crystals, slicing, grinding, polishing, cleaning and epitaxy. Most of the epitaxy silicon wafers produced are supplied with 8 "/12" standard CMOS process. In addition, there are some competitors in the small and medium-sized episilicon wafer business in China.

The company is proficient in epitaxy technology, and the process capability and yield rate of various products have been affirmed by customers of international major manufacturers. Due to its professional standards, it is constantly developing new processes, providing customers with diversified, flexible and fast product services, and is committed to improving quality. And reduce costs, form a considerable economic scale, and have enough energy to face the challenges of the above-mentioned competitors in the market.

B. Components and integrated circuit business

Episil has been established for more than 30 years. The process capabilities and yields of various products have been affirmed by international manufacturers. Due to their professional standards, they continue to develop new processes to provide customers with fast and complete foundry services with diversified processes. In recent years, it has invested in the development of next-generation 6” SiC and GaN compound semiconductors, which has made Episil Technology the only company with mass production scale in Asia. Factory. Under the integration of resources in the future, it will be able to contribute to the competitive advantage and have enough energy to face the competition and challenges of the market.

In addition to Episil, companies with small and medium-sized wafer foundries in China include TSMC, UMC, Macronix, Maosi, Dunnan and Yuanlong, each of which has its own specialized business. The supply side is stable, and the volume and price are acceptable, maintaining a rough balance. In foreign countries, due to the rise of the construction of wafer fabs in mainland China after 2000, small and medium-sized wafer fabs are relatively easy to obtain due to the low investment amount, technology sources are relatively easy to obtain, and are heavily supported by various local governments, such as Shanghai Jita, China Resources Shanghua, etc. and Episil belong to the same type of competitive industry in the foundry market. However, due to their different products and market segments, each is actively developing in its field.

(III) Technology and R&D Overview

1. The technical level and research development of the business

A. Epitaxy and compound semiconductor business

The key epitaxy technologies such as gas supply stability monitoring technology, improved machine process parameter stabilization technology, and decompression growth technology have been developed. The current process technology has been developed to 6 and 8-inch epitaxial silicon wafers and 6 and 8-inch buried layers. Epitaxy, the technical level has reached the international level, and has been certified and adopted by major semiconductor manufacturers at home and abroad. In addition to meeting the needs of customers, we provide epitaxial silicon wafers of various specifications required for buried layer epitaxy and epitaxial silicon wafers for discrete components, and improve the existing epitaxial process in response to the needs of the development of the semiconductor power electronics industry. Technology and epitaxy equipment, develop super junction epitaxy technology, so that the adjustment of the doping concentration uniformity of the epitaxy process can be carried out independently, which can reduce the adjustment time, increase the production output and improve the process stability. In addition, the company's epitaxy technology can be applied to energy-saving and carbon-reducing power components, so it will actively develop related energy-saving products with customers. In addition to traditional silicon crystal materials, new epitaxy materials GaN gallium nitride and SiC silicon carbide have been developed and mass-produced to provide customers with more advanced and advantageous epitaxy material choices, becoming a pioneer in the energy-saving and carbon-reducing power electronics industry.

B. Components and Integrated Circuits Business

A number of process technologies for high-voltage integrated circuits have been developed and completed, mainly providing 6-inch wafer components and integrated circuit foundry business. The company has key high-voltage integrated circuits, such as dual-carrier integrated circuits, 5V CMOS logic component process technology, 40V high-voltage process technology, 700V high-voltage process technology, etc., which are the mainstream high-voltage process technologies in the market, and are used in Power adapter, lighting, Portable power controller and many other aspects. The company also has key high-voltage discrete components process technology, including Power Mosfet, IGBT, FRD diode, Schottky diode, etc. In the next five years, high-voltage integrated circuits and high-voltage discrete components will still be the mainstream of the market. Among them, high-end 600V and

1200V high-speed high-voltage components will move to wide bandgap, especially GaN and SiC materials. At present, the company is one of the few companies in the world that produces GaN HEMTs and SiC MOSFETs, and will continue to develop high-voltage integrated circuits and high-voltage discrete components in depth and breadth.

2. R&D expenses invested in the most recent year and up to the publication date of the annual report

Unit：NT$ thousand；%

| Year / Item | 2022 | 2023 | 2024Q1 |
|---|---|---|---|
| R&D Expenses | 144,188 | 222,572 | 66,086 |
| net operating income | 8,879,881 | 7,080,216 | 1,457,563 |
| R&D Expenses to Revenue % | 1.62 | 3.14 | 4.53 |

3. Technologies or products successfully developed in the last years

| Annual | R & D achievements |
|---|---|
| 2021 | 4" SiC G2 650V/1200V/1700V SBD Research and development technology.<br>4" SiC G2 650V/1200V/1700V MOS Research and development technology.<br>6" SiC G2 650V/1200V/1700V SBD Research and development technology.<br>6" SiC G2 650V/1200V/1700V MOS Research and development technology.<br>4” SiC Trench 800V MOS Mass Production Technology.<br>RF Gallium Nitride (GaN on SiC) Epitaxy Mass Production Technology.<br>Ultra-high resistance silicon epitaxy mass production technology. |
| 2022 | 4" SiC G2 650V/1200V/1700V SBD mass production technology.<br>4" SiC G2 650V/1200V/1700V MOS mass production technology.<br>6" SiC G2 650V/1200V/1700V SBD mass production technology.<br>6" SiC G2 650V/1200V/1700V MOS mass production technology.<br>RF GaN (GaN-on-Silicon) epitaxial wafers.<br>Gen 2 650V GaN-on-Silicon epitaxial wafers.<br>Reduced pressure process for high resistance silicon epitaxial wafers. |
| 2023 | 6" SiC G3 650V/1200V/1700V MOS research and development technology.<br>6" SiC G2 650V/1200V/1700V MOS High temperature reliability improvement development.<br>6" SiC G2 3300V MOS mass production technology.<br>6" SiC Trench 1200V MOS mass research and development technology.<br>Gen 2 650V GaN-on-Silicon research and development technology<br>6" Si 650V/1200V/1700V FRD research and development technology.<br>Gen 2 High Grade SiC epitaxial wafer<br>RF GaN (GaN-on-Silicon) epitaxial wafers.<br>Gen 2 650V GaN-on-Silicon epitaxial wafers.<br>Reduced pressure process for high resistance silicon epitaxial wafers. |

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

1. Short-term business development plan

A. Epitaxy and compound semiconductor business

The short-term business plan is to continue to maintain good customer relationships, deepen the niche market, use high quality as the market segment, avoid price-cutting competition, improve the company's profitability, and continue the competitive advantage.

B. Components and Integrated Circuits Business

In terms of business development, we will carry out a series of simplification and quality improvement projects for existing mature processes, provide customers with various analog and power product process services, continue to expand sales markets such as Europe, America and mainland China, increase the proportion of export sales, and move towards high The expansion and application of gross profit products has successfully entered the market trend of emerging electronic products, and actively promoted the progress of 6” SiC customer product verification, while strengthening R&D process capabilities to increase product value and enhance market competitiveness.

2. Long-term business development plan.

A. Epitaxy and compound semiconductor business

Due to the company's long-term efforts in business internationalization, service and quality refinement, it has been recognized by customers. In recent years, in response to the steady growth of the needs of Asian customers and the rapid rise of the semiconductor market in mainland China, the company's management team will continue to expand the customer base and actively develop the mainland and emerging markets, and produce other types of epitaxy such as SOI, SiC and GaN/Si , hoping to make the epitaxy business expand and grow stronger day by day

B. Components and Integrated Circuits Business

Maintain the development of high-margin niche products, develop high-voltage, high-frequency or high-power products, such as BiCMOS, BCD, through cooperation or alliances with international integrated device manufacturers (IDMs) or design companies, combined with the advantages of epitaxial processes, HV-COMS, TVS, FRED, FR MOS, SiC and GaN power components, etc., to accumulate leading technologies to avoid falling into the rut of price competition. At present, there are quite a lot of analog and high-frequency and high-voltage component 6-inch factories in Europe and the United States. The planned closure of factories or the transfer of production bases to the Asia-Pacific region, coupled with the high growth of emerging markets such as mainland China, India and Latin America, is helpful for analogy and The demand for high-voltage processes continues to grow, and a 1-3 year expansion plan is planned for 6" SiC to meet the strong market demand in the future. Therefore, the expansion of the 6" SiC production line will be the goal of Episil's future development.

## II. Market and Sales Overview

### (I) Market analysis

1. Sales areas of the main product

Unit；NT$ thousands

| Area / Year | | 2022 Amount | 2022 % | 2023 Amount | 2023 % |
|---|---|---|---|---|---|
| Taiwan | | 3,260,855 | 36.72 | 2,223,066 | 31.40 |
| Export | Asia | 3,599,192 | 40.53 | 3,078,229 | 43.48 |
| | Americas | 1,686,936 | 19 | 1,485,617 | 20.98 |
| | Other | 332,898 | 3.75 | 293,304 | 4.14 |
| Total | | 8,879,881 | 100.00 | 7,080,216 | 100.00 |

2、Market share, market supply and demand situation and future growth

A.Epitaxial wafer and compound semiconductor business：

With the vigorous development of electric vehicles, green energy, and 5G-related applications, the world's dependence on semiconductors is increasing day by day. In the next few years, the size of the semiconductor market is bound to continue to expand. Coupled with higher energy efficiency requirements, it will also drive power semiconductors. Quantitative increase. Since the silicon epitaxy products and compound semiconductor epitaxy products produced by Jiajing are indispensable raw materials for the production of power semiconductors, it is optimistic that the demand for epitaxy products will continue to grow steadily.

B.Components and integrated circuit business：

With the development of environmental protection and energy saving issues, energy saving technology is one of the important development topics at present, and the power management IC in the analog IC is playing an indispensable key role. Control and maintain proper current and voltage supply in the system at any time, and power components are responsible for power conversion processing. Power management ICs and power components are widely used, such as consumer electronics, 5G network communications, mobile Internet, cloud servers, and industrial applications are currently the most important markets. Energy, high efficiency of energy conversion, application of new materials and the development needs of national infrastructure will drive the growth of related markets.

Prospect the market of compound semiconductor, MIC (Market Intelligence & Consulting Institute) stated that there’ ll be new growth momentum of SiC power devices in 2024 which is mainly from the successive openings of 8-inch new plants, the large scale launch of EV planned by car manufacturers in 2025 and the demand for renewable energy. There’ s a sustainable growth of medium voltage (MV) and low voltage (LV) products in information markets which was observed via GaN power devices. In contrast, high voltage (HV) products are waiting for the development of the EV charger markets. The target of reaching net zero carbon emissions by 2050 of every country and the trend of product electrification are driving the growth of emerging markets for electric transportation propelling the high efficiency transformation of energy and industrial manufacturing, and the trends such as 5G/6G demand, all navigating the rapid growth of compound semiconductor market.

In terms of supply, due to the consideration of capital expenditure and cost reduction in recent years, most international IDM manufacturers have given priority to new products with higher gross profit margins, and even developed SiC and GaN with large electric current and small size high-end products, thus withdrawing from mid- and low-end products which have been changed to outsourced orders, increasing the proportion of outsourcing. As a result, mature power devices haven’ been met in demand in recent years, while the production line of 6-inch wafer foundries has benefited from the redirect orders.

3、Competitive niche

A. Possess excellent epitaxy production technology and independent research and development capabilities

With the trend of end consumer electronic products toward light, thin and short, manufacturers continue to introduce products with features such as more power saving, low power and fast data transmission, and semiconductor material manufacturers must also provide silicon substrates that meet future trends to assist component manufacturers. To achieve the best performance, and epitaxial silicon wafer is an indispensable key material for the trend of energy saving, the company's epitaxial technology can be applied to energy-saving and carbon-reducing power components, and actively develop related energy-saving products. In addition to traditional silicon materials, we have developed and mass-produced new epitaxial materials GaN gallium nitride and SiC silicon carbide, providing customers with more advanced and advantageous epitaxial material choices, becoming a pioneer in the power electronics industry with energy saving and carbon reduction B. Key technologies through strategic alliances

B. Highly flexible product line and market reputation

Episil has excellent epitaxy production technology, research and development capabilities and market reputation. It is an important supplier of silicon epitaxy materials in the world. It can provide complete services in response to the needs of different customers. All of them are customized products, so they have highly flexible, fast and closely coordinated technical service capabilities and machine configuration, and the product quality is well recognized by customers and has become quite famous in the international market.

C. Introduce key technologies through strategic alliances

In addition to engaging in industry-academia research projects, the company also cooperates with customers and internationally renowned manufacturers of alliance companies to develop process technology, and cooperate with its own technical capabilities to upgrade the transferred technology, strive to reduce production costs, improve product yield, and increase industrial competitiveness. Over the years, a long-term cooperative relationship has been established with it. In addition, employees are rewarded to apply for domestic and foreign patents with their research results, so that the company can obtain intellectual property rights.

D. Continue to develop more advanced and competitive processes advanced and competitive manufacturing processes

The company's process and R&D capabilities in linear dual-carrier integrated circuits and high-power field effect transistors are already above the industry level due to accumulated long-term experience. In order to expand new product areas and meet the diverse needs of the market, actively develop separate high-power IGBT, diode, BiCMOS and BCD processes for special purposes to meet the needs of foundry and strengthen competitiveness. At the same time, combining existing technologies and introducing 40V and 700V power driver IC technology, a single chip has a complete driver Mobile phones, driving motors, driving solid-state light source functions, and then establishing the process OEM capability of linear Power ICs to expand future profit sources and growth space.

E. A solid link in Taiwan's vertically integrated IC industry chain

Taiwan is a leading country in the global semiconductor supply chain, while the Company and its subsidiaries are the links for integrating upstream and downstream companies within the supply chain. Therefore, we create mutual benefits and raise global competitiveness and become more efficient in developing new markets.

F. Excellent product quality highly praised by customers

In addition to obtaining ISO 9001:2015 and ISO/TS16949:2016 certifications, the Company and its subsidiaries have also obtained ISO 14001:2015 and ISO 45001:2018 certification and Sony Green Partner Certification. The Company is currently under VDA 6.3 certification for automotive, and in November 2020, it was officially certified by VDA6.3

4、Favorable development prospects, unfavorable factors and countermeasures

A. Favorable factors

(a)For silicon epitaxial foundry, EPISIL and the subsidiaries have long-term cooperation with customers and have established good relationships, to optimize the capacity and expansion plans.

(b) EPISIL 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 talent. The complete foundry service enables well-known companies at home and abroad 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 mainland Chinese markets, gradually diversifying the market concentration

(c)The continued growth in demand in the global semiconductor market will stimulate the growth of the silicon wafer material market. Due to the impact of the demand for handheld devices such as terminal smartphones and tablet computers, related IC components such as memory, processors and communication chips will continue to be in short supply. , and indirectly make semiconductor materials continue to grow.

(d) Episil and its subsidiaries have a fairly complete foundry process for small and medium-sized wafers, and the process stability and production capacity have been gradually improved, and diversified process technologies are available to provide customers with fast and complete foundry services, dispersing the risks of a single process industry and increasing. The output value of integrated circuits.

(e) For the development of compound semiconductors, 6" SiC and GaN have made the company the only foundry with mass production scale in Asia. With the integration of resources in the future, it will be able to have a good competitive advantage.

B. Unfavorable factors and countermeasures

(a) Domestic and foreign peers are gradually planning to enter the ranks of silicon epitaxy and analog foundry. In addition, mainland China is actively supporting its domestic semiconductor industry, and the market competition is becoming more and more fierce.

Countermeasures

Cooperate closely with customers to develop and improve process technology, increase product breadth and process precision, in order to reduce R&D labor costs, maintain competitiveness and strengthen the efficiency of the management team.

Research and develop next-generation power semiconductor materials GaN, SiC epitaxy and component manufacturing technology, establish an economical-scale production line, increase the added value of products to avoid price competition

(b) With the expansion of industrial competition, the speed of product replacement is accelerated, and the pressure on sales prices is increasing.

Countermeasures

Continue to promote various operating strategies to maintain product market competitiveness, enhance customer market competitiveness and adjust product mix to increase product added value.

(c) Some products have the risk of higher concentration of sales.

Countermeasures

Actively expand business, develop domestic and European and American customers with long-term strategy, in order to reduce the operational risk of excessive business concentration, and strengthen the understanding of the needs of the mainland market, and selectively develop potential mainland customers by combining epitaxy with high-voltage and other superior processes. Expand and increase production capacity to improve overall operational efficiency

(d) Silicon wafers and wafer foundry are a part of the semiconductor industry. Affected by the semiconductor business cycle, the business cycle is getting shorter and shorter, which is especially detrimental to the operation of the semiconductor industry.

Countermeasures

By prudently evaluating investment plans and the planning of personnel, machines, capital, and technology, we can flexibly respond to the impact of a large number of orders brought about by prosperity and the impact of reduced orders during recession, and keep abreast of the pulse of downstream application industries or terminal application products , so that production capacity can be fully and stably utilized to reduce the risk of business cycle

(II) Main products' important functions and production process

1. Main products' important functions

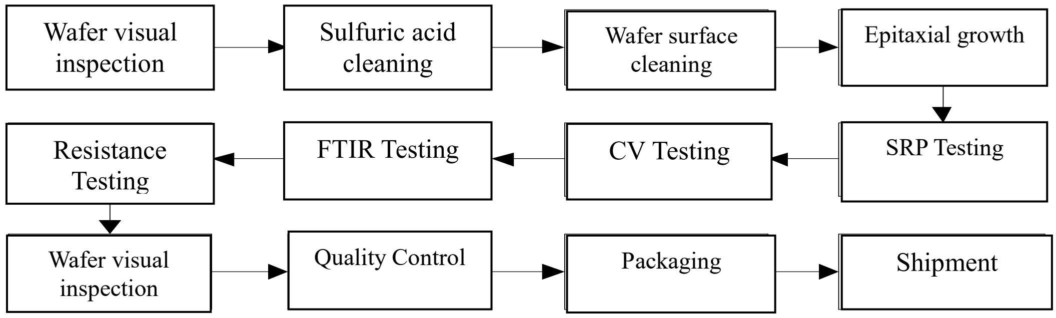
The Company's main businesses and its subsidiaries include manufacturing of Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, GaN Epitaxial Wafer, SiC Epitaxial Wafer, for semiconductor process on Bipolar IC, Power MOSFET,mixed type integrated circuit (logic device), PMIC and Insulated Gate Bipolar Transistor (IGBT). It is an indispensable basic material used in the production of power components such as high-power field-effect transistors (Power MOSFET), diodes (Diodes), insulated gate bipolar transistors (IGBT), and power management ICs (PMIC).The downstream derivative products are widely used, with applications in consumer electronics, automotive electronics, ICS, telecommunications and computers. Products such as dual-carrier integrated circuits and power integrated circuits belong to the downstream process technologies, which can be used to manufacture high-speed and high-precision analog circuits as well as high-voltage analog circuits. High voltage field-effect transistors have the advantages of low power consumption and low heat dissipation. The transistors are mainly used in NBs and smartphones, while logic components are used in consumer electronics, communication products and industrial systems, as described in the following table:

| Product | | Function | Purpose |
|---|---|---|---|
| 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 10 times better than silicon wafer, and increase the operating frequency | Suitable for applications on communication, 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 |
| Dual in-line (DIP) integrated circuit | Standard Linear Bipolar Process Technology | Manufacturing high-voltage analog circuits with the function of withstanding voltage | Operational amplifier, instrument converter, comparator, dual PWM controller, and IC voltage regulator |
| | Bipolar double-diffusion MOS transistor process technology (BIDMOS) | 1. For high-voltage, high-current intelligent power IC manufacturing<br>2. Manufacturing of electric power components with special impurity methods to achieve high voltage and low leakage current. | Switch Mode Power Supply, general consumer electronics |
| | Bipolar Complementary Metal Oxide Semiconductor (BICMOS) | For high-speed and high-precision analog circuit manufacturing | Control circuits of high-definition television (HDTV), precision motors, and high-density hard disk drives |
| Metal Oxide Semiconductor Field Effect Transistor (MOSFET) | | Possess the advantages of low power consumption and low heat dissipation | Applications in NBs, mobile devices, TVs and other backlight supplies, Power supply and battery chargers |
| GaN HEMT | | Ultra-low power consumption, ultra-high frequency | Applications in 5G communication base stations, UPS workstations, and industrial/ aerospace amplifiers |
| High power GaN Schottky diodes | | Ultra-low conduction voltage, ultra-low power consumption | Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies |
| High power SiC Schottky diodes | | High breakdown voltage, low on-resistance | Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies |
| SiC high-power MOSFET | | High breakdown voltage, low on-resistance, and high operating temperature | Applicable for charging piles of 600V 1200V power conversion, electric vehicles, and hybrid electric vehicles. |

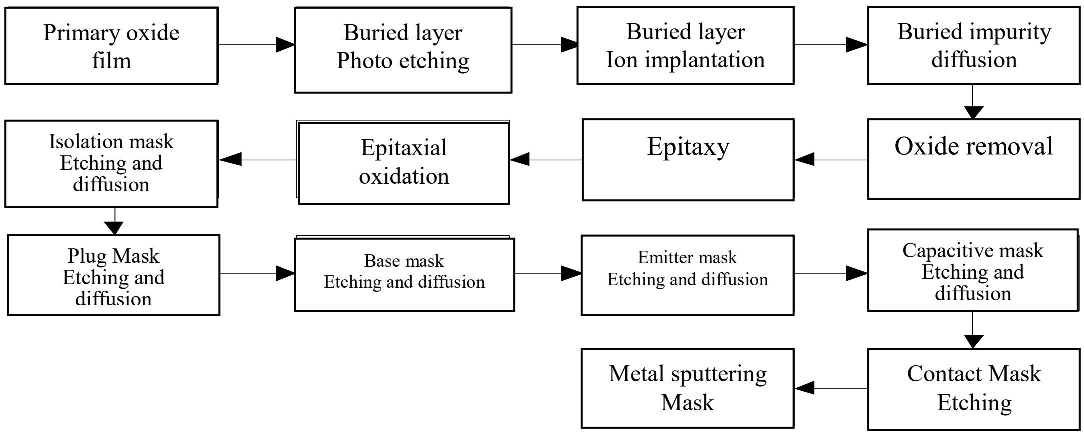
| Product | | Function | Purpose |
|---|---|---|---|
| High power fast recovery diode | | Fast switching characteristics are arranged in parallel circuits with IGBT to reduce power loss. | Used with IGBT for AC110V, 230V induction cooker, and AC380V industrial motor control system |
| TVS protection components | | Overvoltage and overcurrent protection components | Application in ESD (electrostatic discharge) protection of communication interface |
| Insulated Gate Bipolar Transistor (IGBT) | | High power switching element | Mainly used in AC110V, 230V induction cooker, and AC380V industrial motor control system |
| Linear high voltage integrated circuit | 700V BCD process | Controllers and switches with the advantages of low power consumption and low heat dissipation | Handheld consumer power supply circuit, energy efficient lighting for household lights and industrial motor drives |
| | 700V HVIC process | Ultra high withstand voltage and high power components | Mainly used in AC110V, 230V power control |

2. Production process

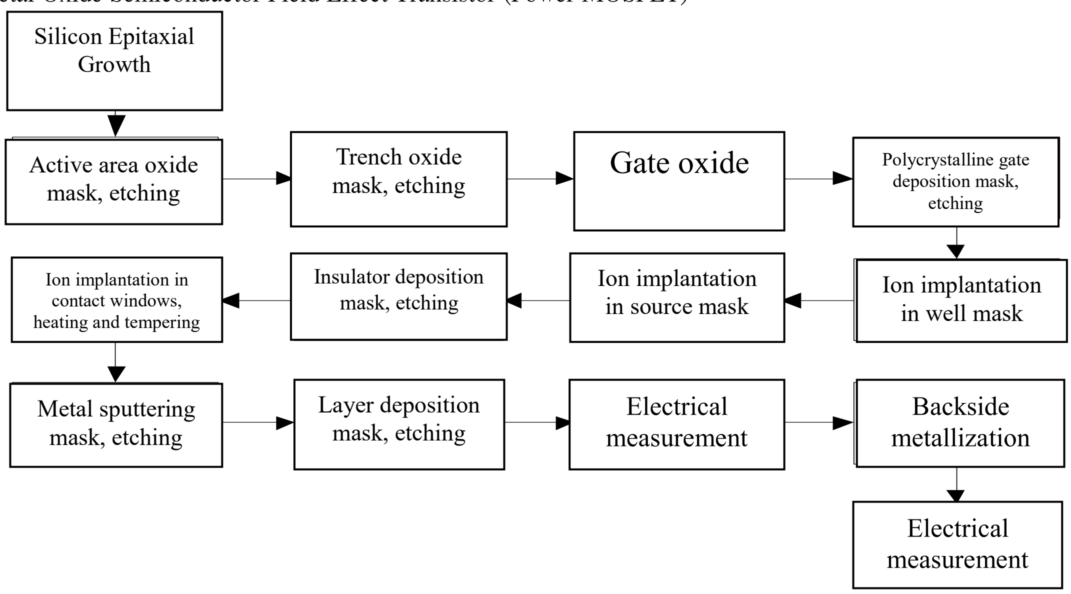
A.General epitaxy process



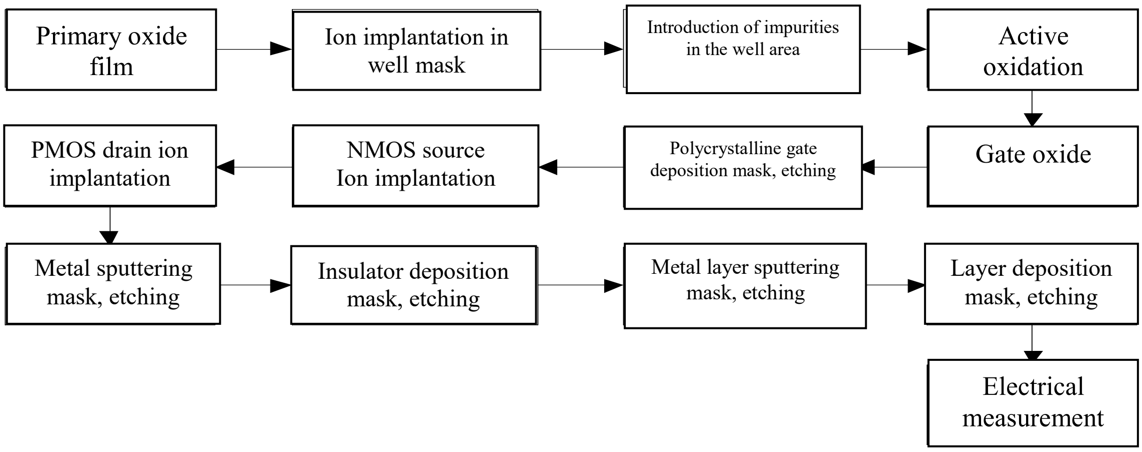

B.Dual in-line (DIP) integrated circuit




C.Metal Oxide Semiconductor Field Effect Transistor (Power MOSFET)



D.CMOS process for logic components




(III) Raw materials supply chain

EPISIL is committed to stabilizing the supply of raw materials, and managing and certifying suppliers. There are more than 2 suppliers to purchase raw materials with reasonable price, high quality and fast delivery to enhance competitiveness. The company has established a long-term cooperative relationship with suppliers and regularly evaluates them to ensure the stability of quality and delivery.

(IV) List of major purchasing and selling customers

1、 Name, amount and proportion of suppliers with more than 10% of the net purchase amount

Unit:NT$ thousands

| Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| 1 | Supplier A | 525,911 | 13.58 | NA | Supplier D | 470,574 | 17.67 | NA |
| 2 | Supplier B | 743,830 | 19.21 | NA | Supplier B | 352,140 | 13.22 | NA |
| 3 | Supplier C | 443,861 | 11.46 | NA | Supplier A | 310,115 | 11.64 | NA |
| | Others | 2,159,419 | 55.75 | — | Others | 1,530,730 | 57.47 | — |
| | Net Total Supplies | 3,873,021 | 100.00 | — | Net Total Supplies | 2,663,559 | 100.00 | — |

2、 Name, amount and proportion of suppliers with more than 10% of net sales

Unit:NT$ thousands

| Item | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| 1 | Customer A | 667,491 | 7.52 | — | Customer A | 797,501 | 11.26 | — |
| | Others | 8,212,390 | 92.48 | — | Others | 6,282,715 | 88.74 | — |
| | Net Sales | 8,879,881 | 100.00 | — | Net Sales | 7,080,216 | 100.00 | — |

(V) Production in the Last Two Years：

Unit: Layer/Piece;NT$ thousands

| Year / Output / Major Products (or by department) | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Epitaxial Silicon Wafer | 5,106,000 | 4,523,856 | 5,145,870 | 5,146,000 | 2,906,320 | 3,890,878 |
| IC wafer | 709,626 | 573,216 | 3,912,757 | 548,502 | 262,896 | 3,003,548 |
| Total | 5,815,626 | 5,097,072 | 9,058,627 | 5,694,502 | 3,169,216 | 6,894,426 |

Note:The capacity and quantity of Epitaxial wafer is layer ; :The capacity and quantity of IC wafer is piece.

(VI)Shipments and Sales in the Last Two Years：

Unit: Piece;NT$ thousands

| Year / Shipments & Sales / Major Products (or by departments) | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Epitaxial Silicon Wafer | 2,392,470 | 2,490,696 | 1,623,858 | 2,719,644 | 1,573,628 | 1,599,752 | 886,572 | 2,305,828 |
| IC wafer | 111,608 | 761,906 | 430,843 | 2,873,192 | 52,874 | 603,993 | 233,797 | 2,523,413 |
| Others | 0 | 8,251 | 0 | 26,192 | 0 | 19,321 | 0 | 27,909 |
| Total | 2,504,078 | 3,260,853 | 2,054,701 | 5,619,028 | 1,626,502 | 2,223,066 | 1,120,369 | 4,857,150 |

## III. Number of employees, average years of service, average age and education distribution ratio：

| Year | | 2022(Note) | 2023(Note) | As of April 16,2024(Note) |
|---|---|---|---|---|
| Numbers Of Employees | Operators | 644 | 579 | 571 |
| | Indirect | 991 | 978 | 967 |
| | Total | 1,635 | 1,557 | 1,538 |
| Average Age | | 40.53 | 40.29 | 40.38 |
| Average Years of Employment | | 10.55 | 10.42 | 10.52 |
| Level of Education(%) | Ph.D. | 0.37 | 0.26% | 0.26% |
| | Master’ s Degree | 15.11 | 16.51% | 16.45% |
| | University/College Degree | 68.56 | 67.50% | 67.88% |
| | Senior High School | 15.23 | 14.96% | 14.63% |
| | Other | 0.73 | 0.77% | 0.78% |

Note：the data source is the employee information of EPISIL and subsidiaries.

