

**EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2024 AND 2023**

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 March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows for the three-month periods ended March 31, 2024 and 2023, and notes to the consolidated financial statements (including a 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 March 31, 2024 and 2023, the total assets of such subsidiaries were NT\$312 million and NT\$374 million respectively, accounting for 2.66% and 2.96% of the consolidated total assets respectively; the total liabilities were NT\$36 million and NT\$165 million respectively, accounting for 2.76% and 10.82% of the total consolidated liabilities respectively; the total comprehensive profit and

loss for the three-month periods ended March 31, 2024 and 2023 were NT\$(2) million and NT\$2 million respectively, accounting for 2.76% and 10.82% 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 March 31, 2024 and 2023, the investments accounted for under the equity method balances of NT\$190 million and NT\$188 million respectively, accounting for 1.62% and 1.49% of the consolidated total assets respectively, the related shares of profit or loss from the associates in the amount of NT\$0.5 million and NT\$0.6 million respectively, accounting for (0.60%) and 2.58% of the consolidated income from continuing operations before income tax for the three-month periods ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023, and the consolidated financial performance and consolidated cash flow for the three-month periods ended March 31, 2024 and 2023.

Li, Tien-Yi

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan
May 7, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 and MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | | | | |
|--------------------|--------------------------------------|-------|----------------|------------|-------------------|----|----------------|-----|----|------------|-----|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % | | | |
| Current assets | | | | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ | 3,614,096 | 31 | \$ | 3,531,506 | 30 | \$ | 4,678,278 | 37 |
| 1136 | Current financial assets at | 6(1) | | | | | | | | | |
| | amortized cost | and 8 | | 17,820 | - | | - | - | | - | - |
| 1150 | Notes receivable, net | 6(3) | | 10,617 | - | | 4,744 | - | | 34,192 | - |
| 1170 | Accounts receivable, net | 6(3) | | 1,099,998 | 9 | | 1,142,907 | 10 | | 1,108,011 | 9 |
| 1180 | Accounts receivable - related | 7 | | | | | | | | | |
| | parties | | | 1,043 | - | | 3,606 | - | | 564 | - |
| 1200 | Other receivables | | | 63,945 | 1 | | 45,918 | - | | 60,543 | 1 |
| 1220 | Current income tax assets | | | 4,416 | - | | 4,637 | - | | 1,304 | - |
| 130X | Inventories | 6(4) | | 1,481,510 | 13 | | 1,593,541 | 14 | | 1,799,301 | 14 |
| 1410 | Prepayments | | | 140,799 | 1 | | 135,362 | 1 | | 165,276 | 1 |
| 1470 | Other current assets | | | 6,685 | - | | 11,588 | - | | 10,034 | - |
| 11XX | Current assets | | | 6,440,929 | 55 | | 6,473,809 | 55 | | 7,857,503 | 62 |
| Non-current assets | | | | | | | | | | | |
| 1517 | Non-current financial assets at fair | 6(2) | | | | | | | | | |
| | value through other | | | | | | | | | | |
| | comprehensive income | | | 14,570 | - | | 14,842 | - | | 10,689 | - |
| 1535 | Non-current financial assets at | 6(1) | | | | | | | | | |
| | amortized cost | and 8 | | 180,442 | 2 | | 198,262 | 2 | | 198,551 | 2 |
| 1550 | Investments accounted for using | 6(5) | | | | | | | | | |
| | equity method | | | 189,873 | 2 | | 188,865 | 2 | | 188,231 | 2 |
| 1600 | Property, plant and equipment | 6(6) | | 4,128,563 | 35 | | 4,141,976 | 35 | | 3,548,554 | 28 |
| 1755 | Right-of-use assets | 6(7) | | 457,956 | 4 | | 446,557 | 4 | | 475,569 | 4 |
| 1760 | Investment property - net | 6(9) | | 136,379 | 1 | | 137,462 | 1 | | 140,677 | 1 |
| 1780 | Intangible assets | 6(10) | | 50,981 | - | | 51,822 | - | | 55,079 | - |
| 1840 | Deferred income tax assets | | | 137,199 | 1 | | 137,199 | 1 | | 131,228 | 1 |
| 1900 | Other non-current assets | | | 2,414 | - | | 2,208 | - | | 1,827 | - |
| 15XX | Non-current assets | | | 5,298,377 | 45 | | 5,319,193 | 45 | | 4,750,405 | 38 |
| 1XXX | Total assets | | \$ | 11,739,306 | 100 | \$ | 11,793,002 | 100 | \$ | 12,607,908 | 100 |

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 and MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | | March 31, 2024 | | December 31, 2023 | | March 31, 2023 | |
|---|---|-------|----------------|-------|-------------------|-------|----------------|-------|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(11) | \$ 479,418 | 4 | \$ 266,950 | 2 | \$ 254,127 | 2 |
| 2130 | Current contract liabilities | 6(20) | 129,582 | 1 | 157,004 | 1 | 359,063 | 3 |
| 2170 | Accounts payable | 6(12) | 321,599 | 3 | 353,956 | 3 | 490,200 | 4 |
| 2180 | Accounts payable - related parties | 7 | 3,351 | - | 1,898 | - | 1,125 | - |
| 2200 | Other payables | 6(13) | 703,059 | 6 | 756,313 | 6 | 1,356,157 | 11 |
| 2220 | Other payables - related parties | 7 | 41,247 | - | 28,741 | - | 25,543 | - |
| 2230 | Current income tax liabilities | | 67,702 | 1 | 58,280 | 1 | 127,157 | 1 |
| 2280 | Current lease liabilities | | 23,158 | - | 19,860 | - | 21,676 | - |
| 2320 | Long-term liabilities, current portion | 6(14) | 581,542 | 5 | 88,772 | 1 | - | - |
| 2399 | Other current liabilities, others | | 311,977 | 3 | 292,727 | 3 | 198,228 | 1 |
| 21XX | Current liabilities | | 2,662,635 | 23 | 2,024,501 | 17 | 2,833,276 | 22 |
| Non-current liabilities | | | | | | | | |
| 2530 | Corporate bonds payable | 6(14) | 992,234 | 9 | 1,481,445 | 13 | 1,559,408 | 12 |
| 2570 | Deferred income tax liabilities | 6(27) | 34,868 | - | 34,868 | - | 36,148 | - |
| 2580 | Non-current lease liabilities | | 457,999 | 4 | 449,027 | 4 | 473,572 | 4 |
| 2640 | Accrued pension liabilities | 6(15) | 149,684 | 1 | 166,285 | 1 | 188,349 | 2 |
| 2645 | Guarantee deposits received | | 8,095 | - | 8,095 | - | 16,891 | - |
| 2670 | Other non-current liabilities, others | | 6,194 | - | 59,277 | 1 | 65,024 | 1 |
| 25XX | Non-current liabilities | | 1,649,074 | 14 | 2,198,997 | 19 | 2,339,392 | 19 |
| 2XXX | Total liabilities | | 4,311,709 | 37 | 4,223,498 | 36 | 5,172,668 | 41 |
| Equity | | | | | | | | |
| Equity attributable to owners of the parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Share capital - common stock | 6(16) | 3,332,157 | 28 | 3,332,157 | 28 | 3,332,062 | 26 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(17) | 1,538,639 | 13 | 1,538,468 | 13 | 1,538,393 | 12 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(18) | 114,149 | 1 | 114,149 | 1 | 30,356 | - |
| 3320 | Special reserve | | 101,815 | 1 | 101,815 | 1 | 72,140 | 1 |
| 3350 | Unappropriated retained earnings | | 440,010 | 4 | 538,696 | 5 | 578,722 | 5 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | 6(19) | (98,830) | (1) | (99,123) | (1) | (101,709) | (1) |
| 31XX | Equity attributable to owners of the parent | | 5,427,940 | 46 | 5,526,162 | 47 | 5,449,964 | 43 |
| 36XX | Non-controlling interest | 4(3) | 1,999,657 | 17 | 2,043,342 | 17 | 1,985,276 | 16 |
| 3XXX | Total equity | | 7,427,597 | 63 | 7,569,504 | 64 | 7,435,240 | 59 |
| Significant commitments and contingencies | | | | | | | | |
| Significant events after the reporting period | | | | | | | | |
| 3X2X | Total liabilities and equity | | \$ 11,739,306 | 100 | \$ 11,793,002 | 100 | \$ 12,607,908 | 100 |

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items | | Notes | For the three-month periods ended March 31, | | | |
|-------|--|--------------------|---|--------|---------------|--------|
| | | | 2024 | | 2023 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(20) and 7 | \$ 1,457,563 | 100 | \$ 1,767,108 | 100 |
| 5000 | Operating costs | 6(4)(25)(26) and 7 | (1,414,623) | (97) | (1,565,582) | (89) |
| 5900 | Operating margin | | 42,940 | 3 | 201,526 | 11 |
| | Operating expenses | 6(25)(26) and 7 | | | | |
| 6100 | Selling and marketing expenses | | (18,829) | (1) | (24,114) | (1) |
| 6200 | General and administrative expenses | | (92,837) | (6) | (88,351) | (5) |
| 6300 | Research and development expenses | | (66,086) | (5) | (49,465) | (3) |
| 6000 | Total operating expenses | | (177,752) | (12) | (161,930) | (9) |
| 6900 | Operating (loss) profit | | (134,812) | (9) | 39,596 | 2 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(21) | 9,786 | 1 | 12,056 | 1 |
| 7010 | Other income | 6(22) | 9,645 | - | 14,176 | 1 |
| 7020 | Other gains and losses | 6(23) | 58,517 | 4 | (23,585) | (1) |
| 7050 | Finance costs | 6(24) | (15,026) | (1) | (11,975) | (1) |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method | 6(5) | 487 | - | 587 | - |
| 7000 | Total non-operating income and expenses | | 63,409 | 4 | (8,741) | - |
| 7900 | (Loss) Profit before income tax | | (71,403) | (5) | 30,855 | 2 |
| 7950 | Income tax expense | 6(27) | (10,159) | (1) | (8,136) | (1) |
| 8200 | (Loss) Profit for the period | | (\$ 81,562) | (6) | \$ 22,719 | 1 |

