

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2023 AND 2022

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Preface

We have reviewed the accompanying consolidated balance sheets of Episil-Precision Inc. and its subsidiary (the "Group") as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows for the nine-month periods ended September 30, 2023 and 2022, 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 September 30, 2023 and 2022, the total assets of such subsidiaries were NT\$172,778 thousand and NT\$84,745 thousand respectively, accounting for 2.47% and 1.09% of the consolidated total assets respectively; the total liabilities were NT\$3,736 thousand and NT\$3,661 thousand respectively, accounting for 0.17% and 0.14% of the total consolidated liabilities respectively; the total

comprehensive profit and loss for the three-month and nine-month periods ended September 30, 2023 and 2022 were NT\$(60) thousand , NT\$693 thousand , NT\$(1) thousand and NT\$1,429 thousand respectively, which represented (0.14%) , 0.34% , (0.001%) and 0.24% of the total consolidated comprehensive profit and loss respectively.

Qualified conclusion

According to the review results of the accountants, except for some unimportant subsidiaries included in the consolidated financial statements, 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 –Precision Inc. and its subsidiaries as of September 30, 2023 and 2022, and the consolidated financial performance and consolidated cash flow for the nine-month periods ended September 30, 2023 and 2022.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
November 6 2023

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

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

| Assets | Notes | September 30, 2023 | | December 31, 2022 | | September 30, 2022 | | |
|---------------------------|-------------------------------------------------------------------------------|--------------------|---------------------|-------------------|---------------------|--------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 2,432,929 | 35 | \$ 2,841,411 | 37 | \$ 2,739,369 | 35 |
| 1136 | Current financial assets at amortised cost | 6(2) | 2,622 | - | - | - | - | - |
| 1170 | Accounts receivable, net | 6(3) | 983,467 | 14 | 1,025,940 | 14 | 1,257,385 | 16 |
| 1180 | Accounts receivable - related parties | 6(3)and7 | 115,626 | 2 | 207,799 | 3 | 303,753 | 4 |
| 1200 | Other receivables | | 39,060 | - | 27,584 | - | 26,832 | 1 |
| 1210 | Other receivables due from related parties | 7 | 10,826 | - | 8,472 | - | 8,399 | - |
| 130X | Inventories | 6(4) | 899,129 | 13 | 947,076 | 12 | 913,700 | 12 |
| 1410 | Prepayments | | 53,355 | 1 | 93,490 | 1 | 97,532 | 1 |
| 1470 | Other current assets | | 8,795 | - | 9,766 | - | 7,764 | - |
| 11XX | Current assets | | <u>4,545,809</u> | <u>65</u> | <u>5,161,538</u> | <u>67</u> | <u>5,351,824</u> | <u>69</u> |
| Non-current assets | | | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | | 17 | - | 17 | - | 17 | - |
| 1535 | Non-current financial assets at amortised cost | 6(2)and 8 | 13,565 | - | 13,565 | - | 7,858 | - |
| 1600 | Property, plant and equipment | 6(5) | 1,979,398 | 28 | 2,008,385 | 26 | 1,923,218 | 25 |
| 1755 | Right-of-use assets | 6(6) | 223,816 | 3 | 242,625 | 3 | 245,647 | 3 |
| 1760 | Investment property - net | 6(8) | 156,627 | 2 | 160,320 | 2 | 161,550 | 2 |
| 1780 | Intangible assets | 6(9) | 55,332 | 1 | 52,520 | 1 | 53,119 | 1 |
| 1840 | Deferred income tax assets | | 32,095 | 1 | 32,095 | 1 | 34,014 | - |
| 1920 | Refundable guarantee deposits | 7 | 1,070 | - | 1,109 | - | 1,086 | - |
| 15XX | Non-current assets | | <u>2,461,920</u> | <u>35</u> | <u>2,510,636</u> | <u>33</u> | <u>2,426,509</u> | <u>31</u> |
| 1XXX | Total assets | | <u>\$ 7,007,729</u> | <u>100</u> | <u>\$ 7,672,174</u> | <u>100</u> | <u>\$ 7,778,333</u> | <u>100</u> |

