

**EPISIL TECHNOLOGIES INC. (Formerly
EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS WITH
REPORT OF INDEPENDENT AUDITORS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Preface

We have reviewed the accompanying consolidated balance sheets of Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) and Subsidiaries as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022 and consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and notes to the consolidated financial statements (including the summary of significant accounting policies). It is the management's responsibility to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 'Interim Financial Reporting' endorsed by the FSC, and the accountant's responsibility is to draw conclusions on the consolidated financial statements based on the review results.

Scope

Except as stated in the section of basis for qualified conclusion, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. The procedures performed in the review of consolidated financial statements include inquiries (primarily inquiring those responsible for financial and accounting matters), analytical procedures and other review procedures. The scope of the review work is significantly smaller than the scope of the audit work, so the accountant may not be able to identify all the material matters that can be identified by the audit work, and therefore cannot present the audit opinion.

Basis for qualified conclusion

As mentioned in Notes 4(3) to the consolidated financial statements, the financial statements of some unimportant subsidiaries included in the above consolidated financial statements not reviewed by the accountant. As of September 30, 2023 and 2022, the total assets of such subsidiaries were NT\$314 million and NT\$383 million respectively, accounting for 2.58% and 2.96% of the total consolidated assets respectively; the total liabilities were NT\$49 million and NT\$181 million respectively, accounting for 1.07% and 3.57% of the total consolidated liabilities respectively; the total comprehensive profit and

loss for the three-month and nine-month periods ended September 30, 2023 and 2022 were NT\$5 million, NT\$(10) million, NT\$12 million and NT\$(19) million respectively, accounting for 15.85%, (2.48%), 7.90% and (1.95%) of the total consolidated comprehensive profit and loss respectively. And as mentioned in Notes 6(5), some investments using the equity method are prepared by each company for the same period and not reviewed by the accountant. As of September 30, 2023 and 2022, the investments accounted for under the equity method balances of NT\$190 million and NT\$189 million respectively, accounting for 1.56% and 1.46% of the consolidated total assets respectively, the related shares of profit or loss from the associates in the amount of NT\$0.5 million, NT\$0.1 million, NT\$2 million and NT\$1.3 million respectively, accounting for 1.92%, 0.04%, 1.32% and 0.13% of the consolidated income from continuing operations before income tax for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively,

Qualified conclusion

According to the review results of the accountants, except for some unimportant subsidiaries included in the consolidated financial statements, investments using the equity method and the relevant information disclosed, which may be adjusted appropriately and the impacts may be disclosed, we did not find any circumstance where the consolidated financial statements referred to in paragraph 1 were not prepared in any material respect in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 ‘Interim Financial Reporting’ endorsed by the FSC, making it impossible to fairly present the consolidated financial position of Episil Technologies Inc. and its subsidiaries as of September 30, 2023 and 2022, and the consolidated financial performance for the three-month and nine-month periods ended September 30, 2023 and 2022, and consolidated cash flow for the nine-month periods ended September 30, 2023 and 2022.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
November 7, 2023

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.

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 and SEPTEMBER 30, 2022 (SEPTEMBER 30, 2023 and 2022 are unaudited)
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	September 30, 2023		December 31, 2022		September 30, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,963,270	33	\$ 4,734,214	37	\$ 4,753,910	37
1136	Current financial assets at amortised cost	6(1) and 8	2,622	-	-	-	-	-
1150	Notes receivable, net	6(3)	5,057	-	44,420	-	82,757	1
1170	Accounts receivable, net	6(3)	1,348,497	11	1,350,757	11	1,670,690	13
1180	Accounts receivable - related parties	7	839	-	310	-	-	-
1200	Other receivables		67,927	1	58,145	1	63,164	-
1220	Current income tax assets		2,216	-	888	-	589	-
130X	Inventories	6(4)	1,638,696	13	1,839,778	14	1,762,984	14
1410	Prepayments		116,305	1	162,746	1	163,143	1
1470	Other current assets		11,587	-	11,952	-	10,465	-
11XX	Current assets		<u>7,157,016</u>	<u>59</u>	<u>8,203,210</u>	<u>64</u>	<u>8,507,702</u>	<u>66</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	17,100	-	10,782	-	15,567	-
1535	Non-current financial assets at amortised cost	6(1) and 8	198,411	2	198,591	2	192,885	2
1550	Investments accounted for using equity method	6(5)	189,771	2	187,436	1	188,548	1
1600	Property, plant and equipment	6(6)	3,839,792	31	3,439,130	27	3,224,054	25
1755	Right-of-use assets	6(7)	452,963	4	477,517	4	484,028	4
1760	Investment property - net	6(9)	138,528	1	141,751	1	142,825	1
1780	Intangible assets	6(10)	53,597	-	57,025	-	45,025	-
1840	Deferred income tax assets		131,228	1	131,228	1	133,146	1
1900	Other non-current assets		1,853	-	1,836	-	1,805	-
15XX	Non-current assets		<u>5,023,243</u>	<u>41</u>	<u>4,645,296</u>	<u>36</u>	<u>4,427,883</u>	<u>34</u>
1XXX	Total assets		<u>\$ 12,180,259</u>	<u>100</u>	<u>\$ 12,848,506</u>	<u>100</u>	<u>\$ 12,935,585</u>	<u>100</u>

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EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 and SEPTEMBER 30, 2022 (SEPTEMBER 30, 2023 and 2022 are unaudited)
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	September 30, 2023		December 31, 2022		September 30, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 486,583	4	\$ 178,624	2	\$ 447,473	3
2130	Current contract liabilities	6(21)	286,710	2	330,389	3	401,758	3
2170	Accounts payable	6(12)	476,755	4	553,853	4	737,851	6
2180	Accounts payable - related parties	7	2,268	-	1,074	-	367	-
2200	Other payables	6(13)	661,986	6	1,103,601	9	773,356	6
2220	Other payables - related parties	7	27,211	-	31,663	-	27,708	-
2230	Current income tax liabilities		43,341	-	121,876	1	99,750	1
2280	Current lease liabilities		20,479	-	21,282	-	21,517	-
2320	Long-term liabilities, current portion	6(14)	88,609	1	-	-	17,677	-
2399	Other current liabilities, others		299,421	3	167,032	1	129,509	1
21XX	Current liabilities		<u>2,393,363</u>	<u>20</u>	<u>2,509,394</u>	<u>20</u>	<u>2,656,966</u>	<u>20</u>
Non-current liabilities								
2527	Non-current contract liabilities	6(21)	52,762	-	77,065	1	100,988	1
2530	Corporate bonds payable	6(14)	1,477,764	12	1,555,791	12	1,551,987	12
2570	Deferred income tax liabilities		36,148	-	36,148	-	36,549	-
2580	Non-current lease liabilities		453,969	4	474,969	4	480,290	4
2640	Accrued pension liabilities		186,150	2	189,577	1	212,662	2
2645	Guarantee deposits received		8,095	-	16,907	-	35,170	-
2670	Other non-current liabilities, others		6,835	-	-	-	5,229	-
25XX	Non-current liabilities		<u>2,221,723</u>	<u>18</u>	<u>2,350,457</u>	<u>18</u>	<u>2,422,875</u>	<u>19</u>
2XXX	Total liabilities		<u>4,615,086</u>	<u>38</u>	<u>4,859,851</u>	<u>38</u>	<u>5,079,841</u>	<u>39</u>
Equity								
Equity attributable to owners of the parent								
Share capital								
3110	Share capital - common stock	6(17)	3,332,157	27	3,332,035	26	3,332,035	26
Capital surplus								
3200	Capital surplus	6(18)	1,538,468	12	1,538,222	12	1,531,779	12
Retained earnings								
3310	Legal reserve	6(19)	114,149	1	30,356	-	30,356	-
3320	Special reserve		101,815	1	72,140	1	72,140	1
3350	Unappropriated retained earnings		552,879	5	903,127	7	823,482	6
Other equity interest								
3400	Other equity interest	6(20)	(95,773)	(1)	(101,816)	(1)	(96,446)	(1)
31XX	Equity attributable to owners of the parent		<u>5,543,695</u>	<u>45</u>	<u>5,774,064</u>	<u>45</u>	<u>5,693,346</u>	<u>44</u>
36XX	Non-controlling interest	4(3)	<u>2,021,478</u>	<u>17</u>	<u>2,214,591</u>	<u>17</u>	<u>2,162,398</u>	<u>17</u>
3XXX	Total equity		<u>7,565,173</u>	<u>62</u>	<u>7,988,655</u>	<u>62</u>	<u>7,855,744</u>	<u>61</u>
Significant commitments and contingencies								
Significant events after the reporting period								
3X2X	Total liabilities and equity		<u>\$ 12,180,259</u>	<u>100</u>	<u>\$ 12,848,506</u>	<u>100</u>	<u>\$ 12,935,585</u>	<u>100</u>