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items | Notes | For the three-month periods ended March 31, | | | |
|---|-------|---|------|-----------|---|
| | | 2024 | | 2023 | |
| | | AMOUNT | % | AMOUNT | % |
| Other comprehensive income (loss), net | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(2) | (\$ 272) | - | (\$ 93) | - |
| 8310 Components of other comprehensive (loss) income that will not be reclassified to profit or loss | | (272) | - | (93) | - |
| Components of other comprehensive income that may be subsequently reclassified to profit or loss | | | | | |
| 8361 Exchange differences on translation of foreign operations | | (101) | - | (89) | - |
| 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 | | 521 | - | 208 | - |
| 8360 Components of other comprehensive income (loss) that may be reclassified to profit or loss | | 420 | - | 119 | - |
| 8300 Other comprehensive (loss) income, net | | \$ 148 | - | \$ 26 | - |
| 8500 Total other comprehensive income for the period | | (\$ 81,414) | (6) | \$ 22,745 | 1 |
| Profit, attributable to: | | | | | |
| 8610 Owners of the parent | | (\$ 98,686) | (7) | \$ 8,798 | - |
| 8620 Non-controlling interest | | 17,124 | 1 | 13,921 | 1 |
| Total | | (\$ 81,562) | (6) | \$ 22,719 | 1 |
| Comprehensive income attributable to: | | | | | |
| 8710 Owners of the parent | | (\$ 98,393) | (7) | \$ 8,905 | - |
| 8720 Non-controlling interest | | 16,979 | 1 | 13,840 | 1 |
| Total | | (\$ 81,414) | (6) | \$ 22,745 | 1 |
| Basic earnings per share | 6(28) | | | | |
| 9750 Basic earnings per share (in dollars) | | (\$ 0.30) | | \$ 0.03 | |
| Diluted earnings per share | 6(28) | | | | |
| 9850 Diluted earnings per share (in dollars) | | (\$ 0.30) | | \$ 0.03 | |

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 THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|------------|---|-----------------|---------------|-----------------|----------------------------------|--|---|-------------|--------------------------|--------------|
| | | Retained Earnings | | | | | Other equity interest | | | | |
| | Notes | 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 | Non-controlling interest | Total equity |
| 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 three-month ended March 31,2023 | | - | - | - | - | 8,798 | - | - | 8,798 | 13,921 | 22,719 |
| Other comprehensive income (loss) | | - | - | - | - | - | 200 | (93) | 107 | (81) | 26 |
| Total comprehensive income (loss) | | - | - | - | - | 8,798 | 200 | (93) | 8,905 | 13,840 | 22,745 |
| Appropriation of 2022 earnings | 6(18) | | | | | | | | | | |
| Cash dividends | | - | - | - | - | (333,203) | - | - | (333,203) | - | (333,203) |
| Conversion of convertible bonds | 6(16) (17) | 27 | 171 | - | - | - | - | - | 198 | - | 198 |
| Cash dividends claim by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | - | (243,155) | (243,155) |
| Balance at March 31, 2023 | | \$3,332,062 | \$1,538,393 | \$ 30,356 | \$ 72,140 | \$ 578,722 | (\$ 4,642) | (\$ 97,067) | \$5,449,964 | \$1,985,276 | \$7,435,240 |
| Balance at January 1, 2024 | | \$3,332,157 | \$1,538,468 | \$ 114,149 | \$ 101,815 | \$ 538,696 | (\$ 6,209) | (\$ 92,914) | \$5,526,162 | \$2,043,342 | \$7,569,504 |
| (Loss) Profit for the three-month ended March 31,2024 | | - | - | - | - | (98,686) | - | - | (98,686) | 17,124 | (81,562) |
| Other comprehensive income (loss) | | - | - | - | - | - | 565 | (272) | 293 | (145) | 148 |
| Total comprehensive income (loss) | | - | - | - | - | (98,686) | 565 | (272) | (98,393) | 16,979 | (81,414) |
| Changes in ownership interest in subsidiaries | 6(17) | - | 171 | - | - | - | - | - | 171 | 125 | 296 |
| Cash dividends claim by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | - | (60,789) | (60,789) |
| Balance at March 31, 2024 | | \$3,332,157 | \$1,538,639 | \$ 114,149 | \$ 101,815 | \$ 440,010 | (\$ 5,644) | (\$ 93,186) | \$5,427,940 | \$1,999,657 | \$7,427,597 |

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 THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the three-month periods ended March 31, | |
|---|------------|---|----------------|
| | | 2024 | 2023 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| (Loss) Profit before tax | | (\$ 71,403) | \$ 30,855 |
| Adjustments | | | |
| Adjustments to reconcile (profit) loss | | | |
| Depreciation expense | 6(25) | 176,222 | 166,075 |
| Amortization expense | 6(10) (25) | 2,941 | 2,680 |
| Gain on disposal of property, plant and equipment | 6(23) | (39,878) | (6) |
| Share of profit of associates accounted for using equity method | 6(5) | (487) | (587) |
| Finance costs | 6(24) | 12,793 | 9,727 |
| Interest income | 6(21) | (9,786) | (12,056) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | (5,873) | 10,228 |
| Accounts receivable | | 42,909 | 242,746 |
| Accounts receivable - related parties | | 2,563 | (254) |
| Other receivables | | (16,974) | (2,015) |
| Inventories | | 112,031 | 40,477 |
| Prepayments | | (5,437) | (2,530) |
| Other current assets | | 4,903 | 1,918 |
| Changes in operating liabilities | | | |
| Contract liabilities | | (27,422) | (48,391) |
| Accounts payable | | (32,357) | (63,653) |
| Accounts payable - related parties | | 1,453 | 51 |
| Other payables | | (43,381) | (160,735) |
| Other payables - related parties | | 12,506 | (6,120) |
| Other current liabilities | | 19,250 | 31,196 |
| Other non-current liabilities | | (53,083) | 65,024 |
| Accrued pension liabilities | | (16,601) | (1,228) |
| Cash inflow generated from operations | | 64,889 | 303,402 |
| Interest received | | 9,171 | 11,673 |
| Interest paid | | (7,539) | (4,698) |
| Income taxes paid | | (955) | (3,271) |
| Net cash flows from operating activities | | <u>65,566</u> | <u>307,106</u> |

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the three-month periods ended March 31, | |
|---|-------|---|---------------------|
| | | 2024 | 2023 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortized cost | | \$ - | (\$ 560) |
| Disposal of financial assets at amortized cost | | - | 600 |
| Acquisition of property, plant and equipment | 6(29) | (227,614) | (432,181) |
| Proceeds from disposal of property, plant and equipment | | 40,249 | 6 |
| Acquisition of intangible assets | 6(10) | (2,100) | (734) |
| (Increase) Decrease in refundable deposits | | (206) | 9 |
| Net cash flows used in investing activities | | (189,671) | (432,860) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | 6(30) | 685,995 | 213,469 |
| Repayments of short-term borrowings | 6(30) | (473,527) | (137,966) |
| Decrease in refundable deposits received | 6(30) | - | (16) |
| Payments of lease liabilities | 6(30) | (5,673) | (5,580) |
| Net cash flows from financing activities | | 206,795 | 69,907 |
| Effect of exchange rate changes | | (100) | (89) |
| Net increase (decrease) in cash and cash equivalents | | 82,590 | (55,936) |
| Cash and cash equivalents at beginning of period | 6(1) | 3,531,506 | 4,734,214 |
| Cash and cash equivalents at end of period | 6(1) | <u>\$ 3,614,096</u> | <u>\$ 4,678,278</u> |

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 THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

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 March 31, 2024, 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 Authorization for Issuance of the Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on May 7, 2024.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) 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 2024 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|--|--|
| Amendments to IAS 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.

(2) Effect of new, revised or amended IFRSs endorsed by the FSC but not yet adopted by the Group
None.

(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 IASB |
|---|---------------------------|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by IASB |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| IFRS 18, 'Presentation and disclosure in financial statements' | January 1, 2027 |
| Amendments to IAS 21, 'Lack of exchangeability' | January 1, 2025 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

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, 2023, 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, 2023.