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

| Liabilities and Equity | Notes | September 30, 2023 | | December 31, 2022 | | September 30, 2022 | | |
|---------------------------------------------|---------------------------------------|--------------------|---------------------|-------------------|---------------------|--------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(10) | \$ 486,583 | 7 | \$ 178,624 | 2 | \$ 447,473 | 6 |
| 2130 | Current contract liabilities | 6(20) | 32,942 | 1 | 42,574 | 1 | 59,702 | 1 |
| 2170 | Accounts payable | 6(11) | 348,846 | 5 | 419,139 | 5 | 519,7902 | 7 |
| 2180 | Accounts payable - related parties | 7 | 2,604 | - | 1,885 | - | 1,540 | - |
| 2200 | Other payables | 6(12) | 299,719 | 4 | 621,779 | 8 | 425,206 | 6 |
| 2220 | Other payables - related parties | 7 | 31,193 | - | 36,083 | 1 | 33,506 | - |
| 2230 | Current income tax liabilities | | 43,324 | 1 | 120,663 | 2 | 98,307 | 1 |
| 2280 | Current lease liabilities | | 7,586 | - | 9,532 | - | 9,657 | - |
| 2320 | Long-term borrowings, current portion | 6(13) | - | - | - | - | 17,677 | - |
| 2399 | Other current liabilities, others | | 29,771 | - | 22,430 | - | 24,240 | - |
| 21XX | Current liabilities | | <u>1,282,568</u> | <u>18</u> | <u>1,452,709</u> | <u>19</u> | <u>1,637,098</u> | <u>21</u> |
| Non-current liabilities | | | | | | | | |
| 2527 | Non-current contract liabilities | 6(20) | 52,762 | 1 | 77,065 | 1 | 100,989 | 1 |
| 2530 | Corporate bonds payable | 6(13) | 489,390 | 7 | 484,170 | 6 | 482,442 | 6 |
| 2570 | Deferred income tax liabilities | | 36,148 | - | 36,148 | 1 | 36,549 | 1 |
| 2580 | Non-current lease liabilities | | 227,619 | 3 | 242,962 | 3 | 245,325 | 3 |
| 2640 | Accrued pension liabilities | | 65,786 | 1 | 67,338 | 1 | 79,272 | 1 |
| 2645 | Guarantee deposits received | | 8,095 | - | 8,095 | - | 8,290 | - |
| 25XX | Non-current liabilities | | <u>879,800</u> | <u>13</u> | <u>915,778</u> | <u>12</u> | <u>952,867</u> | <u>12</u> |
| 2XXX | Total liabilities | | <u>2,162,368</u> | <u>31</u> | <u>2,368,487</u> | <u>31</u> | <u>2,589,965</u> | <u>33</u> |
| Equity | | | | | | | | |
| Equity attributable to owners of the parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Share capital - common stock | 6(16) | 2,885,394 | 41 | 2,885,394 | 38 | 2,882,195 | 37 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(17) | 1,614,778 | 23 | 1,614,778 | 21 | 1,600,577 | 20 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(18) | 170,583 | 2 | 101,319 | 1 | 101,319 | 2 |
| 3320 | Special reserve | | 1,155 | - | 910 | - | 910 | - |
| 3350 | Unappropriated retained earnings | | 175,440 | 3 | 702,441 | 9 | 605,189 | 8 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | 6(19) | (1,989) | - | (1,155) | - | (1,822) | - |
| 3XXX | Total equity | | <u>4,845,361</u> | <u>69</u> | <u>5,303,687</u> | <u>69</u> | <u>5,188,368</u> | <u>67</u> |
| Significant commitments and contingencies | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 7,007,729</u> | <u>100</u> | <u>\$ 7,672,174</u> | <u>100</u> | <u>\$ 7,778,333</u> | <u>100</u> |

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

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

| Items | Notes | For the three-month periods ended September 30, | | | | For the nine-month periods ended September 30, | | | | |
|-------|-----------------------------------------|-------------------------------------------------|--------------|--------|---------------|------------------------------------------------|---------------|--------|---------------|--------|
| | | 2023 | | 2022 | | 2023 | | 2022 | | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| 4000 | Operating revenue | 6(20) and 7 | \$ 1,034,387 | 100 | \$ 1,544,038 | 100 | \$ 3,210,234 | 100 | \$ 4,550,300 | 100 |
| 5000 | Operating costs | 6(4) and 7 | (924,808) | (90) | (1,237,970) | (80) | (2,867,575) | (89) | (3,652,005) | (80) |
| 5900 | Operating margin | | 109,579 | 10 | 306,068 | 20 | 342,659 | 11 | 898,295 | 20 |
| | Operating expenses | 6(25)(26) and 7 | | | | | | | | |
| 6100 | Selling and marketing expenses | | (11,388) | (1) | (16,158) | (1) | (36,925) | (1) | (47,243) | (1) |
| 6200 | General and administrative expenses | | (44,050) | (4) | (47,071) | (3) | (133,314) | (4) | (135,059) | (3) |
| 6300 | Research and development expenses | | (20,345) | (2) | (27,120) | (2) | (57,070) | (2) | (47,212) | (1) |
| 6000 | Total operating expenses | | (75,783) | (7) | (90,349) | (6) | (227,309) | (7) | (229,514) | (5) |
| 6900 | Operating profit | | 33,796 | 3 | 215,719 | 14 | 115,350 | 4 | 668,781 | 15 |
| | Non-operating income and expenses | | | | | | | | | |
| 7100 | Interest income | 6(21) | 6,206 | 1 | 3,7542 | - | 22,499 | 1 | 7,654 | - |
| 7010 | Other income | 6(22) | 10,282 | 1 | 11,293 | 1 | 35,508 | 1 | 33,205 | 1 |
| 7020 | Other gains and losses | 6(23) | 12,133 | 1 | 29,263 | 2 | (823) | - | 49,777 | 1 |
| 7050 | Finance costs | 6(24) | (8,196) | (1) | (7,530) | (1) | (22,554) | (1) | (15,061) | (1) |
| 7000 | Total non-operating income and expenses | | 20,425 | 2 | 36,780 | 2 | 34,630 | 1 | 75,575 | 1 |
| 7900 | Profit before income tax | | 54,221 | 5 | 252,499 | 16 | 149,980 | 5 | 744,356 | 16 |
| 7950 | Income tax expense | 6(27) | (11,242) | (1) | (50,598) | (3) | (30,394) | (1) | (148,969) | (3) |
| 8200 | Profit for the year | | \$ 42,979 | 4 | \$ 201,901 | 13 | \$ 119,586 | 4 | \$ 595,387 | 13 |