## IV. Disbursements for environmental protection：

(I) Losses (including remedial measures) and the total amount of penalties (including remedies) due to failure in taking responsive action to environmental pollution：None (as of the time of printing this report and whole 2023).

(II) Response measures and expenditures：

1、Environmental protection management

In terms of environmental protection management, each factory has appointed dedicated staff with qualified licenses to be responsible for handling environmental protection related matters and implement the following protection measures.

A. Air pollution prevention and management:

The exhaust gas of all plants of the company is classified into exhaust gas from the manufacturing process and thermal exhaust, among which exhaust gas from the manufacturing process is divided into acidic gas and organic gas.

Thermal exhaust does not contain any harmful substances and is emitted directly to the atmosphere.

The organic gas is emitted into the atmosphere after being treated by the zeolite runner concentration system or an activated carbon adsorption tower based on different plants, And flow meters are installed at all sites.

In accordance with the "Air Pollution Control and Emission Standards for Semiconductor Manufacturing," the Company entrust the laboratory accredited by Environmental Protection Agency to perform annual inspections. The inspection items include hydrochloric acid, nitric acid, hydrofluoric acid, sulfuric acid, phosphoric acid, ammonia, hydrogen chloride, chlorine and hydrocarbons, ensuring that the efficiency of waste gas treatment facilities and inspection results meet legal requirements.

B. Water pollution prevention and control measures and water resources management:

The wastewater discharged from the Company includes wastewater from the manufacturing process, domestic wastewater, and wastewater from cooling systems.

Wastewater treatment in each plants is processed by the pre-treatment system and adjusted to near neutral pH (pH 5-9), and was then discharged into the wastewater pipeline of Hsinchu Science Industrial Park at the discharge point, entering the wastewater treatment plant of Hsinchu Science Park Bureau for treatment. In addition, the treated wastewater shall meet EPA's Effluent Discharge Guidelines before being discharged outside the Science Park. The Company has been charged a wastewater treatment fee by the Wastewater Treatment Plant of the Science Park Administration Office based on its fee-charging standards. In addition, each plant' s wastewater quality is continuously monitored for its pH value and fluoride ion for 24 hours in order to ensure that wastewater quality meets the science park management standards.

The Company regularly entrust qualified inspection agencies or laboratories approved by the Environmental Protection Administration to perform water quality testing on a regular basis according to the law. The inspection items are based on the requirements of the water pollution prevention license and other items, and the test results meet the legal requirements. In addition, the monthly wastewater inspection conducted by the Science Park Administration Office also meets the science park management standards.

To comply with the science park management standards, the Company are still committed to water conservation and multiple uses of reclaimed water to increase water recycling. The recycling rate of wastewater from the manufacturing process has been far greater than 50% of the Science Park Administration Office standards.

C. Business waste treatment, waste reduction and recycling:

All kinds of wastes of the Company are collectively stored in specific storage sites to prevent environmental pollution and are properly treated by qualified recycling or waste treatment agencies approved by the Environmental Protection Administration.

Waste reduction mainly starts from the source, from packaging and filling materials, waste reduction during the manufacturing process, followed by the waste classification, recycling and reuse (applications to the Environmental Protection Administration for general or individual cases, depending on the characteristics of waste) to minimize landfill waste. All processes of waste treatment are carried out by the waste removal, cleaning, waste treatment or recycling companies approved by the Environmental Protection Administration, which fully complies with the environmental protection regulations.

According to statistics, waste products of the subsidiary Episil Technology Inc. was 410.45 tons in 2023. For waste output in 2023, the recycled and reused waste, general industrial waste, hazardous industrial waste were 136.73 tons, 87.24 tons and 186.48 tons, respectively. However, the Company’s wastes are properly disposed of in accordance with relevant laws and regulations based on the concept of sustainability in order to avoid impacts on the environment during the production process.

D. The impact of the EU’s RoHS (Restriction of Hazardous Substances) Directive on the Company:

The products of the Company and its subsidiaries (silicon and IC wafers) comply with the following standards:

1.RoHS (Restriction of Hazardous Substances) Directive 2015/863/EU:

2.EU’s Registration, Evaluation, Authorization and Restriction of Chemicals (REACH):.

3.Management Regulations for The Environment-Related Substances to Be Controlled which are included in Parts and Materials of Sony (SS-00259). Our company Episil Technology Inc is one of SONY's Green Partners.

E. GHG emission control and reduction:

The Company’s greenhouse gas inventory is in compliance with the measures of the Taiwan Semiconductor Industry Association (TSIA). The statistical data started in 2000, followed by annual emissions inspection and certification according to ISO14064.

For GHG reduction, the main source of greenhouse gas in semiconductor plants is perfluorocompounds (PFC). The wafer of the Company is less than 150mm. Please refer to the International SEMATECH Status Report (Current State of Technology): Perfluorocompound (PFC) Emissions Reduction using the best technologies including Process Optimization and Alternative Chemistries.

Greenhouse gas reduction has become one of the most important goals for enterprises to achieve sustainable operation. In addition to the international carbon reduction trend, we will also work out strategies to meet the needs of the national 2050 carbon net-zero emission policy, and put forward reasonable reduction policies and targets for enterprises to gradually achieve reduction results

The Company's greenhouse gas management targets for all plant areas are an annual reduction in energy intensity, an electricity saving rate of over 1% and an annual reduction in direct carbon emissions of 1%

The following policies have been implemented in 2023:

1. The source of raw materials uses raw materials with lower carbon emissions to reduce greenhouse gas emissions.
2. Purchase greenhouse gas reduction equipment, continue to improve energy efficiency, and reduce greenhouse gas emissions during product production.
3. Optimize factory equipment, improve equipment energy efficiency, and reduce power usage.
4. Purchase energy-saving pumps and gradually complete the equipment replacement project.

In 2023, the R&D Site has started to replace C3F8 with C4F8, and will continue to do so in 2024 to achieve the goal of improving gas use efficiency and reducing PFCs gas emission.

GHG inspection data in the 3 plants of Episil Technology Inc. in 2022 is as follows(The inspection of 2023 was completed in Augest 2024 according to the law.):

I. Inspection standards: ISO 14064-1/CNS 14064-1 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals of the Environmental Protection Administration, Executive Yuan.

II. Certification scope/ period covered: Episil Technology Inc./ From January 1, 2023 to December 31, 2022.

III. Inspection data: According to IPCC’ s 2007 GWP value in the Fourth Assessment Report (AR4), the emissions are as follows:

| Company Name | CAS No. | Direct GHG Emissions (Scope 1) | Indirect GHG Emissions from Electricity (Scope 2) | Total GHG emissions (Unit: MtCO2e) |
|---|---|---|---|---|
| Innovation Site | J6300146 | 5,291.5242 | 6,283.7280 | 11,575.252 |
| Creation Site | O1701115 | 15,042.5021 | 8,160.4464 | 23,202.949 |
| R&D Site | J6300299 | 22,103.3082 | 23,570.7120 | 45,674.020 |

F. Energy resource saving and management:

Through the implementation of the ISO14001 environmental management system, the Company has carried out improvement programs in energy conservation and waste reduction. Power conservation is carried out in an optimized way, starting from office electricity (lighting, air conditioning), and then to develop the plant system equipment to implement energy saving programs, in 2023 in the case of continuous growth in production capacity, the factory is still trying to carry out tap water saving and power saving measures, the electricity consumption was reduced by 2,308,840 kilowatts, and the energy resources (gases, chemicals and water, etc.) are still continuously improved (Continuous Improvement Program, CIP) mode of implementation.

Greenhouse gas emissions, water consumption and total waste weight over the past two years, and the formulation of policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management, as follows:

| project | 2022 | 2023 |
|---|---|---|
| Greenhouse gas emissions | 80,452 tons of CO2 equivalent | 67,244 tons of CO2 equivalent |
| Water | 842.39 $10^6$L | 784.20 $10^6$L |

| | | |
|---|---|---|
| Total waste weight | 488.77 tons | 394.01 tons |

G. Formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management

| The quantitative policies for energy saving, carbon reduction, reduced GHG emission and water consumption, or other waste management policies | Measures | Quantitative achievements |
|---|---|---|
| Device Foundry 6A<br>2023 power savings | 1. Equipment machine Oil Pump replaced by Dry Pump (12 units in total) | The total energy saved was 214961.12 kilowatt-hour in 2023. |
| Device Foundry 6A<br>2023 power savings | 1. Ice machine attached pump replacement (IE3) motor | The total energy saved was 51925.75 kilowatt-hour in 2023. |
| Device Foundry 6A<br>2023 power savings | 1. EF-13 exhaust fan operating mode change (Variable frequency operation)-Parking lot exhaust fan | The total energy saved was 47941.1 kilowatt-hour in 2023. |
| Device Foundry<br>2023 power savings | 1. Lighting energy saving (replace LED lamps): 390 40W T8 lamps were replaced with 15.5W LED lights, 5 30W T8 lamps were replaced with 15.5W LED lights.<br>2. Air compressor replacement. | Approximately 225301.6 kilowatt-hour of electricity were reduced in 2023. |
| Device Foundry 6B<br>Ammonia nitrogen waste liquid reduction measures | 1. 20:1 BOE original material usage reduction. | Reduce ammonia nitrogen waste liquid discharge by approximately 6,480 kilograms in 2023 |
| Device Foundry 6B<br>2023 power savings | Replace the load lock pump in the yellow light area of the semiconductor industry with an energy-saving pump | The total energy saved was 129,032 kilowatt-hour in 2023. |

2. Working environment and occupational safety：

The safety and health policies and requirements of the Company and its subsidiaries: The Company and its subsidiaries commit to creating a safe, hygienic and comfortable working environment with the participation of all employees and continuous improvement, in order to achieve overall safety, the physical and mental health of employees, and corporate sustainability. The relevant implementations are as follows:

A. Occupational safety and health and environmental management system certification:

The Company obtained the ISO45001 certification, which has been valid since 2001. In 2008, the Company integrated the ISO14001 and ISO 45001 systems, covering all of the Company’ s factories since then. The latest periodic verification of ISO14001 and ISO45001 is in June 2022 and valid until June 2024.

B. Safety and health management

The Company promoted a self-protection plan, adding and repairing the Carbon Dioxide fire protection systems for the equipment with high fire risk (chemical tanks for organic solvents) in the R&D plant.

In order to protect the safety of colleagues and reduce the risks and hazards of chemicals, in 2023, Device

Foundry 6B and 6A have completed the manual acid addition of the pipe washer HF in the equipment unit and changed it to a central supply improvement project plan. In addition, Foundry 6B and 6A respectively Prevent fires, improve fire safety in the factory, carry out heat-damage replacement of FAB machine HOT DI discharge pipe materials, and improve the explosion-proof function of DSC&NH3 gas cylinder cabinets.

The safety and health management of the Company is in compliance with the safety analysis and evaluation of the ISO45001 system, covering buildings, equipment, machines, manufacturing processes, chemicals, gases, materials, and personnel. The implementation is divided into two aspects: hardware improvement and software enhancement, which are mainly described as follows:
Hardware improvement: We evaluate the safety status and facilities of the whole factory on a regular and irregular basis and analyze hardware protection (damage prevention) against potential hazards. The main scope of inspection includes assessing the appropriateness of fixed firefighting facilities such as fire barriers and fire alarms, smoke detectors, differential pressure sensors, foams, sprinklers, fire hydrants, emergency smoke extraction facilities, and VESDA, as well as gas detectors, emergency shutdown valves and UV-IR flame detectors for chemicals and gases in the factory. In addition, the inspection also involves assessing whether personal protective equipment in these areas is adequate.

Software enhancement: This part is mainly education and training, including occupational safety and environmental protection education and training for all employees, hazard education and training, education and training and certification on supervision, contractor move-in management and education and training, special operation inspection and control, on-site supervision, audits by construction unit supervisors and occupational safety personnel on an irregular basis, emergency drills under various situations, and strengthening the “Production Frontline” firefighting and protection wear training for domestic/ foreign employees.
In 2023, in order to enhance colleagues' understanding of safety, environmental protection and fire protection, we will organize a fun prize-winning activity on industrial safety and environmental protection, integrating safety, environmental protection, fire protection and other knowledge into the lives of colleagues through fun activities, effectively improving Colleagues are aware of concepts such as hazard prevention and risks.
In addition, the occupational safety and health committee in each plant was held quarterly to review safety in the factory. Currently, occupational safety tasks mainly include precautions, while the occupational safety personnel shall participate in the inspection of new processes, new equipment or new materials to ensure its safety.
In 2023, in order to improve the emergency response capability of the ERT team, the Company conducted education and training for the commander and evacuation team to strengthen their cognition and response capabilities, with actual emergency response drills on a quarterly basis and annual evacuation drills, improving the emergency response capacity of the factory and reducing disaster losses.
Promoting work environment safety and health and employee health: Safety in the factory and employee health are equally important. The Company conduct physical and chemical property measurement and testing in the working environment every six months in order to ensure that the working environment will not pose health hazards to employees.

Work environment safety and hygiene and employee health protection and promotion:
Safety in a factory is no less important than the health of employees. In response to the update of explosion-proof area configuration in 2023, the company hired qualified safety and health consultant technicians to carry out correction evaluation in all the factory areas of the company, and implemented explosion-proof area division and electrical equipment selection in accordance with the Occupational Safety and Health Act and relevant regulations, so as to maintain the safety of the working environment for employees.

The physical and chemical measurements of the working environment are carried out every six months, and the test results are far lower than the legal limits, so as to ensure that the working environment has no health hazards for employees. Any area with health hazard concerns, such as high noise area or restricted space, will be included in the controlled area. To enter such areas, protective equipment (hearing) or necessary approval procedures are required to ensure the safety and health of employees.
Employee health check-ups are carried out on an annual basis, and the inspection items and frequency exceed standard requirements. Employee health protection not only aims to prevent occupational diseases, but also to emphasize employee health, with Yoga courses, physical fitness and health lectures, and other health promotion activities held on a regular basis, in order to improve the health of employees.

## V. Labor Relations

Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures：

### (I) Employee benefits

In order to clearly grasp the competitiveness and advantages of the company and its subsidiaries in terms of employee welfare, and to maximize the utilization of welfare resources, the current welfare content of the company is explained as follows:

1. Welfare restaurant: Each factory has a staff restaurant to provide buffet-style delicious meals, and Chinese food is provided free of charge.
2. Staff dormitory: The company has staff dormitory for the staff who live far away. The dormitory provides household equipment such as TV, washing machine, refrigerator, air conditioner and water dispenser, and pays special attention to the protection of staff safety.
3. Transportation vehicles: The company provides transportation vehicles from the dormitory to the company, Zhudong, Beipu, Miaoli, Toufen and the distant Xionglin, Xinfeng, Hukou, Hengshan, Nanliao and Xiangshan, etc., and cooperates with shift colleagues to go to and from get off work Time for free rides.
4. Employee health care: In order to ensure the physical and mental health of employees, in addition to regularly providing employees with a full set of health checks and health consultations, we also hold lectures and courses on physical and mental health from time to time according to employees' needs.
5. Employee insurance: labor insurance and national health insurance provide basic protection for employees as a social insurance. In order to make up for the shortage of labor and health insurance and provide employees with better insurance protection, the company also plans company employee group insurance. The premium for employee group insurance is determined by The company pays in full, and its insurance coverage includes life insurance, accident insurance, accident medical insurance, hospital medical insurance, cancer medical insurance and critical illness insurance.
6. Welfare activities: Colleagues from various departments elect representatives to organize welfare committees, which are responsible for promoting various welfare activities, such as: club activities, various competitions, travel, lectures, dances and year-end parties, etc., to fully connect employees' emotions and promote employees' centripetal force, This in turn boosts employee morale.

### (II) Further studies and training

In order to implement the development of human resources, the company and its subsidiaries have planned a complete education and training management system, which is based on ISO9000 and ISO/TS 16949 international standard quality management system, ISO14000 environmental management system, OHSAS18000 occupational safety and health management system and other requirements. For the expectations of human development, there is an education and training operation procedure book, so that the company's education and training work can be based and followed. The scope of coverage includes the provisions of the company's selection of personnel to participate in various domestic, foreign or internal self-organized courses, lectures, seminars, lectures and other training activities. It includes a complete education and training system: core function training, professional function training, stratum management training, general function training, and self-enlightenment education, as well as implementation guidelines for related operations. Under the implementation of practice and the company's internal and external audit suggestions, irregular reviews and improvements are carried out to be closer to the improvement of human resources development operations. The company and its subsidiaries handled on-the-job training in 2023 as follows:

| Item | Total participants | Session | Total training hours | Expenses (ThousandNT$) |
|---|---|---|---|---|
| Talent development | 579 | 18 | 373 | $315.40 |
| Professional training | 7,294 | 807 | 9,619 | $378.35 |
| Management training | 1151 | 23 | 537 | $555.69 |
| Others | 20,346 | 337 | 7,921 | $1,334 |
| Total | 29,370 | 1,185 | 18,450 | $2,583 |

The Company has set up the "Regulations Governing Further Education of Employees" and "Regulations Governing Language Education Subsidies" in order to enhance corporate competitiveness and encourage self-development of colleagues, rewarding colleagues for their learning achievements. In addition, the Company also established the Regulations Governing the Internal Teacher Training, in order to improve the quality and efficiency of internal education and training, with proper use of internal human resources to facilitate sharing of knowledge, skills and experience. The aforementioned items are planned and implemented in accordance with the 2020 operating policy and budget, while we seek/ evaluate and introduce external resources for better effectiveness and efficiency of human resource development, and thereby bring about maximum benefits for the company and employees.

(III) Implementation of the retirement system

In order to stabilize the life of our colleagues after retirement and to reward our colleagues for their professional services, the company have cooperated with laws and regulations to provide new employees and existing employees who choose to apply the new pension regulations on a monthly basis since July 1, 2005. Pay 6% of the monthly salary to the personal pension account of the Labor Insurance Bureau, and continue to retain the old system for the old employees who choose to apply the old pension method and those who choose to apply the new pension method. Retirement according to the old employee retirement method The payment standard is calculated to allocate an appropriate amount of retirement reserves to a special bank account in Taiwan. For colleagues who are assigned by the organization and transferred to related companies, their seniority will be renewed to provide more protection for colleagues, so as to achieve the purpose of talent circulation in the group.

(IV) Labor-management agreement and various employee rights protection measures

1. Agreement between labor and management: In order to create a communication environment, in addition to the regular monthly department meetings, new employee symposiums and labor-management meetings, a special telephone line and e-mail for employees' opinions are also established, and an internal employee life website is opened for employees to openly express and discuss various issues. In addition, the Human Resources Department also assigns special personnel to promote employee relations-related business, and organizes employee communication symposiums according to the topic and timing. as a basis for future improvement.

2. Circumstances of various employee rights protection measures: Maintain and implement labor insurance, health insurance-related insurance business and labor pension provision, public injury compensation and special leave in accordance with relevant laws and regulations.

In the last two years and as of the publication date of the annual report, the company has suffered losses due to labor disputes, and disclosed the estimated amount and countermeasures that may occur at present and in the future: no such situation.

## VI. Information Security Management:

(I) Information security risk management framework, information security policy, management plan and resources invested in information security management, etc.:.

1. Information Security Risk Management Framework:

   A. The Information Office of the company is responsible for information security policy management and planning, and an information security team is responsible for handling and reporting information security-related incidents.

   B. Regularly report to the general manager for information security anti-virus, disaster prevention, hacking, leakage prevention and other mechanisms.

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 procedures for handling hazards to minimize the impact.

3. Specific Management Plan:

   A. Endpoint device protection and control: install anti-virus software, keep operating system updated, import DLP mechanism, and file encryption security scheme.

   B. Central external control: establish a next-generation firewall (Firewall), mail proxy server (Mail Gateway), proxy gateway (Proxy Gateway) ... and other security protection platforms.

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

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

4. Invest in the Safety Control of Cyber Security Management:

   Tens of millions have been invested in the introduction of existing information security solutions, millions of dollars have been invested in continuous maintenance and operation every year, and the annual information security budget has been continuously invested in accordance with protection needs.

(II) List the losses, possible impacts and countermeasures suffered from major information security incidents in the last two years and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated shall be stated.

In recent years, there have been frequent information security incidents, but under the protection of information security policies, the company has not suffered losses due to information security incidents in the last two years and as of the date of publication of the annual report.

## VII. Important Contract

April 16, 2024

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|---|---|---|---|---|
| Sales contracts | C | 2018~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | D | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | E | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | F | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | G | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | H | 2022~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | I | 2020~2030 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | J | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | K | 2019~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | L | 2022~2024 | To define the terms and rights and obligations relating to the sale between the parties | None |
| Sales contracts | M | 2022~2025 | Set out the conditions and rights and obligations of both parties | None |

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|---|---|---|---|---|
| Sales contracts | N | 2023~2028 | Set out the conditions and rights and obligations of both parties | None |
| Research and development cooperation contract | R | 2019~2024 | Set out the conditions and rights and obligations of both parties | None |

# Six、Financial Information

I. Consolidated Condensed Balance Sheet：The following financial information has been verified by an accountant.

(I) Consolidated Condensed Balance Sheet：Based on IFRS

Unit: NT$ thousands

| Item \ Year | | Financial Summary for The Last Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 4,423,499 | 4,400,032 | 6,011,229 | 8,203,210 | 6,473,809 |
| Property, Plant and Equipment | | 3,407,212 | 2,977,434 | 2,690,844 | 3,439,130 | 4,141,976 |
| Intangible assets | | 52,119 | 42,015 | 46,917 | 57,025 | 51,822 |
| Other assets | | 1,236,299 | 1,153,543 | 1,131,721 | 1,149,141 | 1,125,395 |
| Total assets | | 9,119,129 | 8,573,024 | 9,880,711 | 12,848,506 | 11,793,002 |
| Current liabilities | Before distribution | 2,028,572 | 2,310,615 | 2,458,516 | 2,509,394 | 2,024,501 |
| | After distribution | 2,028,572 | 2,310,615 | 2,574,249 | 2,842,597 | Note |
| Non-current liabilities | | 2,454,333 | 1,504,548 | 1,052,831 | 2,350,457 | 2,198,997 |
| Total liabilities | Before distribution | 4,482,905 | 3,815,163 | 3,511,347 | 4,859,851 | 4,223,498 |
| | After distribution | 4,482,905 | 3,815,163 | 3,627,080 | 5,193,054 | Note |
| Equity attributable to shareholders of the parent | | 3,145,839 | 3,132,613 | 4,473,517 | 5,774,064 | 5,526,162 |
| Capital stock | | 2,937,244 | 3,121,877 | 3,306,664 | 3,332,035 | 3,332,157 |
| Capital surplus | | 849,467 | 550,158 | 955,567 | 1,538,222 | 1,538,468 |
| Retained earnings | Before distribution | (562,651) | (465,024) | 283,426 | 1,005,623 | 754,660 |
| | After distribution | (562,651) | (465,024) | 167,693 | 672,420 | Note |
| Other equity interest | | (78,221) | (74,398) | (72,140) | (101,816) | (99,123) |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interest | | 1,490,385 | 1,625,248 | 1,895,847 | 2,214,591 | 2,043,342 |
| Total equity | Before distribution | 4,636,224 | 4,757,861 | 6,369,364 | 7,988,655 | 7,569,504 |
| | After distribution | 4,636,224 | 4,757,861 | 6,253,631 | 7,655,452 | Note |

Source: Consolidated financial reports verified by accountants for visas.

Note: The 2023 earnings distribution proposal was approved by the board of directors on February 27, 2024. As of the date of publication, the 2023 earnings distribution proposal has not yet been approved by the shareholders' meeting.

(II) Individual Condensed balance sheet － Based on IFRS

Unit: NT$ thousands

| Item \ Year | | Financial Summary for The Last Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 (Audited after Restated) | 2021 | 2022 | 2023 |
| Current assets | | 268,938 | 1,085,935 | 1,786,957 | 3,100,206 | 2,210,877 |
| Property, Plant and Equipment | | 4,229 | 896,126 | 870,512 | 1,410,184 | 2,101,378 |
| Intangible assets | | 7,127 | 5,591 | 12,344 | 23,180 | 14,849 |
| Other assets | | 3,652,125 | 3,150,402 | 3,503,179 | 3,970,235 | 3,702,736 |
| Total assets | | 3,932,419 | 5,138,054 | 6,172,992 | 8,503,805 | 8,029,840 |
| Current liabilities | Before distribution | 22,231 | 1,265,650 | 1,043,172 | 1,203,411 | 1,100,299 |
| | After distribution | 22,231 | 1,265,650 | 1,158,905 | 1,536,614 | Note |
| Non-current liabilities | | 764,349 | 736,859 | 656,303 | 1,526,330 | 1,403,379 |
| Total liabilities | Before distribution | 786,580 | 2,002,509 | 1,699,475 | 2,729,741 | 2,503,678 |
| | After distribution | 786,580 | 2,002,509 | 1,815,208 | 3,062,944 | Note |
| Equity attributable to shareholders of the parent | | 3,145,839 | 3,132,613 | 4,473,517 | 5,774,064 | 5,526,162 |
| Capital stock | | 2,937,244 | 3,121,877 | 3,306,664 | 3,332,035 | 3,332,157 |
| Capital surplus | | 849,467 | 550,158 | 955,567 | 1,538,222 | 1,538,468 |
| Retained earnings | Before distribution | (562,651) | (465,024) | 283,426 | 1,005,625 | 754,660 |
| | After distribution | (562,651) | (465,024) | 167,693 | 672,422 | Note |
| Other equity interest | | (78,221) | (74,398) | (72,140) | (101,816) | (99,123) |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Equity attributable to predecessors' interests under common control | | 0 | 2,932 | 0 | 0 | 0 |
| Total equity | Before distribution | 3,145,839 | 3,135,545 | 4,473,517 | 5,774,064 | 5,526,162 |
| | After distribution | 3,145,839 | 3,135,545 | 4,357,784 | 5,440,861 | Note |

Source: Individual financial reports verified by accountants for visas.

The company merged with the original subsidiary EPISIL on September 1, 2021, which is an organizational reorganization within the group. Therefore, the book value method is adopted for accounting treatment and it is deemed to be merged from the beginning, and the previous financial period should be retrospectively reorganized report.

Note : The 2023 earnings distribution proposal was approved by the board of directors on February 27, 2024. As of the date of publication, the 2023 earnings distribution proposal has not yet been approved by the shareholders' meeting

II. Consolidated Condensed Statement of Comprehensive Income：The following financial information has been verified by an accountant.

(I) Consolidated 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 | 5,419,225 | 5,741,460 | 7,269,400 | 8,879,881 | 7,080,216 |
| Gross profit | (91,965) | (8,450) | 989,923 | 1,735,904 | 809,484 |
| Income from operations | (582,628) | (475,407) | 485,670 | 1,102,556 | 135,612 |
| Non-operating income & expenses | (19,612) | (14,601) | 2,327 | 183,982 | 44,260 |
| Income before tax | (602,240) | (490,008) | 487,997 | 1,286,538 | 179,872 |
| Net income (Loss) | (602,775) | (484,787) | 387,479 | 1,106,087 | 136,199 |
| Net income (Loss) from discontinued opeartions | (602,775) | (484,787) | 387,479 | 1,106,087 | 136,199 |
| Other comprehensive income (income after tax) | (41,873) | (23,394) | 1,286 | (8,050) | 20,640 |
| Total comprehensive income | (644,648) | (508,181) | 388,765 | 1,098,037 | 156,839 |
| Net income attributable to shareholders of the parent | (606,678) | (493,831) | 232,035 | 820,995 | 67,073 |
| Net income attributable to non-controlling interest | 3,903 | 9,044 | 155,444 | 285,092 | 69,126 |
| Comprehensive income attributable to Shareholders of the parent | (647,991) | (512,267) | 234,619 | 808,254 | 84,933 |
| Comprehensive income attributable to non-controlling interest | 3,343 | 4,086 | 155,146 | 289,783 | 71,906 |
| Earnings per share | (2.13) | (1.64) | 0.73 | 2.47 | 0.20 |

Source: Consolidated financial report audited and certified by accountants.

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

Unit: NT$ thousands

| Item \ Year | Financial Summary for The Last Five Years | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 (Audited after Restated) | 2021 | 2022 | 2023 |
| Operating revenue | (460,888) | 1,951,300 | 2,697,074 | 3,659,842 | 3,158,702 |
| Gross profit | (460,888) | (251,595) | 258,325 | 617,381 | 305,471 |
| Income from operations | (596,777) | (480,172) | 19,416 | 303,873 | (52,922) |
| Non-operating income & expenses | (9,901) | (14,057) | 212,619 | 517,122 | 119,995 |
| Income before tax | (606,678) | (494,229) | 232,035 | 820,995 | 67,073 |
| Net income (Loss) from discontinued opeartions | (606,678) | (494,229) | 232,035 | 820,995 | 67,073 |
| Net income (Loss) | (606,678) | (494,229) | 232,035 | 820,995 | 67,073 |
| Other comprehensive income (income after tax) | (41,313) | (18,480) | 2,584 | (12,741) | 17,860 |
| Total comprehensive income | (647,991) | (512,709) | 234,619 | 808,254 | 84,933 |
| Total comprehensive income(loss), for the year attributable to :equity holders of the Company | - | (493,831) | 232,035 | 820,995 | 67,073 |
| Total comprehensive income(loss), for the year attributable to :predecessors' interests under common control | - | (398) | 0 | 0 | 0 |
| Comprehensive income attributable to :equity holders of the Company | - | (512,267) | 234,619 | 808,254 | 84,933 |
| Comprehensive income attributable to: predecessors' interests under common control | - | (442) | 0 | 0 | 0 |
| Earnings per share-basic :equity holders of the Company | (2.13) | (1.64) | 0.73 | 2.47 | 0.20 |
| Earnings per share -basic :predecessors' interests under common control | - | 0 | 0 | 0 | 0 |

Source: Individual financial report audited and certified by an accountant.