(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 recognized 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, 2023.
- B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Note |
|---|-------------------------------------|--------------------------------------|----------------|-------------------|----------------|------|
| | | | March 31, 2024 | December 31, 2023 | March 31, 2023 | |
| Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) | Episil-Precision Inc. | Semiconductor industry | 57.86 | 57.86 | 57.86 | |
| 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 March 31, 2024 and 2023 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 March 31, 2024, December 31, 2023 and March 31, 2023, the non-controlling interests amounted to \$1,999,657, \$2,043,342 and \$1,985,276, 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 |
|------------------------|-----------------------------|---------------------------|---------------|---------------------------|---------------|-------------|
| | | Amount | Ownership (%) | Amount | Ownership (%) | |
| Epsilil-Precision Inc. | Taiwan | \$ 1,999,657 | 42.14% | \$ 2,043,342 | 42.14% | |
| | | | | Non-controlling interests | | |
| | | | | March 31, 2023 | | |
| Name of subsidiary | Principal place of business | | | Amount | Ownership (%) | Description |
| Epsilil-Precision Inc. | Taiwan | | | \$ 1,985,276 | 42.14% | |

Balance sheets

| | | Epsil-Precision Inc. and its subsidiary | | |
|-------------------------|----|---|-------------------|----------------|
| | | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Current assets | \$ | 4,544,421 | \$ 4,306,433 | \$ 4,999,515 |
| Non-current assets | | 2,426,119 | 2,505,553 | 2,454,331 |
| Current liabilities | (| 1,839,738) | (1,043,973) | (1,798,233) |
| Non-current liabilities | (| 337,239) | (870,768) | (896,162) |
| Total net assets | \$ | 4,793,563 | \$ 4,897,245 | \$ 4,759,451 |

Statements of comprehensive income

| Episil-Precision Inc. and its subsidiary | | |
|--|--------------|--------------|
| For the three-month periods ended March 31, | | |
| | 2024 | 2023 |
| Revenue | \$ 1,030,060 | \$ 1,097,160 |
| Profit before income tax | 50,796 | 41,027 |
| Income tax expense | (10,159) | (7,993) |
| Profit for the period | 40,637 | 33,034 |
| Other comprehensive income, net of tax | (344) | (192) |
| Total comprehensive income for the period | \$ 40,293 | \$ 32,842 |
| Comprehensive income attributable to non-controlling interests | \$ 16,979 | \$ 13,840 |
| Dividends paid to non-controlling interests | \$ - | \$ - |

Statements of cash flows

| Episil-Precision Inc. and its subsidiary | | |
|--|--------------|--------------|
| For the three-month periods ended March 31, | | |
| | 2024 | 2023 |
| Net cash provided by operating activities | \$ 155,215 | \$ 216,682 |
| Net cash used in investing activities | (87,666) | (203,972) |
| Net cash provided by financing activities | 185,048 | 73,007 |
| Effect of exchange rates | (344) | (189) |
| Increase in cash and cash equivalents | 252,253 | 85,528 |
| Cash and cash equivalents at beginning of period | 2,284,089 | 2,841,411 |
| Cash and cash equivalents at end of period | \$ 2,536,342 | \$ 2,926,939 |

(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 recognized 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 March 31, 2024. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---------------------------------------|---------------------|---------------------|---------------------|
| Cash on hand and revolving funds | \$ 498 | \$ 521 | \$ 562 |
| Checking accounts and demand deposits | 723,553 | 787,969 | 1,064,258 |
| Time deposits | 1,341,445 | 1,942,416 | 3,004,058 |
| Cash equivalents | 1,548,600 | 800,600 | 609,400 |
| | <u>\$ 3,614,096</u> | <u>\$ 3,531,506</u> | <u>\$ 4,678,278</u> |

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

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

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

| Items | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|----------------------|------------------|-------------------|------------------|
| Non-current items: | | | |
| Unlisted stocks | \$ 107,756 | \$ 107,756 | \$ 107,756 |
| Valuation adjustment | (93,186) | (92,914) | (97,067) |
| | <u>\$ 14,570</u> | <u>\$ 14,842</u> | <u>\$ 10,689</u> |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$14,570, \$14,842 and \$10,689 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

B. Amounts recognized 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 March 31, | |
|--|---|---------|
| | 2024 | 2023 |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognized in other comprehensive income | (\$ 272) | (\$ 93) |
| Dividend income recognized in profit or loss held at end of period | \$ - | \$ - |

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

(3) Notes and accounts receivable

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|----------------------|---------------------|---------------------|---------------------|
| Notes receivable | \$ 10,617 | \$ 4,744 | \$ 34,192 |
| Accounts receivable | \$ 1,106,398 | \$ 1,149,307 | \$ 1,114,411 |
| Less: Loss allowance | (6,400) | (6,400) | (6,400) |
| | <u>\$ 1,099,998</u> | <u>\$ 1,142,907</u> | <u>\$ 1,108,011</u> |

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

| | March 31, 2024 | | December 31, 2023 | |
|----------------|---------------------|------------------|---------------------|------------------|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | \$ 1,031,832 | \$ 10,617 | \$ 1,074,553 | \$ 4,744 |
| Up to 30 days | 60,900 | - | 64,433 | - |
| 31 to 90 days | 5,976 | - | 5,880 | - |
| 91 to 180 days | 3,062 | - | - | - |
| Over 180 days | 4,628 | - | 4,441 | - |
| | <u>\$ 1,106,398</u> | <u>\$ 10,617</u> | <u>\$ 1,149,307</u> | <u>\$ 4,744</u> |

| | March 31, 2023 | |
|----------------|---------------------|------------------|
| | Accounts receivable | Notes receivable |
| Not past due | \$ 1,064,549 | \$ 34,192 |
| Up to 30 days | 42,560 | - |
| 31 to 90 days | 100 | - |
| 91 to 180 days | 2,736 | - |
| Over 180 days | 4,466 | - |
| | <u>\$ 1,114,411</u> | <u>\$ 34,192</u> |

The above ageing analysis was based on past due date.

B. As of March 31, 2024, December 31, 2023 and March 31, 2023, notes and accounts receivable were all from contracts with customers. As of January 1, 2023, the balance of receivables from contracts with customers amounted to \$1,395,177.

C. As of March 31, 2024, December 31, 2023 and March 31, 2023, collaterals held by the Group as security for accounts receivable amounted to \$1,000, \$1,000 and \$16,856, respectively.

D. As of March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any

collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$10,617, \$4,744 and \$34,192, \$1,099,998, \$1,142,907 and \$1,108,011, respectively.

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

(4) Inventories

| March 31, 2024 | | | |
|------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 633,260 | (\$ 100,743) | \$ 532,517 |
| Supplies | 652,101 | (64,863) | 587,238 |
| Work in progress | 227,751 | (4,305) | 223,446 |
| Finished goods | 151,491 | (13,182) | 138,309 |
| | <u>\$ 1,664,603</u> | <u>(\$ 183,093)</u> | <u>\$ 1,481,510</u> |

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

| March 31, 2022 | | | |
|------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 702,820 | (\$ 59,060) | \$ 643,760 |
| Supplies | 498,122 | (65,909) | 432,213 |
| Work in progress | 474,756 | (7,884) | 466,872 |
| Finished goods | 267,500 | (11,044) | 256,456 |
| | <u>\$ 1,943,198</u> | <u>(\$ 143,897)</u> | <u>\$ 1,799,301</u> |

The cost of inventories recognized as expense for the period:

| For the three-month periods ended March 31, | | | |
|---|---------------------|-----------|------------------|
| | 2024 | | 2023 |
| Cost of goods sold | \$ 1,026,641 | \$ | 1,299,874 |
| Unamortized manufacturing expenses | 381,598 | | 240,412 |
| Reversal of inventory valuation loss | 4,963 | | 24,416 |
| Inventory scrapped | 1,421 | | 880 |
| | <u>\$ 1,414,623</u> | <u>\$</u> | <u>1,565,582</u> |

(5) Investments accounted for using equity method

| | 2024 | 2023 |
|--|-------------------|-------------------|
| At January 1 | \$ 188,865 | \$ 187,436 |
| Share of profit or loss of investments accounted for using equity method | 487 | 587 |
| Other equity interest | 521 | 208 |
| At March 31 | <u>\$ 189,873</u> | <u>\$ 188,231</u> |

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|----------------------|-------------------|-------------------|-------------------|
| Associates | | | |
| Taiwan Hi-Tech Corp. | <u>\$ 189,873</u> | <u>\$ 188,865</u> | <u>\$ 188,231</u> |

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

| | For the three-month periods ended March 31, | |
|---|---|---------------|
| | 2024 | 2023 |
| Profit from continuing operations | \$ 487 | \$ 587 |
| Other comprehensive income (loss), net of tax | 521 | 208 |
| Total comprehensive income | <u>\$ 1,008</u> | <u>\$ 795</u> |