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
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 1,785,813	100	\$ 2,421,524	100	\$ 5,470,891	100	\$ 6,781,793	100
5000	Operating costs	6(4)(26)(27)								
		and 7	(1,622,672)	(91)	(1,900,836)	(79)	(4,841,330)	(89)	(5,339,013)	(79)
5900	Operating margin		163,141	9	520,688	21	629,561	11	1,442,780	21
	Operating expenses	6(26)(27)								
		and 7								
6100	Selling and marketing expenses		(20,779)	(1)	(28,298)	(1)	(65,508)	(1)	(80,626)	(1)
6200	General and administrative expenses		(92,732)	(5)	(99,619)	(4)	(275,381)	(5)	(279,460)	(4)
6300	Research and development expenses		(56,203)	(3)	(45,635)	(2)	(154,718)	(3)	(99,434)	(2)
6000	Total operating expenses		(169,714)	(9)	(173,552)	(7)	(495,607)	(9)	(459,520)	(7)
6900	Operating (loss) profit		(6,573)	-	347,136	14	133,954	2	983,260	14
	Non-operating income and expenses									
7100	Interest income	6(22)	10,669	-	6,280	-	37,359	1	12,236	-
7010	Other income	6(23)	13,814	1	12,204	1	37,580	1	30,899	1
7020	Other gains and losses	6(24)	28,646	2	103,650	4	6,453	-	162,130	2
7050	Finance costs	6(25)	(13,251)	(1)	(12,670)	-	(38,034)	(1)	(27,797)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(5)	547	-	146	-	2,008	-	1,296	-
7000	Total non-operating income and expenses		40,425	2	109,610	5	45,366	1	178,764	3
7900	Profit before income tax		33,852	2	456,746	19	179,320	3	1,162,024	17
7950	Income tax expense	6(28)	(11,258)	(1)	(55,063)	(2)	(32,503)	-	(154,812)	(2)
8200	Profit for the year		\$ 22,594	1	\$ 401,683	17	\$ 146,817	3	\$ 1,007,212	15

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EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss), net										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	\$ 4,094	1	(\$ 12,245)	(1)	\$ 6,318	-	(\$ 26,419)	(1)
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		4,094	1	(12,245)	(1)	6,318	-	(26,419)	(1)
Components of other comprehensive income that may be subsequently reclassified to profit or loss										
8361	Exchange differences on translation of foreign operations		500	-	156	-	(732)	-	(20)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss		1,309	-	385	-	105	-	1,751	-
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss		1,809	-	541	-	(627)	-	1,731	-
8300	Other comprehensive (loss) income, net		\$ 5,903	1	(\$ 11,704)	(1)	\$ 5,691	-	(\$ 24,688)	(1)
8500	Total other comprehensive income for the year		\$ 28,497	2	\$ 389,979	16	\$ 152,508	3	\$ 982,524	14
Profit, attributable to:										
8610	Owners of the parent		\$ 4,482	-	\$ 316,803	13	\$ 96,423	2	\$ 758,285	11
8620	Non-controlling interest		18,112	1	84,880	4	50,394	1	248,927	4
	Total		\$ 22,594	1	\$ 401,683	17	\$ 146,817	3	\$ 1,007,212	15
Comprehensive income attributable to:										
8710	Owners of the parent		\$ 10,357	1	\$ 305,067	12	\$ 102,466	2	\$ 733,979	10
8720	Non-controlling interest		18,140	1	84,912	4	50,042	1	248,545	4
	Total		\$ 28,497	2	\$ 389,979	16	\$ 152,508	3	\$ 982,524	14
Basic earnings per share										
9750	Basic earnings per share (in dollars)	6(29)	\$ 0.01		\$ 0.95		\$ 0.29		\$ 2.29	
Diluted earnings per share										
9850	Diluted earnings per share (in dollars)	6(29)	\$ 0.01		\$ 0.93		\$ 0.29		\$ 2.26	

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
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										
	Notes	Retained Earnings					Other equity interest				Non-controlling interest	Total equity
Share capital - common stock		Capital surplus	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			
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 nine-month ended September 30, 2022		-	-	-	-	758,285	-	-	758,285	248,927	1,007,212
Other comprehensive income (loss)		-	-	-	-	-	2,113	(26,419)	(24,306)	(382)	(24,688)
Total comprehensive income (loss)		-	-	-	-	758,285	2,113	(26,419)	733,979	248,545	982,524
Appropriation of 2021 earnings	6(19)										
Legal reserve		-	-	23,236	-	(23,236)	-	-	-	-	-
Special reserve reversed		-	-	-	28,193	(28,193)	-	-	-	-	-
Cash dividends		-	-	-	-	(115,733)	-	-	(115,733)	-	(115,733)
Changes in ownership interest in subsidiaries	6(18)	-	24,869	-	-	-	-	-	24,869	26,459	51,328
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 subscription by employees		-	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 claim by a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(143,429)	(143,429)
Balance at September 30, 2022		\$ 3,332,035	\$ 1,531,779	\$ 30,356	\$ 72,140	\$ 823,482	(\$ 4,257)	(\$ 92,189)	\$ 5,693,346	\$ 2,162,398	\$ 7,855,744
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 nine-month ended September 30, 2023		-	-	-	-	96,423	-	-	96,423	50,394	146,817
Other comprehensive income (loss)		-	-	-	-	-	(275)	6,318	6,043	(352)	5,691
Total comprehensive income (loss)		-	-	-	-	96,423	(275)	6,318	102,466	50,042	152,508
Appropriation of 2022 earnings	6(19)										
Legal reserve		-	-	83,793	-	(83,793)	-	-	-	-	-
Special reserve reversed		-	-	-	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 claim by a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(243,155)	(243,155)
Balance at September 30, 2023		\$ 3,332,157	\$ 1,538,468	\$ 114,149	\$ 101,815	\$ 552,879	(\$ 5,117)	(\$ 90,656)	\$ 5,543,695	\$ 2,021,478	\$ 7,565,173

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
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	For the nine-month periods ended September 30,	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 179,320	\$ 1,162,024
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation expense	6(26)	515,311	467,208
Amortisation expense	6(26)	8,466	6,623
Gain on disposal of property, plant and equipment	6(24)	(3,624)	(58,911)
Share of profit of associates accounted for using equity method	6(5)	(2,008)	(1,296)
Finance costs	6(25)	32,244	23,474
Interest income	6(22)	(37,359)	(12,236)
Dividend income	6(23)	-	(1)
Share-based payments	6(16)	-	7,420
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		39,363	(15,882)
Accounts receivable		2,260	(150,060)
Accounts receivable - related parties		(529)	-
Other receivables		(9,093)	(29,194)
Other receivables - related parties		-	196
Inventories		201,082	(307,818)
Prepayments		46,441	(43,631)
Other current assets		365	2,984
Changes in operating liabilities			
Contract liabilities		(67,982)	135,017
Accounts payable		(77,098)	101,987
Accounts payable - related parties		1,194	340
Other payables		(318,715)	86,754
Other payables - related parties		(4,452)	5,127
Other current liabilities		132,389	34,957
Other non-current liabilities		6,835	(12,838)
Accrued pension liabilities		(3,427)	(43,507)
Cash inflow generated from operations		640,983	1,358,737
Interest received		36,670	11,824
Dividends received		-	1
Interest paid		(19,815)	(22,405)
Income taxes paid		(112,323)	(151,489)
Net cash flows provided by operating activities		<u>545,515</u>	<u>1,196,668</u>