Note: The company merged with the original subsidiary EPISIL on September 1, 2021, which is an organizational reorganization within the group. Therefore, the book value method is adopted for accounting treatment and it is deemed to be merged from the beginning, and the previous financial period should be retrospectively reorganized report.

(III) Auditors' Opinions for the last five years：

| Year | Accounting Firm | CPA | Audit Opinion |
|---|---|---|---|
| 2019 | PricewaterhouseCoopers Taiwan | Dian-Yi Li<br>Yu-Kuan Lin | Clean audit opinion |
| 2020 | PricewaterhouseCoopers Taiwan | Jhih-Jheng Sie<br>Yu-Kuan Lin | Clean audit opinion |
| 2021 | PricewaterhouseCoopers Taiwan | Jhih-Jheng Sie<br>Yu-Kuan Lin | Clean audit opinion |
| 2022 | PricewaterhouseCoopers Taiwan | Jhih-Jheng Sie<br>Yu-Kuan Lin | Clean audit opinion |
| 2023 | PricewaterhouseCoopers Taiwan | Jhih-Jheng Sie<br>Chiang, Tsai-Yen | Clean audit opinion |

If there is a change of accountant in the past five years, the company, the former and the successor accountant shall explain the reasons for the changeThe company has replaced the Certified Public Accountant from 2018 to 2020, mainly to cooperate with the internal policy rotation of the accounting firm.

III. Financial Analysis：The following financial information has been verified by an accountant.

(I) Consolidated Financial Analysis：Based on IFRS

| Item \ Year | | Financial Analysis for the Last Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt Ratio | 49.16 | 44.50 | 35.54 | 37.82 | 35.81 |
| | Ratio of long-term capital to property, plant and equipment | 208.10 | 210.33 | 275.83 | 300.63 | 235.84 |
| Solvency (%) | Current ratio | 218.06 | 190.43 | 245.53 | 326.90 | 319.77 |
| | Quick ratio | 142.33 | 130.23 | 181.48 | 247.10 | 234.37 |
| | Interest earned ratio (times) | (15.12) | (11.99) | 19.27 | 49.36 | 5.84 |
| Operating performance | Accounts receivable turnover (times) | 3.85 | 4.47 | 4.96 | 5.92 | 5.53 |
| | Average collection period | 95 | 82 | 74 | 62 | 66 |
| | Inventory turnover (times) | 3.67 | 3.76 | 4.10 | 4.03 | 3.36 |
| | Accounts payable turnover (times) | 10.03 | 11.38 | 10.47 | 12.00 | 13.77 |
| | Average days in sales | 99 | 97 | 89 | 91 | 109 |
| | Property, plant and equipment turnover (times) | 1.58 | 1.80 | 2.56 | 2.90 | 1.87 |
| | Total assets turnover (times) | 0.58 | 0.65 | 0.79 | 0.78 | 0.57 |
| Profitability | Return on total assets (%) | (6.10) | (5.06) | 4.43 | 9.93 | 1.33 |
| | Return on stockholders' equity (%) | (12.32) | (10.32) | 6.96 | 15.41 | 1.75 |
| | Pre-tax income to paid-in capital (%) | (20.50) | (15.70) | 14.76 | 38.61 | 5.40 |
| | Profit ratio (%) | (11.12) | (8.44) | 5.33 | 12.46 | 1.92 |
| | Earnings per share (NT$) | (2.13) | (1.64) | 0.73 | 2.47 | 0.20 |
| Cash flow | Cash flow ratio (%) | (2.98) | 12.63 | 41.52 | 68.74 | 37.56 |
| | Cash flow adequacy ratio (%) | 6.85 | 21.15 | 42.60 | 64.40 | 68.85 |
| | Cash reinvestment ratio (%) | (1.27) | 1.68 | 5.69 | 7.11 | 0.89 |
| Leverage | Operating leverage (Note 2) | 0.00 | (0.33) | 2.34 | 1.59 | 6.23 |
| | Financial leverage | 0.94 | 0.93 | 1.06 | 1.02 | 1.38 |

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

(1) Ratio of long-term capital to property, plant and equipment: Due to the continuous increase in real estate, plant and equipment expansion since 2022.

(2) Solvency: Due to the decrease in profits in the current period

(3) Average days in sales : Due to the increase in idle production capacity in the current period, resulting in an increase in the cost of goods sold.

(4) Property, plant and equipment turnover and total assets turnover : Due to the decrease in profits in the current period

(5) Decline in profitability: Due to the decrease in gross profit in the current period

(6) Cash flow: Due to the decrease in profits for the current period

(7) Operating leverage: Due to the decline in operating profit in the current period

(8) Financial leverage: Due to the increase in interest expenses in the current period

Source: Financial report audited and certified by an accountant.

(II) Individual Financial Analysis：Based on IFRS

| Item \ Year | | Financial Analysis for the Last Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 (Audited after Restated) | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt Ratio | 20.00 | 38.97 | 27.53 | 32.10 | 31.18 |
| | Ratio of long-term capital to property, plant and equipment | 91,923.06 | 432.13 | 589.29 | 517.69 | 329.76 |
| Solvency (%) | Current ratio | 1,209.74 | 85.80 | 172.96 | 257.62 | 200.93 |
| | Quick ratio | 1,193.85 | 45.78 | 110.77 | 177.79 | 134.36 |
| | Interest earned ratio (times) | (Note1) | (32.99) | 15.82 | 107.94 | 10.63 |
| Operating performance | Accounts receivable turnover (times) | (Note1) | 5.05 | 6.40 | 8.98 | 8.53 |
| | Average collection period | (Note1) | 72 | 57 | 41 | 43 |
| | Inventory turnover (times) | (Note1) | 4.73 | 4.63 | 4.11 | 3.91 |
| | Accounts payable turnover (times) | (Note1) | 10.13 | 9.33 | 9.79 | 9.80 |
| | Average days in sales | (Note1) | 77 | 79 | 89 | 93 |
| | Property, plant and equipment turnover (times) | (Note1) | 2.18 | 3.05 | 3.21 | 1.99 |
| | Total assets turnover (times) | (Note1) | 0.44 | 0.48 | 0.50 | 0.39 |
| Profitability | Return on total assets (%) | (13.85) | (10.86) | 4.38 | 11.29 | 0.92 |
| | Return on stockholders' equity (%) | (18.07) | (15.77) | 6.10 | 16.02 | 1.23 |
| | Pre-tax income to paid-in capital (%) | (20.65) | (15.83) | 7.02 | 24.64 | 2.01 |
| | Profit ratio (%) | (131.63) | (25.33) | 8.60 | 22.43 | 2.12 |
| | Earnings per share (NT$) | (2.13) | (1.64) | 0.73 | 2.47 | 0.20 |
| Cash flow | Cash flow ratio (%) | (Note1) | (13.87) | 23.24 | 65.63 | 54.97 |
| | Cash flow adequacy ratio (%) | (Note1) | (109.00) | 15.77 | 56.60 | 54.19 |
| | Cash reinvestment ratio (%) | (Note1) | (11.74) | 2.14 | 4.99 | 2.05 |
| Leverage | Operating leverage (Note 2) | (Note1) | 0.65 | 10.63 | 1.65 | (3.02) |
| | Financial leverage | 0.98 | 0.97 | 5.16 | 1.03 | 0.88 |

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

1.Ratio of long-term capital to property, plant and equipment : due to the continued increase in real estate, plant and equipment for expansion in 2022.

2.Solvency : Due to the decrease in current assets and the decrease in profits for the current period.

3.Property, plant and equipment turnover and Total assets turnover (times): due to the decrease in profits during the current period.

4.Profitability: due to the decrease in gross profit in the current period

5.Cash flow: Due to the decrease in net cash inflow from operating activities in the current period.

6.Operating leverage: Due to operating losses in this period.

Source: Financial report audited and certified by an accountant.

Note 1: The Company operating purpose is investment so the ratio is not applicable.

Note 2: Variable operating costs and expenses is operating cost and expenses without depreciation and amortization.

Note 3: The company merged with the original subsidiary Episil on September 1, 2021, which is an organizational reorganization within the group. Therefore, the book value method is adopted for accounting treatment and it is deemed to be merged from the beginning, and the previous financial period should be retrospectively reorganized report

The calculation formula for financial analysis is as follows

A. Financial structure:

(A) Debt of long fund to bank property and equipment=total liabilities/total assets

(B) Ratio of liabilities to assets=(net shareholder's equity+long-term liabilities)/net fixed assets

B. Solvency:

(A) Current ratio=current assets/current liabilities

(B) Quick ratio=(current assets-inventory-prepaid expense)/current liabilities

(C) Times interest earned ratio=net income before tax and interest expense/interest expense

C. Operating ability:

(A) Account receivable turnover (including accounts receivable and notes receivable resulted from businessoperation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)

(B) Days sales in account receivable=365/account receivable turnover

(C) Inventory turnover=cost of goods sold/average inventory

(D) Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)

(E) Average days in sales=365/inventory turnover

(F) Fixed property and equipment turnover=net sales/net fixed assets

(G) Total assets turnover=net sales/average total assets

D. Profitability:

(A) Ratio or return on total assets=[net income+interest expense*(1-tax rate)] / average total assets

(B) Ratio or return on shareholder's equity=net income/average net shareholder's equity

(C) Profit ratio=net income/net sales

(D) Earnings per share=(net income-preferred stock dividend)/weighted average stock shares issued

E. Cash flow:

(A) Cash flow ratio=net cash flow from operating activity/current liabilities

(B) Cash flow adequacy ratio=(net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year

(C) Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total fixed assets+long-term investment+other assets+working capital) (note 4)

F. Balance：

(A) Operation balance=(net operating income-operating variable cost and expense) / operating income

(B) Financial balance= operating income/(operating income-interest expense)

IV. Audit Committee’s Review Report on the Most Recent Financial Statements：

## 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

2024Annual Meeting of Shareholders,
EPISIL TECHNOLOGIES INC.
(Formerly EPISIL HOLDING INC.)

Chairman of the Audit Committee: Jhih-Da Yan

Date: February 27,2024

## V. Financial Statements and Independent Auditors' Report – Consolidated

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING 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 company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliated enterprises.

Hereby declare,

Episil Technologies Inc.

Representative: Jian-Hua Syu

February 27, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000384

To the Board of Directors and Shareholders of Episil Technologies Inc.

## *Opinion*

We have audited the accompanying consolidated balance sheets of Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) and subsidiaries (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 significant 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 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.

## *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 Company in accordance with the Code of Professional Ethics for Certified Public Accountant 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(13) 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$1,771,671 thousand and NT$178,130 thousand, respectively.

The Group primarily engages in research and development, manufacture and sales of epitaxial and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. 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 consolidated 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; and
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 Technologies 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 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, 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 consolidated 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, including the audit committee, 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 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 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 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 27, 2024

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

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 3,531,506 | 30 | $ 4,734,214 | 37 |
| 1150 | Notes receivable, net | 6(3) | 4,744 | - | 44,420 | - |
| 1170 | Accounts receivable, net | 6(3) | 1,142,907 | 10 | 1,350,757 | 11 |
| 1180 | Accounts receivable - related parties | 7 | 3,606 | - | 310 | - |
| 1200 | Other receivables | | 45,918 | - | 58,145 | 1 |
| 1220 | Current income tax assets | | 4,637 | - | 888 | - |
| 130X | Inventories | 6(4) | 1,593,541 | 14 | 1,839,778 | 14 |
| 1410 | Prepayments | | 135,362 | 1 | 162,746 | 1 |
| 1470 | Other current assets | | 11,588 | - | 11,952 | - |
| 11XX | **Current assets** | | 6,473,809 | 55 | 8,203,210 | 64 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 14,842 | - | 10,782 | - |
| 1535 | Non-current financial assets at amortised cost | 6(1) and 8 | 198,262 | 2 | 198,591 | 2 |
| 1550 | Investments accounted for using equity method | 6(5) | 188,865 | 2 | 187,436 | 1 |
| 1600 | Property, plant and equipment | 6(6) | 4,141,976 | 35 | 3,439,130 | 27 |
| 1755 | Right-of-use assets | 6(7) | 446,557 | 4 | 477,517 | 4 |
| 1760 | Investment property - net | 6(9) | 137,462 | 1 | 141,751 | 1 |
| 1780 | Intangible assets | 6(10) | 51,822 | - | 57,025 | - |
| 1840 | Deferred income tax assets | 6(28) | 137,199 | 1 | 131,228 | 1 |
| 1900 | Other non-current assets | | 2,208 | - | 1,836 | - |
| 15XX | **Non-current assets** | | 5,319,193 | 45 | 4,645,296 | 36 |
| 1XXX | **Total assets** | | $ 11,793,002 | 100 | $ 12,848,506 | 100 |

(Continued)

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

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(11) | $ 266,950 | 2 | $ 178,624 | 2 |
| 2130 | Current contract liabilities | 6(21) | 189,947 | 2 | 330,389 | 3 |
| 2170 | Accounts payable | 6(12) | 353,956 | 3 | 553,853 | 4 |
| 2180 | Accounts payable - related parties | 7 | 1,898 | - | 1,074 | - |
| 2200 | Other payables | 6(13) | 756,313 | 6 | 1,103,601 | 9 |
| 2220 | Other payables - related parties | 7 | 28,741 | - | 31,663 | - |
| 2230 | Current income tax liabilities | | 58,280 | 1 | 121,876 | 1 |
| 2280 | Current lease liabilities | | 19,860 | - | 21,282 | - |
| 2320 | Long-term borrowings, current portion | 6(14) | 88,772 | 1 | - | - |
| 2399 | Other current liabilities, others | | 259,784 | 2 | 167,032 | 1 |
| 21XX | **Current liabilities** | | 2,024,501 | 17 | 2,509,394 | 20 |
| | **Non-current liabilities** | | | | | |
| 2527 | Non-current contract liabilities | 6(21) | 52,762 | 1 | 77,065 | 1 |
| 2530 | Corporate bonds payable | 6(14) | 1,481,445 | 13 | 1,555,791 | 12 |
| 2570 | Deferred income tax liabilities | 6(28) | 34,868 | - | 36,148 | - |
| 2580 | Non-current lease liabilities | | 449,027 | 4 | 474,969 | 4 |
| 2640 | Accrued pension liabilities | 6(15) | 166,285 | 1 | 189,577 | 1 |
| 2645 | Guarantee deposits received | | 8,095 | - | 16,907 | - |
| 2670 | Other non-current liabilities, others | | 6,515 | - | - | - |
| 25XX | **Non-current liabilities** | | 2,198,997 | 19 | 2,350,457 | 18 |
| 2XXX | **Total liabilities** | | 4,223,498 | 36 | 4,859,851 | 38 |
| | **Equity** | | | | | |
| | Equity attributable to owners of the parent | | | | | |
| | Share capital | 6(17) | | | | |
| 3110 | Share capital - common stock | | 3,332,157 | 28 | 3,332,035 | 26 |
| | Capital surplus | 6(18) | | | | |
| 3200 | Capital surplus | | 1,538,468 | 13 | 1,538,222 | 12 |
| | Retained earnings | 6(19) | | | | |
| 3310 | Legal reserve | | 114,149 | 1 | 30,356 | - |
| 3320 | Special reserve | | 101,815 | 1 | 72,140 | 1 |
| 3350 | Unappropriated retained earnings | | 538,696 | 5 | 903,127 | 7 |
| | Other equity interest | 6(20) | | | | |
| 3400 | Other equity interest | | ( 99,123) | ( 1) | ( 101,816) | ( 1) |
| 31XX | **Equity attributable to owners of the parent** | | 5,526,162 | 47 | 5,774,064 | 45 |
| 36XX | Non-controlling interest | | 2,043,342 | 17 | 2,214,591 | 17 |
| 3XXX | **Total equity** | | 7,569,504 | 64 | 7,988,655 | 62 |
| | Significant commitments and contingencies | 9 | | | | |
| | Significant events after the reporting period | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 11,793,002 | 100 | $ 12,848,506 | 100 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING 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(21) and 7 | $ 7,080,216 | 100 | $ 8,879,881 | 100 |
| 5000 | Operating costs | 6(4)(26)(27) and 7 | ( 6,270,732) | ( 89) | ( 7,143,887) | ( 81) |
| 5900 | Operating margin | | 809,484 | 11 | 1,735,994 | 19 |
| | Operating expenses | 6(26)(27) and 7 | | | | |
| 6100 | Selling and marketing expenses | | ( 85,086) | ( 1) | ( 107,148) | ( 1) |
| 6200 | General and administrative expenses | | ( 366,214) | ( 5) | ( 382,102) | ( 4) |
| 6300 | Research and development expenses | | ( 222,572) | ( 3) | ( 144,188) | ( 2) |
| 6000 | Total operating expenses | | ( 673,872) | ( 9) | ( 633,438) | ( 7) |
| 6900 | Operating profit | | 135,612 | 2 | 1,102,556 | 12 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(22) | 52,549 | 1 | 22,791 | - |
| 7010 | Other income | 6(23) | 47,099 | 1 | 41,135 | - |
| 7020 | Other gains and losses | 6(24) | ( 13,125) | - | 150,406 | 2 |
| 7050 | Finance costs | 6(25) | ( 44,709) | ( 1) | ( 32,696) | - |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method | 6(5) | 2,446 | - | 2,346 | - |
| 7000 | Total non-operating income and expenses | | 44,260 | 1 | 183,982 | 2 |
| 7900 | **Profit before income tax** | | 179,872 | 3 | 1,286,538 | 14 |
| 7950 | Income tax expense | 6(28) | ( 43,673) | ( 1) | ( 180,451) | ( 2) |
| 8200 | **Profit for the year** | | $ 136,199 | 2 | $ 1,106,087 | 12 |
| | **Other comprehensive income (loss), net** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(15) | $ 18,737 | - | $ 21,721 | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(2) | 4,060 | - | ( 31,204) | - |
| 8320 | Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive (loss) income that will not be reclassified to profit or loss | | ( 476) | - | 5 | - |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | 22,321 | - | ( 9,478) | - |
| | **Components of other comprehensive income that may be subsequently reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | ( 918) | - | 391 | - |
| 8370 | Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive (loss) income that may be reclassified to profit or loss | | ( 763) | - | 1,037 | - |
| 8360 | Components of other comprehensive (loss) income that may be reclassified to profit or loss | | ( 1,681) | - | 1,428 | - |
| 8300 | **Other comprehensive income (loss), net** | | $ 20,640 | - | ($ 8,050) | - |
| 8500 | **Total other comprehensive income for the year** | | $ 156,839 | 2 | $ 1,098,037 | 12 |
| | Profit, attributable to: | | | | | |
| 8610 | Owners of the parent | | $ 67,073 | 1 | $ 820,995 | 9 |
| 8620 | Non-controlling interest | | 69,126 | 1 | 285,092 | 3 |
| | Total | | $ 136,199 | 2 | $ 1,106,087 | 12 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | $ 84,933 | 1 | $ 808,254 | 9 |
| 8720 | Non-controlling interest | | 71,906 | 1 | 289,783 | 3 |
| | Total | | $ 156,839 | 2 | $ 1,098,037 | 12 |
| | Basic earnings per share | 6(29) | | | | |
| 9750 | Basic earnings per share (in dollars) | | $ | 0.20 | $ | 2.47 |
| | Diluted earnings per share | 6(29) | | | | |
| 9850 | Diluted earnings per share (in dollars) | | $ | 0.20 | $ | 2.44 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | Other equity interest | | | | |
| | Notes | Share capital - common stock | Total capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Total | Non-controlling interest | Total equity |
| 2022 | | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 3,306,664 | $ 955,567 | $ 7,120 | $ 43,947 | $ 232,359 | ($ 6,370 ) | ($ 65,770 ) | $ 4,473,517 | $ 1,895,847 | $ 6,369,364 |
| Profit for the year | | - | - | - | - | 820,995 | - | - | 820,995 | 285,092 | 1,106,087 |
| Other comprehensive income (loss) | | - | - | - | - | 16,935 | 1,528 | ( 31,204 ) | ( 12,741 ) | 4,691 | ( 8,050 ) |
| Total comprehensive income (loss) | | - | - | - | - | 837,930 | 1,528 | ( 31,204 ) | 808,254 | 289,783 | 1,098,037 |
| Appropriation of 2021 earnings | 6(19) | | | | | | | | | | |
| Legal reserve | | - | - | 23,236 | - | ( 23,236 ) | - | - | - | - | - |
| Special reserve | | - | - | - | 28,193 | ( 28,193 ) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | ( 115,733 ) | - | - | ( 115,733 ) | - | ( 115,733 ) |
| Changes in ownership interest in subsidiaries | 6(18) | - | 31,312 | - | - | - | - | - | 31,312 | 37,414 | 68,726 |
| Cash capital increased by cash | 6(17)(18) | 22,000 | 184,186 | - | - | - | - | - | 206,186 | - | 206,186 |
| Share-based payments-cash capital increased by cash reserved for subcription by employees | 6(16) | - | 5,338 | - | - | - | - | - | 5,338 | 2,082 | 7,420 |
| Conversion of convertible bonds | 6(17)(18) | 3,371 | 21,017 | - | - | - | - | - | 24,388 | - | 24,388 |
| Issuance of corporate bonds | 6(18) | - | 267,416 | - | - | - | - | - | 267,416 | - | 267,416 |
| Cash contributed by non-controlling interests in subsidiaries' capital | 6(30) | - | 73,386 | - | - | - | - | - | 73,386 | 132,894 | 206,280 |
| Cash dividends paid by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | - | ( 143,429 ) | ( 143,429 ) |
| Balance at December 31, 2022 | | $ 3,332,035 | $ 1,538,222 | $ 30,356 | $ 72,140 | $ 903,127 | ($ 4,842 ) | ($ 96,974 ) | $ 5,774,064 | $ 2,214,591 | $ 7,988,655 |
| 2023 | | | | | | | | | | | |
| Balance at January 1, 2023 | | $ 3,332,035 | $ 1,538,222 | $ 30,356 | $ 72,140 | $ 903,127 | ($ 4,842 ) | ($ 96,974 ) | $ 5,774,064 | $ 2,214,591 | $ 7,988,655 |
| Profit for the year | | - | - | - | - | 67,073 | - | - | 67,073 | 69,126 | 136,199 |
| Other comprehensive income (loss) | | - | - | - | - | 15,167 | ( 1,367 ) | 4,060 | 17,860 | 2,780 | 20,640 |
| Total comprehensive income (loss) | | - | - | - | - | 82,240 | ( 1,367 ) | 4,060 | 84,933 | 71,906 | 156,839 |
| Appropriation of 2022 earnings | 6(19) | | | | | | | | | | |
| Legal reserve | | - | - | 83,793 | - | ( 83,793 ) | - | - | - | - | - |
| Special reserve | | - | - | - | 29,675 | ( 29,675 ) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | ( 333,203 ) | - | - | ( 333,203 ) | - | ( 333,203 ) |
| Changes in ownership interest in associates | 6(18) | - | ( 525 ) | - | - | - | - | - | ( 525 ) | - | ( 525 ) |
| Conversion of convertible bonds | 6(17)(18) | 122 | 771 | - | - | - | - | - | 893 | - | 893 |
| Cash dividends paid by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | - | ( 243,155 ) | ( 243,155 ) |
| Balance at December 31, 2023 | | $ 3,332,157 | $ 1,538,468 | $ 114,149 | $ 101,815 | $ 538,696 | ($ 6,209 ) | ($ 92,914 ) | $ 5,526,162 | $ 2,043,342 | $ 7,569,504 |

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

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

| | Notes | Year ended December 31 2023 | Year ended December 31 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 179,872 | $ 1,286,538 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense | 6(26) | 697,858 | 637,240 |
| Amortisation expense | 6(10)(26) | 11,260 | 9,042 |
| Gain on disposal of property, plant and equipment | 6(24) | ( 22,647 ) | ( 81,378 ) |
| Share of profit of associates accounted for using equity method | 6(5) | ( 2,446 ) | ( 2,346 ) |
| Loss on disposal of investments accounted for using equity method | | - | 78 |
| Finance costs | 6(25) | 37,149 | 26,601 |
| Interest income | 6(22) | ( 52,549 ) | ( 22,791 ) |
| Dividend income | 6(23) | - | ( 1 ) |
| Share-based payments | 6(16) | - | 7,420 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 39,676 | 22,455 |
| Accounts receivable | | 207,850 | 169,873 |
| Accounts receivable - related parties | | ( 3,296 ) | ( 310 ) |
| Other receivables | | 12,733 | ( 23,939 ) |
| Other receivables - related parties | | - | 196 |
| Inventories | | 246,237 | ( 384,612 ) |
| Prepayments | | 27,384 | ( 43,234 ) |
| Other current assets | | 364 | 1,497 |
| Changes in operating liabilities | | | |
| Contract liabilities | | ( 164,745 ) | 39,725 |
| Accounts payable | | ( 199,897 ) | ( 82,011 ) |
| Accounts payable - related parties | | 824 | 1,047 |
| Other payables | | ( 250,863 ) | 296,488 |
| Other payables - related parties | | ( 2,922 ) | 9,082 |
| Other current liabilities | | 92,752 | 72,480 |
| Other non-current liabilities | | 6,515 | ( 18,067 ) |
| Accrued pension liabilities | | ( 4,555 ) | ( 44,873 ) |
| Cash inflow generated from operations | | 856,554 | 1,876,200 |
| Interest received | | 52,043 | 22,143 |
| Dividends received | | - | 1 |
| Interest paid | | ( 29,995 ) | ( 19,915 ) |
| Income taxes paid | | ( 118,224 ) | ( 153,484 ) |
| Net cash flows from operating activities | | 760,378 | 1,724,945 |

(Continued)

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

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 3,914 ) | ($ 429,100 ) |
| Disposal of financial assets at amortised cost | | 4,243 | 693,035 |
| Acquisition of financial assets at fair value through other comprehensive income | | - | ( 1,500 ) |
| Acquisition of investments accounted for using equity method | 6(5) | ( 747 ) | - |
| Proceeds from disposal of investments accounted for using equity method | | - | 1,375 |
| Acquisition of property, plant and equipment | 6(31) | ( 1,459,715 ) | ( 1,143,353 ) |
| Proceeds from disposal of property, plant and equipment | | 23,508 | 81,512 |
| Acquisition of intangible assets | 6(10) | ( 6,057 ) | ( 18,865 ) |
| (Increase) decrease in refundable deposits | | ( 372 ) | 64,518 |
| Net cash flows used in investing activities | | ( 1,443,054 ) | ( 752,378 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | 6(32) | 1,498,638 | 1,709,868 |
| Repayments of short-term borrowings | 6(32) | ( 1,410,312 ) | ( 2,195,037 ) |
| Decrease in refundable deposits received | 6(32) | ( 8,812 ) | ( 30,506 ) |
| Payments of lease liabilities | 6(32) | ( 22,224 ) | ( 22,104 ) |
| Issuance of corporate bonds | 6(32) | - | 1,745,060 |
| Cash capital increased | 6(17) | - | 206,186 |
| Cash contributed by non-controlling interests in subsidiaries' capital | | - | 206,280 |
| Repayments of corporate bonds | 6(32) | - | ( 300 ) |
| Cash dividends paid | 6(19) | ( 333,203 ) | ( 115,733 ) |
| Cash dividends paid by a subsidinary to non-controlling interests | | ( 243,155 ) | ( 143,429 ) |
| Net cash flows (used in) from financing activities | | ( 519,068 ) | 1,360,285 |
| Effect of exchange rate changes | | ( 964 ) | ( 5 ) |
| Net (decrease) increase in cash and cash equivalents | | ( 1,202,708 ) | 2,332,847 |
| Cash and cash equivalents at beginning of year | 6(1) | 4,734,214 | 2,401,367 |
| Cash and cash equivalents at end of year | 6(1) | $ 3,531,506 | $ 4,734,214 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Episil Holding Inc. merged with former Episil Technologies Inc. on September 1, 2021. After the merger, Episil Holding Inc. was the surviving company while former Episil Technologies Inc. was the dissolved company. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc. (the "Company").

The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014, and on the same date, the regulatory authority has approved for the Company's shares to be listed on the Taipei Exchange. Former Episil Technologies Inc. became the Company's wholly-owned subsidiary after the swap. On January 5, 2015, former Episil Technologies Inc. split its epitaxy and compounds semiconductor business to the subsidiary, Episil Semiconductor Wafer, Inc., and subsequently, Episil Semiconductor Wafer, Inc. merged with Episil-Precision Inc. in accordance with Business Mergers and Acquisitions Act on January 11, 2016. Under the merger, Episil Semiconductor Wafer, Inc. would be the dissolved company while the Episil-Precision Inc. would be the surviving company. Episil-Precision Inc. became one of the Company's subsidiaries after the merger. As of December 31, 2023, the Company holds 57.86% equity interest in Episil-Precision Inc..

The Company is primarily engaged in general investment, research, development, manufacture and sales of epitaxial and silicon wafers, mixed-signal integrated circuit and linear integrated circuit and research and development of the following manufacturing process technology for providing 6-inch silicon wafer foundry service.

(1) 6" SiC G3/G4 Platform Development;
(2) SiC Schottky Diode 3300V process;
(3) SiC MOSFET 3300V manufacturing process; and
(4) GaN power semiconductor components combined with IC process.

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 27, 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 became 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 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:

| 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 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:

| 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 Group's financial position and financial performance based on the Group's assessment.