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

(6) Property, plant and equipment

| 2024 | | | | | | | | |
|-----------------------------|-----------------------------|----------------------------|--|-----------------------------|---------------------|--------------------|--|---------------------|
| | 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 | \$ 4,911,368 | \$ 9,103,950 | \$ 121,768 | \$ 4,461 | \$ 3,092 | \$ 119,824 | \$ 1,516,279 | \$ 15,780,742 |
| Accumulated depreciation | (3,244,160) | (7,575,810) | (66,044) | (2,759) | (3,079) | (115,854) | - | (11,007,706) |
| Accumulated impairment | (376,292) | (254,766) | - | (2) | - | - | - | (631,060) |
| | <u>\$ 1,290,916</u> | <u>\$ 1,273,374</u> | <u>\$ 55,724</u> | <u>\$ 1,700</u> | <u>\$ 13</u> | <u>\$ 3,970</u> | <u>\$ 1,516,279</u> | <u>\$ 4,141,976</u> |
| At January 1 | \$ 1,290,916 | \$ 1,273,374 | \$ 55,724 | \$ 1,700 | \$ 13 | \$ 3,970 | \$ 1,516,279 | \$ 4,141,976 |
| Additions | 7,140 | 47,174 | 496 | - | - | - | 100,742 | 155,552 |
| Disposals | - (371) | - | - | - | - | - | - | (371) |
| Reclassifications | 23,494 | 254,868 | - | - | - | - | (278,362) | - |
| Depreciation expenses | (40,400) | (122,856) | (4,720) | (113) | (2) | (503) | - | (168,594) |
| At March 31 | <u>\$ 1,281,150</u> | <u>\$ 1,452,189</u> | <u>\$ 51,500</u> | <u>\$ 1,587</u> | <u>\$ 11</u> | <u>\$ 3,467</u> | <u>\$ 1,338,659</u> | <u>\$ 4,128,563</u> |
| At March 31 | | | | | | | | |
| Cost | \$ 4,941,283 | \$ 9,395,791 | \$ 120,286 | \$ 4,461 | \$ 3,092 | \$ 119,824 | \$ 1,338,659 | \$ 15,923,396 |
| Accumulated depreciation | (3,283,841) | (7,689,536) | (68,786) | (2,872) | (3,081) | (116,357) | - | (11,164,473) |
| Accumulated impairment | (376,292) | (254,066) | - | (2) | - | - | - | (630,360) |
| | <u>\$ 1,281,150</u> | <u>\$ 1,452,189</u> | <u>\$ 51,500</u> | <u>\$ 1,587</u> | <u>\$ 11</u> | <u>\$ 3,467</u> | <u>\$ 1,338,659</u> | <u>\$ 4,128,563</u> |

| 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 | 20,678 | 18,620 | 1,470 | 615 | - | 72 | 226,445 | 267,900 |
| Reclassifications | 35,105 | 46,804 | 3,430 | - | - | - | (85,339) | - |
| Depreciation expenses | (35,572) | (118,611) | (3,716) | - | (3) | (574) | - | (158,476) |
| At March 31 | <u>\$ 1,266,574</u> | <u>\$ 1,143,145</u> | <u>\$ 34,935</u> | <u>\$ 615</u> | <u>\$ 22</u> | <u>\$ 5,365</u> | <u>\$ 1,097,898</u> | <u>\$ 3,548,554</u> |
| At March 31 | | | | | | | | |
| Cost | \$ 4,787,712 | \$ 8,632,435 | \$ 89,766 | \$ 3,261 | \$ 3,092 | \$ 119,677 | \$ 1,097,898 | \$ 14,733,841 |
| Accumulated depreciation | (3,141,763) | (7,225,339) | (54,831) | (2,644) | (3,070) | (114,312) | - | (10,541,959) |
| Accumulated impairment | (379,375) | (263,951) | - | (2) | - | - | - | (643,328) |
| | <u>\$ 1,266,574</u> | <u>\$ 1,143,145</u> | <u>\$ 34,935</u> | <u>\$ 615</u> | <u>\$ 22</u> | <u>\$ 5,365</u> | <u>\$ 1,097,898</u> | <u>\$ 3,548,554</u> |

A. The Group has no capitalization of interest attributable to the property, plant and equipment for the three-month periods ended March 31, 2024 and 2023.

B. As of March 31, 2024, December 31, 2023 and March 31, 2023, 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:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--------------------------|-------------------|-------------------|-------------------|
| | Book value | Book value | Book value |
| Land | \$ 415,666 | \$ 420,505 | \$ 446,271 |
| Buildings and structures | 42,290 | 26,052 | 29,261 |
| Machinery and equipment | - | - | 37 |
| | <u>\$ 457,956</u> | <u>\$ 446,557</u> | <u>\$ 475,569</u> |

| | For the three-month periods ended March 31, | |
|--------------------------|---|-----------------------|
| | 2024 | 2023 |
| | Depreciation expenses | Depreciation expenses |
| Land | \$ 4,840 | \$ 4,924 |
| Buildings and structures | 1,705 | 1,489 |
| Machinery and equipment | - | 112 |
| | <u>\$ 6,545</u> | <u>\$ 6,525</u> |

- D. For the three-month periods ended March 31, 2024 and 2023, the additions to right-of-use assets were \$17,943 and \$4,577, respectively.
- E. Information on profit or loss in relation to lease agreements is as follows:

| | For the three-month periods ended March 31, | |
|--|---|-----------------|
| | 2024 | 2023 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | <u>\$ 2,515</u> | <u>\$ 2,612</u> |
| Expense on short-term lease agreements | <u>\$ 676</u> | <u>\$ 675</u> |

- F. For the three-month periods ended March 31, 2024 and 2023, the Group's total cash outflow for leases were \$8,864 and \$8,867, 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 periods ended March 31, 2024 and 2023 are as follows:

| | For the three-month periods ended March 31, | |
|----------------|---|----------|
| | 2024 | 2023 |
| Rental revenue | \$ 8,716 | \$ 8,594 |

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

| | March 31, 2024 | December 31, 2023 |
|-----------|------------------|-------------------|
| 2024 | \$ 24,799 | \$ 33,326 |
| 2025 | 32,964 | 33,002 |
| 2026 | 23,988 | 23,988 |
| 2027 | 1,200 | 1,200 |
| 2028 | 1,200 | 1,200 |
| 2029 | 1,200 | 1,200 |
| Over 2030 | 12,750 | 12,750 |
| | <u>\$ 98,101</u> | <u>\$ 106,666</u> |

| | March 31, 2023 |
|-----------|-------------------|
| 2023 | \$ 25,066 |
| 2024 | 33,326 |
| 2025 | 33,002 |
| 2026 | 23,988 |
| 2027 | 1,200 |
| 2028 | 1,200 |
| Over 2029 | 13,950 |
| | <u>\$ 131,732</u> |

(9) Investment property

| | 2024 | 2023 |
|---|---------------------------------|---------------------------------|
| | <u>Buildings and structures</u> | <u>Buildings and structures</u> |
| At January 1 | | |
| Cost | \$ 173,428 | \$ 173,428 |
| Accumulated depreciation and impairment | (35,966) | (31,677) |
| | <u>\$ 137,462</u> | <u>\$ 141,751</u> |
| At January 1 | \$ 137,462 | \$ 141,751 |
| Depreciation expenses | (1,083) | (1,074) |
| At March 31 | <u>\$ 136,379</u> | <u>\$ 140,677</u> |
| At March 31 | | |
| Cost | \$ 173,428 | \$ 173,428 |
| Accumulated depreciation and impairment | (37,049) | (32,751) |
| | <u>\$ 136,379</u> | <u>\$ 140,677</u> |

A. Rental revenue from investment property.

| | For the three-month periods ended March 31, | |
|--|---|-----------------|
| | 2024 | 2023 |
| Rental revenue from investment property | <u>\$ 8,484</u> | <u>\$ 8,269</u> |
| Direct operating expenses arising from the investment property that generated rental revenue during the period | <u>\$ 2,045</u> | <u>\$ 1,979</u> |

B. The fair value of the investment property held by the Group as of March 31, 2024, December 31, 2023 and March 31, 2023, was \$174,515, \$167,172 and \$168,527, respectively. Valuations were made using the income approach which is categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--------------------------|----------------|-------------------|----------------|
| Discount rate | 8.70% ~11.15% | 8.65% ~11.65% | 9.22% ~11.47% |
| Annual rent (net income) | \$ 29,728 | \$ 29,052 | \$ 29,105 |
| Duration | 10 years | 10 years | 10 years |

C. The Group has no interest capitalization for the three-month periods ended March 31, 2024 and 2023.

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 March 31, 2024, December 31, 2023 and March 31, 2023, the Group has no investment property pledged to others as collateral.

(10) Intangible assets

| 2024 | | | | |
|-----------------------------|----------------------|------------------|-----------------|------------------|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | \$ 86,245 | \$ 29,694 | \$ 46,160 | \$ 162,099 |
| Accumulated amortization | (65,637) | - | (44,640) | (110,277) |
| | <u>\$ 20,608</u> | <u>\$ 29,694</u> | <u>\$ 1,520</u> | <u>\$ 51,822</u> |
| At January 1 | \$ 20,608 | \$ 29,694 | \$ 1,520 | \$ 51,822 |
| Additions | 2,100 | - | - | 2,100 |
| Amortization expenses | (2,818) | - | (123) | (2,941) |
| At March 31 | <u>\$ 19,890</u> | <u>\$ 29,694</u> | <u>\$ 1,397</u> | <u>\$ 50,981</u> |
| At March 31 | | | | |
| Cost | \$ 88,345 | \$ 29,694 | \$ 46,160 | \$ 164,199 |
| Accumulated amortization | (68,455) | - | (44,763) | (113,218) |
| | <u>\$ 19,890</u> | <u>\$ 29,694</u> | <u>\$ 1,397</u> | <u>\$ 50,981</u> |
| 2023 | | | | |
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | \$ 117,131 | \$ 29,694 | \$ 45,531 | \$ 192,356 |
| Accumulated amortization | (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 | 105 | - | 629 | 734 |
| Amortization expenses | (2,454) | - | (226) | (2,680) |
| At March 31 | <u>\$ 23,448</u> | <u>\$ 29,694</u> | <u>\$ 1,937</u> | <u>\$ 55,079</u> |
| At March 31 | | | | |
| Cost | \$ 117,236 | \$ 29,694 | \$ 46,160 | \$ 193,090 |
| Accumulated amortization | (93,788) | - | (44,223) | (138,011) |
| | <u>\$ 23,448</u> | <u>\$ 29,694</u> | <u>\$ 1,937</u> | <u>\$ 55,079</u> |