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EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	For the nine-month periods ended September 30,	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 3,680)	(\$ 423,117)
Disposal of financial assets at amortised cost		1,238	692,758
Acquisition of financial assets at fair value through other comprehensive income		-	(1,500)
Acquisition of investments accounted for using equity method	6(5)	(747)	-
Acquisition of property, plant and equipment	6(31)	(1,018,052)	(884,554)
Proceeds from disposal of property, plant and equipment		4,485	59,045
Acquisition of intangible assets	6(10)	(5,038)	(4,446)
(Increase) Decrease in refundable deposits		(17)	64,549
Net cash flows used in investing activities		(1,021,811)	(497,265)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(32)	1,171,466	1,528,265
Repayments of short-term borrowings	6(32)	(863,507)	(1,744,585)
Decrease in refundable deposits received	6(32)	(8,812)	(12,243)
Payments of lease liabilities	6(32)	(16,663)	(16,548)
Issuance of corporate bonds	6(32)	-	1,745,060
Cash capital increased		-	206,186
Cash contributed by non-controlling interests in subsidiaries' capital		-	206,280
Cash dividends paid		(333,203)	(115,733)
Cash dividends paid by a subsidiary to non-controlling interests		(243,155)	(143,429)
Net cash flows (used in) provided by financing activities		(293,874)	1,653,253
Effect of exchange rate changes		(774)	(113)
Net (decrease) increase in cash and cash equivalents		(770,944)	2,352,543
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)	\$ 3,963,270	\$ 4,753,910

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
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 September 30, 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 November 7, 2023.

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”) 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, revised or amended IFRSs 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 International Accounting Standards Board ("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) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards
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 Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(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. The same principles of consolidation have been applied in the consolidated financial statements as those applied in the consolidated financial statements for the year ended December 31, 2022.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Episil Technologies Inc. (Formerly EPISIL HOLDING INC.)	Episil-Precision Inc.	Semiconductor industry	57.86	57.86	57.92	
Episil Technologies Inc. (Formerly EPISIL HOLDING INC.)	Wei Nuo Investment Inc.	Investment company	100	100	100	1
Wei Nuo Investment Inc.	Wellknown Holding Company Ltd.	Investment company	100	100	100	1
Wellknown Holding Company Ltd.	Episil Technologies Inc. (Shanghai)	Trading company	100	100	100	1
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Sales of epitaxial and silicon wafer	100	100	100	1

Note: Because it does not meet the definition of an important subsidiary, its financial statements on September 30, 2023 and 2022 have not been reviewed by accountants.

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 September 30, 2023, December 31, 2022 and September 30, 2022, the non-controlling interests amounted to \$2,021,478, \$2,214,591 and \$2,162,398, respectively. The information on non-controlling interests and respective subsidiary is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests		Non-controlling interests		Description
		September 30, 2023		December 31, 2022		
		Amount	Ownership (%)	Amount	Ownership (%)	
Episil-Precision Inc.	Taiwan	\$ 2,021,478	42.14%	\$ 2,214,591	42.14%	
Name of subsidiary	Principal place of business	Non-controlling interests		Non-controlling interests		Description
		September 30, 2022		September 30, 2022		
		Amount	Ownership (%)	Amount	Ownership (%)	
Episil-Precision Inc.	Taiwan	\$ 2,162,398	42.08%			

Balance sheets

	Episil-Precision Inc. and its subsidiary		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 4,545,809	\$ 5,161,538	\$ 5,351,824
Non-current assets	2,461,920	2,510,636	2,426,509
Current liabilities	(1,282,567)	(1,452,709)	(1,637,099)
Non-current liabilities	(879,801)	(915,778)	(952,867)
Total net assets	\$ 4,845,361	\$ 5,303,687	\$ 5,188,367

Statements of comprehensive income

	Episil-Precision Inc. and its subsidiary	
	For the three-month periods ended September 30,	
	2023	2022
Revenue	\$ 1,034,387	\$ 1,544,038
Profit before income tax	54,221	252,499
Income tax expense	(11,242)	(50,599)
Profit for the year	42,979	201,900
Other comprehensive income, net of tax	(70)	79
Total comprehensive income for the period	\$ 43,049	\$ 201,979
Comprehensive income attributable to non-controlling interests	\$ 18,140	\$ 84,912
Dividends paid to non-controlling interests	\$ 243,155	\$ 143,429
	Episil-Precision Inc. and its subsidiary	
	For the nine-month periods ended September 30,	
	2023	2022
Revenue	\$ 3,210,234	\$ 4,550,300
Profit before income tax	149,980	744,356
Income tax expense	(30,394)	(148,970)
Profit for the year	119,586	595,386
Other comprehensive income, net of tax	(833)	(912)
Total comprehensive income for the period	\$ 118,753	\$ 594,474
Comprehensive income attributable to non-controlling interests	\$ 50,042	\$ 248,545
Dividends paid to non-controlling interests	\$ 243,155	\$ 143,429

Statements of cash flows

	Episil-Precision Inc. and its subsidiary	
	For the nine-month periods ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 350,961	\$ 688,224
Net cash (used in) provided by investing activities	(482,196)	76,956
Net cash (used in) provided by financing activities	(276,415)	422,019
Effect of exchange rates	(832)	(912)
(Decrease) Increase in cash and cash equivalents	(408,482)	1,186,287
Cash and cash equivalents at beginning of period	2,841,411	1,550,172
Cash and cash equivalents at end of period	\$ 2,432,929	\$ 2,736,459

(4) Employee benefits

Pensions

Defined benefit plan

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income taxes

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of September 30, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and revolving funds	\$ 530	\$ 580	\$ 580
Checking accounts and demand deposits	902,957	706,630	1,230,098
Time deposits	2,260,883	3,292,404	2,810,032
Cash equivalents	798,900	734,600	713,200
	\$ 3,963,270	\$ 4,734,214	\$ 4,753,910

- 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 current financial assets at amortised cost and 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	September 30, 2023	December 31, 2022	September 30, 2022
Non-current items:			
Unlisted stocks	\$ 107,756	\$ 107,756	\$ 107,756
Valuation adjustment	(90,656)	(96,974)	(92,189)
	\$ 17,100	\$ 10,782	\$ 15,567

- 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 \$17,100, \$10,782 and \$15,567 as of September 30, 2023, December 31, 2022 and September 30, 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:

	For the three-month periods ended September 30,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 4,094	(\$ 12,245)
Dividend income recognised in profit or loss held at end of period	\$ -	\$ -
	For the nine-month periods ended September 30,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 6,318	(\$ 26,419)
Dividend income recognised in profit or loss held at end of period	\$ -	\$ 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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 5,057	\$ 44,420	\$ 82,757
Accounts receivable	\$ 1,354,897	\$ 1,357,157	\$ 1,677,090
Less: Loss allowance	(6,400)	(6,400)	(6,400)
	<u>\$ 1,348,497</u>	<u>\$ 1,350,757</u>	<u>\$ 1,670,690</u>

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

	<u>September 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,177,650	\$ 5,057	\$ 1,259,067	\$ 44,420
Up to 30 days	162,292	-	68,878	-
31 to 90 days	10,221	-	23,906	-
91 to 180 days	-	-	1,693	-
Over 180 days	4,734	-	3,613	-
	<u>\$ 1,354,897</u>	<u>\$ 5,057</u>	<u>\$ 1,357,157</u>	<u>\$ 44,420</u>

	<u>September 30, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,569,549	\$ 82,757
Up to 30 days	97,677	-
31 to 90 days	6,129	-
91 to 180 days	3,735	-
Over 180 days	-	-
	<u>\$ 1,677,090</u>	<u>\$ 82,757</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2023, December 31, 2022 and September 30, 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 September 30, 2023, December 31, 2022 and September 30, 2022, collaterals held by the Group as security for accounts receivable amounted to \$5,000, \$16,812 and \$40,400, respectively.
- D. As of September 30, 2023, December 31, 2022 and September 30, 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 were \$5,057, \$44,420 and \$82,757, \$1,348,497, \$1,350,757 and \$1,670,690, respectively.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	September 30, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 729,685	(\$ 63,333)	\$ 666,352
Supplies	578,097	(68,796)	509,301
Work in progress	349,427	(7,347)	342,080
Finished goods	132,823	(11,860)	120,963
	<u>\$ 1,790,032</u>	<u>(\$ 151,336)</u>	<u>\$ 1,638,696</u>

	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
	<u>\$ 1,959,259</u>	<u>(\$ 119,481)</u>	<u>\$ 1,839,778</u>

	September 30, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 700,615	(\$ 36,872)	\$ 663,743
Supplies	437,661	(64,566)	373,095
Work in progress	529,659	(10,361)	519,298
Finished goods	211,994	(5,146)	206,848
	<u>\$ 1,879,929</u>	<u>(\$ 116,945)</u>	<u>\$ 1,762,984</u>

The cost of inventories recognised as expense for the year:

	For the three-month periods ended September 30,	
	2023	2022
Cost of goods sold	\$ 1,618,375	\$ 1,928,405
Reversal of inventory valuation loss	4,049 (	27,569)
Inventory scrapped	248	-
	<u>\$ 1,622,672</u>	<u>\$ 1,900,836</u>

	For the nine-month periods ended September 30,	
	2023	2022
Cost of goods sold	\$ 4,808,200	\$ 5,352,951
Reversal of inventory valuation loss	31,855 (	15,261)
Inventory scrapped	1,275	1,323
	<u>\$ 4,841,330</u>	<u>\$ 5,339,013</u>

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 for the three-month and nine-month periods ended September 30, 2022.