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

| Items | Notes | For the three-month periods ended September 30, | | | | For the nine-month periods ended September 30, | | | |
|---------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------|----------|-------------------|-----------|------------------------------------------------|----------|-------------------|-----------|
| | | 2023 | | 2022 | | 2023 | | 2023 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Other comprehensive income (loss), net | | | | | | | | | |
| Components of other comprehensive income that may be subsequently reclassified to profit or loss | | | | | | | | | |
| 8361 Exchange differences on translation of foreign operations | 6(19) | 69 | - | 79 | - | (834) | - | (912) | - |
| 8300 Other comprehensive (loss) income, net | | <u>\$ 69</u> | <u>-</u> | <u>\$ 79</u> | <u>-</u> | <u>(\$ 834)</u> | <u>-</u> | <u>(\$ 912)</u> | <u>-</u> |
| 8500 Total other comprehensive income for the year | | <u>\$ 43,048</u> | <u>4</u> | <u>\$ 201,980</u> | <u>13</u> | <u>\$ 118,752</u> | <u>4</u> | <u>\$ 594,475</u> | <u>13</u> |
| Profit, attributable to: | | | | | | | | | |
| 8610 Owners of the parent | | <u>\$ 42,979</u> | <u>4</u> | <u>\$ 201,901</u> | <u>13</u> | <u>\$ 119,586</u> | <u>4</u> | <u>\$ 595,387</u> | <u>13</u> |
| Comprehensive income attributable to: | | | | | | | | | |
| 8710 Owners of the parent | | <u>\$ 43,048</u> | <u>4</u> | <u>\$ 201,980</u> | <u>13</u> | <u>\$ 118,752</u> | <u>4</u> | <u>\$ 594,475</u> | <u>13</u> |
| Basic earnings per share | 6(28) | | | | | | | | |
| 9750 Basic earnings per share (in dollars) | | <u>\$ 0.15</u> | | <u>\$ 0.70</u> | | <u>\$ 0.41</u> | | <u>\$ 2.08</u> | |
| Diluted earnings per share | 6(28) | | | | | | | | |
| 9850 Diluted earnings per share (in dollars) | | <u>\$ 0.15</u> | | <u>\$ 0.69</u> | | <u>\$ 0.41</u> | | <u>\$ 2.05</u> | |

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022 are unaudited
(Expressed in thousands of New Taiwan dollars)

| | Notes | Equity attributable to owners of the parent | | | | | | | Financial statements translation differences of foreign operations | Total equity | |
|--------------------------------------------------------------------|-----------|---------------------------------------------|----------------------------|-----------|-------------------|-------------------|---------------|-----------------|--------------------------------------------------------------------|--------------|-------------|
| | | Capital Reserves | | | | Retained Earnings | | | | | |
| | | Share capital - common stock | Additional paid-in capital | Warrants | Restricted stocks | Others | Legal reserve | Special reserve | Unappropriated retained earnings | | |
| Balance at January 1, 2022 | | \$2,843,767 | \$1,300,515 | \$ 2,260 | \$ 670 | \$ 10,494 | \$ 63,445 | \$ - | \$ 389,838 | (\$ 910) | \$4,610,079 |
| Profit for the nine-month ended September 30,2022 | | - | - | - | - | - | - | - | 595,387 | - | 595,387 |
| Other comprehensive income (loss) | 6(19) | - | - | - | - | - | - | - | - | (912) | (912) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 595,387 | (912) | 594,475 |
| Appropriation of 2021 earnings | 6(18) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 37,874 | - | (37,874) | - | - |
| Special reserve reversed | | - | - | - | - | - | - | 910 | (910) | - | - |
| Cash dividends | | - | - | - | - | - | - | - | (341,252) | - | (341,252) |
| Conversion of convertible bonds | 6(13)(16) | | | | | | | | | | |
| | (17) | 5,428 | 25,562 | (1,418) | - | - | - | - | - | - | 29,572 |
| Issuance of corporate bonds | 6(13) | - | - | 21,757 | - | - | - | - | - | - | 21,757 |
| Cash capital increase | 6(16) | 33,000 | 235,737 | - | - | - | - | - | - | - | 268,737 |
| Compensation cost for cash capital increase retained for employees | 6(15) | - | 5,000 | - | - | - | - | - | - | - | 5,000 |
| Balance at September 30, 2022 | | \$2,882,195 | \$1,566,814 | \$ 22,599 | \$ 670 | \$ 10,494 | \$ 101,319 | \$ 910 | \$ 605,189 | (\$ 1,822) | \$5,188,368 |
| Balance at January 1, 2023 | | \$2,885,394 | \$1,581,843 | \$ 21,757 | \$ 670 | \$ 10,508 | \$ 101,319 | \$ 910 | \$ 702,441 | (\$ 1,155) | \$5,303,687 |
| Profit for the nine-month ended September 30,2023 | | - | - | - | - | - | - | - | 119,586 | - | 119,586 |
| Other comprehensive income (loss) | 6(19) | - | - | - | - | - | - | - | - | (834) | (834) |
| Total comprehensive income (loss) | | - | - | - | - | - | - | - | 119,586 | (834) | 118,752 |
| Appropriation of 2022 earnings | 6(18) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 69,264 | - | (69,264) | - | - |
| Special reserve reversed | | - | - | - | - | - | - | 245 | (245) | - | - |
| Cash dividends | | - | - | - | - | - | - | - | (577,078) | - | (577,078) |
| Balance at September 30, 2023 | | \$2,885,394 | \$1,581,843 | \$ 21,757 | \$ 670 | \$ 10,508 | \$ 170,583 | \$ 1,155 | \$ 175,440 | (\$ 1,989) | \$4,845,361 |