Details of amortization of intangible assets are as follows:

| | For the three-month periods ended March 31, | |
|-------------------------------------|---|-----------------|
| | 2024 | 2023 |
| Operating costs | \$ 2,145 | \$ 2,350 |
| General and administrative expenses | 796 | 330 |
| | <u>\$ 2,941</u> | <u>\$ 2,680</u> |

(11) Short-term borrowings

| Type of borrowings | March 31, 2024 | Interest rate range | Collateral |
|----------------------|-------------------|---------------------|------------|
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 479,418</u> | 5.88%~6.16% | None |
| | | | |
| Type of borrowings | December 31, 2023 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 266,950</u> | 6.12%~6.50% | None |
| | | | |
| Type of borrowings | March 31, 2023 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 254,127</u> | 5.5%~5.90% | None |

(12) Accounts payable

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|----------------------------|-------------------|-------------------|-------------------|
| Accounts payable | \$ 281,784 | \$ 304,967 | \$ 435,918 |
| Estimated accounts payable | 39,815 | 48,989 | 54,282 |
| | <u>\$ 321,599</u> | <u>\$ 353,956</u> | <u>\$ 490,200</u> |

(13) Other payable

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|-------------------|-------------------|---------------------|
| Accrued expenses-expendables | \$ 218,594 | \$ 206,049 | \$ 234,209 |
| Accrued expenses-bonus | 147,877 | 219,110 | 121,096 |
| Employees' compensation and directors' remuneration payable | 31,937 | 26,913 | 170,448 |
| Payables for equipment | 75,871 | 147,933 | 79,603 |
| Dividends payable | 60,789 | - | 576,358 |
| Accrued expenses-others | 167,991 | 156,308 | 174,443 |
| | <u>\$ 703,059</u> | <u>\$ 756,313</u> | <u>\$ 1,356,157</u> |

(14) Bonds payable

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|-------------------|---------------------|---------------------|
| 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 fourth unsecured convertible bonds | 500,000 | 500,000 | 500,000 |
| | <u>2,100,000</u> | <u>2,100,000</u> | <u>2,100,000</u> |
| Less: Bonds payable converted | (511,200) | (510,900) | (510,200) |
| Less: Discount on bonds payable | (15,024) | (18,883) | (30,392) |
| | <u>1,573,776</u> | <u>1,570,217</u> | <u>1,559,408</u> |
| Less: Current portion | (581,542) | (88,772) | (-) |
| | <u>\$ 992,234</u> | <u>\$ 1,481,445</u> | <u>\$ 1,559,408</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 unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of \$600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from June 22, 2021 to June 22, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 22, 2021.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The effective date for the conversion price of the convertible was set on June 11, 2021. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of \$73.8 (in dollars) in either 1, 3 or 5 business days before the effective date (effective date is excluded) by convertible premium rate of 105.67% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was adjusted to \$72.4 (in dollars) per share on July 23, 2023 as the Company distributed dividend.
- (d) All convertible bonds repurchased, redeemed or converted by the Company from securities trading markets shall be retired, which are not allowed to resell or reissue, and conversion rights attached to the bonds are also extinguished.

- (e) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$14,895 were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32.
 - (f) Through March 31, 2024, the bonds totalling \$510,900 (face value) had been converted into 6,942 thousand shares of the Company’s common shares.
- B. The issuance terms of the Company’s forth domestic secured convertible bonds are as follows:
- (a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of \$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 March 31, 2024, no bonds were converted into common shares.
- C. The issuance terms of the Episil-Precision Inc.’s forth domestic unsecured convertible bonds are as follows:
- (a) The regulatory authority has approved the 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 March 31, 2024, the bonds totalling \$300 (face value) had been converted into 2 thousand shares of Episil-Precision Inc.'s common shares.

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

(15) Pensions

- A. (a) The Company and its domestic subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension funds deposited with Bank of Taiwan, the trustee,

under the name of the independent pension fund committees. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

- (b) The pension costs recognized by the Group according to the above pension regulations for the three-month periods ended March 31, 2024 and 2023 were \$565 and \$685, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2025 amount to \$7,129.
- 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 periods ended March 31, 2024 and 2023 were \$15,678 and \$16,294, respectively.

(16) Share capital

- A. The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014. As of March 31, 2024, the Company’s authorized 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 | 2024 | 2023 |
|---------------------------------|---------|---------|
| Shares issued at January 1 | 333,216 | 333,203 |
| Share outstanding at January 1 | 333,216 | 333,203 |
| Conversion of convertible bonds | - | 3 |
| Shares issued at March 31 | 333,216 | 333,206 |
| Shares outstanding at March 31 | 333,216 | 333,206 |

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized 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.

| 2024 | | | | | | |
|---|-------------------|---|--|-------------------|------------------|---------------------|
| | 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 | \$ 734,518 | \$ 506,836 | (\$ 299) | \$ 286,919 | \$ 10,494 | \$ 1,538,468 |
| Changes in ownership interest in subsidiaries | - | 171 | - | - | - | 171 |
| At March 31 | <u>\$ 734,518</u> | <u>\$ 507,007</u> | <u>(\$ 299)</u> | <u>\$ 286,919</u> | <u>\$ 10,494</u> | <u>\$ 1,538,639</u> |

| 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 | 176 | - | - | (5) | - | 171 |
| At March 31 | <u>\$ 733,901</u> | <u>\$ 506,836</u> | <u>\$ 226</u> | <u>\$ 286,936</u> | <u>\$ 10,494</u> | <u>\$ 1,538,393</u> |

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings 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 summarized below: as the Company operates in high-tech industries and is in the stable growth stage, to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial

plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 10% of total cash and stock dividends and bonus to be distributed.

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

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

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On June 14, 2023, 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 | \$ 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. On February 27, 2024, the meeting of Board of Directors resolved that no dividends for the distribution of earnings for the year of 2023.
- G. Because the Company increased its capital by issuing shares and some creditors who held the third domestic unsecured convertible bonds converted bonds into shares, the number of outstanding shares changed. Based on the premise that keeping total cash dividends distributed unchanged, on June 30, 2023, the Board of Directors resolved to adjust the cash dividends appropriation ratio to NT\$0.99996315 (in dollars) per share.

(19) Other equity items

| | 2024 | | 2023 | |
|--------------|--|--|--|--|
| | Unrealized gains (losses) on valuation | Financial statements translation difference of foreign operations | Unrealized gains (losses) on valuation | Financial statements translation difference of foreign operations |
| At January 1 | (\$ 92,914) | (\$ 6,209) | (\$ 96,974) | (\$ 4,842) |
| –Group | (272) | 44 | (93) | (8) |
| –Associates | - | 521 | - | 208 |
| At March 31 | <u>(\$ 93,186)</u> | <u>(\$ 5,644)</u> | <u>(\$ 97,067)</u> | <u>(\$ 4,642)</u> |

(20) Operating revenue

| | For the three-month periods ended March 31, | |
|---------------------------------------|---|---------------------|
| | 2024 | 2023 |
| Revenue from contracts with customers | <u>\$ 1,457,463</u> | <u>\$ 1,767,108</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 March 31, 2024 | Silicon wafers | IC | Others | Total |
|--|-------------------|-------------------|------------------|---------------------|
| Revenue from external customer contracts | <u>\$ 941,674</u> | <u>\$ 501,985</u> | <u>\$ 13,904</u> | <u>\$ 1,457,563</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 941,674</u> | <u>\$ 501,985</u> | <u>\$ 13,904</u> | <u>\$ 1,457,563</u> |
| For the three-month periods ended March 31, 2023 | Silicon wafers | IC | Others | Total |
| Revenue from external customer contracts | <u>\$ 997,439</u> | <u>\$ 758,785</u> | <u>\$ 10,884</u> | <u>\$ 1,767,108</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 997,439</u> | <u>\$ 758,785</u> | <u>\$ 10,884</u> | <u>\$ 1,767,108</u> |

B. Contract liabilities

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

| | March 31, 2024 | December 31, 2023 | March 31, 2023 | January 1, 2023 |
|--|-------------------|-------------------|-------------------|-------------------|
| Contract liabilities: | | | | |
| Contract liabilities – advance sales receipts | <u>\$ 129,582</u> | <u>\$ 157,004</u> | <u>\$ 359,063</u> | <u>\$ 287,815</u> |

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

| | For the three-month periods ended March 31, | |
|---|---|------------|
| | 2024 | 2023 |
| Revenue recognized that was included in the contract liabilities balance at the beginning of the period | \$ 71,501 | \$ 144,094 |

(21) Interest income

| | For the three-month periods ended March 31, | |
|------------------------------------|---|-----------|
| | 2024 | 2023 |
| Interest income from bank deposits | \$ 9,786 | \$ 12,056 |

(22) Other income

| | For the three-month periods ended March 31, | |
|----------------------|---|------------------|
| | 2024 | 2023 |
| Rental revenue | \$ 8,716 | \$ 8,594 |
| Other income, others | 929 | 5,582 |
| | <u>\$ 9,645</u> | <u>\$ 14,176</u> |