4. Summary of Material Significant 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) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (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 subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|---|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 | |
| Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) | Episil-Precision Inc. | Semiconductor industry | 57.86 | 57.86 | |
| Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) | Wei Nuo Investment Inc. | Investment company | 100 | 100 | |
| Wei Nuo Investment Inc. | Wellknown Holding Company Ltd. | Investment company | 100 | 100 | |
| Wellknown Holding Company Ltd. | Episil Technologies Inc. (Shanghai) | Trading company | 100 | 100 | |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Sales of epitaxial and silicon 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:

As of December 31, 2023 and 2022, the non-controlling interests amounted to $2,043,342 and $2,214,591, respectively. The information on non-controlling interests and respective subsidiary is as follows:

| | | Non-controlling interests December 31, 2023 | | Non-controlling interests December 31, 2022 | | |
|---|---|---|---|---|---|---|
| Name of subsidiary | Principal place of business | Amount | Ownership (%) | Amount | Ownership (%) | Description |
| Espisil-Precicion Inc. | Taiwan | $ 2,043,342 | 42.14% | $ 2,214,591 | 42.14% | |

Balance sheets

| | Episil-Precision Inc. and its subsidiary | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current assets | $ 4,306,433 | $ 5,161,538 |
| Non-current assets | 2,505,553 | 2,510,636 |
| Current liabilities | ( 1,043,973) | ( 1,452,709) |
| Non-current liabilities | ( 870,768) | ( 915,778) |
| Total net assets | $ 4,897,245 | $ 5,303,687 |

Statements of comprehensive income

| | Episil-Precision Inc. and its subsidiary | |
|---|---|---|
| | Year ended December 31, 2023 | Year ended December 31, 2022 |
| Revenue | $ 4,236,502 | $ 5,899,587 |
| Profit before income tax | 205,615 | 854,665 |
| Income tax expense | ( 41,576) | ( 173,394) |
| Profit for the year | 164,039 | 681,271 |
| Other comprehensive income, net of tax | 6,597 | 11,123 |
| Total comprehensive income for the year | $ 170,636 | $ 692,394 |
| Comprehensive income attributable to non-controlling interests | $ 71,906 | $ 289,783 |
| Dividends paid to non-controlling interests | $ 243,155 | $ 143,429 |

Statements of cash flows

| | Episil-Precision Inc. and its subsidiary | |
|---|---|---|
| | Year ended December 31, 2023 | Year ended December 31, 2022 |
| Net cash provided by operating activities | $ 553,668 | $ 1,160,382 |
| Net cash used in investing activities | ( 611,841) | ( 19,086) |
| Net cash (used in) provided by financing activities | ( 498,406) | 150,187 |
| Effect of exchange rates | ( 743) | ( 244) |
| (Decrease) increase in cash and cash equivalents | ( 557,322) | 1,291,239 |
| Cash and cash equivalents at beginning of year | 2,841,411 | 1,550,172 |
| Cash and cash equivalents at end of year | $ 2,284,089 | $ 2,841,411 |

(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

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(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) Liabilities 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:

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.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) 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.

(10) 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 that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) 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; however, the Group has not retained control of the financial asset.

(12) 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.

(13) 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 (allocated based on normal operating capacity). 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.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' 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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in "Capital surplus" in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) 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 | 3~60 years |
| Machinery and equipment | 3~10 years |
| Computer and telecommunication equipment | 2~5 years |
| Transportation equipment | 2~5 years |
| Office equipment | 2~5 years |
| Other equipment | 2~5 years |

(16) 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.

(17) 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 10 ~ 51 years.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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 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.

(23) Derecognition of financial liabilities

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

(24) 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.

(25) 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.

(26) 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) 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.

(28) 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.

(29) Revenue recognition

A. The Group manufactures and sells epitaxial and silicon wafers, mixed-signal integrated circuit and linear integrated circuit and providing 6-inch silicon wafer foundry service of Bipolar IC, Bipolar-Complementary Metal-Oxide-Semiconductor and High power integrated circuit process. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and the customer has full discretion over the channel and price to sell the products, 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. Sales revenue was recognized based on the contract price net of sales discount. Sales discounts granted to customers are based on aggregate sales over a 12-month period. Sales discounts are estimated using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for estimated sales discounts payable to customers in relation to sales made until the end of the reporting period. Goods are sold with a credit term of 30 to 90 days after delivery.

C. 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.

D. 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.

(30) 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

The Group is primarily engaged in development, manufacture and sale of epitaxy and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. As inventories are stated at the lower of cost and net realisable value, the Group applies judgments and estimates in determing the net realisable value of inventories on balance sheet date. Because the industry changes rapidly and is easily affected by the market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventories were measured at the lower of cost and net realisable value, and the determination of the net realisable value used in obsolete inventories or inventories which are over a certain period at balance sheet date involves subjective judgement, therefore, there may have significant changes on the inventory valuation.

As of December 31, 2023, the carrying amount of inventories was $1,593,541.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 521 | $ 580 |
| Checking accounts and demand deposits | 787,969 | 706,630 |
| Time deposits | 1,942,416 | 3,292,404 |
| Cash equivalents | 800,600 | 734,600 |
| | $ 3,531,506 | $ 4,734,214 |

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. Cash and cash equivalent restricted for providing guarantee for customs and corporate bonds were reclassified to non-current financial assets at amortised cost. For their detail, please refer to Note 8.

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

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Non-current items: | | |
| Unlisted stocks | $ 107,756 | $ 107,756 |
| Valuation adjustment | ( 92,914) | ( 96,974) |
| | $ 14,842 | $ 10,782 |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $14,842 and $10,782 as at December 31, 2023 and 2022, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Equity instruments at fair value through other comprehensive income | | |
| Fair value change recognised in other comprehensive income | $ 4,060 | ($ 31,204) |
| Dividend income recognised in profit or loss held at end of year | $ - | $ 1 |

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(3) Notes and accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivable | $ 4,744 | $ 44,420 |
| Accounts receivable | $ 1,149,307 | $ 1,357,157 |
| Less: Loss allowance | ( 6,400) | ( 6,400) |
| | $ 1,142,907 | $ 1,350,757 |

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

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 1,074,553 | $ 4,744 | $ 1,259,067 | $ 44,420 |
| Up to 30 days | 64,433 | - | 68,878 | - |
| 31 to 90 days | 5,880 | - | 23,906 | - |
| 91 to 180 days | - | - | 1,693 | - |
| Over 180 days | 4,441 | - | 3,613 | - |
| | $ 1,149,307 | $ 4,744 | $ 1,357,157 | $ 44,420 |

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $1,587,505.

C. As of December 31, 2023 and 2022, collaterals held by the Group as security for accounts receivable amounted to $1,000 and $16,812, respectively.

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 Group's notes and accounts receivable was $4,744 and $44,420, $1,142,907 and $1,350,757, respectively.

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

(4) Inventories

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 657,803 | ($ 93,229) | $ 564,574 |
| Supplies | 635,112 | ( 68,102) | 567,010 |
| Work in progress | 288,271 | ( 6,839) | 281,432 |
| Finished goods | 190,485 | ( 9,960) | 180,525 |
| | $ 1,771,671 | ($ 178,130) | $ 1,593,541 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 781,942 | ($ 46,914) | $ 735,028 |
| Supplies | 460,213 | ( 50,962) | 409,251 |
| Work in progress | 414,794 | ( 11,838) | 402,956 |
| Finished goods | 302,310 | ( 9,767) | 292,543 |
| | $ 1,959,259 | ($ 119,481) | $ 1,839,778 |

The cost of inventories recognised as expense for the year:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $ 4,956,711 | $ 6,579,128 |
| Unamortised manufacturing expenses | 1,250,675 | 575,808 |
| Inventory valuation loss (Reversal of inventory valuation loss) | 58,649 | ( 12,725) |
| Inventory scrapped | 4,697 | 1,676 |
| | $ 6,270,732 | $ 7,143,887 |

For the year ended December 31, 2022, the Group reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold due to the sale of certain inventories which were previously provided with allowance.

(5) Investments accounted for using equity method

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ 187,436 | $ 185,501 |
| Acquisition of investments accounted for using equity method | 747 | - |
| Disposal of investments accounted for using equity method | - | ( 1,453) |
| Share of profit or loss of investments accounted for using equity method | 2,446 | 2,346 |
| Changes in capital surplus | ( 525) | - |
| Other equity interest | ( 1,239) | 1,042 |
| At December 31 | $ 188,865 | $ 187,436 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Associates | | |
| Taiwan Hi-Tech Corp. | $ 188,865 | $ 187,436 |

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit from continuing operations | $ 2,446 | $ 2,346 |
| Other comprehensive income (loss), net of tax | ( 1,239) | 1,042 |
| Total comprehensive income | $ 1,207 | $ 3,388 |

The Group is the single largest shareholder of Taiwan Hi-Tech Corp. with a 41.29% equity interest. Given that other shareholders (non-related parties) hold more shares than the Group, which indicates that the Group has no current ability to direct the relevant activities of Taiwan Hi-Tech Corp., the Group has no control, but only has significant influence, over the investee.

(6) Property, plant and equipment

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machinery and equipment | Computer and telecommunication equipment | Transportation equipment | Office equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | | | | |
| Cost | $ 4,740,593 | $ 8,595,057 | $ 84,866 | $ 2,646 | $ 3,092 | $ 120,100 | $ 956,792 | $ 14,503,146 |
| Accumulated depreciation | ( 3,113,715) | ( 7,134,504) | ( 51,115) | ( 2,644) | ( 3,067) | ( 114,233) | - | ( 10,419,278) |
| Accumulated impairment | ( 380,515) | ( 264,221) | - | ( 2) | - | - | - | ( 644,738) |
| | $ 1,246,363 | $ 1,196,332 | $ 33,751 | $ - | $ 25 | $ 5,867 | $ 956,792 | $ 3,439,130 |
| | | | | | | | | |
| At January 1 | $ 1,246,363 | $ 1,196,332 | $ 33,751 | $ - | $ 25 | $ 5,867 | $ 956,792 | $ 3,439,130 |
| Additions | 128,752 | 322,771 | 33,665 | 1,815 | - | 220 | 884,232 | 1,371,455 |
| Disposals | - | ( 861) | - | - | - | - | - | ( 861) |
| Reclassifications | 67,128 | 254,187 | 3,430 | - | - | - | ( 324,745) | - |
| Depreciation expenses | ( 151,327) | ( 499,055) | ( 15,122) | ( 115) | ( 12) | ( 2,117) | - | ( 667,748) |
| At December 31 | $ 1,290,916 | $ 1,273,374 | $ 55,724 | $ 1,700 | $ 13 | $ 3,970 | $ 1,516,279 | $ 4,141,976 |
| | | | | | | | | |
| At December 31 | | | | | | | | |
| Cost | $ 4,911,368 | $ 9,103,950 | $ 121,768 | $ 4,461 | $ 3,092 | $ 119,824 | $ 1,516,279 | $ 15,780,742 |
| Accumulated depreciation | ( 3,244,160) | ( 7,575,810) | ( 66,044) | ( 2,759) | ( 3,079) | ( 115,854) | - | ( 11,007,706) |
| Accumulated impairment | ( 376,292) | ( 254,766) | - | ( 2) | - | - | - | ( 631,060) |
| | $ 1,290,916 | $ 1,273,374 | $ 55,724 | $ 1,700 | $ 13 | $ 3,970 | $ 1,516,279 | $ 4,141,976 |

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machiney and equipment | Computer and telecommunication equipment | Transportation equipment | Office equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | | | | |
| Cost | $ 4,500,389 | $ 8,424,558 | $ 54,823 | $ 2,646 | $ 3,316 | $ 120,055 | $ 240,867 | $ 13,346,654 |
| Accumulated depreciation | ( 2,991,681) | ( 6,827,607) | ( 44,904) | ( 2,644) | ( 3,269) | ( 112,901) | - | ( 9,983,006) |
| Accumulated impairment | ( 381,032) | ( 291,760) | - | ( 2) | ( 10) | - | - | ( 672,804) |
| | $ 1,127,676 | $ 1,305,191 | $ 9,919 | $ - | $ 37 | $ 7,154 | $ 240,867 | $ 2,690,844 |
| At January 1 | $ 1,127,676 | $ 1,305,191 | $ 9,919 | $ - | $ 37 | $ 7,154 | $ 240,867 | $ 2,690,844 |
| Additions | 197,992 | 223,881 | 18,169 | - | - | 1,151 | 910,023 | 1,351,216 |
| Disposals | - | ( 134) | - | - | - | - | - | ( 134) |
| Reclassifications | 49,795 | 132,787 | 15,494 | - | - | - | ( 194,098) | 3,978 |
| Depreciation expenses | ( 129,100) | ( 465,393) | ( 9,831) | - | ( 12) | ( 2,438) | - | ( 606,774) |
| At December 31 | $ 1,246,363 | $ 1,196,332 | $ 33,751 | $ - | $ 25 | $ 5,867 | $ 956,792 | $ 3,439,130 |
| At December 31 | | | | | | | | |
| Cost | $ 4,740,593 | $ 8,595,057 | $ 84,866 | $ 2,646 | $ 3,092 | $ 120,100 | $ 956,792 | $ 14,503,146 |
| Accumulated depreciation | ( 3,113,715) | ( 7,134,504) | ( 51,115) | ( 2,644) | ( 3,067) | ( 114,233) | - | ( 10,419,278) |
| Accumulated impairment | ( 380,515) | ( 264,221) | - | ( 2) | - | - | - | ( 644,738) |
| | $ 1,246,363 | $ 1,196,332 | $ 33,751 | $ - | $ 25 | $ 5,867 | $ 956,792 | $ 3,439,130 |

Note: For the year ended December 31, 2022, property, plant and equipment reclassified to intangible assets amounted to $285.

For the year ended December 31, 2022, investment property reclassified to property, plant and equipment amounted to $4,263.

A. For the years ended December 31, 2023 and 2022, the amounts capitalised were $7,691 and $6,281, respectively, and the ranges of the interest rates for such capitalisation were 0.06% and 0.06%~1.63%, respectively.

B. Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(7) Lease transaction – 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:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Book value | Book value |
| Land | $ 420,505 | $ 451,195 |
| Buildings and structures | 26,052 | 26,173 |
| Machinery and equipment | - | 149 |
| | $ 446,557 | $ 477,517 |

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Depreciation expenses | Depreciation expenses |
| Land | $ 19,556 | $ 19,698 |
| Buildings and structures | 6,116 | 5,951 |
| Machinery and equipment | 149 | 446 |
| | $ 25,821 | $ 26,095 |

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $5,995 and $42, respectively.

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 10,192 | $ 10,624 |
| Expense on short-term lease agreements | $ 2,473 | $ 2,296 |

F. For the years ended December 31, 2023 and 2022, the Group’s total cash outflow for leases were $34,889 and $35,024, 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 or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Lease arrangements – lessor

A. The Group leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 and 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. Gain arising from operating lease agreements for the years ended December 31, 2023 and 2022 are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue | $ 34,166 | $ 34,790 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| 2023 | $ - | $ 33,421 |
| 2024 | 33,326 | 33,326 |
| 2025 | 33,002 | 33,002 |
| 2026 | 23,988 | 23,988 |
| 2027 | 1,200 | 1,200 |
| 2028 | 1,200 | 1,200 |
| Over 2029 | 13,950 | 13,950 |
| | $ 106,666 | $ 140,087 |

(9) Investment property

| | 2023 | 2022 |
|---|---|---|
| | Buildings and structures | Buildings and structures |
| At January 1 | | |
| Cost | $ 173,428 | $ 178,523 |
| Accumulated depreciation and impairment | ( 31,677) | ( 28,138) |
| | $ 141,751 | $ 150,385 |
| | | |
| At January 1 | $ 141,751 | $ 150,385 |
| Transfer | - | ( 4,263) |
| Depreciation expenses | ( 4,289) | ( 4,371) |
| At December 31 | $ 137,462 | $ 141,751 |
| | | |
| At December 31 | | |
| Cost | $ 173,428 | $ 173,428 |
| Accumulated depreciation and impairment | ( 35,966) | ( 31,677) |
| | $ 137,462 | $ 141,751 |

A. Rental revenue from investment property.

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue from investment property | $ 33,078 | $ 33,694 |
| Direct operating expenses arising from the investment property that generated rental revenue during the year | $ 7,955 | $ 7,990 |

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was $167,172 and $171,668, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 8.65% ~11.65% | 9.04% ~11.01% |
| Annual rent (net income) | $ 29,052 | $ 29,093 |
| 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 42~51 years and 46 years, respectively.

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

(10) Intangible assets

| | 2023 | | | |
|---|---|---|---|---|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | $ 80,817 | $ 29,694 | $ 45,531 | $ 156,042 |
| Accumulated amortisation | ( 55,020) | - | ( 43,997) | ( 99,017) |
| | $ 25,797 | $ 29,694 | $ 1,534 | $ 57,025 |
| At January 1 | $ 25,797 | $ 29,694 | $ 1,534 | $ 57,025 |
| Additions | 5,428 | - | 629 | 6,057 |
| Amortisation expenses | ( 10,617) | - | ( 643) | ( 11,260) |
| At December 31 | $ 20,608 | $ 29,694 | $ 1,520 | $ 51,822 |
| At December 31 | | | | |
| Cost | $ 86,245 | $ 29,694 | $ 46,160 | $ 162,099 |
| Accumulated amortisation | ( 65,637) | - | ( 44,640) | ( 110,277) |
| | $ 20,608 | $ 29,694 | $ 1,520 | $ 51,822 |

| | 2022 | | | |
|---|---|---|---|---|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | $ 61,834 | $ 29,694 | $ 45,364 | $ 136,892 |
| Accumulated amortisation | ( 49,488) | - | ( 40,487) | ( 89,975) |
| | $ 12,346 | $ 29,694 | $ 4,877 | $ 46,917 |
| At January 1 | $ 12,346 | $ 29,694 | $ 4,877 | $ 46,917 |
| Additions | 18,698 | - | 167 | 18,865 |
| Reclassifications | 285 | - | - | 285 |
| Amortisation expenses | ( 5,532) | - | ( 3,510) | ( 9,042) |
| At December 31 | $ 25,797 | $ 29,694 | $ 1,534 | $ 57,025 |
| At December 31 | | | | |
| Cost | $ 80,817 | $ 29,694 | $ 45,531 | $ 156,042 |
| Accumulated amortisation | ( 55,020) | - | ( 43,997) | ( 99,017) |
| | $ 25,797 | $ 29,694 | $ 1,534 | $ 57,025 |

Details of amortisation on intangible assets are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Operating costs | $ 10,119 | $ 6,819 |
| General and administrative expenses | 1,141 | 2,223 |
| | $ 11,260 | $ 9,042 |

(11) Short-term borrowings

| Type of borrowings | December 31, 2023 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unscured borrowings | $ 266,950 | 6.12%～6.50% | None |

| Type of borrowings | December 31, 2022 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unscured borrowings | $ 178,624 | 4.1%～6.04% | None |

(12) Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable | $ 304,967 | $ 509,103 |
| Estimated accounts payable | 48,989 | 44,750 |
| | $ 353,956 | $ 553,853 |

(13) Other payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accrued expenses-expendables | $ 206,049 | $ 220,947 |
| Accrued expenses-bonus | 219,110 | 293,552 |
| Employees' compensation and directors' remuneration payable | 26,913 | 165,626 |
| Payables for equipment | 147,933 | 243,884 |
| Accrued expenses-others | 156,308 | 179,592 |
| | $ 756,313 | $ 1,103,601 |

(14) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| The Company's third secured convertible bonds | $ 600,000 | $ 600,000 |
| The Company's fourth secured convertible bonds | 1,000,000 | 1,000,000 |
| Episil-Precision Inc.'s fourth unsecured convertible bonds | 500,000 | 500,000 |
| | 2,100,000 | 2,100,000 |
| Less: Bonds payable converted | ( 510,900) | ( 510,000) |
| Less: Discount on bonds payable | ( 18,883) | ( 34,209) |
| | 1,570,217 | 1,555,791 |
| Less: Current portion | ( 88,772) | - |
| | $ 1,481,445 | $ 1,555,791 |

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

(a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from June 22, 2021 to June 22, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 22, 2021.

(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 month 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 June 11, 2021. 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 of $73.8 (in dollars) in either 1, 3 or 5 business days before the effective date (effective date is excluded) by convertible premium rate of 105.67% (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 adjusted to $72.4 (in dollars) per share on July 23, 2023 as the Company distributed dividend.

(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.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to $14,895 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) Through December 31, 2023, the bonds totaling $510,900 (face value) had been converted into 6,942 thousand shares of the Company's common shares.

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

(a) The regulatory authority has approved the forth domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $1,000,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from April 7, 2022 to April 7, 2025 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on April 7, 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 month 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 16, 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 of $118.8 (in dollars) in either 1, 3 or 5 business days before the effective date (effective date is excluded) by convertible premium rate of 102.5% (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 set at $118.8 (in dollars) per share based on abovementioned formula and was adjusted to $117 (in dollars) per share on July 23, 2023 as the Company distributed cash dividends.

(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.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to $267,416 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) Through December 31, 2023, no bonds were converted into common shares.

C. The issuance terms of the Episil-Precision Inc.'s forth domestic unsecured convertible bonds are as follows:

(a) The regulatory authority has approved the forth domestic unsecured convertible corporate bonds issued by Episil-Precision Inc.. 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 Episil-Precision Inc. during the period from the date after three month of the bonds issue to the next days before 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 Episil-Precision Inc.'s common share calculated at simple arithmetic mean of $128 (in dollars) in either 1, 3 or 5 business days 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. The conversion price was adjusted to $122.4 (in dollars) per share on July 12, 2023 as the Episil-Precision Inc. distributed dividend.

(d) All convertible bonds repurchased, redeemed or converted by Episil-Precision Inc. 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.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to

$21,757 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) Through December 31, 2022, no bonds were converted into Episil-Precision Inc.'s common shares.

D. Information on the carrying amount of collateral for convertible bonds is provided in Note 8.

(15) Pensions

A. (a) The Company and its domestic subsidiaries have defined benefit pension plans 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 plans, 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 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension funds deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committees. Also, the Company and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions for the deficit by next March.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | $ 403,721 | $ 426,343 |
| Fair value of plan assets | ( 237,436) | ( 236,766) |
| Net defined benefit liabilities | $ 166,285 | $ 189,577 |

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

| | 2023 | | |
|---|---|---|---|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
| At January 1 | $ 426,343 | ($ 236,766) | $ 189,577 |
| Current service cost | 275 | - | 275 |
| Interest expense (income) | 5,542 | ( 3,078) | 2,464 |
| | 432,160 | ( 239,844) | 192,316 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 796) | ( 796) |
| Change in demographic assumptions | - | - | - |
| Change in financial assumptions | - | - | - |
| Experience adjustments | ( 17,941) | - | ( 17,941) |
| | ( 17,941) | ( 796) | ( 18,737) |
| Pension fund contribution | - | ( 7,294) | ( 7,294) |
| Paid pension | ( 10,498) | 10,498 | - |
| At December 31 | $ 403,721 | ($ 237,436) | $ 166,285 |

| | 2022 | | |
|---|---|---|---|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
| At January 1 | $ 439,424 | ($ 183,255) | $ 256,169 |
| Current service cost | 396 | - | 396 |
| Interest expense (income) | 2,639 | ( 1,101) | 1,538 |
| | 442,459 | ( 184,356) | 258,103 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 15,012) | ( 15,012) |
| Change in demographic assumptions | 10,646 | - | 10,646 |
| Change in financial assumptions | ( 30,962) | - | ( 30,962) |
| Experience adjustments | 13,607 | - | 13,607 |
| | ( 6,709) | ( 15,012) | ( 21,721) |
| Pension fund contribution | - | ( 46,805) | ( 46,805) |
| Paid pension | ( 9,407) | 9,407 | - |
| At December 31 | $ 426,343 | ($ 236,766) | $ 189,577 |

(d) The Bank of Taiwan was commissioned to manage the funds of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the funds' 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 funds 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 funds, their 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 funds 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:

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

Assumptions regarding future mortality rate are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2023 | | | | |
| Effect on present value of defined benefit obligations | ($ 9,480) | $ 9,799 | $ 8,610 | ($ 8,390) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligations | ($ 10,882) | $ 11,271 | $ 9,992 | ($ 9,719) |

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 liabilities 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 and its domestic subsidiaries for the year ending December 31, 2024 amounts to $7,129.

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

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (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 and its domestic subsidiaries contribute 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 Group's mainland China subsidiary, Episil Technologies Inc. (Shanghai), has a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China

(PRC.) is based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $63,709 and $62,391, respectively.

(16) Share-based payment

A. In March 2022, the Company increased its capital by issuing 2.2 million common shares and reserved 10% of the shares issued this time, that is 220 thousand shares, for subscription by employees at $95 (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 $2,420 was assessed based on market approach, and was recognised as compensation cost.

B. In March 2022, the Company's subsidiary, Episil-Precision Inc., 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 | 2022 |
| Equity-settled | $ - | $ 7,420 |

(17) Share capital

A. The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2023, the Company's authorised capital was $5,000,000, consisting of 500 million shares of ordinary stock (including $500,000, equivalent to 50 million shares, reserved for bonds conversion, preferred stocks conversion and employee stock options), and the paid-in capital was $3,332,157 with a par value of $10 (in dollars) per share.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

| Unit: thousand shares | 2023 | 2022 |
|---|---|---|
| Shares issued at Juanary 1 | 333,203 | 330,666 |
| Share outstanding at Juanary 1 | 333,203 | 330,666 |
| Cash capital increase | - | 2,200 |
| Conersion of convertible bonds | 13 | 337 |
| Shares issued at December 31 | 333,216 | 333,203 |
| Shares outstanding at Dceember 31 | 333,216 | 333,203 |

C. On February 15, 2022, the Board of Directors of the Company resolved to increase its capital by issuing 2.2 million new shares. 10% of the new shares were reserved for subscription by employees in accordance with the regulations, another 10% were reserved for subscription by the public pursuant to the R.O.C. Securities and Exchange Act, and the remaining were reserved for subscription by existing shareholders according to their respective shareholding ratios as stated in shareholder roster on the effective date for share subscription. The effective date of capital increase was set on June 9, 2022. The registration has been completed.

(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.

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes of associates and joint ventures accounted for using equity method | Warrants | Others | Total |
| At January 1 | $ 733,725 | $ 506,836 | $ 226 | $ 286,941 | $ 10,494 | $ 1,538,222 |
| Conversion of converible bonds | 793 | - | - | ( 22) | - | 771 |
| Changes in ownership interest in subsidiaries and associates | - | - | ( 525) | - | - | ( 525) |
| At December 31 | $ 734,518 | $ 506,836 | ($ 299) | $ 286,919 | $ 10,494 | $ 1,538,468 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes of associates and joint ventures accounted for using equity method | Warrants | Others | Total |
| At January 1 | $ 525,486 | $ 399,220 | $ 226 | $ 20,141 | $ 10,494 | $ 955,567 |
| Conversion of converible bonds | 21,633 | - | - | ( 616) | - | 21,017 |
| Issuance of convertible bonds | - | - | - | 267,416 | - | 267,416 |
| Changes in ownership interest in subsidiaries and associates | - | 107,616 | - | - | - | 107,616 |
| Cash capital increase | 186,606 | - | - | - | - | 186,606 |
| At December 31 | $ 733,725 | $ 506,836 | $ 226 | $ 286,941 | $ 10,494 | $ 1,538,222 |

(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 based on the Company's dividend policy 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.

B. The Company's dividend policy is summarised below: as the Company operates in high-tech industries and is in the stable growth stage, 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 10% of total cash and stock dividends and bonus to be distributed.

C. 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.

D. 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.

E. On June 14, 2023 and June 17, 2022, the shareholders during their meetings resolved to distribute 2022 and 2021 earnings. Details are summarised below：

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | Dividend per share (in dollars) | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 83,793 | | $ 23,236 | |
| Special reserve | 29,675 | | 28,193 | |
| Cash dividends | 333,203 | $ 1.00 | 115,733 | $ 0.35 |
| | $ 446,671 | | $ 167,162 | |

Information about the resolution of shareholders' meeting will be posted in the "Market Observation Post System".

F. On February 27, 2024, the Company's Board of Directors resolved not to appropriate dividends for 2023 earnings.

G. Because the Company increased its capital by issuing shares and some creditors who held the third domestic unsecured convertible bonds converted bonds into shares, the number of outstanding shares changed. Based on the premise that keeping total cash dividends distributed unchanged, on June 30, 2022, the Board of Directors resolved to adjust the cash dividends appropriation ratio to NT$0.34733505 (in dollars) per share.

H. As certain creditors of the third domestic secured convertible bonds requested to convert bonds, resulting in the changes in the number of the Company's ordinary shares outstanding. The Board of Directors resolved to adjust the cash dividend payout ratio to NT$0.99996315 per share on June 30, 2023 while maintaining the total amount of distributed cash dividends.

(20) Other equity items

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Unrealised gains (losses) on valuation | Financial statements translation difference of foreign operations | Unrealised gains (losses) on valuation | Financial statements translation difference of foreign operations |
| At January 1 | ($ 96,974) | ($ 4,842) | ($ 65,770) | ($ 6,370) |
| –Group | 4,060 | ( 604) | ( 31,204) | 491 |
| –Associates | - | ( 763) | - | 1,037 |
| At December 31 | ($ 92,914) | ($ 6,209) | ($ 96,974) | ($ 4,842) |

(21) Operating revenue

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | $ 7,080,216 | $ 8,879,881 |

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:

| Year ended December 31, 2023 | Silicon wafers | IC | Others | Total |
|---|---|---|---|---|
| Revenue from external customer contracts | $ 3,905,580 | $ 3,127,407 | $ 47,229 | $ 7,080,216 |
| Timing of revenue recognition | | | | |
| At a point in time | $ 3,905,580 | $ 3,127,407 | $ 47,229 | $ 7,080,216 |

| Year ended December 31, 2022 | Silicon wafers | IC | Others | Total |
|---|---|---|---|---|
| Revenue from external customer contracts | $ 5,210,340 | $ 3,635,098 | $ 34,443 | $ 8,879,881 |
| Timing of revenue recognition | | | | |
| At a point in time | $ 5,210,340 | $ 3,635,098 | $ 34,443 | $ 8,879,881 |

I. Contract liabilities

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

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities: | | | |
| Contract liabilities – advance sales receipts | $ 242,709 | $ 407,454 | $ 367,729 |

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | $ 254,854 | $ 294,180 |

(22) Interest income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 52,549 | $ 22,791 |

(23) Other income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue | $ 34,166 | $ 34,790 |
| Dividend income | - | 1 |
| Other income, others | 12,933 | 6,344 |
| | $ 47,099 | $ 41,135 |

(24) Other gains and losses

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Gains on disposals of property, plant and equipment | $ 22,647 | $ 81,378 |
| Losses on disposals of investments | - | ( 78) |
| Net currency exchange (losses) gains | ( 27,851) | 74,267 |
| Depreciation on investment property | ( 4,289) | ( 4,371) |
| Other losses | ( 3,632) | ( 790) |
| | ($ 13,125) | $ 150,406 |

(25) Finance costs

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | $ 19,329 | $ 9,725 |
| Bonds payable | 7,628 | 6,252 |
| Lease liabilites | 10,192 | 10,624 |
| Other finance expenses | 7,560 | 6,095 |
| | $ 44,709 | $ 32,696 |

(26) Expenses by nature

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Employee benefit expense | $ 1,756,765 | $ 2,143,820 |
| Depreciation expenses | 697,858 | 637,240 |
| Amortisation expenses on intangible assets | 11,260 | 9,042 |

(27) Employee benefit expense

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Wages and salaries | $ 1,447,350 | $ 1,799,187 |
| Share-based payments | - | 7,420 |
| Labour and health insurance fees | 133,537 | 127,008 |
| Pension costs | 66,448 | 64,325 |
| Other personnel expenses | 109,430 | 145,880 |
| | $ 1,756,765 | $ 2,143,820 |

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 within the Group.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $5,897 and $72,175, respectively; while directors' remuneration was accrued at $737 and $9,022, respectively. The aforementioned amounts were recognised in salary expenses and other expenses.