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

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

CASH FLOWS FROM OPERATING ACTIVITIES

| | | | | | |
|---------------------------------------------------|----------------|----|----------------|----|----------------|
| Profit before tax | | \$ | 149,980 | \$ | 744,356 |
| Adjustments | | | | | |
| Adjustments to reconcile (profit) loss | | | | | |
| Depreciation expense | 6(5)(6)(8)(25) | | 371,181 | | 330,030 |
| Amortisation expense | 6(9)(25) | | 1,817 | | 2,778 |
| Finance costs | 6(24) | | 22,554 | | 15,061 |
| Interest income | 6(21) | (| 22,499 |) | (7,654) |
| Dividend income | | | - | (| 1) |
| Share-based payments | 6(15) | | - | | 5,000 |
| Gain on disposal of property, plant and equipment | 6(23) | (| 1,599 |) | - |
| Changes in operating assets and liabilities | | | | | |
| Changes in operating assets | | | | | |
| Accounts receivable | | | 42,473 | (| 129,819) |
| Accounts receivable - related parties | | | 92,173 | (| 111,315) |
| Other receivables | | (| 10,972 |) | (10,732) |
| Other receivables - related parties | | (| 2,354 |) | 3,451 |
| Inventories | | | 47,947 | (| 45,240) |
| Prepayments | | | 40,135 | (| 40,086) |
| Other current assets | | | 971 | (| 1,878) |
| Changes in operating liabilities | | | | | |
| Contract liabilities | | (| 33,935 |) | 26,998 |
| Accounts payable | | (| 70,293 |) | 36,676 |
| Accounts payable - related parties | | | 719 | (| 76) |
| Other payables | | (| 176,118 |) | 20,663 |
| Other payables - related parties | | (| 4,890 |) | (4,675) |
| Other current liabilities | | | 7,341 | | 4,249 |
| Accrued pension liabilities | | (| 1,552 |) | (1,740) |
| Cash inflow generated from operations | | | 453,079 | | 836,046 |
| Interest received | | | 21,994 | | 7,713 |
| Dividends received | | | - | | 1 |
| Interest paid | | (| 16,378 |) | (8,685) |
| Income taxes paid | | (| 107,733 |) | (146,851) |
| Net cash flows from operating activities | | | <u>350,962</u> | | <u>688,224</u> |

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

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | | | |
|---------------------------------------------------------|-------|------|-----------|------|-----------|
| Acquisition of financial assets at amortised cost | 6(2) | (\$ | 2,622) | (\$ | 270,000) |
| Disposal of financial assets at amortised cost | | | - | | 670,000 |
| Acquisition of property, plant and equipment | 6(29) | (| 477,444) | (| 385,724) |
| Proceeds from disposal of property, plant and equipment | 6(23) | | 2,460 | | - |
| Acquisition of intangible assets | 6(9) | (| 4,629) | (| 2,367) |
| Decrease in refundable deposits | | | 39 | | 65,047 |
| Net cash flows (used in) from investing activities | | (| 482,196) | | 76,956 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | | | | |
|------------------------------------------------------|-------|----|-----------|----|-------------|
| Proceeds from short-term borrowings | 6(30) | | 1,110,530 | | 1,230,337 |
| Repayments of short-term borrowings | 6(30) | (| 802,571) | (| 1,229,147) |
| Issuance of corporate bonds | 6(30) | | - | | 500,763 |
| Payments of lease liabilities | 6(30) | (| 7,295) | (| 7,419) |
| Cash capital increase | 6(16) | | - | | 268,737 |
| Cash dividends paid | 6(18) | (| 577,078) | (| 341,252) |
| Net cash flows (used in) from financing activities | | (| 276,414) | | 422,019 |
| Effect of exchange rate changes | | (| 834) | (| 912) |
| Net (decrease) increase in cash and cash equivalents | | (| 408,482) | | 1,186,287 |
| Cash and cash equivalents at beginning of year | 6(1) | | 2,841,411 | | 1,550,172 |
| Cash and cash equivalents at end of year | 6(1) | \$ | 2,432,929 | \$ | 2,736,459 |