(5) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
At January 1	\$ 187,436	\$ 185,501
Addition of investments accounted for using equity method	747	-
Share of profit or loss of investments accounted for using equity method	2,008	1,296
Changes in capital surplus	(525)	-
Other equity interest	105	1,751
At September 30	<u>\$ 189,771</u>	<u>\$ 188,548</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2023</u>
Associates			
Taiwan Hi-Tech Corp.	\$ 189,771	\$ 187,436	\$ 187,095
Wei Yun Capital Management Corporation	-	-	1,453
	<u>\$ 189,771</u>	<u>\$ 187,436</u>	<u>\$ 188,548</u>

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:

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Profit from continuing operations	\$ 547	\$ 146
Other comprehensive income (loss), net of tax	1,309	385
Total comprehensive income	<u>\$ 1,856</u>	<u>\$ 531</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Profit from continuing operations	\$ 2,008	\$ 1,296
Other comprehensive income (loss), net of tax	105	1,751
Total comprehensive income	<u>\$ 2,113</u>	<u>\$ 3,047</u>

(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)
	<u>\$ 1,246,363</u>	<u>\$ 1,196,332</u>	<u>\$ 33,751</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 5,867</u>	<u>\$ 956,792</u>	<u>\$ 3,439,130</u>
At January 1	\$ 1,246,363	\$ 1,196,332	\$ 33,751	\$ -	\$ 25	\$ 5,867	\$ 956,792	\$ 3,439,130
Additions	92,293	124,342	16,198	615	-	220	660,529	894,197
Disposals	- (861)	-	-	-	-	-	- (861)	-
Reclassifications	57,301	166,404	3,430	-	-	-	(227,135)	-
Depreciation expenses	(111,927)	(368,181)	(10,866)	(77)	(9)	(1,614)	-	(492,674)
At September 30	<u>\$ 1,284,030</u>	<u>\$ 1,118,036</u>	<u>\$ 42,513</u>	<u>\$ 538</u>	<u>\$ 16</u>	<u>\$ 4,473</u>	<u>\$ 1,390,186</u>	<u>\$ 3,839,792</u>
At September 30								
Cost	\$ 4,881,158	\$ 8,826,316	\$ 104,463	\$ 3,261	\$ 3,092	\$ 119,824	\$ 1,390,186	\$ 15,328,300
Accumulated depreciation	(3,217,834)	(7,452,269)	(61,950)	(2,721)	(3,076)	(115,351)	-	(10,853,201)
Accumulated impairment	(379,294)	(256,011)	-	(2)	-	-	-	(635,307)
	<u>\$ 1,284,030</u>	<u>\$ 1,118,036</u>	<u>\$ 42,513</u>	<u>\$ 538</u>	<u>\$ 16</u>	<u>\$ 4,473</u>	<u>\$ 1,390,186</u>	<u>\$ 3,839,792</u>

2022

	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	\$ 4,500,389	\$ 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)
	<u>\$ 1,127,676</u>	<u>\$ 1,305,191</u>	<u>\$ 9,919</u>	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 7,154</u>	<u>\$ 240,867</u>	<u>\$ 2,690,844</u>
At January 1	\$ 1,127,676	\$ 1,305,191	\$ 9,919	\$ -	\$ 37	\$ 7,154	\$ 240,867	\$ 2,690,844
Additions	127,401	143,051	10,189	-	-	924	692,127	973,692
Disposals	-	(134)	-	-	-	-	-	(134)
Reclassifications	49,795	98,565	15,495	-	-	-	(159,877)	3,978
Depreciation expenses	(94,884)	(340,966)	(6,622)	-	(8)	(1,846)	-	(444,326)
At September 30	<u>\$ 1,209,988</u>	<u>\$ 1,205,707</u>	<u>\$ 28,981</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 6,232</u>	<u>\$ 773,117</u>	<u>\$ 3,224,054</u>
At September 30								
Cost	\$ 4,672,829	\$ 8,564,238	\$ 80,506	\$ 2,646	\$ 3,093	\$ 119,873	\$ 773,117	\$ 14,216,302
Accumulated depreciation	(3,082,326)	(7,077,927)	(51,525)	(2,644)	(3,064)	(113,641)	-	(10,331,127)
Accumulated impairment	(380,515)	(280,604)	-	(2)	-	-	-	(661,121)
	<u>\$ 1,209,988</u>	<u>\$ 1,205,707</u>	<u>\$ 28,981</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 6,232</u>	<u>\$ 773,117</u>	<u>\$ 3,224,054</u>

Note: For the nine-month periods ended September 30, 2022, property, plant and equipment reclassified to intangible assets amounted to \$285.

For the nine-month periods ended September 30, 2022, investment property reclassified to property, plant and equipment amounted to \$4,263.

A. The Group has no capitalization of interest attributable to the property, plant and equipment for the three-month and nine-month periods ended September 30, 2023 and 2022.

B. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group has no 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:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	Book value	Book value	Book value
Land	\$ 425,344	\$ 451,195	\$ 456,120
Buildings and structures	27,619	26,173	27,648
Machinery and equipment	-	149	260
	<u>\$ 452,963</u>	<u>\$ 477,517</u>	<u>\$ 484,028</u>

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	Depreciation expenses	Depreciation expenses
Land	\$ 4,867	\$ 4,924
Buildings and structures	1,571	1,487
Machinery and equipment	-	111
	<u>\$ 6,438</u>	<u>\$ 6,522</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	Depreciation expenses	Depreciation expenses
Land	\$ 14,716	\$ 14,773
Buildings and structures	4,549	4,477
Machinery and equipment	149	335
	<u>\$ 19,414</u>	<u>\$ 19,585</u>

- D. For the three-month and nine-month periods ended September 30, 2023 and 2022, the additions to right-of-use assets were \$1,418, \$0, \$5,995 and \$42, respectively.

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

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,522	\$ 2,643
Expense on short-term lease agreements	\$ 599	\$ 501

	For the nine-month periods ended September 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,718	\$ 8,008
Expense on short-term lease agreements	\$ 1,807	\$ 1,745

F. For the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflow for leases were \$26,188 and \$26,301, 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 lessees.