   The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 1%, 8% and 1% of earnings for the years ended December 31, 2023 and 2022, respectively. Employees' compensation of $72,175 and directors' remuneration of $9,022 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".

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | $ 58,074 | $ 177,610 |
| Prior year income tax (over) under estimation | ( 7,150) | 1,324 |
| Total current tax | 50,924 | 178,934 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 7,251) | 1,517 |
| Total deferred tax | ( 7,251) | 1,517 |
| Income tax expense | $ 43,673 | $ 180,451 |

(b) The income tax (charge)/credit relating to components of other comprehensive income: None.

B. Reconciliation between income tax expense and accounting profit:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Tax calculated based on gain or loss before tax and statutory tax rates | $ 57,731 | $ 344,741 |
| Expenses disallowed by tax regulation | 1,395 | 1,127 |
| Tax exempt income by tax regulation | ( 19,723) | ( 80,759) |
| Tax losses not recognised as deferred tax | 6,264 | - |
| Prior year income tax (over) under estimation | ( 7,150) | 1,324 |
| Change in assessment of realisation of deferred tax assets | 5,156 | ( 85,982) |
| Income tax expense | $ 43,673 | $ 180,451 |

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

| | 2023 | | |
|---|---|---|---|
| | At January 1 | Recognised in profit or loss | At December 31 |
| Deferred income tax assets: | | | |
| Temporary differences: | | | |
| Unrealised loss on inventory valuation | $ 23,896 | $ 8,545 | $ 32,441 |
| Unrealised foreign exchange loss | 589 | 3,546 | 4,135 |
| Pension liability | 36,130 | ( 4,658) | 31,472 |
| Others | 21,365 | 1,283 | 22,648 |
| Tax losses | 49,248 | ( 2,745) | 46,503 |
| | 131,228 | 5,971 | 137,199 |
| Deferred income tax liabilities: | | | |
| Loss on investments accounted for using equity method | 1,295 | ( 275) | 1,020 |
| Property, plant and equipment - book-tax difference | ( 19,220) | 553 | ( 18,667) |
| Investment property - book-tax difference | ( 17,708) | 487 | ( 17,221) |
| Intangible assets - book-tax difference | ( 515) | 515 | - |
| | ( 36,148) | 1,280 | ( 34,868) |
| | $ 95,080 | $ 7,251 | $ 102,331 |

| | 2022 | | |
|---|---|---|---|
| | At January 1 | Recognised in profit or loss | At December 31 |
| Deferred income tax assets: | | | |
| Temporary differences: | | | |
| Unrealised loss on inventory valuation | $ 16,292 | $ 7,604 | $ 23,896 |
| Unrealised foreign exchange loss | - | 589 | 589 |
| Pension liability | 52,012 | ( 15,882) | 36,130 |
| Others | 10,160 | 11,205 | 21,365 |
| Tax losses | 54,682 | ( 5,434) | 49,248 |
| | 133,146 | ( 1,918) | 131,228 |
| Deferred income tax liabilities: | | | |
| Loss on investments accounted for using equity method | 1,748 | ( 453) | 1,295 |
| Property, plant and equipment - book-tax difference | ( 19,631) | 411 | ( 19,220) |
| Investment property - book-tax difference | ( 18,151) | 443 | ( 17,708) |
| Intangible assets - book-tax difference | ( 515) | - | ( 515) |
| | ( 36,549) | 401 | ( 36,148) |
| | $ 96,597 | ($ 1,517) | $ 95,080 |

D. Expiration dates of unused tax losses and tax losses not recognised as deferred tax assets are as follows:

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognised tax losses | Expiry year |
| 2017 | $ 902,192 | $ 549,183 | $ 316,668 | 2027 |
| 2021 | 1,772,210 | 1,772,210 | 1,772,210 | 2031 |
| 2023 | 17,593 | 17,593 | 17,593 | 2032 |

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognised tax losses | Expiry year |
| 2017 | $ 902,192 | $ 426,578 | $ 180,339 | 2027 |
| 2021 | 1,696,005 | 1,692,855 | 1,692,855 | 2031 |

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | $ 100,500 | $ 118,463 |

F. The Company’s income tax returns through 2020 have been assessed and approved by the Tax

Authority.

(29) Earning earnings per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic loss per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 67,073 | 333,211 | $ 0.20 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 67,073 | 333,211 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 226 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 67,073 | 333,437 | $ 0.20 |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic loss per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 820,995 | 332,171 | $ 2.47 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 820,995 | 332,171 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Convertible bonds | 3,613 | 5,324 | |
| Employees' compensation | - | 875 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 824,608 | 338,370 | $ 2.44 |

(30) Transactions with non-controlling interest

The Group did not participate in the capital increase raised by a subsidiary proportionally to its shareholding ratio to the subsidiary

Subsidiary Episil-Precision Inc. of the Group increased its capital by issuing new shares on June 14, 2022. The Group did not acquire shares proportionally to its shareholding ratio. As a result, the Group decreased its shareholding ratio by 0.4%. The transaction increased non-controlling interest by $132,894 and increased the equity attributable to owners of parent by $73,386. The effect of changes in Episil-Precision Inc. on the equity attributable to owners of the parent for the year ended December 31, 2022 is shown below:

| | Year ended December 31, 2022 |
|---|---|
| Cash | $ 206,280 |
| Increase in the carrying amount of non-controlling interest | ( 132,894) |
| Capital surplus | |
| - recognition of changes in ownership interest in subsidiaries | $ 73,386 |

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | $ 1,371,455 | $ 1,351,216 |
| Add: Beginning balance of payables on equipment | 243,884 | 42,302 |
| Less: Ending balance of payables on equipment | ( 147,933) | ( 243,884) |
| Less: Capitalisation of interests | ( 7,691) | ( 6,281) |
| Cash paid during the year | $ 1,459,715 | $ 1,143,353 |

B. Financing activities with no cash flow effects:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Convertible bonds being converted to capital stocks | $ 893 | $ 24,388 |

(32) Changes in liabilities from financing activities

| 2023 | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits-received | Liabilities from financing activities |
|---|---|---|---|---|---|
| At January 1 | $ 178,624 | $ 496,251 | $ 1,555,791 | $ 16,907 | $ 2,247,573 |
| Changes in cash flow from financing activities | 88,326 | ( 22,224) | - | ( 8,812) | 57,290 |
| Interest paid | - | ( 10,192) | - | - | ( 10,192) |
| Interest expense | - | 10,192 | 7,628 | - | 17,820 |
| Warrants on bonds payable | - | - | ( 900) | - | ( 900) |
| Discount on bonds payable | - | - | 7 | - | 7 |
| Changes in other non-cash items | - | ( 5,140) | 7,691 | - | 2,551 |
| At December 31 | $ 266,950 | $ 468,887 | $ 1,570,217 | $ 8,095 | $ 2,314,149 |

| 2022 | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits-received | Liabilities from financing activities |
|---|---|---|---|---|---|
| At January 1 | $ 663,793 | $ 508,067 | $ 159,581 | $ 47,413 | $ 1,378,854 |
| Changes in cash flow from financing activities | ( 485,169) | ( 22,104) | 1,744,760 | ( 30,506) | 1,206,981 |
| Interest paid | - | ( 10,624) | - | - | ( 10,624) |
| Interest expense | - | 10,624 | 6,252 | - | 16,876 |
| Option exercised | - | - | ( 289,172) | - | ( 289,172) |
| Warrants on bonds payable | - | - | ( 72,000) | - | ( 72,000) |
| Discount on bonds payable | - | - | 641 | - | 641 |
| Changes in other non-cash items | - | 10,288 | 5,729 | - | 16,017 |
| At December 31 | $ 178,624 | $ 496,251 | $ 1,555,791 | $ 16,907 | $ 2,247,573 |

## 7. Related Party Transactions

### (1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|---|
| Hermes-Epitek Coproration | The Company’s director |
| Taiwan Hi-Tech Corp. | Investee accounted for using equity method |

### (2) Significant related party transactions

A. Operating revenue

| | Year ended December 31 2023 | Year ended December 31 2022 |
|---|---|---|
| Sales of goods: | | |
| -Other related parties | $ 7,973 | $ 2,556 |

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Purchases of goods: | | |
| -Other related parties | $ 5,713 | $ 1,409 |

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: | | |
| -Other related parties | $ 3,606 | $ 310 |

The receivables from related parties arise mainly from sales of goods. The receivables are due 3 months after the date of sale. The receivables are unsecured in nature and bear no interest. There are no loss allowance against receivables from related parties.

D. Payables to related parties

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable: | | |
| -Other related parties | $ 1,898 | $ 1,074 |
| Other receivables: | | |
| -Associates | 28,734 | 30,999 |
| -Other related parties | 7 | 664 |
| | $ 30,639 | $ 32,737 |

The payables to related parties arise mainly from purchase of goods and services, and payable 3 months after the date of purchase. The payables bear no interest.

F. Others

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Testing fee: | | |
| -Associates | $ 161,036 | $ 135,316 |

(3) Key management personnel compensation

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | $ 92,911 | $ 59,596 |
| Post-employment benefits | 1,412 | 270 |
| | $ 94,323 | $ 59,866 |

8. Pledged Assets

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

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2023 | December 31, 2022 | Purpose |
| Pledged time deposits (shown as "Non-Current financial assets at amortised cost") | $ 30,442 | $ 30,591 | Customs deposits and guarantee deposits for leases |
| Pledged time deposits (shown as "Non-current finanacial assets at amortised cost") | 167,820 | 168,000 | Guarantee for convertible bonds |
| | $ 198,262 | $ 198,591 | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. 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 | $ 817,049 | $ 1,375,027 |

B. To expand production capacity by adding equipment, the Group entered into a production capacity guarantee agreement with the specific customer. In accordance with the agreement, a prepayment of US$1,500 thousand shall be paid by the customer. The Group will refund the prepayment on a regular basis according to the agreed terms and capacity conditions.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Production capacity guarantee agreement (Shown as "Other current liabilities, others") | $ 11,791 | $ 20,902 |

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

For the 2023 earnings distribution proposal, please refer to note 6(19).

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 reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital or issue new shares to shareholders in order to achieve the most appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through other comprehensive income | $ 14,842 | $ 10,782 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 3,531,506 | 4,734,214 |
| Financial assets at amortised cost | 198,262 | 198,591 |
| Notes receivable | 4,744 | 44,420 |
| Accounts receivable (including related parties) | 1,146,513 | 1,351,067 |
| Other receivables (including related parties) | 45,918 | 58,145 |
| Refundable guarantee deposits | 2,208 | 1,836 |
| | $ 4,943,993 | $ 6,399,055 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 266,950 | $ 178,624 |
| Accounts payable (including related parties) | 355,854 | 554,927 |
| Other payables (including related parties) | 785,054 | 1,135,264 |
| Bonds payable (including current portion) | 1,570,217 | 1,555,791 |
| Guarantee deposits received | 8,095 | 16,907 |
| | $ 2,986,170 | $ 3,441,513 |
| Lease liabilities | $ 468,887 | $ 496,251 |

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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(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 foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use foreign currency denominated liabilities and derivative financial instruments (foreign exchange forward contracts) to hedge exchange rate risk through Group treasury. Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD, RMB and 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 (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 39,130 | 30.71 | $ 1,201,612 |
| JPY:NTD | 9,546 | 0.2176 | 2,077 |
| RMB:NTD | 38,275 | 4.325 | 165,538 |
| Non-monetary items: None. | | | |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 17,900 | 30.71 | $ 549,671 |
| JPY:NTD | 93,236 | 0.2176 | 20,288 |
| RMB:NTD | 7,889 | 4.325 | 34,121 |
| Non-monetary items: None. | | | |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | | Book value (NTD) |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 64,936 | 30.72 | $ | 1,994,820 |
| JPY:NTD | | 23,153 | 0.2327 | | 5,388 |
| RMB:NTD | | 56,938 | 4.4060 | | 250,871 |
| Non-monetary items: None. | | | | | |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 19,085 | 30.72 | $ | 586,302 |
| JPY:NTD | | 61,220 | 0.2327 | | 14,246 |
| RMB:NTD | | 20,017 | 4.4060 | | 88,194 |
| Non-monetary items: None. | | | | | |

iv. The total exchange gain (loss), 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 ($27,851) and $74,267, respectively.

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

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Change in exchange rate | | Effect on profit (loss) | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | $ | 12,016 | $ | - |
| JPY:NTD | 1% | | 21 | | - |
| RMB:NTD | 1% | | 1,655 | | - |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | ($ | 5,497) | $ | - |
| JPY:NTD | 1% | ( | 203) | | - |
| RMB:NTD | 1% | ( | 341) | | - |

| | December 31, 2022 | | |
|---|---|---|---|
| | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 19,948 | $ - |
| JPY:NTD | 1% | 54 | - |
| RMB:NTD | 1% | 2,509 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 5,863) | $ - |
| JPY:NTD | 1% | ( 142) | - |
| RMB:NTD | 1% | ( 882) | - |

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 the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, fair value adjustment would have increased/decreased by $148 and $108, respectively, as a result of the price change on equity investment at fair value through other comprehensive income for the years ended December 31, 2023 and 2022.

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. During 2023 and 2022, the Group's borrowings at floating rates were mainly denominated in New Taiwan dollars and US dollars.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars and US dollars had increased/decreased by 0.25% with all other variables held constant, loss after tax for the years ended December 31, 2023 and 2022 would have increased/decreased 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 with an optimal rating and financial institutes with investment grade are accepted. According to the Group's credit policy, each 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:

(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 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 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 applied 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 |
|---|---|---|---|---|---|---|---|
| At December 31, 2023 | | | | | | | |
| Expected loss rate | 0.01~1% | 0.01~0.44% | 0.01~6.68% | 0.01~38.52% | 100% | 0.12~4.97% | |
| Total book value | $ 1,055,114 | $ 54,452 | $ 5,880 | $ - | $ 4,441 | $ 29,420 | $ 1,149,307 |
| Loss allowance | $ - | $ 1,764 | $ 42 | $ - | $ 4,441 | $ 153 | $ 6,400 |
| At December 31, 2022 | | | | | | | |
| Expected loss rate | 0.01~1% | 0.01~0.17% | 0.01~4.62% | 0.01~30.12% | 100% | 0.01~0.15% | |
| Total book value | $ 1,203,380 | $ 42,764 | $ 3,102 | $ 1,693 | $ 3,613 | $ 102,605 | $ 1,357,157 |
| Loss allowance | $ - | $ 1,987 | $ 137 | $ 510 | $ 3,613 | $ 153 | $ 6,400 |

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

| | 2023 |
|---|---|
| | Accounts receivable |
| At January 1/ At December 31 | $ 6,400 |

| | 2022 |
|---|---|
| | Accounts receivable |
| At January 1 | $ 11,656 |
| Write-off | ( 5,256) |
| At December 31 | $ 6,400 |

x. Financial assets measured at amortized cost measured by expected credit losses for 12 months are not significant impairment losses recognized for the nine-month periods ended December 31, 2023 and 2022.

(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 (where applicable) 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 will be appropriately used and invested. The chosen instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ 210,000 | $ 410,000 |
| Fixed rate: | | |
| Expiring within one year | 2,447,376 | 2,693,866 |
| | $ 2,657,376 | $ 3,103,866 |

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| Non-derivative financial liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| Short-term borrowings | $ 266,950 | $ - | $ - | $ - |
| Accounts payable (including related parties) | 355,854 | - | - | - |
| Other payables (including related parties) | 785,054 | - | - | - |
| Lease liabilities | 29,500 | 28,772 | 82,979 | 453,306 |
| Bonds payable | 89,100 | 1,500,000 | - | - |
| Guarantee deposits received | - | - | - | 8,095 |

| Non-derivative financial liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Short-term borrowings | $ 178,624 | $ - | $ - | $ - |
| Accounts payable (including related parties) | 554,927 | - | - | - |
| Other payables (including related parties) | 1,135,264 | - | - | - |
| Lease liabilities | 31,484 | 28,695 | 82,537 | 493,813 |
| Bonds payable | - | 90,000 | 1,500,000 | - |
| Guarantee deposits received | - | - | - | 16,907 |

Derivative financial liabilities

As of December 31, 2023 and 2022, the Group has no derivative financial liabilities.

v. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expects the actual cash flow amount will be significantly different.

(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. The fair value of the Group's investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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(9).

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, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 1,570,217 | $ - | $ 1,563,165 | $ - |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 1,555,791 | $ - | $ 1,540,296 | $ - |

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

Bonds payable: The fair value of the convertible bonds issued by the Group 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 | $ - | $ - | $ 14,842 | $ 14,842 |

| 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 | $ - | $ - | $ 10,782 | $ 10,782 |

(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:

| | Listed shares |
|---|---|
| Maket quoted 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. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Foreign exchange forward contracts are usually valued based on the current forward exchange rate.

v. 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.

vi. 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:

| | Level 3 Equity instruments |
|---|---|
| January 1, 2023 | $ 10,782 |
| Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | 4,060 |
| December 31, 2023 | $ 14,842 |

| | Level 3 Equity instruments |
|---|---|
| January 1, 2022 | $ 40,486 |
| Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | ( 31,204) |
| Acquired in the period | 1,500 |
| December 31, 2022 | $ 10,782 |

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 31, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 14,842 | Market comparable companies | Price to book ratio multiple; Discount for lack of marketability | Price to book ratio: 2.99~3.43. Discount for lack of marketability:0.10~0.26. | The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value. |

| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 10,782 | Market comparable companies | Price to book ratio multiple; Discount for lack of marketability | Price to book ratio: 2.24~2.85. Discount for lack of marketability:0.10~0.26. | The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value. |

J. The Group has carefully assessed the valuation models and assumptions 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 | ±1% | $ - | $ - | $ 148 | ($ 148) |

| | | | 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 | ±1% | $ - | $ - | $ 108 | ($ 108) |

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to Note 8.

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) Segment Information

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from external customers | $ 7,080,216 | $ 8,879,881 |
| Inter-company revenue | $ - | $ - |
| Segment (loss) income | $ 136,199 | $ 1,106,087 |
| Segment assets | $ 11,793,002 | $ 12,848,506 |

(3) Reconciliation for segment income (loss)

None.

(4) Information on product

Revenue from external customers is mainly from epitaxial wafer foundry and IC foundry. Details of revenue balance are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Epitaxial wafer | $ 3,905,580 | $ 5,210,340 |
| IC | 3,127,407 | 3,635,098 |
| Others | 47,229 | 34,443 |
| | $ 7,080,216 | $ 8,879,881 |

(5) Geographical information

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

| | Year ended December 31, 2023 | | Year ended December 31, 2022 | |
|---|---|---|---|---|
| | Revenue Revenue | Non-current assets | Revenue Revenue | Non-current assets |
| Taiwan | $ 2,223,066 | $ 4,777,803 | $ 3,260,855 | $ 4,115,395 |
| Japan | 1,498,744 | - | 1,496,540 | - |
| China | 1,535,407 | 14 | 1,908,682 | 28 |
| USA | 1,485,617 | - | 1,686,936 | - |
| Others | 337,382 | - | 526,868 | - |
| | $ 7,080,216 | $ 4,777,817 | $ 8,879,881 | $ 4,115,423 |

(6) Major customer information

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

| | Year ended December 31, 2023 | |
|---|---|---|
| | Revenue | Segment |
| A | $ 797,501 | All segment |

For the years ended December 31, 2022:None.

Episil Technologies Inc. (Formerly Episil Holding 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 Number of shares (in thousands) | Book value (Note 3) | Ownership (%) | Fair value | Footnote (Note 4) |
|---|---|---|---|---|---|---|---|---|
| Episil-Precision Inc. | Dah Chung Bills Fiance Corp.-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 1,109 | $ 17 | 0.00% | $ 17 | |
| Wei Nuo Investment Inc. | Sequoia Microelectronics Corporation-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 127,500 | - | 4.36% | - | |
| Wei Nuo Investment Inc. | Chipmast Technology Co., Ltd.-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 298,760 | 2,682 | 6.16% | 2,682 | |
| Wei Nuo Investment Inc. | Energic Technologies Corporation-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 1,000,000 | 8,814 | 4.50% | 8,814 | |
| Wei Nuo Investment Inc. | CT Micro International Corp.-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 11,147,890 | 2,806 | 8.01% | 2,806 | |
| Wei Nuo Investment Inc. | Geo Things Inc.-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 125,000 | 523 | 2.60% | 523 | |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9. "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 Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

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

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Episil Technologies Inc. | Episil Technologies Inc. (SHANGHAI) | Subsidiary | (Sales) | ($ 311,127) | 4.39% | 30-90 days after monthly billings | - | Gerneral terms | $ 7,676 | 0.67% | |
| Episil Technologies Inc. | Episil-Precision Inc. | Subsidiary | Purchases | 243,437 | 9.14% | 30-90 days after monthly billings | - | Gerneral terms | ( 67,271) | 18.90% | (Note 1) |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | (Sales) | ( 391,325) | 5.53% | 30-90 days after monthly billings | - | Gerneral terms | 156,847 | 13.68% | |

Note 1 : Processing and returning materials provided by customers (related parties) were excluded from purchase/sales.

Episil Technologies Inc. (Formerly Episil Holding 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)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2023 (Note 1) | Turnover rate | Overdue receivables Amount | Overdue receivables Action taken | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| Episil-Precision Inc. | Episil Technologies Inc. | Parent company | $ 156,847 | 3.39 | $ - | Received in subsequent period | $ 24,536 | $ - |

Note 1 : Please rely on the accounts receivable, bills, other receivables... Etc

Episil Technologies Inc. (Formerly Episil Holding 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 | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| (Note 1) | Company name | Counterparty | Relationship | General ledger account | Amount | Transaction terms | total operating |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Operating revenue | $ 3,420 | Gerneral terms | 0.05% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Service revenue | 9,913 | Gerneral terms | 0.14% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Processing cost | 71,597 | Gerneral terms | 1.01% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Operating costs | 243,437 | Gerneral terms | 3.44% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Other receivables | 4,299 | 30~90 days after monthly billings | 0.04% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Accounts payable | 67,271 | 30~90 days after monthly billings | 0.57% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Other payable | 42,534 | 30~90 days after monthly billings | 0.36% |
| 0 | Episil Technologies Inc. | Episil Technologies Inc.(SHANGHAI) | 1 | Operating revenue | 311,127 | Gerneral terms | 4.39% |
| 0 | Episil Technologies Inc. | Episil Technologies Inc.(SHANGHAI) | 1 | Accounts receivable | 7,676 | 30~90 days after monthly billings | 0.07% |
| 0 | Episil Technologies Inc. | Precision Silicon Japan Co., Ltd. | 1 | Operating revenue | 7,098 | Gerneral terms | 0.10% |
| 0 | Episil Technologies Inc. | Precision Silicon Japan Co., Ltd. | 1 | Accounts receivable | 3,874 | 30~90 days after monthly billings | 0.0.3% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 3 | Operating revenue | 391,325 | Gerneral terms | 5.53% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 3 | Operating costs | 6,978 | Gerneral terms | 0.10% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 3 | Accounts receivable | 156,847 | 90~180 days after monthly billings | 1.33% |

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 subsidiari 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 betwee 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 Technologies Inc. (Formerly Episil Holding 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: Balance as at December 31, 2023 | Initial investment amount: Balance as at December 31, 2023 | Shares held as at December 31, 2023: Number of shares | Shares held as at December 31, 2023: Ownership (%) | Shares held as at December 31, 2023: Book value | Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2)) | Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note 2(3)) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Episil | Wei Nuo Investment Inc. | Taiwan | Gerneral investment | $ 250,000 | $ 250,000 | 15,000,000 | 100.00% | $ 101,794 | $ 5,224 | $ 5,224 | |
| Episil | Episil-Precision Inc. | Taiwan | Semiconductor industry | 2,001,343 | 2,001,343 | 166,961,680 | 57.86% | 2,839,177 | 164,039 | 95,395 | |
| Episil | Taiwan Hi-Tech Corp. | Taiwan | Semiconductor industry | 201,020 | 201,020 | 17,093,398 | 37.49% | 172,659 | 5,939 | 2,227 | |
| Wei Nuo Investment Inc. | Wellknown Holding Company Ltd. | Samoa | Investment service of various business | 4,837 | 4,837 | 150,000 | 100.00% | 13,004 | 5,536 | 5,536 | |
| Wei Nuo Investment Inc. | Taiwan Hi-Tech Corp. | Taiwan | Semiconductor industry | 17,296 | 16,549 | 1,731,599 | 3.80% | 16,206 | 5,939 | 220 | |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Japan | Sales of epitaxy and silicon wafers | 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, 2022' 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, 2022' 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, 2022' 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 Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for year ended December 31, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 | Net income of investee as of December 31, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for year ended December 31, 2023 (Note 2(2)B) | Book value of investments in Mainland China as of December 31, 2023 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Episil Technologies Inc. (SHANGHAI) | Trading business | $ 4,598 | 2 | $ 4,598 | $ - | $ - | $ 4,598 | $ 6,744 | 100.00% | $ 6,744 | $ 12,930 | $ 41,213 | |

| Company name | remittance | Commission of the Ministry of Economic | imposed by the Investment Commission of |
|---|---|---|---|
| Episil Technologies Inc. (SHANGHAI) | $ 4,598 | $ 4,598 | $ 3,315,698 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (Episil Technologies Inc. (SHANGHAI) was invested by Wellknown Holding Company Ltd. (location: Samoa).

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company’s CPA.

C. The financial statements were not audited by independent accountants.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at December 31, 2023 | % | Balance at December 31, 2023 | Purpose | Maximum balance during the year ended December 31, 2023 | Balance at December 31, 2023 | Interest rate | Interest during the year ended December 31, 2023 | Others |
| Episil Technologies Inc. (SHANGHAI) | $ 311,127 | 4.39% | $ - | - | $ 7,676 | 0.67% | $ - | - | $ - | $ - | - | $ - | |

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Major shareholders information

December 31, 2023

Table 8

| Name of major shareholders | Shares | |
|---|---|---|
| | Number of shares held | Ownership (%) |
| Han Shin Corp. | 21,615,907 | 6.48% |
| Han Hsin Investment Corp. | 20,726,446 | 6.22% |
| Fubon Life Insurance Co., Ltd. | 18,762,000 | 5.63% |
| Hermes- Epitek Corporation | 18,160,870 | 5.45% |

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000485

To the Board of Directors and Shareholders of Episil Technologies Inc.

## *Opinion*

We have audited the accompanying parent company only balance sheets of Episil Technologies Inc. (Formerly EPISIL HOLDING 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 significant 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 Engagement 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 Accountant 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(3) for description of inventory and allowance for inventory valuation losses.