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Episil-Precision Inc. (the “Company”) was incorporated as a company limited by shares on October 15, 1998 and was approved by the regulatory authority on November 9, 1998. The primary business activities have been started since December 1999.

The Company merged with Episil Semiconductor Wafer, Inc. on January 11, 2016 in accordance with the Business Mergers and Acquisitions Act and other related regulations. The Company issued new shares to Episil Semiconductor Wafer, Inc. as consideration for assuming all rights and obligations of Episil Semiconductor Wafer, Inc. The conversion ratio for this merger was one common share of Episil Semiconductor Wafer, Inc. converting to 1.867876 common shares of the Company, totalling 149,523,473 shares, and the Company was the surviving company. This merger was a reverse takeover under comprehensive assessment. Therefore, the consolidated financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc.

The Company and its subsidiary (collectively referred herein as the “Group”) are primarily engaged in development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafers.

Episil Technologies Inc. (former name: Episil Holding Inc.) holds 57.86% of the Company’s outstanding shares. Episil Technologies Inc. is the Company’s ultimate parent company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on November 6, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

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| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |
| Amendments to IAS 12, 'International tax reform - pillar two model rules' | May 23, 2023 |

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

(2) Effect of new, revised or amended IFRSs endorsed by the FSC but not yet adopted by the Group

The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2024:

| New Standards, Interpretations and Amendments | Effective date by IASB |
|--------------------------------------------------------------------------------|---------------------------|
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2024 |
| Amendments to IAS 1, 'Non-current liabilities with covenants' | January 1, 2024 |
| Amendments to IAS 1 and IFRS 7, 'Supplier Finance Arrangements' | January 1, 2024 |

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by IASB |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' | January 1, 2025 |

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through other comprehensive income.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. The same principles of consolidation have been applied in the consolidated financial statements as those applied in the consolidated financial statements for the year ended December 31, 2022.
- B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Note |
|-----------------------|-----------------------------------|--------------------------------------|-------------------|-------------------|--------------------|------|
| | | | September 30,2023 | December 31, 2022 | September 30, 2022 | |
| Episil-Precision Inc. | Precision SILICON JAPAN Co., Ltd. | Sales of epitaxial and silicon wafer | 100 | 100 | 100 | 1 |

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

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pensions

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

(5) Income taxes

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

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

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Cash on hand and revolving funds | \$ 375 | \$ 422 | \$ 419 |
| Checking accounts and demand deposits | 450,444 | 287,133 | 407,008 |
| Time deposits | 1,450,110 | 1,896,356 | 1,760,032 |
| Cash equivalents | <u>532,000</u> | <u>657,500</u> | <u>569,000</u> |
| | <u>\$ 2,432,929</u> | <u>\$ 2,841,411</u> | <u>\$ 2,736,459</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. Time deposits with maturity between three months and a year held by the Company were classified as current financial assets at amortised cost.
- C. The Company's cash and cash equivalents pledged to others as collateral for customs guarantee were classified as non-current financial assets at amortised cost. Refer to Note 8.

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(2) Financial assets at amortised cost

| Items | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-----------------------|--------------------|-------------------|--------------------|
| Current items: | | | |
| Restricted assets | \$ 2,622 | \$ - | \$ - |
| Non-current items: | | | |
| Pledged time deposits | 13,565 | 13,565 | 7,858 |
| | <u>\$ 16,187</u> | <u>\$ 13,565</u> | <u>\$ 7,858</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 \$16,187, \$13,565 and \$7,858 as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively.
- B. The counterparties of the Group's investments have good credit risk.

(3) Notes and accounts receivable

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------------------------|---------------------|---------------------|---------------------|
| Accounts receivable | \$ 983,619 | \$ 1,026,092 | \$ 1,257,537 |
| Accounts receivable due from related parties | 115,626 | 207,799 | 303,753 |
| Less: Loss allowance | (152) | (152) | (152) |
| | <u>\$ 1,099,093</u> | <u>\$ 1,233,739</u> | <u>\$ 1,561,138</u> |

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------|-------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| | Accounts Receivable (including related parties) | Accounts Receivable (including related parties) | Accounts Receivable (including related parties) |
| Not past due | \$ 949,296 | \$ 1,110,105 | \$ 1,478,228 |
| Up to 30 days | 131,046 | 102,834 | 81,977 |
| 31 to 90 days | 7,140 | 20,952 | 1,085 |
| 91 to 180 days | - | - | - |
| over 180 days | 11,763 | - | - |
| | <u>\$ 1,099,245</u> | <u>\$ 1,233,891</u> | <u>\$ 1,561,290</u> |

The above ageing analysis was based on past due date.