(23) Other gains and losses

| | For the three-month periods ended March 31, | |
|---|---|--------------------|
| | 2024 | 2023 |
| Gains on disposals of property, plant and equipment | \$ 39,878 | \$ 6 |
| Net currency exchange gains (losses) | 19,697 | (21,876) |
| Depreciation on investment property | (1,083) | (1,074) |
| Other gains (losses) | 25 | (641) |
| | <u>\$ 58,517</u> | <u>(\$ 23,585)</u> |

(24) Finance costs

| | For the three-month periods ended March 31, | |
|------------------------|---|------------------|
| | 2024 | 2023 |
| Interest expense: | | |
| Banking borrowings | \$ 6,423 | \$ 3,300 |
| Bonds payable | 3,855 | 3,815 |
| Lease liabilities | 2,515 | 2,612 |
| Other finance expenses | 2,233 | 2,248 |
| | <u>\$ 15,026</u> | <u>\$ 11,975</u> |

(25) Expenses by nature

| | For the three-month periods ended March 31, | |
|--|---|------------|
| | 2024 | 2023 |
| Employee benefit expense | \$ 421,781 | \$ 467,213 |
| Depreciation expenses | 176,222 | 166,075 |
| Amortization expenses on intangible assets | 2,941 | 2,680 |

(26) Employee benefit expense

| | For the three-month periods ended March 31, | |
|---------------------------------|---|-------------------|
| | 2024 | 2023 |
| Wages and salaries | \$ 337,189 | \$ 378,684 |
| Labor and health insurance fees | 33,196 | 36,400 |
| Pension costs | 16,243 | 16,979 |
| Other personnel expenses | 35,153 | 35,150 |
| | <u>\$ 421,781</u> | <u>\$ 467,213</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 periods ended March 31, 2023, employees' compensation was accrued at \$773; while directors' remuneration was accrued at \$97. The aforementioned amounts were recognized in salary expenses and other expenses.

For the three-month periods ended March 31, 2024, due to losses, no employees' remuneration and directors' remuneration were accrued.

The employees' compensation and directors' remuneration were estimated and accrued based on 8% and 1% of earnings for the three-month periods ended March 31, 2023.

Employees' compensation of \$5,897 and directors' remuneration of \$737 for the year ended December 31, 2023 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2023 financial statements. Abovementioned employees' compensation of 2023 will be distributed in the form of cash.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three-month periods ended March 31, | |
|---|---|----------|
| | 2024 | 2023 |
| Current tax: | | |
| Current tax on profits for the period | \$ 10,159 | \$ 8,136 |
| Total current tax | 10,159 | 8,136 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | - | - |
| Total deferred tax | - | - |
| Income tax expense | \$ 10,159 | \$ 8,136 |

(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.

(28) Earning earnings per share

| | For the three-month periods ended March 31, 2024 | | |
|--|--|---|---------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Loss per share (in dollars) |
| <u>Basic loss per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | (\$ 98,686) | 333,216 | (\$ 0.30) |
| | | | |
| | For the three-month periods ended March 31, 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 | \$ 8,798 | 333,204 | \$ 0.03 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 8,798 | 333,204 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 592 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 8,798 | 333,796 | \$ 0.03 |

For the three-month periods ended March 31, 2023, the Company's issued convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted earnings per share.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the three-month periods ended March 31, | |
|---|---|-------------------|
| | 2024 | 2023 |
| Acquisition of property, plant and equipment | \$ 155,552 | \$ 267,900 |
| Add: Beginning balance of payables on equipment | 147,933 | 243,884 |
| Less: Ending balance of payables on equipment | (75,871) | (79,603) |
| Cash paid during the period | <u>\$ 227,614</u> | <u>\$ 432,181</u> |

B. Financing activities with no cash flow effects:

| | For the three-month periods ended March 31, | |
|---|---|-------------------|
| | 2024 | 2023 |
| Convertible bonds being converted to capital stocks | \$ - | \$ 198 |
| Dividend paid | <u>\$ 60,789</u> | <u>\$ 576,358</u> |

(30) Changes in liabilities from financing activities

| | 2024 | | | | | |
|--|-----------------------|-------------------|---------------------|-----------------------------|------------------|---------------------------------------|
| | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits-received | Dividend paid | Liabilities from financing activities |
| At January 1 | \$ 266,950 | \$ 468,887 | \$ 1,570,217 | \$ 8,095 | \$ - | \$ 2,314,149 |
| Changes in cash flow from financing activities | 212,468 | (5,673) | - | - | - | 206,795 |
| Interest paid | - | (2,515) | - | - | - | (2,515) |
| Interest expense | - | 2,515 | 3,855 | - | - | 6,370 |
| Option exercised | - | - | (300) | - | - | (300) |
| Discount on bonds payable | - | - | 4 | - | - | 4 |
| Cash dividends claimed | - | - | - | - | 60,789 | 60,789 |
| Changes in other non-cash items | - | 17,943 | - | - | - | 17,943 |
| At March 31 | <u>\$ 479,418</u> | <u>\$ 481,157</u> | <u>\$ 1,573,776</u> | <u>\$ 8,095</u> | <u>\$ 60,789</u> | <u>\$ 2,603,235</u> |

| | 2023 | | | | | |
|--|-----------------------|-------------------|---------------|-----------------------------|---------------|---------------------------------------|
| | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits-received | Dividend paid | 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 | 75,503 | (5,580) | - | (16) | - | 69,907 |
| Interest paid | - | (2,612) | - | - | - | (2,612) |
| Interest expense | - | 2,612 | 3,815 | - | - | 6,427 |
| Option exercised | - | - | (200) | - | - | (200) |
| Discount on bonds payable | - | - | 2 | - | - | 2 |
| Cash dividends claimed | - | - | - | - | 576,358 | 576,358 |
| Changes in other non-cash items | - | 4,577 | - | - | - | 4,577 |
| At March 31 | \$ 254,127 | \$ 495,248 | \$ 1,559,408 | \$ 16,891 | \$ 576,358 | \$ 2,902,032 |

7. Related Party Transactions

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue

| | For the three-month periods ended March 31, | |
|------------------------|---|----------|
| | 2024 | 2023 |
| Sales of goods: | | |
| -Other related parties | \$ 1,385 | \$ 1,055 |

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 March 31, | |
|------------------------|---|----------|
| | 2024 | 2023 |
| Purchases of goods: | | |
| -Other related parties | \$ 3,284 | \$ 1,063 |

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

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|------------------------|-----------------------|--------------------------|-----------------------|
| Accounts receivable: | | | |
| -Other related parties | \$ <u>1,043</u> | \$ <u>3,606</u> | \$ <u>564</u> |

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

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> | <u>March 31, 2023</u> |
|------------------------|-----------------------|--------------------------|-----------------------|
| Accounts payable: | | | |
| -Other related parties | \$ 3,351 | \$ 1,898 | \$ 1,125 |
| Other receivables: | | | |
| -Associates | 40,575 | 28,734 | 24,715 |
| -Other related parties | <u>672</u> | <u>7</u> | <u>828</u> |
| | \$ <u>44,598</u> | \$ <u>30,639</u> | \$ <u>26,668</u> |

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

| | <u>For the three-month periods ended March 31,</u> | |
|--------------|--|------------------|
| | <u>2024</u> | <u>2023</u> |
| Testing fee: | | |
| -Associates | \$ <u>50,339</u> | \$ <u>36,254</u> |

(3) Key management personnel compensation

| | <u>For the three-month periods ended March 31,</u> | |
|---|--|------------------|
| | <u>2024</u> | <u>2023</u> |
| Salaries and other short-term employee benefits | \$ 22,208 | \$ 24,512 |
| Post-employment benefits | <u>353</u> | <u>352</u> |
| | \$ <u>22,561</u> | \$ <u>24,864</u> |

8. Pledged Assets

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

| Pledged asset | Book value | | | Purpose |
|---|-------------------|-------------------|-------------------|--|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 | |
| Pledged time deposits (shown as "Non-Current financial assets at amortized cost") | \$ 30,442 | \$ 30,442 | \$ 34,551 | Customs deposits and guarantee deposits for leases |
| Pledged time deposits (shown as "Current financial assets at amortized cost") | 17,820 | - | - | Guarantee for convertible bonds |
| Pledged time deposits (shown as "Non-current financial assets at amortized cost") | 150,000 | 167,820 | 164,000 | Guarantee for convertible bonds |
| | <u>\$ 198,262</u> | <u>\$ 198,262</u> | <u>\$ 198,551</u> | |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|-------------------------------|-------------------|-------------------|---------------------|
| Property, plant and equipment | <u>\$ 828,738</u> | <u>\$ 817,049</u> | <u>\$ 1,230,679</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.

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--|------------------|-------------------|------------------|
| Production capacity guarantee agreement (Shown as "Other current liabilities, others") | <u>\$ 11,791</u> | <u>\$ 11,791</u> | <u>\$ 20,187</u> |

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

For the purpose of the future operation, the Company's subsidiaries Episil-Precision Inc. handle the purchase of the plants. On May 6, 2024, the case that purchase from the related party Taiwan Hi-Tech Corp. for NT\$450 million (excluding relevant taxes) was approved by the board of directors of Episil-Precision Inc. And the board of directors of Episil-Precision Inc. also authorized that the chairman has authority to sign relevant documents on behalf of Episil-Precision Inc.