The Company and it's subsidiary (recognised in investments accounted for using equity method), Episil-Precision Inc. are primarily engaged in research and development, manufacture and sales of epitaxial and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. 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 individually obsolete inventory. The Company and Episil-Precision Inc.'s inventories are measured at the lower of cost and net realisable value, and the calculation of the net realisable value used in 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 parent company only financial statements, we identified the Company and Episil-Precision Inc.'s 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 the Company and Episil-Precision Inc.'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 and Episil-Precision Inc.'s inventory aging report is appropriate and in accordance with the company and Episil-Precision Inc.'s policies; and
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 Preparations 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 parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### *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 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 Company'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 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 27, 2024

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,172,203 | 15 | $ 1,749,040 | 21 |
| 1150 | Notes receivable, net | 6(2) | 4,744 | - | 27,324 | - |
| 1170 | Accounts receivable, net | 6(2) | 257,178 | 3 | 317,780 | 4 |
| 1180 | Accounts receivable - related parties | 6(2) and 7 | 11,550 | - | 7,035 | - |
| 1200 | Other receivables | | 18,359 | - | 30,237 | - |
| 1210 | Other receivables - related parties | 7 | 4,299 | - | 5,028 | - |
| 1220 | Current income tax assets | | 2,824 | - | 871 | - |
| 130X | Inventories | 6(3) | 673,823 | 9 | 892,702 | 10 |
| 1410 | Prepayments | | 58,689 | 1 | 68,003 | 1 |
| 1470 | Other current assets | | 7,208 | - | 2,186 | - |
| 11XX | **Current Assets** | | 2,210,877 | 28 | 3,100,206 | 36 |
| | **Non-current assets** | | | | | |
| 1535 | Non-current financial assets at amortised cost | 6(1) and 8 | 184,678 | 2 | 185,026 | 2 |
| 1550 | Investments accounted for using equity method | 6(4) | 3,113,631 | 39 | 3,344,756 | 40 |
| 1600 | Property, plant and equipment | 6(5) | 2,101,378 | 26 | 1,410,184 | 17 |
| 1755 | Right-of-use assets | 6(6) | 302,286 | 4 | 338,626 | 4 |
| 1760 | Investment property, net | 6(8) | 1,875 | - | 1,968 | - |
| 1780 | Intangible assets | 6(9) | 14,849 | - | 23,180 | - |
| 1840 | Deferred income tax assets | 6(26) | 99,133 | 1 | 99,133 | 1 |
| 1900 | Other non-current assets | | 1,133 | - | 726 | - |
| 15XX | **Non-current assets** | | 5,818,963 | 72 | 5,403,599 | 64 |
| 1XXX | **Total assets** | | $ 8,029,840 | 100 | $ 8,503,805 | 100 |

(Continued)

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

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2130 | Current contract liabilities | 6(19) | $ 153,623 | 2 | $ 207,250 | 2 |
| 2170 | Accounts payable | 6(10) | 96,951 | 1 | 134,702 | 2 |
| 2180 | Accounts payable - related parties | 7 | 67,363 | 1 | 181,084 | 2 |
| 2200 | Other payables | 6(11) | 393,319 | 5 | 481,478 | 6 |
| 2220 | Other payables - related parties | 7 | 42,698 | 1 | 35,805 | - |
| 2280 | Current lease liabilities | | 18,477 | - | 18,490 | - |
| 2320 | Long-term borrowings, current portion | 6(12) | 88,772 | 1 | - | - |
| 2399 | Other current liabilities | | 239,096 | 3 | 144,602 | 2 |
| 21XX | **Current Liabilities** | | 1,100,299 | 14 | 1,203,411 | 14 |
| | **Non-current liabilities** | | | | | |
| 2530 | Corporate bonds payable | 6(12) | 990,302 | 12 | 1,071,621 | 13 |
| 2580 | Non-current lease liabilities | | 298,238 | 4 | 332,470 | 4 |
| 2640 | Accrued pension liabilities | 6(13) | 108,324 | 1 | 122,239 | 1 |
| 2670 | Other non-current liabilities, others | | 6,515 | - | - | - |
| 25XX | **Non-current liabilities** | | 1,403,379 | 17 | 1,526,330 | 18 |
| 2XXX | **Total Liabilities** | | 2,503,678 | 31 | 2,729,741 | 32 |
| | **Equity** | | | | | |
| | Share capital | 6(15) | | | | |
| 3110 | Share capital - common stock | | 3,332,157 | 42 | 3,332,035 | 39 |
| | Capital surplus | 6(16) | | | | |
| 3200 | Capital surplus | | 1,538,468 | 19 | 1,538,222 | 18 |
| | Retained earnings | 6(17) | | | | |
| 3310 | Legal reserve | | 114,149 | 1 | 30,356 | - |
| 3320 | Special reserve | | 101,815 | 1 | 72,140 | 1 |
| 3350 | Unappropriated retained earnings | | 538,696 | 7 | 903,127 | 11 |
| | Other equity interest | 6(18) | | | | |
| 3400 | Other equity interest | | ( 99,123) | ( 1) | ( 101,816) | ( 1) |
| 3XXX | **Total equity** | | 5,526,162 | 69 | 5,774,064 | 68 |
| | Significant commitments and contingencies | 9 | | | | |
| | Significant events after the reporting period | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 8,029,840 | 100 | $ 8,503,805 | 100 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING 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(19) and 7 | $ 3,158,702 | 100 | $ 3,659,842 | 100 |
| 5000 | Operating costs | 6(3)(24)(25) and 7 | ( 2,853,231) | ( 90) | ( 3,042,461) | ( 83) |
| 5900 | Operating margin | | 305,471 | 10 | 617,381 | 17 |
| | Operating expenses | 6(24)(25) and 7 | | | | |
| 6100 | Selling and marketing expenses | | ( 37,205) | ( 1) | ( 45,154) | ( 1) |
| 6200 | General and administrative expenses | | ( 186,961) | ( 6) | ( 194,257) | ( 6) |
| 6300 | Research and development expenses | | ( 134,227) | ( 5) | ( 74,097) | ( 2) |
| 6000 | Total operating expenses (losses) | | ( 358,393) | ( 12) | ( 313,508) | ( 9) |
| 6900 | Operating (loss) profit | | ( 52,922) | ( 2) | 303,873 | 8 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(20) | 21,058 | 1 | 8,077 | - |
| 7010 | Other income | 6(21) | 8,783 | - | 5,908 | - |
| 7020 | Other gains and losses | 6(22) | 1,683 | - | 108,871 | 3 |
| 7050 | Finance costs | 6(23) | ( 14,375) | - | ( 13,601) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method | 6(4) | 102,846 | 3 | 407,867 | 11 |
| 7000 | Total non-operating income and expenses | | 119,995 | 4 | 517,122 | 14 |
| 7900 | **Profit before income tax** | | 67,073 | 2 | 820,995 | 22 |
| 7950 | Income tax expense | 6(26) | - | - | - | - |
| 8200 | **Profit for the year** | | $ 67,073 | 2 | $ 820,995 | 22 |
| | **Other comprehensive income (loss), net** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 6(13) | $ 11,397 | 1 | $ 10,352 | - |
| 8330 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income (loss) that will not be reclassified to profit or loss | 6(4) | 7,830 | - | ( 24,621) | - |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | 19,227 | 1 | ( 14,269) | - |
| | **Components of other comprehensive income that may be subsequently reclassified to profit or loss** | | | | | |
| 8380 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income (loss) that may be reclassified to profit or loss | 6(4) | ( 1,367) | - | 1,528 | - |
| 8360 | Components of other comprehensive (loss) income that may be subsequently reclassified to profit or loss | | ( 1,367) | - | 1,528 | - |
| 8300 | **Other comprehensive income (loss) for the year** | | $ 17,860 | 1 | ($ 12,741) | - |
| 8500 | **Total comprehensive income for the year** | | $ 84,933 | 3 | $ 808,254 | 22 |
| | Basic earnings per share | 6(27) | | | | |
| 9750 | Basic earnings per share (in dollars) | | $ | 0.20 | $ | 2.47 |
| | Diluted earnings per share | 6(27) | | | | |
| 9850 | Diluted earnings per share (in dollars) | | $ | 0.20 | $ | 2.44 |

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

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

| | | | | Retained earnings | | | Other equity interest | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Total equity |
| 2022 | | | | | | | | | |
| Balance at January 1, 2022 | | $ 3,306,664 | $ 955,567 | $ 7,120 | $ 43,947 | $ 232,359 | ($ 6,370) | ($ 65,770) | $ 4,473,517 |
| Profit for the year | | - | - | - | - | 820,995 | - | - | 820,995 |
| Other comprehensive income (loss) | | - | - | - | - | 16,935 | 1,528 | ( 31,204) | ( 12,741) |
| Total comprehensive income (loss) | | - | - | - | - | 837,930 | 1,528 | ( 31,204) | 808,254 |
| Appropriation of 2021 earnings | 6(17) | | | | | | | | |
| Legal reserve | | - | - | 23,236 | - | ( 23,236) | - | - | - |
| Special reserve | | - | - | - | 28,193 | ( 28,193) | - | - | - |
| Cash dividends | | - | - | - | - | ( 115,733) | - | - | ( 115,733) |
| Changes in ownership interest in subsidiaries | 6(16) | - | 34,230 | - | - | - | - | - | 34,230 |
| Cash capital increased by cash | 6(15)(16) | 22,000 | 184,186 | - | - | - | - | - | 206,186 |
| Share-based payments-cash capital increased by cash reserved for subcription by employees | 6(16) | - | 2,420 | - | - | - | - | - | 2,420 |
| Conversion of convertible bonds | 6(15)(16) | 3,371 | 21,017 | - | - | - | - | - | 24,388 |
| Issuance of corporate bonds | 6(16) | - | 267,416 | - | - | - | - | - | 267,416 |
| Cash contributed by non-controlling interests in subsidiaries' capital | 6(16) | - | 73,386 | - | - | - | - | - | 73,386 |
| Balance at December 31, 2022 | | $ 3,332,035 | $ 1,538,222 | $ 30,356 | $ 72,140 | $ 903,127 | ($ 4,842) | ($ 96,974) | $ 5,774,064 |
| 2023 | | | | | | | | | |
| Balance at January 1, 2023 | | $ 3,332,035 | $ 1,538,222 | $ 30,356 | $ 72,140 | $ 903,127 | ($ 4,842) | ($ 96,974) | $ 5,774,064 |
| Profit for the year | | - | - | - | - | 67,073 | - | - | 67,073 |
| Other comprehensive income (loss) | | - | - | - | - | 15,167 | ( 1,367) | 4,060 | 17,860 |
| Total comprehensive income | | - | - | - | - | 82,240 | ( 1,367) | 4,060 | 84,933 |
| Appropriation of 2022 earnings | 6(17) | | | | | | | | |
| Legal reserve | | - | - | 83,793 | - | ( 83,793) | - | - | - |
| Special reserve | | - | - | - | 29,675 | ( 29,675) | - | - | - |
| Cash dividends | | - | - | - | - | ( 333,203) | - | - | ( 333,203) |
| Changes in ownership interest in subsidiaries | 6(16) | - | ( 525) | - | - | - | - | - | ( 525) |
| Conversion of convertible bonds | 6(15)(16) | 122 | 771 | - | - | - | - | - | 893 |
| Balance at December 31, 2023 | | $ 3,332,157 | $ 1,538,468 | $ 114,149 | $ 101,815 | $ 538,696 | ($ 6,209) | ($ 92,914) | $ 5,526,162 |

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

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

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 67,073 | $ 820,995 |
| Adjustments | | | |
| Adjustments to reconcile (profit) loss | | | |
| Depreciation expense | 6(24) | 204,006 | 191,684 |
| Amortisation expense | 6(24) | 8,740 | 5,181 |
| Gains on disposal of property, plant and equipment | 6(22) | ( 21,047 ) | ( 81,378 ) |
| Share of profit of associates accounted for using equity method | 6(4) | ( 102,846 ) | ( 407,867 ) |
| Finance costs | 6(23) | 6,965 | 7,677 |
| Interest income | 6(20) | ( 21,058 ) | ( 8,077 ) |
| Share-based payments | 6(14) | - | 2,420 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 22,580 | 428 |
| Accounts receivable | | 60,602 | 53,219 |
| Accounts receivable - related parties | | ( 4,515 ) | 39,160 |
| Other receivables | | 11,984 | ( 16,680 ) |
| Other receivables - related parties | | 729 | 11,159 |
| Inventories | | 218,879 | ( 305,996 ) |
| Prepayments | | 7,361 | ( 6,359 ) |
| Other current assets | | ( 5,022 ) | 5,377 |
| Changes in operating liabilities | | | |
| Contract liabilities | | ( 53,627 ) | 81,725 |
| Accounts payable | | ( 37,751 ) | ( 18,048 ) |
| Accounts payable - related parties | | ( 113,721 ) | 28,324 |
| Other payables | | ( 104,464 ) | 195,387 |
| Other payables - related parties | | 6,893 | ( 15,301 ) |
| Other current liabilities | | 94,494 | 70,045 |
| Other non-current liabilities | | 6,515 | ( 18,067 ) |
| Accrued pension liabilities | | ( 2,518 ) | ( 42,566 ) |
| Cash inflow generated from operations | | 250,252 | 592,442 |
| Dividends received | 6(4) | 339,909 | 197,823 |
| Interest received | | 20,952 | 7,668 |
| Interest paid | | ( 6,310 ) | ( 7,592 ) |
| Net cash flows from operating activities | | 604,803 | 790,341 |

(Continued)

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

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 1,195 ) | ($ 153,116 ) |
| Disposal of financial assets at amortised cost | | 1,543 | 22,758 |
| Acquisition of ownership interests in subsidiaries | 6(4) | - | ( 62,458 ) |
| Acquisition of property, plant and equipment | 6(28) | ( 851,027 ) | ( 667,797 ) |
| Proceeds from disposal of property, plant and equipment | | 21,047 | 81,512 |
| Acquisition of intangible assets | 6(9) | ( 409 ) | ( 16,017 ) |
| Increase in refundable deposits | | ( 407 ) | ( 508 ) |
| Net cash flows used in investing activities | | ( 830,448 ) | ( 795,626 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | | 37,358 | 297,928 |
| Repayments of short-term borrowings | | ( 37,358 ) | ( 515,438 ) |
| Payments of lease liabilities | 6(29) | ( 17,989 ) | ( 18,808 ) |
| Issuance of corporate bonds | 6(29) | - | 1,244,298 |
| Cash capital increased | | - | 206,186 |
| Cash dividends paid | 6(17) | ( 333,203 ) | ( 115,733 ) |
| Net cash flows (used in) from financing activities | | ( 351,192 ) | 1,098,433 |
| Net (decrease) increase in cash and cash equivalents | | ( 576,837 ) | 1,093,148 |
| Cash and cash equivalents at beginning of year | | 1,749,040 | 655,892 |
| Cash and cash equivalents at end of year | | $ 1,172,203 | $ 1,749,040 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING 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 Holding Inc. merged with former Episil Technologies Inc. on September 1, 2021. After the merger, Episil Holding Inc. was the surviving company while former Episil Technologies Inc. was the dissolved company. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc. (the "Company").

The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014, and on the same date, the regulatory authority has approved for the Company's shares to be listed on the Taipei Exchange. Former Episil Technologies Inc. became the Company's wholly-owned subsidiary after the swap. On January 5, 2015, former Episil Technologies Inc. split its epitaxy and compounds semiconductor business to the subsidiary, Episil Semiconductor Wafer, Inc., and subsequently, Episil Semiconductor Wafer, Inc. merged with Episil-Precision Inc. in accordance with Business Mergers and Acquisitions Act on January 11, 2016. Under the merger, Episil Semiconductor Wafer, Inc. would be the dissolved company while the Episil-Precision Inc. would be the surviving company. Episil-Precision Inc. became one of the Company's subsidiaries after the merger. As of December 31, 2023, the Company holds 57.86% equity interest in Episil-Precision Inc.

The Company is primarily engaged in general investment, research, development, manufacture and sales of epitaxial and silicon chips, mixed-signal integrated circuit and linear integrated circuit and research and development of the following manufacturing process technology for providing 6-inch silicon wafer foundry service.

(1) 6" SiC G3/G4 Platform Development;
(2) SiC Schottky Diode 3300V process;
(3) SiC MOSFET 3300V manufacturing process; and
(4) GaN power semiconductor components combined with IC process.

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 27, 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:

| 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 condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amended to IFRS Accounting Standards as 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 condition 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 IFRS 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 condition and financial performance based on the Company's assessment.

4. Summary of Material 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:

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 financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

The operating results and financial position of the company, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(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) Liabilities 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 amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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 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 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; however, 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 (allocated based on normal operating capacity). 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 costs of completion and the estimated costs necessary to make the sale.

(12) Investments accounted for using equity method—subsidiaries and associates

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. If changes in the Company’s ownership interests in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

F. The Company’s share of its associates’ 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 an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognises the Company’s share of change in equity of the associate in “Capital surplus” in proportion to its ownership.

H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

J. 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 equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(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 | 3~60 years |
| Machinery and equipment | 3~10 years |
| Computer and telecommunication equipment | 2~5 years |
| Transportation equipment | 2~5 years |
| Office equipment | 2~5 years |
| Other equipment | 2~5 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 10 years.

(16) Intangible assets

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

(17) Impairment of non-financial assets

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. 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.

(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 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

A 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' remuneration

Employees' compensation and directors' 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 shareholders 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.

(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 mixed-signal integrated circuit and linear integrated circuit and providing 6-inch silicon wafer foundry service of Bipolar IC, Bipolar-Complementary Metal-Oxide-Semiconductor and High power integrated circuit process. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and the customer has full discretion over the channel and price to sell the products, 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. Sales revenue was recognised based on the contract price net of sales discount. Sales discounts granted to customers are based on aggregate sales over a 12-month period. Sales discounts are estimated using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for estimated sales discounts payable to customers in relation to sales made until the end of the reporting period. Goods are sold with a credit term of 30 to 90 days after delivery.

C. 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.

D. 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

The Company is primarily engaged in development, manufacture and sale of epitaxy and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. As inventories are stated at the lower of cost and net realisable value, the Company applies judgments and estimates in determing the net realisable value of inventories on balance sheet date. Because the industry changes rapidly and is easily affected by the market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company's inventories were measured at the lower of cost and net realisable value, and the determination of the net realisable value used in obsolete inventories or inventories which are over a certain period at balance sheet date involves subjective judgement, therefore, there may have significant changes on the inventory valuation.

As of December 31, 2023, the carrying amount of inventories was $673,823.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and revolving funds | $ 138 | $ 142 |
| Checking accounts and demand deposits | 523,657 | 300,150 |
| Time deposits | 639,308 | 1,396,048 |
| Cash equivalents-bonds sold under repurchase agreement | 9,100 | 52,700 |
| | $ 1,172,203 | $ 1,749,040 |

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. Cash and cash equivalent restricted for providing guarantee for customs and corporate bonds were reclassified to non-current financial assets at amortised cost. For their detail, please refer to Note 8.

(2) Notes and accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivable | $ 4,744 | $ 27,324 |
| Accounts receivable | 263,425 | 324,027 |
| Accounts receivable- related parties | 11,550 | 7,035 |
| Less: Loss allowance | ( 6,247) | ( 6,247) |
| | $ 268,728 | $ 324,815 |

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

| | December 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Accounts receivable | | Notes receivable | | Accounts receivable | | Notes receivable | |
| Not past due | $ | 245,259 | $ | 4,744 | $ | 300,287 | $ | 27,324 |
| Up to 30 days | | 24,652 | | - | | 22,515 | | - |
| 31 to 90 days | | 623 | | - | | 2,954 | | - |
| 91 to 180 days | | - | | - | | 1,693 | | - |
| Over 180 days | | 4,441 | | - | | 3,613 | | - |
| | $ | 274,975 | $ | 4,744 | $ | 331,062 | $ | 27,324 |

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $456,449.

C. As of December 31, 2023 and 2022, collaterals held by the Company as security for accounts receivable amounted to $0 and $3,000, respectively.

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 notes and accounts receivable was $4,744 and $27,324, $268,728 and $324,815, respectively.

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

(3) Inventories

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Cost | | Allowance for valuation loss | | Book value | |
| Raw materials | $ | 244,098 | ($ | 32,235) | $ | 211,863 |
| Supplies | | 167,180 | ( | 25,397) | | 141,783 |
| Work in progress | | 221,656 | ( | 4,165) | | 217,491 |
| Finished goods | | 110,775 | ( | 8,089) | | 102,686 |
| | $ | 743,709 | ($ | 69,886) | $ | 673,823 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Cost | | Allowance for valuation loss | | Book value | |
| Raw materials | $ | 227,601 | ($ | 16,690) | $ | 210,911 |
| Supplies | | 157,476 | ( | 27,650) | | 129,826 |
| Work in progress | | 334,744 | ( | 8,160) | | 326,584 |
| Finished goods | | 233,384 | ( | 8,003) | | 225,381 |
| | $ | 953,205 | ($ | 60,503) | $ | 892,702 |

The cost of inventories recognised as expense for the year :

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost of goods sold | $ 2,105,627 | $ 2,635,076 |
| Unamortised manufacturing expenses | 738,221 | 421,001 |
| Loss on (gain on reversal of) decline in market value | 9,383 | ( 13,616) |
| | $ 2,853,231 | $ 3,042,461 |

For the year ended December 31, 2022, the Company reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold due to the sale of certain inventories which were previously provided with allowance.

(4) Investments accounted for using equity method

| | 2023 | 2022 |
|---|---|---|
| At January 1 | $ 3,344,756 | $ 2,987,730 |
| Acquisition of ownership interests in subsidiaries | - | 62,459 |
| Share of profit of subsidiaries and associates accounted for using equity method | 102,846 | 407,867 |
| Dividends received from subsidiaries and associates accounted for using equity method | ( 339,909) | ( 197,823) |
| Changes in ownership interest in subsidiaries and associates | ( 525) | 107,616 |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | 7,830 | ( 24,621) |
| Other equity interest | ( 1,367) | 1,528 |
| At December 31 | $ 3,113,631 | $ 3,344,756 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiaries | | |
| Episil-Precision Inc. | $ 2,839,178 | $ 3,073,890 |
| Wei Nuo Investment Inc. | 101,794 | 99,303 |
| Associates | | |
| Taiwan Hi-Tech Corp. | 172,659 | 171,563 |
| | $ 3,113,631 | $ 3,344,756 |

The Company and subsidiaries hold 41.29% equity interest in Taiwan Hi-Tech Corp and are the single largest shareholder of the entity. Given that other shareholders (non-related parties) hold more shares than the Company, which indicates that the Company has no current ability to direct the relevant activities of Taiwan Hi-Tech Corp., the Company has no control, but only has significant influence, over the investee.

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 subsidiaries.

(5) Property, plant and equipment

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machiney and equipment | Computer and telecommunication equipment | Transportation equipment | Office equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | | | | |
| Cost | $ 2,402,098 | $ 4,404,290 | $ 61,642 | $ 665 | $ 2,527 | $ 74,457 | $ 688,462 | $ 7,634,141 |
| Accumulated depreciation | ( 1,683,863) | ( 3,786,000) | ( 33,064) | ( 664) | ( 2,527) | ( 74,457) | - | ( 5,580,575) |
| Accumulated impairment | ( 380,095) | ( 263,286) | - | ( 1) | - | - | - | ( 643,382) |
| | $ 338,140 | $ 355,004 | $ 28,578 | $ - | $ - | $ - | $ 688,462 | $ 1,410,184 |
| At January 1 | $ 338,140 | $ 355,004 | $ 28,578 | $ - | $ - | $ - | $ 688,462 | $ 1,410,184 |
| Additions | 53,018 | 155,832 | 14,273 | 1,200 | - | - | 650,700 | 875,023 |
| Reclassifications | 12,104 | 111,134 | 3,430 | - | - | - | ( 126,668) | - |
| Depreciation expenses | ( 35,694) | ( 136,583) | ( 11,552) | - | - | - | - | ( 183,829) |
| At December 31 | $ 367,568 | $ 485,387 | $ 34,729 | $ 1,200 | $ - | $ - | $ 1,212,494 | $ 2,101,378 |
| At December 31 | | | | | | | | |
| Cost | $ 2,446,282 | $ 4,613,584 | $ 79,345 | $ 1,865 | $ 2,527 | $ 73,961 | $ 1,212,494 | $ 8,430,058 |
| Accumulated depreciation | ( 1,702,842) | ( 3,874,367) | ( 44,616) | ( 664) | ( 2,527) | ( 73,961) | - | ( 5,698,977) |
| Accumulated impairment | ( 375,872) | ( 253,830) | - | ( 1) | - | - | - | ( 629,703) |
| | $ 367,568 | $ 485,387 | $ 34,729 | $ 1,200 | $ - | $ - | $ 1,212,494 | $ 2,101,378 |

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Buildings and structures | Machiney and equipment | Computer and telecommunication equipment | Transportation equipment | Office equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | | | | |
| Cost | $ 2,378,761 | $ 4,505,259 | $ 32,979 | $ 665 | $ 2,752 | $ 74,897 | $ 112,740 | $ 7,108,053 |
| Accumulated depreciation | ( 1,650,506) | ( 3,810,938) | ( 26,347) | ( 664) | ( 2,742) | ( 74,897) | - | ( 5,566,094) |
| Accumulated impairment | ( 380,611) | ( 290,825) | - | ( 1) | ( 10) | - | - | ( 671,447) |
| | $ 347,644 | $ 403,496 | $ 6,632 | $ - | $ - | $ - | $ 112,740 | $ 870,512 |
| | | | | | | | | |
| At January 1 | $ 347,644 | $ 403,496 | $ 6,632 | $ - | $ - | $ - | $ 112,740 | $ 870,512 |
| Additions | 24,915 | 28,328 | 15,057 | - | - | - | 641,694 | 709,994 |
| Disposals | - | ( 134) | - | - | - | - | - | ( 134) |
| Reclassifications | 1,497 | 50,869 | 13,606 | - | - | - | ( 65,972) | - |
| Depreciation expenses | ( 35,916) | ( 127,555) | ( 6,717) | - | - | - | - | ( 170,188) |
| At December 31 | $ 338,140 | $ 355,004 | $ 28,578 | $ - | $ - | $ - | $ 688,462 | $ 1,410,184 |
| | | | | | | | | |
| At December 31 | | | | | | | | |
| Cost | $ 2,402,098 | $ 4,404,290 | $ 61,642 | $ 665 | $ 2,527 | $ 74,457 | $ 688,462 | $ 7,634,141 |
| Accumulated depreciation | ( 1,683,863) | ( 3,786,000) | ( 33,064) | ( 664) | ( 2,527) | ( 74,457) | - | ( 5,580,575) |
| Accumulated impairment | ( 380,095) | ( 263,286) | - | ( 1) | - | - | - | ( 643,382) |
| | $ 338,140 | $ 355,004 | $ 28,578 | $ - | $ - | $ - | $ 688,462 | $ 1,410,184 |

A. For the years ended December 31, 2023 and 2022, the amounts capitalised were $7,691 and $6,281, respectively, and the ranges of the interest rates for such capitalisation were 0.06% and 0.06%~1.63%, respectively.

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

(6) Lease transaction – lessee

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

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

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Book value | Book value |
| Land | $ 201,475 | $ 213,051 |
| Buildings and structures | 100,811 | 125,575 |
| | $ 302,286 | $ 338,626 |

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | Depreciation expenses | Depreciation expenses |
| Land | $ 11,576 | $ 11,576 |
| Buildings and structures | 8,508 | 9,818 |
| | $ 20,084 | $ 21,394 |

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $4,855 and $39, respectively.

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 6,204 | $ 6,893 |
| Expense on short-term lease agreements | $ 652 | $ 927 |

F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were $24,845 and $26,628, respectively.

G. 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 or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Lease arrangements – lessor

A. The Company leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 and 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. Gain arising from operating lease agreements for the years ended December 31, 2023 and 2022 are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue | $ 1,200 | $ 1,200 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| 2023 | $ - | $ 1,200 |
| 2024 | 1,200 | 1,200 |
| 2025 | 1,200 | 1,200 |
| 2026 | 1,200 | 1,200 |
| 2027 | 1,200 | 1,200 |
| 2028 | 1,200 | 1,200 |
| Over 2029 | 13,950 | 13,950 |
| | $ 19,950 | $ 21,150 |

(8) Investment property

| | 2023 | 2022 |
|---|---|---|
| | Buildings and structures | Buildings and structures |
| At January 1 | | |
| Cost | $ 4,275 | $ 4,275 |
| Accumulated depreciation and impairment | ( 2,307) | ( 2,205) |
| | $ 1,968 | $ 2,070 |
| At January 1 | $ 1,968 | $ 2,070 |
| Depreciation expenses | ( 93) | ( 102) |
| At December 31 | $ 1,875 | $ 1,968 |
| At December 31 | | |
| Cost | $ 4,275 | $ 4,275 |
| Accumulated depreciation and impairment | ( 2,400) | ( 2,307) |
| | $ 1,875 | $ 1,968 |

A. Rental revenue from investment property.

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue from investment property | $ 1,200 | $ 1,200 |
| Direct operating expenses arising from the investment property that generated rental revenue during the year | $ 93 | $ 102 |

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was $5,364 and $5,304, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 8.65% | 9.04% |
| Annual rent (net income) | $ 823 | $ 828 |
| Duration | 10 years | 10 years |

C. The Comppany 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 42 years.

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

(9) Intangible assets

| | 2023 | 2022 |
|---|---|---|
| | Computer software | Computer software |
| At January 1 | | |
| Cost | $ 75,199 | $ 59,182 |
| Accumulated amortisation | ( 52,019) | ( 46,838) |
| | $ 23,180 | $ 12,344 |
| At January 1 | $ 23,180 | $ 12,344 |
| Additions | 409 | 16,017 |
| Amortisation expenses | ( 8,740) | ( 5,181) |
| At December 31 | $ 14,849 | $ 23,180 |
| At December 31 | | |
| Cost | $ 75,608 | $ 75,199 |
| Accumulated amortisation | ( 60,759) | ( 52,019) |
| | $ 14,849 | $ 23,180 |

Details of amortisation on intangible assets are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Operating costs | $ 7,599 | $ 2,961 |
| General and administrative expenses | 1,141 | 2,220 |
| | $ 8,740 | $ 5,181 |

(10) Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable | $ 86,370 | $ 122,010 |
| Estimated accounts payable | 10,581 | 12,692 |
| | $ 96,951 | $ 134,702 |

(11) Other payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accrued expenses-expendables | $ 84,012 | $ 87,595 |
| Accrued expenses-bonus | 157,838 | 171,271 |
| Employees' compensation and directors' remuneration payable | 6,634 | 81,197 |
| Payables for equipment | 60,842 | 44,537 |
| Accrued expenses-others | 83,993 | 96,878 |
| | $ 393,319 | $ 481,478 |

(12) Bonds payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Bonds payable | | |
| The Company's third secured convertible bonds | $ 600,000 | $ 600,000 |
| The Company's fourth secured convertible bonds | 1,000,000 | 1,000,000 |
| | 1,600,000 | 1,600,000 |
| Less: Bonds payable converted | ( 510,900) | ( 510,000) |
| Less: Discount on bonds payable | ( 10,026) | ( 18,379) |
| | 1,079,074 | 1,071,621 |
| Less: Current portion | ( 88,772) | - |
| | $ 990,302 | $ 1,071,621 |

A. The issuance terms of the Company's third domestic secured convertible bonds are as follows:

(a) The regulatory authority has approved the third domestic secured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from June 22, 2021 to June 22, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 22, 2021.

(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 June 11, 2021. 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 of $73.8 (in dollars) in either 1, 3 or 5 business days before the effective date (effective date is excluded) by convertible premium rate of 105.67% (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 adjusted to $72.4 (in dollars) per share on July 23, 2023 as the Company distributed dividends.

(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.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to $14,895 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) Through December 31, 2023, the bonds totaling $510,900 (face value) had been converted into 6,942 thousand shares of common shares.

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

(a) The regulatory authority has approved the fourth domestic secured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $1,000,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from April 7, 2022 to April 7, 2025 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on April 7, 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 16, 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 of $118.8 (in dollars) in either 1, 3 or 5 business days before the effective date (effective date is excluded) by convertible premium rate of 102.5% (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 set as $118.8 (in dollars) per share based on abovementioned formula and was adjusted to $117 (in dollars) per share on July 23, 2023 as the Company distributed cash dividends.