- B. As of September 30, 2023, December 31, 2022 and September 30, 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$1,320,004.
- C. As of September 30, 2023, December 31, 2022 and September 30, 2022, collaterals held by the Group as security for accounts receivable amounted to \$5,000.
- D. As of September 30, 2023, December 31, 2022 and September 30, 2022, without taking into

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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 \$1,099,093, \$1,233,739 and \$1,561,138, respectively.

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

(4) Inventories

| September 30, 2023 | | | |
|--------------------|------------|---------------------------------|------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 463,372 | (\$ 39,286) | \$ 424,086 |
| Supplies | 424,321 | (40,289) | 384,032 |
| Work in progress | 55,301 | (1,759) | 53,542 |
| Finished goods | 39,478 | (2,009) | 37,469 |
| | \$ 982,472 | (\$ 83,343) | \$ 899,129 |

| December 31, 2022 | | | |
|-------------------|--------------|---------------------------------|------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 554,341 | (\$ 30,224) | \$ 524,117 |
| Supplies | 302,737 | (23,312) | 279,425 |
| Work in progress | 80,050 | (3,678) | 76,372 |
| Finished goods | 68,926 | (1,764) | 67,162 |
| | \$ 1,006,054 | (\$ 58,978) | \$ 947,076 |

| September 30, 2022 | | | |
|--------------------|------------|---------------------------------|------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 516,964 | (\$ 24,585) | \$ 492,379 |
| Supplies | 290,732 | (37,028) | 253,704 |
| Work in progress | 91,683 | (2,352) | 89,331 |
| Finished goods | 80,894 | (2,608) | 78,286 |
| | \$ 980,273 | (\$ 66,573) | \$ 913,700 |

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The cost of inventories recognised as expense for the year:

| | For the three-month periods ended September 30, | |
|----------------------------------------|-------------------------------------------------|---------------------|
| | 2023 | 2022 |
| Cost of goods sold | \$ 927,699 | \$ 1,250,364 |
| Ggain from price recovery of inventory | (3,139) | (12,394) |
| Inventory scrapped | 248 | - |
| | <u>\$ 924,808</u> | <u>\$ 1,237,970</u> |

| | For the nine-month periods ended September 30, | |
|--------------------------------------|------------------------------------------------|---------------------|
| | 2023 | 2022 |
| Cost of goods sold | \$ 2,841,935 | \$ 3,642,196 |
| Reversal of inventory valuation loss | 24,365 | 8,486 |
| Inventory scrapped | 1,275 | 1,323 |
| | <u>\$ 2,867,575</u> | <u>\$ 3,652,005</u> |

For the three-month periods ended September 30, 2023 and 2022, the Group reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of certain inventories which were previously provided with allowance.

(5) Property, plant and equipment

| | 2023 | | | | |
|-----------------------------------------|--------------------------|-------------------------|------------------|-------------------------------------------------------|---------------------|
| | Buildings and structures | Machinery and equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | |
| Cost | \$ 2,301,420 | \$ 4,190,767 | \$ 71,335 | \$ 268,329 | \$ 6,831,851 |
| Accumulated depreciation and impairment | (1,413,734) | (3,349,440) | (60,292) | - | (4,823,466) |
| | <u>\$ 887,686</u> | <u>\$ 841,327</u> | <u>\$ 11,043</u> | <u>\$ 268,329</u> | <u>\$ 2,008,385</u> |
| At January 1 | \$ 887,686 | \$ 841,327 | \$ 11,043 | \$ 268,329 | \$ 2,008,385 |
| Additions | 48,604 | 30,251 | 10,610 | 241,081 | 330,546 |
| Disposals | - | (861) | - | - | (861) |
| Reclassifications | 45,197 | 107,708 | - | (152,905) | - |
| Depreciation expenses | (85,505) | (269,118) | (4,049) | - | (358,672) |
| At September 30 | <u>\$ 895,982</u> | <u>\$ 709,307</u> | <u>\$ 17,604</u> | <u>\$ 356,505</u> | <u>\$ 1,979,398</u> |
| At September 30 | | | | | |
| Cost | \$ 2,392,504 | \$ 4,318,733 | \$ 81,914 | \$ 356,505 | \$ 7,149,656 |
| Accumulated depreciation and impairment | (1,496,522) | (3,609,426) | (64,310) | - | (5,170,258) |
| | <u>\$ 895,982</u> | <u>\$ 709,307</u> | <u>\$ 17,604</u> | <u>\$ 356,505</u> | <u>\$ 1,979,398</u> |