B. Gain arising from operating lease agreements for the three-month and nine-month periods ended September 30, 2023 and 2022 are as follows:

	For the three-month periods ended September 30,	
	2023	2022
Rental revenue	\$ 8,602	\$ 8,680

	For the nine-month periods ended September 30,	
	2023	2022
Rental revenue	\$ 25,677	\$ 26,323

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

	September 30, 2023	December 31, 2022
2023	\$ 8,355	\$ 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
	\$ 115,021	\$ 140,087

	September 30, 2022	
2022	\$	8,355
2023		33,421
2024		33,326
2025		33,002
2026		23,988
2027		1,200
Over 2028		15,150
	\$	<u>148,442</u>

(9) Investment property

	2023		2022	
	<u>Buildings and structures</u>		<u>Buildings and structures</u>	
At January 1				
Cost	\$	173,428	\$	178,523
Accumulated depreciation and impairment	(	31,677)	(	28,138)
	\$	<u>141,751</u>	\$	<u>150,385</u>
At January 1	\$	141,751	\$	150,385
Reclassifications		-	(	4,263)
Depreciation expenses	(	3,223)	(	3,297)
At September 30	\$	<u>138,528</u>	\$	<u>142,825</u>
At September 30				
Cost	\$	173,428	\$	173,428
Accumulated depreciation and impairment	(	34,900)	(	30,603)
	\$	<u>138,528</u>	\$	<u>142,825</u>

A. Rental revenue from investment property.

	For the three-month periods ended September 30,	
	2023	2022
Rental revenue from investment property	\$ <u>8,269</u>	\$ <u>8,351</u>
Direct operating expenses arising from the investment property that generated rental revenue during the period	\$ <u>1,890</u>	\$ <u>2,000</u>
	For the nine-month periods ended September 30,	
	2023	2022
Rental revenue from investment property	\$ <u>24,808</u>	\$ <u>25,438</u>
Direct operating expenses arising from the investment property that generated rental revenue during the period	\$ <u>5,973</u>	\$ <u>6,083</u>

B. The fair value of the investment property held by the Group as of September 30, 2023, December 31, 2022 and September 30, 2022, was \$167,940, \$171,668 and \$169,825, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Discount rate	8.52% ~11.55%	9.04% ~11.01%	9.07% ~ 11.28%
Annual rent (net income)	\$ 29,057	\$ 29,093	\$ 29,094
Duration	10 years	10 years	10 years

C. The Group has no interest capitalisation for the three-month and nine-month periods ended September 30, 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 of September 30, 2023, December 31, 2022 and September 30, 2022, the Group has no investment property pledged to others as collateral.

(10) Intangible assets

	<u>2023</u>			
	<u>Computer software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
At January 1				
Cost	\$ 117,131	\$ 29,694	\$ 45,531	\$ 192,356
Accumulated amortisation	(91,334)	-	(43,997)	(135,331)
	<u>\$ 25,797</u>	<u>\$ 29,694</u>	<u>\$ 1,534</u>	<u>\$ 57,025</u>
At January 1	\$ 25,797	\$ 29,694	\$ 1,534	\$ 57,025
Additions	4,409	-	629	5,038
Amortisation expenses	(7,946)	-	(520)	(8,466)
At September 30	<u>\$ 22,260</u>	<u>\$ 29,694</u>	<u>\$ 1,643</u>	<u>\$ 53,597</u>
At September 30				
Cost	\$ 121,540	\$ 29,694	\$ 46,160	\$ 197,394
Accumulated amortisation	(99,280)	-	(44,517)	(143,797)
	<u>\$ 22,260</u>	<u>\$ 29,694</u>	<u>\$ 1,643</u>	<u>\$ 53,597</u>

	2022			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	\$ 98,148	\$ 29,694	\$ 45,364	\$ 173,206
Accumulated amortisation	(85,802)	-	(40,487)	(126,289)
	<u>\$ 12,346</u>	<u>\$ 29,694</u>	<u>\$ 4,877</u>	<u>\$ 46,917</u>
At January 1	\$ 12,346	\$ 29,694	\$ 4,877	\$ 46,917
Additions	4,279	-	167	4,446
Reclassifications	285	-	-	285
Amortisation expenses	(3,972)	-	(2,651)	(6,623)
At September 30	<u>\$ 12,938</u>	<u>\$ 29,694</u>	<u>\$ 2,393</u>	<u>\$ 45,025</u>
At September 30				
Cost	\$ 102,712	\$ 29,694	\$ 45,531	\$ 177,937
Accumulated amortisation	(89,774)	-	(43,138)	(132,912)
	<u>\$ 12,938</u>	<u>\$ 29,694</u>	<u>\$ 2,393</u>	<u>\$ 45,025</u>

Details of amortisation on intangible assets are as follows:

	For the three-month periods ended September 30,	
	2023	2022
Operating costs	\$ 2,638	\$ 1,736
General and administrative expenses	280	556
	<u>\$ 2,918</u>	<u>\$ 2,292</u>

	For the nine-month periods ended September 30,	
	2023	2022
Operating costs	\$ 7,526	\$ 5,033
General and administrative expenses	940	1,590
	<u>\$ 8,466</u>	<u>\$ 6,623</u>

(11) Short-term borrowings

Type of borrowings	September 30, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 486,583</u>	5.88%~6.39%	None

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>178,624</u>	4.1%~6.04%	None

Type of borrowings	September 30, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>447,473</u>	2.60%~4.87%	None

(12) Accounts payable

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	\$ 403,179	\$ 509,103	\$ 613,184
Estimated accounts payable	73,576	44,750	124,667
	\$ <u>476,755</u>	\$ <u>553,853</u>	\$ <u>737,851</u>

(13) Other payable

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued expenses- expendables	\$ 169,384	\$ 220,947	\$ 188,453
Accrued expenses-bonus	163,912	293,552	119,787
Employees' compensation and directors' remuneration payable	24,320	165,626	148,601
Payables for equipment	120,029	243,884	131,440
Accrued expenses-others	184,341	179,592	185,075
	\$ <u>661,986</u>	\$ <u>1,103,601</u>	\$ <u>773,356</u>

(14) Bonds payable

	September 30, 2023	December 31, 2022	September 30, 2022
The Company's third secured convertible bonds	\$ 600,000	\$ 600,000	\$ 600,000
The Company's fourth secured convertible bonds	1,000,000	1,000,000	1,000,000
Episil-Precision Inc.'s third unsecured convertible bonds	-	-	600,000
Episil-Precision Inc.'s fourth unsecured convertible bonds	500,000	500,000	500,000
	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,700,000</u>
Less: Bonds payable converted	(510,900)	(510,000)	(1,092,300)
Less: Discount on bonds payable	(22,727)	(34,209)	(38,036)
	<u>1,566,373</u>	<u>1,555,791</u>	<u>1,569,664</u>
Less: Current portion	(88,609)	-	(17,677)
	\$ <u>1,477,764</u>	\$ <u>1,555,791</u>	\$ <u>1,551,987</u>

- 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 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 September 30, 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 fourth 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 \$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 adjusted to \$117 (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 \$267,416 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.
 - (f) Through September 30, 2023, no bonds were converted into common shares.
- C. The issuance terms of the Episil-Precision Inc.'s third domestic unsecured convertible bonds are as follows:
- (a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by Episil-Precision Inc.. 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 October 31, 2019 to October 31, 2022 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 31, 2019.
 - (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 October 23, 2019. 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 \$52.93 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.04% (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\$55.6 (in dollars) per share based on the aforementioned method. The conversion price was adjusted to \$54.4 (in dollars) per share on July 23, 2022 as 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 \$28,547 were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32.
 - (f) The convertible bonds were terminated on October 31, 2022, and delisted from the Taipei Exchange on November 11, 2022 after the accumulated conversion of the bonds amounting to \$599,700 (face value) into 10,838 thousand shares of common stock.
- D. The issuance terms of the Episil-Precision Inc.’s forth domestic unsecured convertible bonds are as follows:
- (a) The regulatory authority has approved the third 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 September 30, 2023, no bonds were converted into Episil-Precision Inc.’s common shares.

E. 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 pension costs recognized by the Group according to the above pension regulations for the three-month and nine-month periods ended September 30, 2023 and 2022 were \$685, \$484, \$2,055 and \$1,450, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$7,372.
- 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 three-month and nine-month periods ended September 30, 2023 and 2022 were \$15,822, \$15,856, \$47,957 and \$45,824, 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:

	For the three-month periods ended September 30,	
	2023	2022
Equity-settled	-	-

	For the nine-month periods ended September 30,	
	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 September 30, 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 January 1	333,203	330,666
Share outstanding at January 1	333,203	330,666
Cash capital increase	-	2,200
Conversion of convertible bonds	13	337
Shares issued at September 30	333,216	333,203
Shares outstanding at September 30	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 convertible bonds	793	-	-	(22)	-	771
Changes in ownership interest in associates	-	-	(525)	-	-	(525)
At September 30	<u>\$ 734,518</u>	<u>\$ 506,836</u>	<u>(\$ 299)</u>	<u>\$ 286,919</u>	<u>\$ 10,494</u>	<u>\$ 1,538,468</u>
	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 and associates	-	98,255	-	-	-	98,255
Cash capital increase	189,524	-	-	-	-	189,524
At September 30	<u>\$ 736,643</u>	<u>\$ 497,475</u>	<u>\$ 226</u>	<u>\$ 286,941</u>	<u>\$ 10,494</u>	<u>\$ 1,531,779</u>

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

	Year ended December 31, 2022	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 23,236	
Special reserve	28,193	
Cash dividends	115,733	\$ 0.35
	<u>\$ 167,162</u>	

	Year ended December 31, 2023	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 83,793	
Special reserve	29,675	
Cash dividends	333,203	\$ 1.00
	<u>\$ 446,671</u>	

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

- F. Because the Company increased its capital by issuing shares and some creditors who held the third domestic secured 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.
- G. Because some creditors who held the third domestic secured 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, 2023, the Board of Directors resolved to adjust the cash dividends appropriation ratio to NT\$0.99996315 (in dollars) per share.