(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.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to $267,416 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) Through December 31, 2023, no bonds were converted into common shares.

C. Information on the carrying amount of collateral for convertible bonds is provided in Note 8.

(13) Pensions

A. (a) The Company renewed and continued the defined benefit pension plan in accordance with the Labor Standards Act based on the share swap plans on October 1, 2014 covering all regular employees' service years for employees formerly employed by the Company's subsidiary, Episil Technologies Inc., 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 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligations | $ 228,404 | $ 239,844 |
| Fair value of plan assets | ( 120,080) | ( 117,605) |
| Net defined benefit liabilities | $ 108,324 | $ 122,239 |

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

| | 2023 | | |
|---|---|---|---|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
| At January 1 | $ 239,844 | ($ 117,605) | $ 122,239 |
| Current service cost | 119 | - | 119 |
| Interest expense (income) | 3,118 | ( 1,529) | 1,589 |
| | 243,081 | ( 119,134) | 123,947 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 350) | ( 350) |
| Change in demographic assumptions | - | - | - |
| Change in financial assumptions | - | - | - |
| Experience adjustments | ( 11,047) | - | ( 11,047) |
| | ( 11,047) | ( 350) | ( 11,397) |
| Pension fund contribution | - | ( 4,226) | ( 4,226) |
| Paid pension | ( 3,630) | 3,630 | - |
| At December 31 | $ 228,404 | ($ 120,080) | $ 108,324 |

| | 2022 | | |
|---|---|---|---|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
| At January 1 | $ 257,192 | ($ 82,035) | $ 175,157 |
| Current service cost | 243 | - | 243 |
| Interest expense (income) | 1,468 | ( 494) | 974 |
| | 258,903 | ( 82,529) | 176,374 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 7,271) | ( 7,271) |
| Change in demographic assumptions | 10,446 | - | 10,446 |
| Change in financial assumptions | ( 17,097) | - | ( 17,097) |
| Experience adjustments | 3,570 | - | 3,570 |
| | ( 3,081) | ( 7,271) | ( 10,352) |
| Pension fund contribution | - | ( 30,961) | ( 30,961) |
| Paid pension | ( 3,156) | 3,156 | - |
| Paid pension directly by company | ( 12,822) | - | ( 12,822) |
| At December 31 | $ 239,844 | ($ 117,605) | $ 122,239 |

(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:

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

Assumptions regarding future mortality rate are set based on actuarial advice in accordance with published statistics and experience in the territory.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2023 | | | | |
| Effect on present value of defined benefit obligations | ($ 5,546) | $ 5,732 | $ 5,044 | ($ 4,916) |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligations | ($ 6,320) | $ 6,546 | $ 5,810 | ($ 5,652) |

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 liabilities 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 amounts to $4,115.

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

B. (a) Effective July 1, 2005, the Company have 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 contribute 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 $34,625 and $34,161, respectively.

(14) Share-based payment

A. In March 2022, the Company increased its capital by issuing 2.2 million common shares and reserved 10% of the shares issued this time, that is 220 thousand shares, for subscription by employees at $95 (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 $2,420 was assessed based on market approach, and was recognised as compensation cost.

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Equity-settled | $ - | $ 2,420 |

(15) Share capital

A. The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2023, the Company's authorised capital was $5,000,000, consisting of 500 million shares of ordinary stock (including $500,000, equivalent to 50 million shares, reserved for bonds conversion, preferred stocks conversion and employee stock options), and the paid-in capital was $3,332,157 with a par value of $10 (in dollars) per share.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

| Unit: thousand shares | 2023 | 2022 |
|---|---|---|
| Shares issued at Juanary 1 | 333,203 | 330,666 |
| Share outstanding at Juanary 1 | 333,203 | 330,666 |
| Cash capital increase | - | 337 |
| Conersion of convertible bonds | 13 | 2,200 |
| Shares issued at December 31 | 333,216 | 333,203 |
| Shares outstanding at Dceember 31 | 333,216 | 333,203 |

C. On February 15, 2022, the Board of Directors of the Company resolved to increase its capital by issuing 2.2 million new shares. 10% of the new shares were reserved for subscription by employees in accordance with the regulations, another 10% were reserved for subscription by the public pursuant to the R.O.C. Securities and Exchange Act, and the remaining were reserved for subscription by existing shareholders according to their respective shareholding ratios as stated in shareholder roster on the effective date for share subscription. The effective date of capital increase was set on June 9, 2022. The registration has been completed.

(16) 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.

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes of associates and joint ventures accounted for using equity method | Warrants | Others | Total |
| At January 1 | $ 733,725 | $ 506,836 | $ 226 | $ 286,941 | $ 10,494 | $1,538,222 |
| Conversion of convertible bonds | 793 | - | - | ( 22) | - | 771 |
| Changes in ownership interest in associates | - | - | ( 525) | - | - | ( 525) |
| At December 31 | $ 734,518 | $ 506,836 | ($ 299) | $ 286,919 | $ 10,494 | $1,538,468 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Share premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes of associates and joint ventures accounted for using equity method | Warrants | Others | Total |
| At January 1 | $ 525,486 | $ 399,220 | $ 226 | $ 20,141 | $ 10,494 | $ 955,567 |
| Conversion of convertible bonds | 21,633 | - | - | ( 616) | - | 21,017 |
| Issuance of convertible bonds | - | - | - | 267,416 | - | 267,416 |
| Changes in ownership interest in subsidiaries | - | 107,616 | - | - | - | 107,616 |
| Cash capital increase | 186,606 | - | - | - | - | 186,606 |
| At December 31 | $ 733,725 | $ 506,836 | $ 226 | $ 286,941 | $ 10,494 | $1,538,222 |

(17) 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 based on the Company's dividend policy 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.

B. The Company's dividend policy is summarised below: as the Company operates in high-tech industries and is in the stable growth stage, 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 10% of total cash and stock dividends and bonus to be distributed.

C. 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.

D. 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.

E. On June 14, 2023 and June 17, 2022, the shareholders during their meetings resolved to distribute 2022 and 2021 earnings. Details are summarised below:

| | Year ended December 31, 2022 | | Year ended December 31, 2021 | |
|---|---|---|---|---|
| | Amount | Dividend per share (in dollars) | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 83,793 | | $ 23,236 | |
| Special reserve | 29,675 | | 28,193 | |
| Cash dividends | 333,203 | $ 1.00 | 115,733 | $ 0.35 |
| | $ 446,671 | | $ 167,162 | |

F. On February 27, 2024, the Company's Board of Directors resolved not to appropriate dividends for 2023 earnings.

G. Because the Company increased its capital by issuing shares and some creditors who held the third domestic unsecured convertible bonds converted bonds into shares, the number of outstanding shares changed. Based on the premise that keeping total cash dividends distributed unchanged, on June 30, 2022, the Board of Directors resolved to adjust the cash dividends appropriation ratio to NT$0.34733505 (in dollars) per share.

H. As certain creditors of the third domestic secured convertible bonds requested to convert bonds, resulting in the changes in the number of the Company's ordinary shares outstanding. The Board of Directors resolved to adjust the cash dividend payout ratio to NT$0.99996315 per share on June 30, 2023 while maintaining the total amount of distributed cash dividends.

(18) Other equity items

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Unrealised gains (losses) on valuation | Financial statements translation difference of foreign operations | Unrealised gains (losses) on valuation | Financial statements translation difference of foreign operations |
| At January 1 | ($ 96,974) | ($ 4,842) | ($ 65,770) | ($ 6,370) |
| –Subisidiaries | 4,060 | ( 604) | ( 31,204) | 491 |
| –Associates | - | ( 763) | - | 1,037 |
| At December 31 | ($ 92,914) | ($ 6,209) | ($ 96,974) | ($ 4,842) |

(19) Operating revenue

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | $ 3,158,702 | $ 3,659,842 |

A. Disaggregation of revenue from contracts with customers

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

| Year ended December 31, 2023 | IC | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 3,122,905 | $ 35,797 | $ 3,158,702 |
| Timing of revenue recognition | | | |
| At a point in time | $ 3,122,905 | $ 35,797 | $ 3,158,702 |

| Year ended December 31, 2022 | IC | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 3,618,147 | $ 41,695 | $ 3,659,842 |
| Timing of revenue recognition | | | |
| At a point in time | $ 3,618,147 | $ 41,695 | $ 3,659,842 |

B.Contract liabilities

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

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities: | | | |
| Contract liabilities – advance sales receipts | $ 153,623 | $ 207,250 | $ 125,525 |

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | $ 174,339 | $ 104,498 |

(20) Interest income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 21,058 | $ 8,077 |

(21) Other income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental revenue | $ 1,200 | $ 1,200 |
| Other income | 7,583 | 4,708 |
| | $ 8,783 | $ 5,908 |

(22) Other gains and losses

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Net currency exchange (losses) gains | ($ 18,829) | $ 27,641 |
| Gains on disposals of property, plant and equipment | 21,047 | 81,378 |
| Depreciation on investment property | ( 93) | ( 102) |
| Other losses | ( 442) | ( 46) |
| | $ 1,683 | $ 108,871 |

(23) Finance costs

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | $ 106 | $ 90 |
| Bonds payable | 655 | 694 |
| Lease liabilities | 6,204 | 6,893 |
| Others | 7,410 | 5,924 |
| | $ 14,375 | $ 13,601 |

(24) Expenses by nature

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Employee benefit expenses | $ 1,004,771 | $ 1,203,827 |
| Depreciation expenses | 204,006 | 191,684 |
| Amortisation expenses on intangible assets | 8,740 | 5,181 |

(25) Employee benefit expense

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Wages and salaries | $ 837,398 | $ 1,011,619 |
| Share-based payments | - | 2,420 |
| Labour and health insurance fees | 72,976 | 69,574 |
| Pension costs | 36,333 | 35,378 |
| Other personnel expenses | 58,064 | 84,836 |
| | $ 1,004,771 | $ 1,203,827 |

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 within subsidiaries and associates.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $5,897 and $72,175, respectively; while directors' remuneration was accrued at $737and $9,022, respectively. The aforementioned amounts was recognised in salary expense and other expenses. The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 1%, 8% and 1% of earnings for the years ended December 31, 2023 and 2022, respectively.

Employees' compensation of $72,175 and directors' remuneration of $9,022 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.

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".

(26) Income tax

A. Income tax expense

Components of income tax expense:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | $ - | $ - |
| Total current tax | - | - |
| Deferred tax: | | |
| Total deferred tax | - | - |
| Income tax expense | $ - | $ - |

B. Reconciliation between income tax expense and accounting profit:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Tax calculated based on gain before tax and statutory tax rates | $ 13,415 | $ 164,199 |
| Tax exempt income by tax regulation | ( 19,679) | ( 80,718) |
| Temporary differences not recognised as deferred tax | - | - |
| Tax losses not recognised as deferred tax | 6,264 | - |
| Change in assessment of realisation of deferred tax assets | - | ( 83,481) |
| Income tax expense | $ - | $ - |

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

| | 2023 | | |
|---|---|---|---|
| | January 1 | Recognised in profit or loss | December 31 |
| Deferred tax assets: | | | |
| Temporary differences: | | | |
| Unrealised loss on inventory valuation | $ 12,101 | $ 1,877 | $ 13,978 |
| Pension liability | 24,447 | ( 2,783) | 21,664 |
| Others | 13,337 | 3,651 | 16,988 |
| Tax losses | 49,248 | ( 2,745) | 46,503 |
| Total | $ 99,133 | $ - | $ 99,133 |

| | 2022 | | |
|---|---|---|---|
| | January 1 | Recognised in profit or loss | December 31 |
| Deferred tax assets: | | | |
| Temporary differences: | | | |
| Unrealised loss on inventory valuation | $ - | $ 12,101 | $ 12,101 |
| Pension liability | 35,031 | ( 10,584) | 24,447 |
| Others | 9,420 | 3,917 | 13,337 |
| Tax losses | 54,682 | ( 5,434) | 49,248 |
| Total | $ 99,133 | $ - | $ 99,133 |

D. Expiration dates of unused tax losses and tax losses not recognised as deferred tax assets are as follows:

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognised tax losses | Expiry year |
| 2017 | $ 902,192 | $ 549,183 | $ 316,668 | 2027 |
| 2021 | 1,772,210 | 1,772,210 | 1,772,210 | 2031 |
| 2023 | 17,593 | 17,593 | 17,593 | 2033 |

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognised tax losses | Expiry year |
| 2017 | $ 902,192 | $ 426,578 | $ 180,339 | 2027 |
| 2021 | 1,690,349 | 1,690,349 | 1,690,349 | 2031 |

E. The amounts of deductible temporary difference that were not recognised as deferred tax assets are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | $ 77,898 | $ 95,861 |

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(27) Earnings per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders | $ 67,703 | 333,211 | $ 0.20 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 226 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | $ 67,703 | 333,437 | $ 0.20 |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders | $ 820,995 | 332,171 | $ 2.47 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Convertible bonds | 3613 | 5,324 | |
| Employees' compensation | - | 875 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | $ 824,608 | 338,370 | $ 2.44 |

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

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | $ 875,023 | $ 709,994 |
| Add: Beginning balance of payables on equipment | 44,537 | 8,621 |
| Less: Ending balance of payables on equipment | ( 60,842) | ( 44,537) |
| Less: Capitalisation of interests | ( 7,691) | ( 6,281) |
| Cash paid during the year | $ 851,027 | $ 667,797 |

B. Financing activities with no cash flow effects:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Convertible bonds being converted to capital stocks | $ 893 | $ 24,388 |

(29) Changes in liabilities from financing activities

| | Lease liabilities | Bonds payable | Liabilities from financing activities |
|---|---|---|---|
| At January 1, 2023 | $350,960 | $1,071,621 | $ 1,422,581 |
| Changes in cash flow from financing activities | ( 17,989) | - | ( 17,989) |
| Interest paid | ( 6,204) | - | ( 6,204) |
| Interest expense | 6,204 | 655 | 6,859 |
| Option exercised | - | ( 900) | ( 900) |
| Discount on bonds payable | - | 7 | 7 |
| Change in other non-cash items | ( 16,256) | 7,691 | ( 8,565) |
| At December 31, 2023 | $316,715 | $1,079,074 | $ 1,395,789 |

| | Short-term borrowings | Lease liabilities | Bonds payable | Liabilities from financing activities |
|---|---|---|---|---|
| At January 1, 2022 | $ 217,510 | $369,110 | $ 112,703 | $ 699,323 |
| Changes in cash flow from financing activities | ( 217,510) | ( 18,808) | 1,244,298 | 1,007,980 |
| Interest paid | - | ( 6,893) | - | ( 6,893) |
| Interest expense | - | 6,893 | 694 | 7,587 |
| Warrants on bonds payable | - | - | ( 267,416) | ( 267,416) |
| Option exercised | - | - | ( 24,800) | ( 24,800) |
| Discount on bonds payable | - | - | 413 | 413 |
| Change in other non-cash items | - | 658 | 5,729 | 6,387 |
| At December 31, 2022 | $ - | $350,960 | $1,071,621 | $ 1,422,581 |

## 7. Related Party Transactions

### (1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| Episil-Precision Inc. | The Company’s subsidiary |
| Episil Technologies Inc. (SHANGHAI) | The Company’s indirect subsidiary |
| Precision Silicon Japan Co., Ltd. | The Company’s indirect subsidiary |
| Taiwan Hi-Tech Corp. | The Company’s associate |
| Hermes- Epitek Corporation | The Company’s director |

(2) Significant related party transactions

A. Operating revenue

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Sales of goods: | | |
| -Episil Technologies Inc. (SHANGHAI) | $ 311,127 | $ 578,305 |
| -Subisidiaries | 10,518 | 12,600 |
| -Other related parties | 322 | 1,270 |
| | $ 321,967 | $ 592,175 |

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

B. Purchases

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Purchases of goods: | | |
| -Episil-Precision Inc. | $ 243,437 | $ 596,564 |
| -Other related parties | 150 | 350 |
| | $ 243,587 | $ 596,914 |

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 receivables: | | |
| -Episil Technologies Inc. (SHANGHAI) | $ 7,676 | $ 5,905 |
| -Precision Silicon Japan Co., Ltd | 3,874 | 695 |
| -Subsidiaries | - | 125 |
| -Other related parties | - | 310 |
| | $ 11,550 | $ 7,035 |
| Other receivables: | | |
| -Episil-Precision Inc. | $ 4,299 | $ 5,028 |

The receivables from related parties arise mainly from sale transactions. The receivables are due 2 months after the date of sale. The receivables are unsecured in nature and bear no interest. There are no loss allowance against receivables from related parties.

D. Payables to related parties

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payables: | | |
| -Episil-Precision Inc. | $ 67,271 | $ 181,084 |
| -Other related parties | 92 | - |
| | $ 67,363 | $ 181,084 |
| Other payables: | | |
| -Episil-Precision Inc. | $ 42,534 | $ 35,187 |
| -Other related parties | 7 | 618 |
| -Associates | 157 | - |
| | $ 42,698 | $ 35,805 |

The payables to related parities arise mainly from purchase of goods and services, and payable 3 months after the date of purchase. The payables bear no interest.

E. Others

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Service revenue: | | |
| -Episil-Precision Inc. | $ 9,913 | $ 11,317 |
| Processing cost: | | |
| -Episil-Precision Inc. | $ 71,597 | $ 92,014 |

The abovementioned sales of services refer to revenues arising from rendering administrative management resources and management services by the Company to the subsidiaries. Prices and terms are determined based on mutual agreement.

(3) Key management personnel compensation

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 57,495 | $ 34,596 |
| Post-employment benefits | 840 | 108 |
| | $ 58,335 | $ 34,704 |

8. Pledged Assets

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

| Pledged asset | Book value December 31, 2023 | | Book value December 31, 2022 | | Purpose |
|---|---|---|---|---|---|
| Pledged time deposits (shown as "Non-current financial assets at amortised cost") | $ | 16,858 | $ | 17,026 | Customs deposits, guarantee deposits for leases |
| Pledged time deposits (shown as "Non-current financial assets at amortised cost") | | 167,820 | | 168,000 | Guarantee for convertible bonds |
| | $ | 184,678 | $ | 185,026 | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. 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 | $ | 423,143 | $ | 1,032,943 |

B. To expand production capacity by acquiring equipment, the Company entered into a production capacity guarantee agreement with the specific customer. In accordance with the agreement, a prepayment of US$1,500 thousand shall be paid by the customer. The Company will refund the prepayment on a regular basis according to the agreed terms and capacity conditions.

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Production capacity guarantee agreement (shown as"Other current liabilities") | $ | 11,791 | $ | 20,902 |

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

For the 2023 earnings distribution proposal, please refer to note 6(17).

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 reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital or issue new shares to shareholders in order to achieve the most appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at amortised cost | | | | |
| Cash and cash equivalents | $ | 1,172,203 | $ | 1,749,040 |
| Financial assets at amortised cost | | 184,678 | | 185,026 |
| Notes receivable | | 4,744 | | 27,324 |
| Accounts receivable (including related parties) | | 268,728 | | 324,815 |
| Other receivable (including related parties) | | 22,658 | | 35,265 |
| Refundable guarantee deposits | | 1,133 | | 726 |
| | $ | 1,654,144 | $ | 2,322,196 |

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Financial liabilities at amortised cost | | | | |
| Accounts payable (including related parties) | $ | 164,314 | $ | 315,786 |
| Other payables (including related parties) | | 436,017 | | 517,283 |
| Bonds payable (including current portion) | | 1,079,074 | | 1,071,621 |
| | $ | 1,679,405 | $ | 1,904,690 |
| Lease liabilities | $ | 316,715 | $ | 350,960 |

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. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(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 foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up policies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure 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 are adopted to minimise the volatility of the foreign exchange.

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

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 19,312 | 30.71 | $ 593,041 |
| RMB:NTD | 9,525 | 4.325 | 41,195 |
| Non-monetary items: None. | | | |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 4,943 | 30.71 | $ 151,800 |
| JPY:NTD | 20,130 | 0.2176 | 4,380 |
| Non-monetary items: None. | | | |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | | Book value (NTD) |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 27,665 | 30.72 | $ | 849,869 |
| JPY:NTD | | 7,621 | 0.2327 | | 1,773 |
| RMB:NTD | | 15,630 | 4.4060 | | 68,864 |
| Non-monetary items: None. | | | | | |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 3,690 | 30.72 | $ | 113,361 |
| JPY:NTD | | 19,305 | 0.2327 | | 4,492 |
| RMB:NTD | | 567 | 4.4060 | | 2,500 |
| 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 ($18,829) and $27,641, respectively.

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

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Change in exchange rate | | Effect on profit (loss) | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | $ | 5,930 | $ | - |
| RMB:NTD | 1% | | 412 | | - |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | 1% | ($ | 1,518) | $ | - |
| JPY:NTD | 1% | ( | 44) | | - |

| | December 31, 2022 | | |
|---|---|---|---|
| | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 8,499 | $ - |
| JPY:NTD | 1% | 18 | - |
| RMB:NTD | 1% | 689 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 1,134) | $ - |
| JPY:NTD | 1% | ( 45) | - |
| RMB:NTD | 1% | ( 25) | - |

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from short-term borrowings with floating rates, which expose the Company to cash flow interest rate risk.

ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(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 with an optimal rating and financial institutes with investment grade are accepted. According to the Company's credit policy, each 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 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 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 Company categorised accounts receivable in accordance with credit risk and applied the modified approach using a provision matrix to estimate the expected credit loss.

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

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

| | Not past due | Up to 30 days past due | 31~90 days past due | 91~180 days past due | over 180days past due | Total |
|---|---|---|---|---|---|---|
| At December 31, 2023 | | | | | | |
| Expected loss rate | 0~0.1% | 0.01~0.44% | 0.01~6.68% | 0.01~38.52% | 100% | |
| Total book value | $ 245,259 | $ 24,652 | $ 623 | $ - | $ 4,441 | $ 274,975 |
| Loss allowance | $ - | $ 1,764 | $ 42 | $ - | $ 4,441 | $ 6,247 |
| At December 31, 2022 | | | | | | |
| Expected loss rate | 0~0.1% | 0.01~0.17% | 0.01~4.62% | 0.01~30.12% | 100% | |
| Total book value | $ 300,287 | $ 22,515 | $ 2,954 | $ 1,693 | $ 3,613 | $ 331,062 |
| Loss allowance | $ - | $ 1,987 | $ 137 | $ 510 | $ 3,613 | $ 6,247 |

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

| | 2023 |
|---|---|
| | Accounts receivable |
| At January 1/ December 31 | $ 6,247 |

| | 2022 |
|---|---|
| | Accounts receivable |
| At January 1 | $ 11,503 |
| Write-off | ( 5,256) |
| At December 31 | $ 6,247 |

(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 (where applicable) 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 will be appropriately used and invested. The chosen instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii. The Company has the following undrawn borrowing facilities:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ 210,000 | $ 210,000 |
| Fixed rate: | | |
| Expiring within one year | 1,000,000 | 1,270,429 |
| | $ 1,210,000 | $ 1,480,429 |

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

| Non-derivative financial liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| Accounts payable (including related parties) | $ 164,314 | $ - | $ - | $ - |
| Other payables (including related parties) | 436,017 | - | - | - |
| Lease liabilities | 24,350 | 24,087 | 70,110 | 248,909 |
| Bonds payable | 89,100 | 1,000,000 | - | - |

| Non-derivative financial liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Accounts payable (including related parties) | $ 315,786 | $ - | $ - | $ - |
| Other payables (including related parties) | 517,283 | - | - | - |
| Lease liabilities | 25,030 | 25,030 | 73,568 | 287,151 |
| Bonds payable | - | 90,000 | 1,000,000 | - |

Derivative financial liabilities :

As of December 31, 2023 and 2022, the Company has no derivative financial liabilities.

v. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expects the actual cash flow amount will be significantly different.

(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. The fair value of the Company’s investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. 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, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 1,079,074 | $ - | $ 1,071,365 | $ - |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | $ 1,071,621 | $ - | $ 1,054,846 | $ - |

(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.

C. The related information of financial and non-financial instruments measured at fair value: None.

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

E. For the years ended December 31, 2023 and 2022, the Company has no Level 3 financial instruments.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2

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

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

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

(2) Information on investee

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

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to Note 8.

14. Segment Information

In accordance with IFRS 8, 'Operating segments', segment information is exempt from disclosing in the parent company only financial statements but would be disclosed in the consolidated financial statements.

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

STATEMENT 1

| Items | Summary | Amount |
|---|---|---|
| Cash on hand and revolving funds | | $ 138 |
| Demand deposits | | |
| -NTD | TWD | 152,637 |
| -USD | USD 11,996 thousand, conversion rate 30.71 | 368,383 |
| -JPY | JPY 491 thousand, conversion rate 0.2176 | 107 |
| -CNY | CNY 524 thousand, conversion rate 4.325 | 2,266 |
| -HKD | HKD 16 thousand, conversion rate 3.93 | 63 |
| -EUR | EUR 1 thousand, conversion rate 33.96 | 21 |
| -GBP | GBP 5 thousand, conversion rate 39.15 | 180 |
| Time deposits | | |
| -NTD | TWD | 600,383 |
| -CNY | CNY 9,000 thousand, conversion rate 4.325 | 38,925 |
| Cash equivalents - Bonds sold under repurchase agreements | TWD | 9,100 |
| | | $ 1,172,203 |

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

STATEMENT 2

| Client Name | Amount | Note |
|---|---|---|
| General customers: | | |
| 9887 Company | $ 49,548 | |
| 5203 Company | 35,536 | |
| 4643 Company | 34,540 | |
| 7183 Company | 32,663 | |
| 3655 Company | 32,170 | |
| 12308 Company | 24,652 | |
| 13509 Company | 20,533 | |
| Others | 33,783 | The balance of each customer has not exceeded 5% of the accounts receivable |
| | 263,425 | |
| Less: Loss allowance | ( 6,247) | |
| | $ 257,178 | |
| Related parties： | | |
| Episil Technologies Inc. (SHANGHAI) | $ 7,676 | |
| Precision Silicon Japan Co., Ltd. | 3,874 | |
| | 11,550 | |
| | $ 268,728 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF INVENTORY
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

| Item | Description | Amount: Cost | Amount: Market price | Note |
|---|---|---|---|---|
| Raw materials | | $ 244,098 | $ 244,748 | Use the net realisable value as market price |
| Supplies | | 167,180 | 168,863 | " |
| Work in process | | 221,656 | 274,799 | " |
| Finished goods | | 110,775 | 138,025 | " |
| Subtotal | | 743,709 | $ 826,435 | |
| Less: Allowance for valuation loss | | ( 69,886) | | |
| Total | | $ 673,823 | | |

# EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
## MOVEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
## FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

| | Opening balance | | Additions (reductions) | | Investment (loss) profit | Ending balance | | | Market price or value per share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Number of shares | Amount | Number of shares | Amount (Note 1) | Amount | Number of shares | Ownership (%) | Amount | Price (in NTD) | Total price | Guarantee/ pledge | Note |
| Episil-Precision Inc. | 166,961,680 | $ 3,073,890 | - | ($ 330,107) | $ 95,395 | 166,961,680 | 57.86% | $ 2,839,178 | $ - | $ 2,839,178 | None | None |
| Wei Nuo Investment Inc. | 15,000,000 | 99,303 | - | ( 2,733) | 5,224 | 15,000,000 | 100.00% | 101,794 | - | 101,794 | None | None |
| Taiwan Hi-Tech Corp. | 17,093,398 | 171,563 | - | ( 1,131) | 2,227 | 17,093,398 | 37.49% | 172,659 | - | 172,659 | None | None |
| Total | | $ 3,344,756 | | ($ 333,971) | $ 102,846 | | | $ 3,113,631 | | $ 3,113,631 | | |

Note 1: Including dividends received from subsidiaries and associates accounted for using equity method of $339,909, changes in ownership interest in subsidiaries and associates of ($525), share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method of $7,830 and other equity interest of ($1,367).