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| | 2022 | | | | |
|-----------------------------------------------|-----------------------------|----------------------------|------------------|----------------------------------------------------------------|---------------------|
| | Buildings and structures | Machinery and equipment | Other equipment | Construction in process and equipment to be inspected | Total |
| At January 1 | | | | | |
| Cost | \$ 2,084,553 | \$ 3,919,301 | \$ 69,469 | \$ 128,127 | \$ 6,201,450 |
| Accumulated depreciation and impairment | (1,325,785) | (3,017,606) | (59,028) | - | (4,402,419) |
| | <u>\$ 758,768</u> | <u>\$ 901,695</u> | <u>\$ 10,441</u> | <u>\$ 128,127</u> | <u>\$ 1,799,031</u> |
| At January 1 | \$ 758,768 | \$ 901,695 | \$ 10,441 | \$ 128,127 | \$ 1,799,031 |
| Additions | 106,518 | 131,303 | 4,036 | 195,525 | 437,382 |
| Reclassifications | 48,299 | 81,918 | 1,888 | (128,127) | 3,978 |
| Depreciation expenses | (66,668) | (246,402) | (4,103) | - | (317,173) |
| At September 30 | <u>\$ 846,917</u> | <u>\$ 868,514</u> | <u>\$ 12,262</u> | <u>\$ 195,525</u> | <u>\$ 1,923,218</u> |
| At September 30 | | | | | |
| Cost | \$ 2,237,689 | \$ 4,128,664 | \$ 74,727 | \$ 195,525 | \$ 6,636,605 |
| Accumulated depreciation and impairment | (1,390,772) | (3,260,150) | (62,465) | - | (4,713,387) |
| | <u>\$ 846,917</u> | <u>\$ 868,514</u> | <u>\$ 12,262</u> | <u>\$ 195,525</u> | <u>\$ 1,923,218</u> |

- A. The Group has no capitalization of interest attributable to the property, plant and equipment for the six-month periods ended September 30, 2023 and 2022.
- B. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group has no property, plant and equipment pledged to others as collateral.

(6) 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.

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

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| | <u>Book value</u> | <u>Book value</u> | <u>Book value</u> |
| Land | \$ 220,975 | \$ 238,144 | \$ 240,175 |
| Buildings and structures | 2,841 | 4,333 | 5,212 |
| Machinery and equipment | - | 148 | 260 |
| | <u>\$ 223,816</u> | <u>\$ 242,625</u> | <u>\$ 245,647</u> |

| | <u>For the three-month periods ended September 30,</u> | |
|--------------------------|--------------------------------------------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> |
| | <u>Depreciation expenses</u> | <u>Depreciation expenses</u> |
| Land | \$ 1,974 | \$ 2,031 |
| Buildings and structures | 878 | 886 |
| Machinery and equipment | - | 112 |
| | <u>\$ 2,852</u> | <u>\$ 3,029</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|--------------------------|-------------------------------------------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> |
| | <u>Depreciation expenses</u> | <u>Depreciation expenses</u> |
| Land | \$ 6,035 | \$ 6,092 |
| Buildings and structures | 2,632 | 2,664 |
| Machinery and equipment | 149 | 335 |
| | <u>\$ 8,816</u> | <u>\$ 9,091</u> |

D. For the three-month and nine-month periods ended September 30, 2023 and 2022, the additions to right-of-use assets were \$0, \$0, \$1,140 and \$1,070, respectively.

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

| | <u>For the three-month periods ended September 30,</u> | |
|----------------------------------------|--------------------------------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 1,372 | \$ 1,458 |
| Expense on short-term lease agreements | 437 | 290 |

| | <u>For the nine-month periods ended September 30,</u> | |
|----------------------------------------|-------------------------------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 4,238 | \$ 4,412 |
| Expense on short-term lease agreements | 1,320 | 1,055 |

F. For the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflow for leases were \$12,853 and \$12,886, 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.

(7) Lease arrangements – lessor

A. The Group leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required from leasees.

B. For the three-month and nine-month periods ended September 30, 2023 and 2022, the Group recognised rental revenue in the amounts of \$10,147, \$10,658, \$30,314 and \$32,258, respectively, based on the operating lease agreements, which do not include variable lease payments.