(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	6,318	(380)	26,419	362
–Associates	-	105	-	1,751
At September 30	<u>(\$ 90,656)</u>	<u>(\$ 5,117)</u>	<u>(\$ 92,189)</u>	<u>(\$ 4,257)</u>

(21) Operating revenue

	For the three-month periods ended September 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 1,785,813</u>	<u>\$ 2,421,524</u>

	For the nine-month periods ended September 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 5,470,891</u>	<u>\$ 6,781,793</u>

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:

For the three-month periods ended September 30, 2023	Silicon wafers	IC	Others	Total
Revenue from external customer contracts	\$ 965,072	\$ 812,543	\$ 8,198	\$ 1,785,813
Timing of revenue recognition				
At a point in time	\$ 965,072	\$ 812,543	\$ 8,198	\$ 1,785,813

For the three-month periods ended September 30, 2022	Silicon wafers	IC	Others	Total
Revenue from external customer contracts	\$ 1,373,005	\$ 1,044,615	\$ 3,904	\$ 2,421,524
Timing of revenue recognition				
At a point in time	\$ 1,373,005	\$ 1,044,615	\$ 3,904	\$ 2,421,524

For the nine-month periods ended September 30, 2023	Silicon wafers	IC	Others	Total
Revenue from external customer contracts	\$ 2,957,529	\$ 2,479,047	\$ 34,315	\$ 5,470,891
Timing of revenue recognition				
At a point in time	\$ 2,957,529	\$ 2,479,047	\$ 34,315	\$ 5,470,891

For the nine-month periods ended September 30, 2022	Silicon wafers	IC	Others	Total
Revenue from external customer contracts	\$ 4,005,434	\$ 2,752,254	\$ 24,105	\$ 6,781,793
Timing of revenue recognition				
At a point in time	\$ 4,005,434	\$ 2,752,254	\$ 24,105	\$ 6,781,793

B. Contract liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Contract liabilities:				
Contract liabilities – advance sales receipts	\$ 339,472	\$ 407,454	\$ 502,746	\$ 367,729

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

	For the three-month periods ended September 30,	
	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	\$ 103,799	\$ 41,257

	For the nine-month periods ended September 30,	
	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	\$ 251,844	\$ 266,530

(22) Interest income

	For the three-month periods ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 10,669	\$ 6,280

	For the nine-month periods ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 37,359	\$ 12,236

(23) Other income

	For the three-month periods ended September 30,	
	2023	2022
Rental revenue	\$ 8,602	\$ 8,680
Other income, others	5,212	3,524
	\$ 13,814	\$ 12,204

	For the nine-month periods ended September 30,	
	2023	2022
Rental revenue	\$ 25,677	\$ 26,323
Dividend income	-	1
Other income, others	11,903	4,575
	\$ 37,580	\$ 30,899

(24) Other gains and losses

	For the three-month periods ended September 30,	
	2023	2022
Gains on disposals of property, plant and equipment	\$ -	\$ 44,200
Net currency exchange gains	29,722	60,685
Depreciation on investment property	(1,074)	(1,085)
Other losses	(2)	(150)
	<u>\$ 28,646</u>	<u>\$ 103,650</u>

	For the nine-month periods ended September 30,	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 3,624	\$ 58,911
Net currency exchange gains	9,684	106,906
Depreciation on investment property	(3,223)	(3,297)
Other losses	(3,632)	(390)
	<u>\$ 6,453</u>	<u>\$ 162,130</u>

(25) Finance costs

	For the three-month periods ended September 30,	
	2023	2022
Interest expense:		
Banking borrowings	\$ 5,125	\$ 4,247
Bonds payable	3,834	3,898
Lease liabilities	2,522	2,643
Other finance expenses	1,770	1,882
	<u>\$ 13,251</u>	<u>\$ 12,670</u>

	For the nine-month periods ended September 30,	
	2023	2022
Interest expense:		
Banking borrowings	\$ 13,052	\$ 7,313
Bonds payable	11,475	8,153
Lease liabilities	7,718	8,008
Other finance expenses	5,789	4,323
	<u>\$ 38,034</u>	<u>\$ 27,797</u>

(26) Expenses by nature

	For the three-month periods ended September 30,	
	2023	2022
Employee benefit expense	\$ 433,992	\$ 558,257
Depreciation expenses	178,251	158,202
Amortisation expenses on intangible assets	2,918	2,292

	For the nine-month periods ended September 30,	
	2023	2022
Employee benefit expense	\$ 1,343,771	\$ 1,577,908
Depreciation expenses	515,311	467,208
Amortisation expenses on intangible assets	8,466	6,623

(27) Employee benefit expense

	For the three-month periods ended September 30,	
	2023	2022
Wages and salaries	\$ 358,174	\$ 472,601
Labor and health insurance fees	34,523	32,942
Pension costs	16,507	16,340
Other personnel expenses	24,788	36,374
	<u>\$ 433,992</u>	<u>\$ 558,257</u>

	For the nine-month periods ended September 30,	
	2023	2022
Wages and salaries	\$ 1,106,509	\$ 1,314,867
Employee stock options	-	7,420
Labor and health insurance fees	102,085	94,577
Pension costs	50,012	47,274
Other personnel expenses	85,165	113,770
	<u>\$ 1,343,771</u>	<u>\$ 1,577,908</u>

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

Employees' compensation can be distributed by stock or dividends, including distributions to certain qualifying employees within the Group.

B. For the three-month and nine-month periods ended September 30, 2023 and 2022, employees' compensation was accrued at \$394, \$27,850, \$8,477 and \$66,662, respectively; while directors' remuneration was accrued at \$49, \$3,482, \$1,060 and \$8,333, 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 nine-month periods ended September 30, 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:

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the year	\$ 11,258	\$ 55,063
Prior year income tax under estimation	-	-
Total current tax	<u>11,258</u>	<u>55,063</u>
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	<u>\$ 11,258</u>	<u>\$ 55,063</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the year	\$ 32,000	\$ 154,812
Prior year income tax under estimation	503	-
Total current tax	<u>32,503</u>	<u>154,812</u>
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	<u>\$ 32,503</u>	<u>\$ 154,812</u>

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

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

(29) Earning earnings per share

For the three-month periods ended September 30,2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,482	333,216	\$ 0.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,482	333,216	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,482	333,221	\$ 0.01

For the three-month periods ended September 30,2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 316,803	333,203	\$ 0.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 316,803	333,203	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,659	9,008	
Employees' compensation	-	293	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 318,462	342,504	\$ 0.93

For the nine-month periods ended September 30, 2023

	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 96,423	333,209	\$ 0.29
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 96,423	333,209	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	310	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 96,423	333,519	\$ 0.29

For the nine-month periods ended September 30, 2022

	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 758,285	331,824	\$ 2.29
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 758,285	331,824	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,952	3,848	
Employees' compensation	-	731	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 760,237	336,403	\$ 2.26

For the three-month and nine-month periods ended September 30, 2023, the Company's issued convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted earnings per share.