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

STATEMENT 5

| Item | Beginning Balance | Additions | Deductions | Transfers | Ending balance | Collateral | Note |
|---|---|---|---|---|---|---|---|
| Buildings and structures | $ 2,402,098 | $ 53,018 | ($ 20,938) | $ 12,104 | $ 2,446,282 | None | - |
| Machinery and equipment | 4,404,290 | 155,832 | ( 57,672) | 111,134 | 4,613,584 | None | - |
| Computer and telecommunication equipment | 61,642 | 14,273 | - | 3,430 | 79,345 | None | - |
| Transportation equipment | 665 | 1,200 | - | - | 1,865 | None | - |
| Office equipment | 2,527 | - | - | - | 2,527 | None | - |
| Other equipment | 74,457 | - | ( 496) | - | 73,961 | None | - |
| Construction in progress and equipment to be inspected | 688,462 | 650,700 | - | ( 126,668) | 1,212,494 | None | - |
| | $ 7,634,141 | $ 875,023 | ($ 79,106) | $ - | $ 8,430,058 | | |

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

STATEMENT 6

| Item | Beginning Balance | Additions | Deductions | Transfers | Ending balance |
|---|---|---|---|---|---|
| Buildings and structures | ($ 1,683,863) | ($ 35,694) | $ 16,715 | $ - | ($ 1,702,842) |
| Machinery and equipment | ( 3,786,000) | ( 136,583) | 48,216 | - | ( 3,874,367) |
| Computer and telecommunication equipment | ( 33,064) | ( 11,552) | - | - | ( 44,616) |
| Transportation equipment | ( 664) | - | - | - | ( 664) |
| Office equipment | ( 2,527) | - | - | - | ( 2,527) |
| Other equipment | ( 74,457) | - | 496 | - | ( 73,961) |
| | ($ 5,580,575) | ($ 183,829) | $ 65,427 | $ - | ($ 5,698,977) |

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

STATEMENT 7

| Item | Beginning Balance | Additions | Deductions | Transfers | Ending balance |
|---|---|---|---|---|---|
| Buildings and structures | ($ 380,095) | $ - | $ 4,223 | $ - | ($ 375,872) |
| Machinery and equipment | ( 263,286) | - | 9,456 | - | ( 253,830) |
| Computer and telecommunication equipment | - | - | - | - | - |
| Transportation equipment | ( 1) | - | - | - | ( 1) |
| Office equipment | - | - | - | - | - |
| Other equipment | - | - | - | - | - |
| | ($ 643,382) | $ - | $ 13,679 | $ - | ($ 629,703) |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
MOVEMENT OF RIGHT-OF-USE ASSET COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

| Item | Beginning Balance | Additions | Deductions | Ending balance | Note |
|---|---|---|---|---|---|
| Land | $ 258,230 | $ - | $ - | $ 258,230 | |
| Buildings and structures | 147,004 | 4,855 | ( 21,111) | 130,748 | |
| | $ 405,234 | $ 4,855 | ($ 21,111) | $ 388,978 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
MOVEMENT OF ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSET
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

| Item | Beginning Balance | Additions | Deductions | Ending balance | Note |
|---|---|---|---|---|---|
| Land | $ 45,179 | $ 11,576 | $ - | $ 56,755 | |
| Buildings and structures | 21,429 | 8,508 | - | 29,937 | |
| | $ 66,608 | $ 20,084 | $ - | $ 86,692 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF LEASE LIABILITY
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

| Item | Description | Lease period | Rate | Ending balance | Note |
|---|---|---|---|---|---|
| Land | Hsinchu | 2000/4/30~2042/4/30 | 1.92% | $ 211,336 | |
| Buildings and structures | Hsinchu | 2020/1/1~2040/8/14 | 1.50%~2.10% | 105,379 | |
| | | | | 316,715 | |
| Less: Current portion | | | | ( 18,477) | |
| | | | | $ 298,238 | |

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

STATEMENT 11

| Vendor Name | Amount | Note |
|---|---|---|
| General vendors: | | |
| 1569678 Company | $ 7,835 | |
| 1847596 Company | 5,903 | |
| 274528 Company | 5,231 | |
| Others | 77,982 | The balance of each vendor account has not exceeded 5% of the accounts payable |
| | 96,951 | |
| Related parties： | | |
| Episil-Precision Inc. | 67,271 | |
| Hermes- Epitek Corporation | 92 | |
| Total | $ 164,314 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

| Bonds Name | Trustee | Issue Date | Interest Payment Date | Rate | Amount: Total issuance amount | Amount: Converted amount | Amount: Ending balance | Amount: Unamortised premiums (discounts) | Amount: Book value | Repayment Term | Collateral | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The third-time domestic secured convertible bonds | KGI Securities Co., Ltd. | 2021.6.22 | - | 0.00% | $ 600,000 | $ 510,900 | $ 89,100 | ($ 328) | $ 88,772 | Note | Bank deposits | |
| The fourth-time domestic secured convertible bonds | KGI Securities Co., Ltd. | 2022.4.7 | - | 0.00% | 1,000,000 | - | 1,000,000 | ( 9,698) | 990,302 | Note | Bank deposits | |
| Current portion of corporate bonds | | | | | - | - | - | - | ( 88,772) | | | |
| | | | | | $1,600,000 | $ 510,900 | $1,089,100 | ($ 10,026) | $ 990,302 | | | |

Note: The Company will repay the bonds to bond holders in full by cash at face value at maturity.

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

STATEMENT 13

| Item | Volume | Amount | Note |
|---|---|---|---|
| Operating Revenue, Net: | | | |
| IC | 286,737 pieces | $ 3,164,763 | |
| Others | | 35,797 | |
| | | 3,200,560 | |
| Less: | | | |
| Sales discounts and allowances | | ( 41,858) | |
| | | $ 3,158,702 | |

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

STATEMENT 14

| Iterm | Amount | |
|---|---|---|
| Direct material | | |
| Beginning balance of raw materials | $ | 227,601 |
| Add: Materials purchased during the period | | 761,237 |
| Less: Ending balance of raw materials | ( | 244,098) |
| Raw materials sold | ( | 7,982) |
| Reclassified as expenses | ( | 51,526) |
| Consumption of materials for the period | | 685,232 |
| Direct supplies | | |
| Beginning balance of supplies | | 157,476 |
| Add: Supplies purchased during the period | | 322,023 |
| Transferred from expenses | | 1,913 |
| Less: Ending balance of supplies | ( | 167,180) |
| Supplies sold | ( | 2,297) |
| Supplies used | | 311,935 |
| Direct labor | | 231,673 |
| Manufacturing expense | | 1,369,482 |
| Manufacturing cost | | 2,598,322 |
| Beginning balance of work in progress | | 334,744 |
| Less: Reclassified as other operating costs | ( | 370) |
| Ending balance of work in progress | ( | 221,656) |
| Cost of goods manufactured | | 2,711,040 |
| Add: Beginning balance of finished goods | | 233,384 |
| Less: Ending balance of finished goods | ( | 110,775) |
| Reclassified as expenses | ( | 150) |
| Reclassified as other operating costs | ( | 4,659) |
| Deduction in manufacturing costs | ( | 300) |
| Cost of goods sold | | 2,828,540 |
| Add: Cost of work in progress and finished goods sold | | 5,029 |
| Inventory valuation loss | | 9,383 |
| Cost of raw materials and supplies sold | | 10,279 |
| Total operating costs | $ | 2,853,231 |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 15

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 430,104 | |
| Utilities expenses | | 295,273 | |
| Depreciation expense | | 192,459 | |
| Repair expense | | 137,597 | |
| Processing fees | | 84,266 | |
| Others | | 229,783 | The balance of each expense account has not exceeded 5% of the manufacturing expenses |
| | | $ 1,369,482 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF SELLING AND MARKETING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 16

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 22,571 | |
| Management fees of science parks | | 6,056 | |
| Freight and miscellaneous expenses | | 2,325 | |
| Labor and health insurance fees | | 2,044 | |
| Other | | 4,209 | The balance of each expense account has not exceeded 5% of the selling and marketing expenses |
| | | $ 37,205 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 17

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 114,643 | |
| Other miscellaneous expenses | | 18,637 | |
| Other | | 53,681 | expense account has not exceeded 5% of the general and administrative expenses |
| | | $ 186,961 | |

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 18

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 82,307 | |
| Engineering testing fees | | 30,087 | |
| Other | | 21,833 | The balance of each expense account has not exceeded 5% of the research and development expenses |
| | | $ 134,227 | |

# EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
## SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION
## FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

STATEMENT 19

| Function / Nature | Year ended December 31, 2023 | | | | Year ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Classified as other non-operating income and expenses | Total | Classified as operating costs | Classified as operating expenses | Classified as other non-operating income and expenses | Total |
| Employee benefits expense | | | | | | | | |
| Wages and salaries | $ 617,877 | $ 219,521 | $ - | $ 837,398 | $ 818,934 | $ 192,685 | $ - | $ 1,011,619 |
| Share-based payments | - | - | - | - | 1,879 | 541 | - | 2,420 |
| Labour and health insurance fees | 55,848 | 17,128 | - | 72,976 | 57,142 | 12,432 | - | 69,574 |
| Pension costs | 27,295 | 9,038 | - | 36,333 | 28,745 | 6,633 | - | 35,378 |
| Directors' remuneration | - | 2,730 | - | 2,730 | - | 10,702 | - | 10,702 |
| Other personnel expenses | 45,490 | 9,844 | - | 55,334 | 64,400 | 9,734 | - | 74,134 |
| Depreciation expenses | 192,459 | 11,454 | 93 | 204,006 | 184,678 | 6,904 | 102 | 191,684 |
| Amortisation expenses | 7,599 | 1,141 | - | 8,740 | 2,961 | 2,220 | - | 5,181 |

A. As at December 31, 2023 and 2022, the Company had 860 and 909 employees, including 7 and 8 non-employee directors, respectively.

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

(a) Average employee benefit expense in current year $1,175.
Average employee benefit expense in previous year 1,324.

(b) Average employees salaries in current year $982.
Average employees salaries in previous year $1,123.

(c) Adjustments of average employees salaries decrease 12.6%.

(d) The Company set audit committee, therefore, there was no supervisors' remuneration.

(e) Performance assessment and remunerations of directors and managers are determined based on a general pay level within the same industry taken into consideration personal working hours, job responsibilities, personal goal achievements and performances on other positions, remunerations that the Company paid to the same position in recent years, achievements of the Company's short-term and long-term business targets and the Company's financial condition in order to evaluate whether the individual performance and the Company's operating performance were linked to future risks reasonably. The Company's remuneration policies were made referring to a pay level within the same industry, the Company's operation development and the competition of labor market, which were not lower than the average pay level with the same industry. Personal salary is confidential.

VII、Financial insolvency incidents encountered by the Company and affiliates for the most recent years, up till the printing date of this annual report: None.

# Seven、Review and analysis of financial position and financial performance and risk issues

## I. Financial situation and analysis

Unit: NT$ thousands

| Item \ Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Assets | 6,473,809 | 8,203,210 | (1,729,401) | (21) |
| Fixed Assets | 4,141,976 | 3,439,130 | 702,846 | 20 |
| Intangible Assets | 51,822 | 57,025 | (5,203) | (9) |
| Other Assets | 1,125,395 | 1,149,141 | (23,746) | (2) |
| **Total Assets** | 11,793,002 | 12,848,506 | (1,055,504) | (8) |
| Current Liabilities | 2,024,501 | 2,509,394 | (484,893) | (19) |
| Long-term Liabilities | 2,198,997 | 2,350,457 | (151,460) | (6) |
| **Total Liabilities** | 4,223,498 | 4,859,851 | (636,353) | (13) |
| Equity attributable to shareholders of the parent | 5,526,162 | 5,774,064 | (247,902) | (4) |
| Capital stock | 3,332,157 | 3,332,035 | 122 | 0 |
| Capital surplus | 1,538,468 | 1,538,222 | 246 | 0 |
| Retained Earnings | 754,660 | 1,005,623 | (250,963) | (25) |
| Other Equity | (99,123) | (101,816) | 2,693 | (3) |
| Treasury stock | 0 | 0 | 0 | 0 |
| Non-controlling interests | 2,043,342 | 2,214,591 | (171,249) | (8) |
| **Total Stockholders' Equity** | 7,569,504 | 7,988,655 | (419,151) | (5) |

Analysis of changes in amount: (Not required if the difference does not exceed 20% and NT10 Million)

1. Current Assets: Due to the decrease in accounts receivable and inventory due to the purchase of real estate, plant and equipment, the payment of cash dividends and the decrease in revenue.
2. Fixed Assets: Caused by additional assets due to expansion of production .
3. Retained Earnings : Due to the distribution of dividends for 2022.

## II. Analysis of Financial Performance

Unit: NT$ thousands

| Year / Item | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Operating Revenue | 7,080,216 | 8,879,881 | (1,799,665) | (20) |
| Gross Profit | 809,484 | 1,735,994 | (926,510) | (53) |
| Operating Income | 135,612 | 1,102,556 | (966,944) | (88) |
| Non-operating Income and Expenses | 44,260 | 183,982 | (139,722) | (76) |
| Income Before Tax | 179,872 | 1,286,538 | (1,106,666) | (86) |
| Net Income from continuing Operations | 136,199 | 1,106,087 | (969,888) | (88) |
| Net Income | 136,199 | 1,106,087 | (969,888) | (88) |
| Other Comprehensive income | 20,640 | (8,050) | 28,690 | (356) |
| Total Comprehensive income | 156,839 | 1,098,037 | (941,198) | (86) |

1.Analysis of changes in amount: (Not required if the difference does not exceed 20% and NT10 Million)

(1) Operating Revenue : Due to the impact of rising global inflation on terminal demand and the lower than expected inventory depletion after the epidemic.

(2) Gross Profit、Operating Income、Income Before Tax、Net Income from continuing Operations、Net Income and Total Comprehensive income : The main reason is that the demand in the semiconductor market is not as good as expected, and the increase in idle production capacity has led to a decrease in gross profit.

(3) Non-operating Income and Expenses : Due to exchange losses incurred during the period and the sale of real estate, plant and equipment.

(4) Other Comprehensive income : Due to the increase in the net value of financial assets measured at fair value through other comprehensive gains and losses in the current period.

2. Expectation of sales amount and the reason, and the plan and influence of the company financial: Under the general trend of energy conservation and carbon reduction, it is expected that the demand for semiconductor green energy and electric vehicles will still have growth momentum in the future. The company will continue to invest in the development of next-generation technologies, expand the production capacity of niche products, and strive to improve quality, increase production efficiency, inventory control, etc., to enhance operating performance.

## III. Cash Flow Analysis

### (I) Cash Flow Analysis

1. Analysis of the change in cash flows for the most recent year

Unit；NT$ thousands

| Cash and Cash Equivalents, Beginning of Year | Net Cash Flow from Operating Activities | Cash Outflow | Cash Surplus (Deficit) | Leverage of Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financing Plans |
| 4,734,214 | 760,378 | 1,963,086 | 3,531,506 | - | - |
| (1) Analysis of the change in cash flow in the next year: None | | | | | |

Analysis of the Change in Cash Flow:

(1) Operating activities: Net cash inflow is mainly due to increase in operating profit.

(2) Investing activities: Net cash outflow is mainly due to acquisition of property, plant and equipment and intangible assets

(3) Financing activities: Net cash outflow is mainly due to distribution of cash dividends.

2.Under-Liquidity Improvement Plan: Not applicable.

## IV. Major capital expenditures during the most recent fiscal year:

The increase in real estate, plant and equipment of the Company and its subsidiaries in 2023 is mainly due to the purchase of machinery and equipment for the normal operation of the Company, which has no adverse impact on the Company's financial business.

## V. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(I) Investment policy for the most recent fiscal year: The Company's investment is mainly based on strategic planning in consideration of business needs in the long term, with the aim to achieve better revenue and profit.

(II) The main reasons for the profits or losses, improvement plans: The Company encountered investment loss as sales did not meet expectations. In addition, the Company will consider various factors and adopt appropriate management policies for invested companies with poor operations or performance in order to improve management performance and control investment losses.

(III) Investment plans for the coming year: The Company will formulate the investment plan based on its business deployment.

## VI. Risk Management：

1. The impact of interest rates, exchange rate changes, inflation on the company's profit and loss and future measures:

(1) The impact of interest rate changes and future countermeasures

The risk of interest rate changes of the company and its subsidiaries mainly comes from long-term and short-term bank loans. The interest expense of bank loans in 2023 is NT$19,329,000. If the borrowing rate in New Taiwan dollars or US dollars increases by 25 basis points (0.25%) in 2023, the interest expense will increase by NT$534,000; the company and its subsidiaries maintain good credit relationship with banks, and regularly evaluate bank borrowing rates. Monitor changes in market interest rates at any time, and keep in close contact with banks to strive for preferential lending rates, and take necessary measures in a timely manner to avoid the risk of rising interest rates. Therefore, changes in interest rates should not have a significant impact on the revenue and profits of the company and its subsidiaries.

(2) Impact of exchange rate changes and future countermeasures:

The main business items of the company and its subsidiaries are the development, design, manufacturing and sales of related products such as power semiconductors and analog integrated circuit epitaxy and wafer foundry. The foreign currency transactions generated by operating activities are mainly in US dollars, so the main exchange rate risk Due to the risk of exchange rate changes between the U.S. dollar and the New Taiwan dollar, the exchange rate for 2023 is NT$27,851,000. The company and its subsidiaries regularly evaluate and monitor and adjust the net foreign exchange position, and conduct derivative financial product transactions for the purpose of hedging when necessary , so the exchange gains and losses are within the controllable range, and the impact on the overall profits and losses of the company and its subsidiaries is limited.

(3)The impact of inflation and future countermeasures:

The main business items of the Company and its subsidiaries are the manufacture and foundry of power semiconductors and analog integrated circuits, the price of raw materials is not greatly affected by inflation factors, and the Company and its subsidiaries maintain a good interactive relationship with suppliers and customers, and pay attention to the fluctuation of raw material market prices at any time to reduce the impact of cost and quotation changes on the profit and loss of the Company and its subsidiaries, so overall inflation has no significant impact on the Company and its subsidiaries.

2. Policies for engaging in high-risk, high-leverage investments, capital loans with others, endorsement guarantees and derivatives transactions, the main reasons for profit or loss and future countermeasures:

The company and its subsidiaries have not engaged in high-risk, high-leverage investments, capital loans to others and derivatives transactions, and have endorsed and guaranteed the subsidiaries based on the principle of effective use of the group's resources. The relevant operations are in accordance with the company and its subsidiaries The endorsement guarantee operating procedures and relevant regulations are handled, and the industry is announced on a monthly basis in the public information observatory for investors' reference. In addition, the internal management regulations of the company and its subsidiaries in accordance with the relevant laws and regulations of the competent authorities include "procedures for dealing with derivatives", "procedures for acquiring or disposing of assets", "management procedures for capital lending to others", "endorsement guarantee operations" method", to be followed as a related operation.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

(1)The estimated R&D expenditure in 2024 is about NT$167 million

(2)Research and development work to be carried out in the future

A. 8" GaN-on-Si medium and low voltage epitaxial technologies.

B. 8" SiC-on-SiC epitaxial technologies.

C. GaN-on-Engineered substrates epitaxial technologies.

D. 6” SiC G3 platform development.

E. GaN power semiconductor components combined with IC process

F. SiC Schottky Diode 3300V process

G. SiC MOSFET 3300V process

H. Low Capacitor, Low Clamp new generation Trench TVS

I . 6” SiC G4 Platform Development

J. 6” SiC Trench Development

K. 6” high voltage Gan on Si fabrication

4. The impact of important domestic and foreign policy and legal changes on the company's financial business and countermeasures:

The company and its subsidiaries continue to pay attention to changes in domestic and foreign situations and changes in policies and laws, and the financial, accounting, auditing and other departments provide assessments, suggestions and plans for changes in important policies and laws, and coordinate the adjustment of the company's internal systems and laws. Operating activities in order to comply with laws and regulations and reduce the impact on the company's financial business. In the most recent year and up to the date of publication of the annual report, there has been no change in important domestic and foreign policies and laws, the results of which are sufficient to have a significant impact on the financial business of the Company and its subsidiaries.

5.The impact of technological changes (including information security risks) and industry changes on the company's financial business and countermeasures:

Episil and its subsidiaries keep abreast of industry changes and market trends, and pay attention to related technological developments and changes, and use more rigorous strategic planning, advanced process development, and continuous business expansion as new tools for profit. Episil has also formulated information security management specifications to ensure the confidentiality and security of the company's information assets and legal compliance, and has formulated hazard handling procedures to minimize the impact. In the most recent year and up to the date of publication of the annual report, there have been no significant technological changes (including information security risks) and industry changes, the results of which are sufficient to have a significant impact on the financial business of Episil and its subsidiaries. (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company and its subsidiaries have maintained a good corporate image and have been committed to their long-term goal of "Stable Operations" over the years.

6.The impact of corporate image change on corporate crisis management and countermeasures::

Since its establishment, Episil and its subsidiaries have actively strengthened the operation and management of the company and its subsidiaries and complied with relevant laws and regulations, in order to continue to maintain a good corporate image, with the goal of "stable operation" for a long time. In the most recent year and up to the date of publication of the annual report, there was no major change in the corporate image that caused the company to be in crisis.

7.Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: In the most recent year and as of the publication date of the annual report, the company and its subsidiaries have not conducted any mergers and acquisitions. If there is a plan for mergers and acquisitions in the future, the benefits and possible risks of mergers and acquisitions will be carefully evaluated to ensure the rights and interests of all shareholders.

8.Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken: The company has not expanded its plant in recent years as of the date of report publication.

9. Risks associated with any consolidation of sales or purchasing operations and mitigation measures being or to be taken:

The Company's largest client and its subsidiary accounts for 11.26% of net sales, indicating no consolidation of sales. The Company' s main suppliers accounted for 20% of net purchases, indicating no consolidation of purchasing operations. Meanwhile, the Company considers factors such as product quality, cost of goods purchased, and the degree of cooperation with manufacturers. In addition to long-term cooperative relationships with manufacturers, we also actively develop other new suppliers to avoid potential risks from the consolidation of purchasing operations.

10.Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands. Mitigation measures being or to be taken: In recent years, as of the date of report publication, the directors of the company or the majority shareholders who hold more than 10% of the company had made no significant transfer or replacement of shares.

11.Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

12.Litigious and non litigious matters. The directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non-litigation or administrative litigation results that may have a significant effect on the company's shareholders' equity or securities price must be fully disclosed in detail, including the cost of litigation, date of commencement of proceedings, main litigants and the current situation: None.

13. Risk management policies:

(1) Market risk: The Company and its subsidiaries invest primarily in bonds. Bonds have lower risks due to minor price fluctuations compared to stocks, while it is flexible as it can be redeemed at any time.

(2) Credit risk: The Company and its subsidiaries trade with financial institutions with excellent credit, diversifying risks by transactions with many financial institutions.

(3) Cash flow risk associated with changes in interest rates: The short-term borrowings of the Company and its subsidiaries are floating rate loans. Changes in market rate will cause fluctuations in effective interest rates of short-term and long-term loans and changes in future cash flows. The Company and its subsidiaries assess the bank borrowing interest rate on a regular basis and kept close contact with banks in order to obtain preferential borrowing rates and reduce the impact of interest rate changes on the Company' s profits/ losses.

14. Organizational structure of risk management: The Company' s risk control adopts a comprehensive risk management and control system to verify all of the Company' s risks (including market risk, credit risk and operational risk) and measure the value-at-risk, so that the Company' s management level can effectively control and measure market risks, credit risks and operational risks. As such, a risk management team was set up to be responsible for implementing risk management in accordance with relevant laws and regulations and company rules.

The Company's market risk management objectives include optimal hedging, maintaining liquidity, and managing all market risks with consideration of the economic environment, competitive status, market risks, and the impact on net interest income.

15. Other important risks, and mitigation measures being taken or to be taken: None.

## VII. Other important matters: IT security risks and management measures

A. IT security management measures

The Company has formulated IT security regulations and related management policies to maintain a secure IT system.

(1) Regular information security advocacies: Reminding employees to abide by information security regulations and strengthen their concepts.

(2) Establish the systems/ data storage security zone: Actively prevent data leakage.

(3) Behavioral records and inspection: Keeping a behavioral record of employees with special authority, with regular inspections to ensure the implementation of control measures.

(4) Introduce security protection mechanism, real-time update of computer virus patterns, strengthen network firewall and control to prevent disasters.

(5) Remote and heterogeneous backup.

B. IT security risks

(1) Even with the aforementioned policies, procedures and other IT security protection measures, the Company cannot ensure full avoidance of cyber attacks from a third party which paralyzed the computer system that controls or maintains the main corporate functions, such as manufacturing operations and accounting.

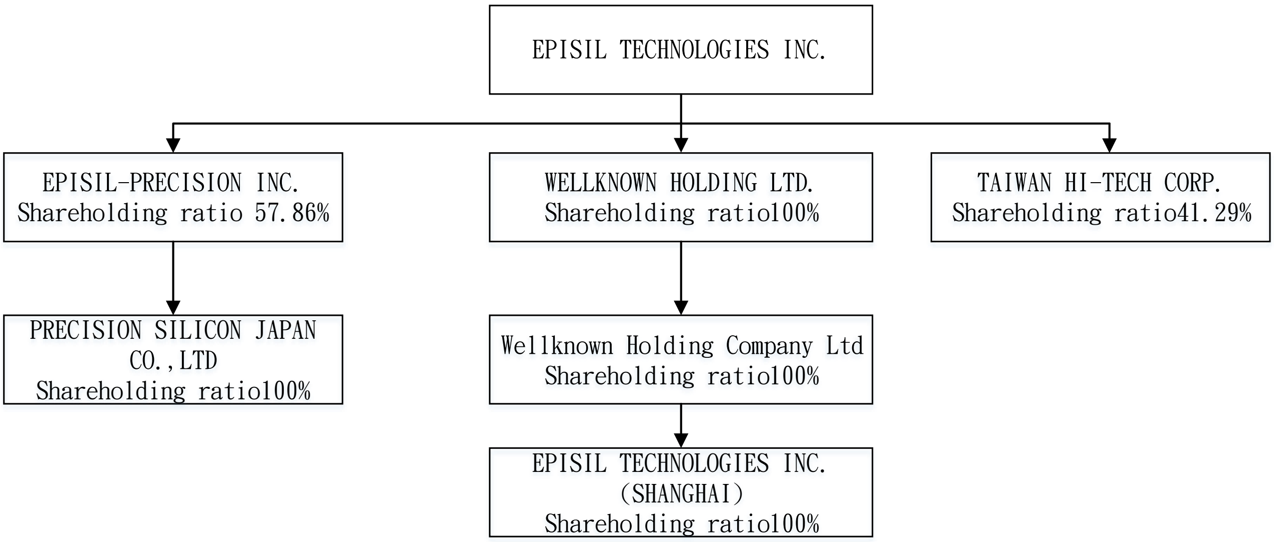
(2) Information security regulations and procedures are continuously reviewed and evaluated to ensure their appropriateness and effectiveness, with budgets to introduce information security technology to keep in line with development trends. However, there may be new risks in the rapidly changing network environment, and there is still no guarantee of fully avoiding cyberattacks, including malicious software and hackers.

(3) Although both the Company require the manufacturer/customer to comply with confidentiality and/or network security regulations, there is no guarantee that each third-party service provider/customer will strictly abide by their obligations. In case of a risk event, it may damage the Company's commitment to customers and other interested parties, with material and adverse effects on the Company's operating achievements, financial status, future trend and reputation.

# Eight、Special Record

## I、Related information of related enterprises

(I) Relationship between the enterprise




(II)Information of related enterprises

Unit: NT$ thousands

| Company | Major business or production |
|---|---|
| EPISIL-PRECISION INC. | As a professional epitaxial process supplier, it is committed to epitaxial technology; mainly engaged in the production and foundry of 4-8 inch epitaxial silicon wafer, silicon carbide (SiC) epitaxial and gallium nitride (GaN) epitaxial. |
| Precision Silicon Japan Co., LTD | Trading of silicon wafers |
| Wellknown Holdings Ltd. | investment business |
| Wellknown Holding Company Ltd. | investment business |
| EPISIL TECHNOLOGIES INC. (SHANGHAI) | Wholesale, agency and import and export of semiconductors and related accessories, and provide related supporting services |
| TAIWAN HI-TECH CORP. | Various types of research and development, production, manufacturing, testing and sales of super-junction power components and epitaxial silicon, etc. |

Note：As at December 31, 2023

(III) The company presumes to have the same shareholder information as the controlling and subordinate：None.

(IV) Information of directors, supervisors and general managers of related companies

| Company | Title | Name or Representative | Shareholding | |
|---|---|---|---|---|
| | | | Number | (%) |
| EPISIL-PRECISION INC. | Chairman<br>Director<br>Director<br>Director<br>Director<br><br>Director<br><br>IndependentDirector<br>IndependentDirector<br>IndependentDirector<br>Presidents | EPISIL TECHNOLOGIES INC<br>Representative：JH Shyu<br>Representative：Chen,Hsi-Hsin<br>Representative ： Ching-Tzong Sune<br>Representative：Fan,Gui Rong<br>Nan Ya Photonics Incorporation<br>Representative：Rong-Huang Lu<br>Jiacai Investment Co. Ltd<br>Representative：Wun-Guei Ye<br><br>Wei-Min Shen<br>Ze-Peng Chen<br>Han-Liang Hu<br>Ching-Tzong Sune | Episil Technologies Inc. holds 166,961,680 shares | 57.86 |
| Wellknown Holding Ltd. | Chairman | Episil Technologies Inc.<br>Representative：JH Shyu | Episil Technologies Inc. holds 15,000,000 shares | 100.00 |
| TAIWAN HI-TECH CORP. | Chairman<br>Director | Episil Technologies Inc.<br>Representative：JH Shyu<br>Representative ： Ching-Tzong Sune | Episil Technologies Inc. holds 17,093,398 shares<br>Wellknown Holdings Ltd. holds 1,731,599 shares | 41.29 |
| Wellknown Holding Company Ltd. | Representative | Wellknown Holding Ltd.<br>Representative：JH Shyu | Wellknown Holdings Ltd. holds 150,000 shares | 100.00 |
| EPISIL TECHNOLOGIES INC. (SHANGHAI) | Representative | Wellknown Holding Company Ltd.<br>Representative：JH Shyu | Wellknown Holding Company Ltd. Capital contribution NT$4,598,000 | 100.00 |
| Precision Silicon Japan Co., LTD | Chairman<br>Director<br>Director<br>Supervisors<br>Presidents | EPISIL-PRECISION INC.<br>Representative：Ching-Tzong Sune<br>Representative：Hui-fen Kang<br>Representative：Ming-Jhe Lyu<br>Representative：Pei-Yuan Chen<br>Ming-Jhe Lyu | Episil-Precision Inc. holds 200 shares | 100.00 |

Note：As at December 31, 2023

(V) Operating status of each related enterprise

Unit: NT$ thousands

| Company | Paid-in Capital | Total Assets | Total Liabilities | Net Worth | Net Operating Revenue | Operating Income | Profit/Loss for Current Period | EPS |
|---|---|---|---|---|---|---|---|---|
| EPISIL-PRECISION INC. | 2,885,394 | 6,808,054 | 1,910,809 | 4,897,245 | 4,217,444 | 108,116 | 164,039 | 0.57 |
| Wellknown Holding Ltd. | 150,000 | 101,944 | 150 | 101,794 | 0 | (260) | 5,224 | 0.35 |
| Wellknown Holding Company Ltd. | 4,837 | 13,004 | 0 | 13,004 | 0 | (3) | 5,536 | - |
| Taiwan Hi-Tech Corporation | 456,000 | 469,838 | 43,377 | 426,461 | 166,032 | 3,009 | 5,939 | 0.13 |
| EPISIL TECHNOLOGIES INC. (SHANGHAI) | 4,598 | 20,804 | 7,874 | 12,930 | 321,690 | 6,934 | 6,744 | - |
| Precision Silicon Japan Co., LTD | 2,740 | 173,915 | 161,152 | 12,763 | 417,363 | 2,853 | 1,376 | - |

Note：As at December 31, 2023

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II、Private Placement of Securities in the Most Recent Year Up Till the Printing Date of This Annual Report: None.

III、Holding or Disposal of the Company's Shares by Subsidiaries in the Last Financial Year, Up Till the Printing Date of this Annual Report: None.

IV、Other Supplementary Information: None.

# Nine、Matters Affecting Shareholders’ Equity or Stock Price: None.