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

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|---|---------------------|---------------------|---------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through other comprehensive income | \$ 14,570 | \$ 14,842 | \$ 10,689 |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | 3,614,096 | 3,531,506 | 4,678,278 |
| Financial assets at amortized cost | 198,262 | 198,262 | 198,551 |
| Notes receivable | 10,617 | 4,744 | 34,192 |
| Accounts receivable (including related parties) | 1,101,041 | 1,146,513 | 1,108,575 |
| Other receivables (including related parties) | 63,945 | 45,918 | 60,543 |
| Refundable guarantee deposits | 2,414 | 2,208 | 1,827 |
| | <u>\$ 5,004,945</u> | <u>\$ 4,943,993</u> | <u>\$ 6,092,655</u> |
| | | | |
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost | | | |
| Short-term borrowings | \$ 479,418 | \$ 266,950 | \$ 254,127 |
| Accounts payable (including related parties) | 324,950 | 355,854 | 491,325 |
| Other payables (including related parties) | 744,306 | 785,054 | 1,381,700 |
| Bonds payable (including current portion) | 1,573,776 | 1,570,217 | 1,559,408 |
| Guarantee deposits received | 8,095 | 8,095 | 16,891 |
| | <u>\$ 3,130,545</u> | <u>\$ 2,986,170</u> | <u>\$ 3,703,451</u> |
| Lease liabilities | <u>\$ 481,157</u> | <u>\$ 468,887</u> | <u>\$ 495,248</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 minimize 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, recognized 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 recognized 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, recognized 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:

| March 31, 2024 | | | | |
|---|-------------------------|---------------|------------|---------|
| | Foreign currency amount | | Book value | |
| | (in thousands) | Exchange rate | (NTD) | |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ 29,524 | 30.002 | \$ | 944,822 |
| JPY:NTD | 16,598 | 0.2117 | | 3,514 |
| RMB:NTD | 22,126 | 4.4090 | | 97,552 |
| Non-monetary items: | None. | | | |

Financial liabilitiesMonetary items

| | | | | | |
|---------|----|--------|--------|----|---------|
| USD:NTD | \$ | 23,571 | 32.002 | \$ | 754,306 |
| JPY:NTD | | 24,089 | 0.2117 | | 5,100 |
| RMB:NTD | | 8,042 | 4.4090 | | 35,459 |

Non-monetary items: None.

December 31, 2023

| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
|--|--|---------------|---------------------|
| (Foreign currency: functional currency) | | | |

Financial assetsMonetary items

| | | | | | |
|---------|----|--------|--------|----|-----------|
| USD:NTD | \$ | 39,130 | 30.71 | \$ | 1,201,612 |
| JPY:NTD | | 9,546 | 0.2176 | | 2,077 |
| RMB:NTD | | 38,275 | 4.325 | | 165,538 |

Non-monetary items: None.

Financial liabilitiesMonetary items

| | | | | | |
|---------|----|--------|--------|----|---------|
| USD:NTD | \$ | 17,900 | 30.71 | \$ | 549,671 |
| JPY:NTD | | 93,236 | 0.2176 | | 20,288 |
| RMB:NTD | | 7,889 | 4.325 | | 34,121 |

Non-monetary items: None.

March 31, 2023

| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
|--|--|---------------|---------------------|
| (Foreign currency: functional currency) | | | |

Financial assetsMonetary items

| | | | | | |
|---------|----|---------|-------|----|-----------|
| USD:NTD | \$ | 36,083 | 30.45 | \$ | 1,098,733 |
| JPY:NTD | | 372,856 | 0.229 | | 85,384 |
| RMB:NTD | | 64,116 | 4.428 | | 283,904 |

Non-monetary items: None.

Financial liabilitiesMonetary items

| | | | | | |
|---------|----|--------|-------|----|---------|
| USD:NTD | \$ | 17,927 | 30.45 | \$ | 545,878 |
| JPY:NTD | | 47,122 | 0.229 | | 10,791 |
| RMB:NTD | | 13,845 | 4.428 | | 61,306 |

Non-monetary items: None.

- iv. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variations on the monetary items held by the Group for the three-month periods ended March 31, 2024 and 2023, amounted to \$19,697 and (\$21,876), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

| | | March 31, 2024 | | |
|--|----|----------------------------|----------------------------|--|
| | | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 9,448 | \$ - |
| JPY:NTD | 1% | | 35 | - |
| RMB:NTD | 1% | | 976 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | (\$ | 7,543) | \$ - |
| JPY:NTD | 1% | (| 51) | - |
| RMB:NTD | 1% | (| 355) | - |
| | | March 31, 2023 | | |
| | | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 10,987 | \$ - |
| JPY:NTD | 1% | | 854 | - |
| RMB:NTD | 1% | | 2,839 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | (\$ | 5,459) | \$ - |
| JPY:NTD | 1% | (| 108) | - |
| RMB:NTD | 1% | (| 613) | - |

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 \$146 and \$107, respectively, as a result of the price change on equity investment at fair value through other comprehensive income for the three-month periods ended March 31, 2024 and 2023.

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 three-month periods ended March 31, 2024 and 2023, the Group's borrowings at floating rates were mainly denominated in US dollars.
- ii. The Group's borrowings are measured at amortized 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 three-month periods ended March 31, 2024 and 2023, would have increased/decreased by \$240 and \$127, 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 amortized 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 analyzing 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 utilization 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 categorized 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 March 31, 2024, December 31, 2023, March 31 2023, the provision matrix is as follows:

| | Not past due | Up to 30 days past due | 31~90 days past due | 91~180 days past due | over 180 days past due | Individual | Total |
|-------------------------|--------------|---------------------------|------------------------|-------------------------|---------------------------|------------|--------------|
| At March 31, 2024 | | | | | | | |
| Expected loss rate | 0.01~1% | 0.01~0.44% | 0.01~0.11% | 0.01~46.76% | 100% | 0.12~4.61% | |
| Total book value | \$ 1,006,339 | \$ 54,135 | \$ 5,976 | \$ 3,062 | \$ 4,628 | \$ 32,258 | \$ 1,106,398 |
| Loss allowance | \$ - | \$ 191 | \$ 7 | \$ 1,432 | \$ 4,628 | \$ 142 | \$ 6,400 |
| At December 31, 2023 | | | | | | | |
| Expected loss rate | 0.01~1% | 0.01~0.44% | 0.01~6.68% | 0.01~38.52% | 100% | 0.12~4.97% | |
| Total book value | \$ 1,055,114 | \$ 54,452 | \$ 5,880 | \$ - | \$ 4,441 | \$ 29,420 | \$ 1,149,307 |
| Loss allowance | \$ - | \$ 1,764 | \$ 42 | \$ - | \$ 4,441 | \$ 153 | \$ 6,400 |
| At March 31, 2023 | | | | | | | |
| Expected loss rate | 0.01~1% | 0.01~0.19% | 0.01~4.69% | 0.01~40.78% | 100% | 0.01~5.11% | |
| Total book value | \$ 1,000,841 | \$ 15,665 | \$ 100 | \$ 2,736 | \$ 4,466 | \$ 90,603 | \$ 1,114,411 |
| Loss allowance | \$ - | \$ 662 | \$ 3 | \$ 1,116 | \$ 4,466 | \$ 153 | \$ 6,400 |

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

| | |
|----------------------------|---------------------|
| | 2024 |
| | Accounts receivable |
| At January 1 and March 31, | \$ 6,400 |
| | 2023 |
| | Accounts receivable |
| At January 1 and March 31, | \$ 6,400 |

- x. Financial assets measured at amortized cost measured by expected credit losses for 12 months are not significant impairment losses recognized for the three-month periods ended March 31, 2024 and 2023.

(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:

| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
|--------------------------|---------------------|---------------------|---------------------|
| Floating rate: | | | |
| Expiring within one year | \$ 210,000 | \$ 210,000 | \$ 401,954 |
| Fixed rate: | | | |
| Expiring within one year | 2,252,145 | 2,447,376 | 2,919,577 |
| | <u>\$ 2,462,145</u> | <u>\$ 2,657,376</u> | <u>\$ 3,321,531</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> | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|--|---------------------|--------------------------|--------------------------|-----------------|
| March 31, 2024 | | | | |
| Short-term borrowings | \$ 479,418 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 324,950 | - | - | - |
| Other payables (including related parties) | 744,306 | - | - | - |
| Lease liabilities | 32,372 | 32,372 | 93,781 | 462,267 |
| Bonds payable | 588,800 | 1,000,000 | - | - |
| Guarantee deposits received | - | - | - | 8,095 |

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

| <u>Non-derivative financial liabilities</u> | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|--|---------------------|--------------------------|--------------------------|-----------------|
| March 31, 2023 | | | | |
| Short-term borrowings | \$ 254,127 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 491,325 | - | - | - |
| Other payables (including related parties) | 1,381,700 | - | - | - |
| Lease liabilities | 31,851 | 29,415 | 84,885 | 486,992 |
| Bonds payable | - | 589,800 | 1,000,000 | - |
| Guarantee deposits received | - | - | - | 16,891 |

Derivative financial liabilities

As of March 31, 2024, December 31, 2023 and March 31, 2023, 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.

| March 31, 2024 | | | | |
|------------------------|--------------|------------|--------------|---------|
| | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | \$ 1,573,776 | \$ - | \$ 1,569,994 | \$ - |

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

| March 31, 2023 | | | | |
|------------------------|--------------|------------|--------------|---------|
| | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| Financial liabilities: | | | | |
| Bonds payable | \$ 1,559,408 | \$ - | \$ 1,548,145 | \$ - |

(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:

| March 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|-----------|-----------|
| Assets | | | | |
| <u>Recurring fair value</u> | | | | |
| <u>measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 14,570 | \$ 14,570 |