(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:

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

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 894,197	\$ 973,692
Add: Beginning balance of payables on equipment	243,884	42,302
Less: Ending balance of payables on equipment	(120,029)	(131,440)
Cash paid during the period	<u>\$ 1,018,052</u>	<u>\$ 884,554</u>

B. Financing activities with no cash flow effects:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Convertible bonds being converted to capital stocks	<u>\$ 893</u>	<u>\$ 24,388</u>

(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	307,959	(16,663)	-	(8,812)	282,484
Interest paid	-	(7,718)	-	-	(7,718)
Interest expense	-	7,718	11,475	-	19,193
Option exercised	-	-	(900)	-	(900)
Discount on bonds payable	-	-	7	-	7
Changes in other non-cash items	-	(5,140)	-	-	(5,140)
At September 30	<u>\$ 486,583</u>	<u>\$ 474,448</u>	<u>\$ 1,566,373</u>	<u>\$ 8,095</u>	<u>\$ 2,535,499</u>
	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	(216,320)	(16,548)	1,745,060	(12,243)	1,499,949
Interest paid	-	(8,008)	-	-	(8,008)
Interest expense	-	8,008	8,153	-	16,161
Warrants on bonds payable	-	-	(289,172)	-	(289,172)
Option exercised	-	-	(54,600)	-	(54,600)
Discount on bonds payable	-	-	641	-	641
Changes in other non-cash items	-	10,288	-	-	10,288
At September 30	<u>\$ 447,473</u>	<u>\$ 501,807</u>	<u>\$ 1,569,663</u>	<u>\$ 35,170</u>	<u>\$ 2,554,113</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Hermes-Epitek Coporation	The Company's director
Taiwan Hi-Tech Corp.	Investee accounted for using equity method
Wei Yun Capital Management Corporation	Investee accounted for using equity method

(2) Significant related party transactions

A. Operating revenue

	For the three-month periods ended September 30,	
	2023	2022
Sales of goods:		
-Other related parties	<u>\$ 1,427</u>	<u>\$ 106</u>

	For the nine-month periods ended September 30,	
	2023	2022
Sales of goods:		
-Other related parties	\$ 3,180	\$ 1,393

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

	For the three-month periods ended September 30,	
	2023	2022
Purchases of goods:		
-Other related parties	\$ 2,103	\$ 350

	For the nine-month periods ended September 30,	
	2023	2022
Purchases of goods:		
-Other related parties	\$ 3,824	\$ 350

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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable:			
-Other related parties	\$ 839	\$ 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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable:			
-Other related parties	\$ 2,268	\$ 1,074	\$ 367
Other receivables:			
-Associates	27,143	30,999	27,465
-Other related parties	68	664	243
	\$ 29,479	\$ 32,737	\$ 28,075

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.

E. Others

	For the three-month periods ended September 30,	
	2023	2022
Testing fee:		
-Associates	\$ 42,646	\$ 32,536
	For the nine-month periods ended September 30,	
	2023	2022
Testing fee:		
-Associates	\$ 120,489	\$ 94,833

(3) Key management personnel compensation

	For the three-month periods ended September 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 39,903	\$ 18,910
Post-employment benefits	353	54
	\$ 40,256	\$ 18,964
	For the nine-month periods ended September 30,	
	2023	2022
Salaries and other short-term employee benefits	\$ 79,178	\$ 47,453
Post-employment benefits	1,057	162
	\$ 80,235	\$ 47,615

8. Pledged Assets

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

Pledged asset	Book value			Purpose
	September 30, 2023	December 31, 2022	September 30, 2022	
Cash (shown as "Current financial assets at amortised cost")	\$ 2,622	\$ -	\$ -	Customs deposits
Pledged time deposits (shown as "Non-Current financial assets at amortised cost")	30,591	30,591	24,885	Customs deposits and guarantee deposits for leases
Pledged time deposits (shown as "Non-current financial assets at amortised cost")	167,820	168,000	168,000	Guarantee for convertible bonds
	\$ 201,033	\$ 198,591	\$ 192,885	

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:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Property, plant and equipment	\$ <u>1,092,189</u>	\$ <u>1,375,027</u>	\$ <u>1,551,610</u>

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.

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Production capacity guarantee agreement (Shown as “Other current liabilities, others” and “Other non-current liabilities, others”)	\$ <u>11,791</u>	\$ <u>20,902</u>	\$ <u>26,143</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

None.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income	\$ 17,100	\$ 10,782	\$ 15,567
Financial assets at amortised cost			
Cash and cash equivalents	3,963,270	4,734,214	4,753,910
Financial assets at amortised cost	201,033	198,591	192,885
Notes receivable	5,057	44,420	82,757
Accounts receivable (including related parties)	1,349,336	1,351,067	1,670,690
Other receivables (including related parties)	67,927	58,145	63,164
Refundable guarantee deposits	1,853	1,836	1,805
	<u>\$ 5,605,576</u>	<u>\$ 6,399,055</u>	<u>\$ 6,780,778</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 486,583	\$ 178,624	\$ 447,473
Accounts payable (including related parties)	479,023	554,927	738,218
Other payables (including related parties)	689,197	1,135,264	801,064
Bonds payable (including current portion)	1,566,373	1,555,791	1,569,664
Guarantee deposits received	8,095	16,907	35,170
	<u>\$ 3,229,271</u>	<u>\$ 3,441,513</u>	<u>\$ 3,591,589</u>
Lease liabilities	<u>\$ 474,448</u>	<u>\$ 496,251</u>	<u>\$ 501,807</u>

B. Policy of risk management

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. 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:

				September 30, 2023			
				Foreign currency amount			Book value
				(in thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	\$	35,478	32.28	\$	1,145,127	
	JPY:NTD		179,994	0.2164		38,951	
	RMB:NTD		62,226	4.415		274,728	
Non-monetary items: None.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	USD:NTD	\$	28,511	32.28	\$	920,251	
	JPY:NTD		53,850	0.2164		11,653	
	RMB:NTD		10,025	4.415		44,259	
Non-monetary items: None.							
				December 31, 2022			
				Foreign currency amount			Book value
				(in thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
	USD:NTD	\$	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.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
	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.							

September 30, 2022

	Foreign currency amount		Exchange rate	Book value	
	(in thousands)			(NTD)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$	54,320	31.755	\$	1,724,929
JPY:NTD		46,473	0.2202		10,233
RMB:NTD		66,767	4.48		299,115

Non-monetary items: None.

Financial liabilities

Monetary items

USD:NTD	\$	26,068	31.755	\$	827,799
JPY:NTD		62,305	0.2202		13,719
RMB:NTD		29,979	4.48		134,305

Non-monetary items: None.

- iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Group For the three-month and nine-month periods ended September 30, 2023 and 2022, amounted to \$29,722, \$60,685, \$9,684 and \$106,906, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

For the nine-month periods ended September 30, 2023

	Degree of variation	Effect on profit (loss)		Effect on other comprehensive income	
		\$	\$	\$	\$
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	1%	\$	11,451	\$	-
JPY:NTD	1%		390		-
RMB:NTD	1%		2,747		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1%	(\$	9,203)	\$	-
JPY:NTD	1%	(	117)		-
RMB:NTD	1%	(	443)		-

	For the nine-month periods ended September 30, 2022		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,249	\$ -
JPY:NTD	1%	102	-
RMB:NTD	1%	2,991	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 8,278)	\$ -
JPY:NTD	1%	(137)	-
RMB:NTD	1%	(1,343)	-

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 \$171 and \$156, respectively, as a result of the price change on equity investment at fair value through other comprehensive income for the nine-month periods ended September 30, 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. For the nine-month periods ended September 30, 2023 and 2022, the Group's borrowings at floating rates were mainly denominated in 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 nine-month periods ended September 30, 2023 and 2022, would have increased/decreased by \$730 and \$671, 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. As of September 30, 2023, December 31, 2022, September 30, 2022, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	over 180 days past due	Individual	Total
<u>At September 30, 2023</u>							
Expected loss rate	0.01~1%	0.01~0.18%	0.01~4.44%	0.01~38.62%	100%	0.01~4.84%	
Total book value	\$ 1,137,313	\$ 156,783	\$ 3,081	\$ -	\$ 4,734	\$ 52,986	\$ 1,354,897
Loss allowance	\$ -	\$ 1,376	\$ 137	\$ -	\$ 4,734	\$ 153	\$ 6,400
<u>At December 31, 2022</u>							
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
<u>At September 30, 2022</u>							
Expected loss rate	0.01~1%	0.01~0.17%	0.01~4.62%	0.01~30.12%	100%	0.01~0.10%	
Total book value	\$ 1,472,480	\$ 43,096	\$ 6,129	\$ 3,735	\$ -	\$ 151,650	\$ 1,677,090
Loss allowance	\$ -	\$ 4,889	\$ 233	\$ 1,125	\$ -	\$ 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 and September 30	\$	6,400
	2022	
	Accounts receivable	
At January	\$	11,656
Write-offs	(	5,256)
At September 30	\$	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 September 30, 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:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Floating rate:			
Expiring within one year	\$ 210,000	\$ 410,000	\$ 452,047
Fixed rate:			
Expiring within one year	2,148,025	2,693,866	2,054,468
	<u>\$ 2,358,025</u>	<u>\$ 3,103,866</u>	<u>\$ 2,506,515</u>

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.

<u>Non-derivative financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
September 30, 2023				
Short-term borrowings	\$ 486,583	\$ -	\$ -	\$ -
Accounts payable (including related parties)	479,023	-	-	-
Other payables (including related parties)	689,197	-	-	-
Lease liabilities	30,705	29,550	84,757	473,714
Bonds payable	89,100	1,500,000	-	-
Guarantee deposits received	-	-	-	8,095

<u>Non-derivative financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
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

<u>Non-derivative financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Over 3 years</u>
September 30, 2022				
Short-term borrowings	\$ 447,473	\$ -	\$ -	\$ -
Accounts payable (including related parties)	738,218	-	-	-
Other payables (including related parties)	801,064	-	-	-
Lease liabilities	32,117	30,842	82,953	505,578
Bonds payable	17,700	90,000	1,500,000	-
Guarantee deposits received	195	-	-	34,975

Derivative financial liabilities

As of September 30, 2023, December 31, 2022 and September 30, 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.

	September 30, 2023			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 1,566,373	\$ -	\$ 1,558,721	\$ -

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

	September 30, 2022			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 1,569,664	\$ -	\$ 1,552,863	\$ -

(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:

September 30, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ -	\$ -	\$ 17,100	\$ 17,100

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ -	\$ -	\$ 10,782	\$ 10,782

September 30, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	\$ -	\$ -	\$ 15,567	\$ 15,567

(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:

Market quoted price	<u>Listed shares</u>
	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 nine-month periods ended September 30, 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 nine-month periods ended September 30, 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	6,318
September 30, 2023	\$ 17,100

	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	(	26,419)
Acquired in the period		1,500
September 30, 2022	\$	15,567

G. For the nine-month periods ended September 30, 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 September 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 17,100	Market comparable companies	Price to book ratio multiple; Discount for lack of marketability	Price to book ratio: 2.58~3.33. 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.

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 15,567	Market comparable companies	Price to book ratio multiple; Discount for lack of marketability	Price to book ratio: 2.16~3.11. 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 assessed the valuation models and assumptions carefully 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:

		September 30, 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%	\$ -	\$ -	\$ 171	(\$ 171)

		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)

		September 30, 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%	\$ -	\$ -	\$ 156	(\$ 156)

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:

	For the nine-month periods ended September 30,	
	2023	2022
Revenue from external customers	\$ 5,470,891	\$ 6,781,793
Inter-company revenue	\$ -	\$ -
Segment (loss) income	\$ 146,817	\$ 1,007,212
Segment assets	\$ 12,180,259	\$ 12,935,585

(3) Reconciliation for segment income (loss)

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)
September 30, 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 September 30, 2023				Footnote (Note 4)
				Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	
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	2,315	6.16%	2,315	
Wei Nuo Investment Inc.	Energic Technologies Corporation - common shares	None	Financial assets at fair value through other comprehensive income-non-current	1,000,000	8,041	4.50%	8,041	
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	6,109	8.01%	6,109	
Wei Nuo Investment Inc.	Geo Things Inc.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	125,000	618	2.60%	618	

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
For the nine-month period ended September 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of notes/accounts receivable (payable)	
Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	Subsidiary	(Sales)	\$ (310,569)	5.68%	30-90 days after monthly billings	-	General terms	\$ 7,275	0.54%	
Episil Technologies Inc.	Episil-Precision Inc.	Subsidiary	Purchases	201,396	9.65%	30-90 days after monthly billings	-	General terms	(90,934)	15.98%	Note 1
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	(288,600)	5.28%	90-180 days after monthly billings	-	General terms	159,805	11.84%	

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
 September 30, 2023

Table 3

Creditor	Counterparty	Relationship	Balance of accounts receivables of related parties (Note1)	Turnover rate (Note3)	Overdue receivables		Expressed in thousands of NTD (Except as otherwise indicated)	
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Episil-Precision Inc.	Episil Technologies Inc.	Subsidiary	\$ 114,788	2.03	\$ 42,175	received in subsequent period	\$ 30,412	\$ -
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	159,805	3.29	-	subsequent period	-	-

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

Note 2: The amount of paid-up capital refers to the paid-up capital of the parent company. If the issuer's shares have no par value or the denomination per share is not NT\$10, the transaction amount of 20% of the paid-up capital is calculated as 10% of the equity attributable to the owners of the parent company on the balance sheet.

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

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction		consolidated total operating revenues or total assets (Note 3)
						Transaction terms		
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating revenue	\$ 2,286	General terms		0.04%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Service revenue	7,976	General terms		0.15%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Processing cost	46,921	General terms		0.86%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating costs	201,396	General terms		3.68%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other receivables	4,817	30~90 days after monthly billings		0.04%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Accounts payable	90,934	30~90 days after monthly billings		0.75%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other payable	34,679	30~90 days after monthly billings		0.28%
0	Episil Technologies Inc.	Episil Technologies Inc.(SHANGHAI)	1	Operating revenue	310,569	General terms		5.68%
0	Episil Technologies Inc.	Episil Technologies Inc.(SHANGHAI)	1	Accounts receivable	7,275	30~90 days after monthly billings		0.06%
0	Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	1	Operating revenue	3,128	General terms		0.06%
1	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Operating revenue	288,600	General terms		5.28%
1	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Operating costs	5,539	General terms		0.10%
1	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Accounts receivable	159,805	90~180 days after monthly billings		1.31%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

Information on investees

For the nine-month period ended September 30, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2023			Investment income		Footnote
				Balance as of September 30, 2023	Balance as of December 31, 2023	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended 2023	(loss) recognized by the Company for the nine-month period ended 2023	
									(Note 2(2))	(Note 2(3))	
Episil Technologies Inc.	Wei Nuo Investment Inc.	Taiwan	General investment	\$ 250,000	\$ 250,000	15,000,000	100.00%	\$ 105,120	\$ 5,893	\$ 5,893	
Episil Technologies Inc.	Episil-Precision Inc.	Taiwan	Semiconductor industry	2,001,343	2,001,343	166,961,680	57.86%	2,809,047	119,586	69,564	
Episil Technologies Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	201,020	201,020	17,093,398	37.49%	173,482	4,877	1,828	
Wei Nuo Investment Inc.	Wellknown Holding Company Ltd.	Samoa	Investment service of various	4,837	4,837	150,000	100.00%	13,854	6,111	6,111	
Wei Nuo Investment Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	17,296	16,549	1,731,599	3.80%	16,289	4,877	179	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of epitaxy and silicon wafers	2,740	2,740	200	100.00%	11,295	(1)	(1)	

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 nine-month period ended September 30, 2023' 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 nine-month periods ended September 30, 2023' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and 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

For the nine-month period ended September 30, 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)	Amount remitted from Taiwan to Mainland China/		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net income of investee for the nine-month period ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2023 (Note 2(2)C)	Book value of investments in Mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Episil Technologies Inc. (SHANGHAI)	Trading business	\$ 4,598	2	\$ 4,598	\$ -	\$ -	\$ 4,598	\$ 7,314	100.00%	\$ 7,314	\$ 13,777	\$ 41,213	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Episil Technologies Inc.(SHANGHAI)	\$ 4,598	\$ 4,598	\$ 3,326,217

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 nine-month period ended June 30, 2023' 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

For the nine-month period ended September 30, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at September 30, 2023	%	Balance at September 30, 2023	Purpose	Maximum balance during the nine-month period ended September 30, 2023	Balance at September 30, 2023	Interest rate	Interest during the nine-month period ended September 30, 2023	
Episil Technologies Inc.(SHANGHAI)	\$ 310,569	5.68%	\$ -	-	\$ 7,275	0.54%	\$ -	-	\$ -	\$ -	-	\$ -	-

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

Major shareholders information

September 30, 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.	18,662,000	5.60%
Hermes- Epitek Corporation	18,160,870	5.45%