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|-----------|-----------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 14,842 | \$ 14,842 |
| March 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 10,689 | \$ 10,689 |

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

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

| | Listed shares |
|---------------------|---------------|
| Market quoted price | Closing price |

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Foreign exchange forward contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial

instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk and liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

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

E. For the three-month periods ended March 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2024 and 2023:

| | Level 3 |
|---|--------------------|
| | Equity instruments |
| January 1, 2024 | \$ 14,842 |
| Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | (272) |
| March 31, 2024 | <u>\$ 14,570</u> |
| | Level 3 |
| | Equity instruments |
| January 1, 2023 | \$ 10,782 |
| Unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | (93) |
| March 31, 2023 | <u>\$ 10,689</u> |

G. For the three-month periods ended March 31, 2024 and 2023, there was no transfer into or out from Level 3.

H. Group treasury is in charge of valuation procedures for fair value measurements being categorized 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 March 31, 2024 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|-----------------------------------|---------------------------------|-----------------------------|---|--|--|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 14,570 | Market comparable companies | Price to book ratio multiple; Discount for lack of marketability | Price to book ratio: 2.87~3.46. 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, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|-----------------------------------|------------------------------------|-----------------------------|---|--|--|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 14,842 | Market comparable companies | Price to book ratio multiple; Discount for lack of marketability | Price to book ratio: 2.99~3.43. Discount for lack of marketability:0.10~0.26. | The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value. |

| | Fair value at March 31, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|-----------------------------------|---------------------------------|-----------------------------|---|--|--|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 10,689 | Market comparable companies | Price to book ratio multiple; Discount for lack of marketability | Price to book ratio: 2.51~2.94. 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 categorized within Level 3 if the inputs used to valuation models have changed:

| | | March 31, 2024 | | | |
|-------------------|----------------------------------|------------------------------|---------------------|--|---------------------|
| | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | |
| Equity instrument | Price to book ratio multiple ±1% | \$ - | \$ - | \$ 146 | (\$ 146) |

| | | | | December 31, 2023 | | | |
|-------------------|------------------------------|--------|----|------------------------------|---------------------|--|---------------------|
| | | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | Input | Change | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | \$ | - | \$ | 148 | (\$ 148) |
| | | | | March 31, 2023 | | | |
| | | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | Input | Change | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | \$ | - | \$ | 107 | (\$ 107) |

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: None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 7.

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 three-month periods ended March 31, | |
|---------------------------------|---|---------------|
| | 2024 | 2023 |
| Revenue from external customers | \$ 1,457,563 | \$ 1,767,108 |
| Inter-company revenue | \$ - | \$ - |
| Segment (loss) income | (\$ 81,562) | \$ 22,719 |
| Segment assets | \$ 11,739,306 | \$ 12,607,908 |

(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)
March 31, 2024

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 March 31, 2024 | | | | 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 | 4,074 | 6.16% | 4,074 | |
| Wei Nuo Investment Inc. | Energic Technologies Corporation - common shares | None | Financial assets at fair value through other comprehensive income-non-current | 1,000,000 | 7,097 | 4.50% | 7,097 | |
| Wei Nuo Investment Inc. | CT Micro International Corp. - common shares | None | Financial assets at fair value through other comprehensive income-non-current | 11,147,890 | 2,862 | 8.01% | 2,862 | |
| Wei Nuo Investment Inc. | Geo Things Inc.-common shares | None | Financial assets at fair value through other comprehensive income-non-current | 125,000 | 520 | 2.60% | 520 | |

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 three-month period ended March 31, 2024

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | | | | Differences in transaction terms compared to third party transactions (Note 1) | | | | |
|-----------------------|-----------------------------------|--|----------------------|-----------|---|---------------------------------------|--|--------------|---------|---|----------|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | | Notes/accounts receivable (payable) | | | | |
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | (Sales) | (106,361) | 7.30% | 90-180 days after monthly billings | - | Gernal terms | 176,874 | 16.06% | |

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
March 31, 2024

Table 3

| | | | | | | | Expressed in thousands of NTD | |
|-----------------------|-----------------------------------|--------------|---|---------------|---------------------|----------------------------------|---|------------------------------------|
| | | | | | | | (Except as otherwise indicated) | |
| Creditor | Counterparty | Relationship | Balance of accounts receivables of related parties (Note1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
| | | | | | Amount | Action taken | | |
| Episil-Precision Inc. | Episil Technologies Inc. | Subsidiary | \$ 114,786 | 3.20 | \$ 23,859 | received in subsequent period | \$ 28,629 | \$ - |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | 176,874 | 2.55 | - | received in subsequent period | 44,074 | - |

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

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

Significant inter-company transactions during the reporting period

For the three-month period ended March 31, 2024

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) |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Operating revenue | \$ 1,342 | Gerneral terms | 0.09% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Service revenue | 2,805 | Gerneral terms | 0.19% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Processing cost | 22,590 | Gerneral terms | 1.55% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Operating costs | 64,007 | Gerneral terms | 4.39% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Other receivables | 88,706 | 30~90 days after monthly billings | 0.76% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Accounts payable | 83,035 | 30~90 days after monthly billings | 0.71% |
| 0 | Episil Technologies Inc. | Episil-Precision Inc. | 1 | Other payable | 41,473 | 30~90 days after monthly billings | 0.35% |
| 0 | Episil Technologies Inc. | Precision Silicon Japan Co., Ltd. | 1 | Operating revenue | 23,318 | Gerneral terms | 1.60% |
| 0 | Episil Technologies Inc. | Precision Silicon Japan Co., Ltd. | 1 | Accounts receivable | 2,874 | 30~90 days after monthly billings | 0.02% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 3 | Operating revenue | 106,361 | Gerneral terms | 7.30% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 3 | Accounts receivable | 176,874 | 90~180 days after monthly billings | 1.51% |

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 three-month period ended March 31, 2024

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 March 31, 2024 | | | Investment income | | Footnote |
|--------------------------|-----------------------------------|----------|--|------------------------------------|---------------------------------------|----------------------------------|------------------|------------|--|---|----------|
| | | | | Balance as of March 31, 2024 | Balance as of December 31, 2023 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee for the three-month period ended March 31, 2024 (Note 2(2)) | (loss) recognized by the Company for the three-month period ended March 31, 2024 (Note 2(3)) | |
| | | | | | | | | | | | |
| Episil Technologies Inc. | Wei Nuo Investment Inc. | Taiwan | Gerneral investment | \$ 250,000 | \$ 250,000 | 15,000,000 | 100.00% | \$ 101,259 | (\$ 555) | (\$ 555) | |
| Episil Technologies Inc. | Episil-Precision Inc. | Taiwan | Semiconductor industry | 2,001,343 | 2,001,343 | 166,961,680 | 57.86% | 2,779,285 | 40,637 | 23,617 | |
| Episil Technologies Inc. | Taiwan Hi-Tech Corp. | Taiwan | Semiconductor industry | 201,020 | 201,020 | 17,093,398 | 37.49% | 173,575 | 1,181 | 443 | |
| Wei Nuo Investment Inc. | Wellknown Holding Company Ltd. | Samoa | Investment service of various | 4,837 | 4,837 | 150,000 | 100.00% | 12,442 | (806) | (806) | |
| Wei Nuo Investment Inc. | Taiwan Hi-Tech Corp. | Taiwan | Semiconductor industry | 17,296 | 17,296 | 1,731,599 | 3.80% | 16,298 | 1,181 | 45 | |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Japan | Sales of epitaxy and silicon wafers | 2,740 | 2,740 | 200 | 100.00% | 12,518 | 100 | 100 | |

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 March 31, 2024' 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 three-month period ended March 31, 2024' 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 three-month periods ended March 31, 2024' 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 three-month period ended March 31, 2024

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Amount remitted from Taiwan to Mainland China/ | | | | | | | | | | | |
|-------------------------------------|-----------------------------|-----------------|---|------------------------------|--------------------------|-----------|-----------------|---|--|----------------------|---------------------|------------------|----------|-------------------|
| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated | Amount remitted back | | Accumulated | Net income of investee for the three-period ended March 31, 2024 | Ownership held by the Company (direct or indirect) | Investment income | | Accumulated | Footnote | |
| | | | | amount of | to Taiwan for the | | amount of | | | (loss) recognised by | | amount of | | |
| | | | | remittance from Taiwan to | three-month period ended | | remittance from | | | | the Company for the | Book value of | | investment income |
| | | | | March 31, 2024 | March 31, 2024 | Taiwan to | ended | | | three-month period | investments in | remitted back to | | |
| | | | | Mainland China | Remitted to | Remitted | Mainland China | | | ended March | Mainland China as | Taiwan as | | |
| | | | | as of | Mainland | back | as of March | | | 31, 2024 | of March | of March | | |
| | | | | January 1, 2024 | China | to Taiwan | 31, 2024 | March 31, 2024 | | (Note 2(2)C) | 31, 2024 | 31, 2024 | | |
| Episil Technologies Inc. (SHANGHAI) | Trading business | \$ 4,598 | 2 | \$ 4,598 | \$ - | \$ - | \$ 4,598 | (\$ 808) | 100.00% | (\$ 808) | \$ 12,366 | \$ 41,213 | | |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024 | 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 | \$ 3,256,764 |

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 three-month period ended March 31, 2024' 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

Major shareholders information

March 31, 2024

Table 7

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