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

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-----------|---------------------------|--------------------------|---------------------------|
| 2022 | \$ - | \$ - | \$ 10,333 |
| 2023 | 9,901 | 40,960 | 40,960 |
| 2024 | 39,134 | 40,865 | 40,865 |
| 2025 | 38,811 | 40,541 | 40,541 |
| 2026 | 29,797 | 31,527 | 31,527 |
| 2027 | 7,008 | 8,739 | 8,739 |
| 2028 | 7,008 | 8,739 | 8,739 |
| Over 2029 | 56,067 | 69,910 | 69,909 |
| | <u>\$ 187,726</u> | <u>\$ 241,281</u> | <u>\$ 251,613</u> |

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(8) Investment property

| | 2023 | | 2022 | |
|-----------------------------------------|---------------------------------|----------------|---------------------------------|----------------|
| | <u>Buildings and structures</u> | | <u>Buildings and structures</u> | |
| At January 1 | | | | |
| Cost | \$ | 206,227 | \$ | 211,322 |
| Accumulated depreciation and impairment | (| 45,907) | (| 41,743) |
| | \$ | <u>160,320</u> | \$ | <u>169,579</u> |
| At January 1 | \$ | 160,320 | \$ | 169,579 |
| Depreciation expenses | (| 3,693) | (| 3,766) |
| Transfer | | - | (| 4,263) |
| At September 30 | \$ | <u>156,627</u> | \$ | <u>161,550</u> |

| | 2023 | | 2022 | |
|-----------------------------------------|---------------------------------|----------------|---------------------------------|----------------|
| | <u>Buildings and structures</u> | | <u>Buildings and structures</u> | |
| At September 30 | | | | |
| Cost | \$ | 206,227 | \$ | 206,227 |
| Accumulated depreciation and impairment | (| 49,600) | (| 44,677) |
| | \$ | <u>156,627</u> | \$ | <u>161,550</u> |

A. Rental revenue from investment property:

| | For the three-month periods ended September 30, | |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------|
| | 2023 | 2022 |
| Rental revenue from investment property | \$ 9,815 | \$ 10,330 |
| Direct operating expenses arising from the investment property that generated rental revenue during the period | \$ 2,330 | \$ 2,434 |

| | For the nine-month periods ended September 30, | |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------|
| | 2023 | 2022 |
| Rental revenue from investment property | \$ 29,445 | \$ 31,373 |
| Direct operating expenses arising from the investment property that generated rental revenue during the period | \$ 7,293 | \$ 7,385 |

B. The fair value of the investment property held by the Group as of September 30, 2023, December 31, 2022 and September 30, 2022, was \$198,469, \$213,458 and \$211,025, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

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| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Discount rate | 11.55% | 11.01% | 11.28% |
| Annual rent (net income) | \$ 34,475 | \$ 36,267 | \$ 36,225 |
| Duration | 10 years | 10 years | 10 years |

- C. The Group has no interest capitalisation for the three-month and nine-month periods ended September 30, 2023 and 2022.
- D. The significant components of investment property include buildings and renovation, which are depreciated over 51 years and 46 years, respectively.
- E. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group has no investment property pledged to others as collateral.

(9) Intangible assets

| | <u>2023</u> | | | |
|--------------------------|--------------------------|------------------|-----------------|------------------|
| | <u>Computer software</u> | <u>Goodwill</u> | <u>Others</u> | <u>Total</u> |
| At January 1 | | | | |
| Cost | \$ 5,618 | \$ 48,369 | \$ 39,270 | \$ 93,257 |
| Accumulated amortisation | (3,001) | - | (37,736) | (40,737) |
| | <u>\$ 2,617</u> | <u>\$ 48,369</u> | <u>\$ 1,534</u> | <u>\$ 52,520</u> |
| At January 1 | \$ 2,617 | \$ 48,369 | \$ 1,534 | \$ 52,520 |
| Additions | 4,000 | - | 629 | 4,629 |
| Amortisation expenses | (1,297) | - | (520) | (1,817) |
| At June 30 | <u>\$ 5,320</u> | <u>\$ 48,369</u> | <u>\$ 1,643</u> | <u>\$ 55,332</u> |
| At June 30 | | | | |
| Cost | \$ 9,618 | \$ 48,369 | \$ 39,899 | \$ 97,886 |
| Accumulated amortisation | (4,298) | - | (38,256) | (42,554) |
| | <u>\$ 5,320</u> | <u>\$ 48,369</u> | <u>\$ 1,643</u> | <u>\$ 55,332</u> |

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| | 2022 | | | |
|-----------------------------|----------------------|------------------|-----------------|------------------|
| | Computer software | Goodwill | Others | Total |
| At January 1 | | | | |
| Cost | \$ 2,653 | \$ 48,369 | \$ 39,104 | \$ 90,126 |
| Accumulated amortisation | (2,653) | - | (34,228) | (36,881) |
| | <u>\$ -</u> | <u>\$ 48,369</u> | <u>\$ 4,876</u> | <u>\$ 53,245</u> |
| At January 1 | \$ - | \$ 48,369 | \$ 4,876 | \$ 53,245 |
| Additions | 2,199 | - | 168 | 2,367 |
| Transfer | 285 | - | - | 285 |
| Amortisation expenses | (127) | - | (2,651) | (2,778) |
| At June 30 | <u>\$ 2,357</u> | <u>\$ 48,369</u> | <u>\$ 2,393</u> | <u>\$ 53,119</u> |
| At June 30 | | | | |
| Cost | \$ 5,137 | \$ 48,369 | \$ 39,272 | \$ 92,778 |
| Accumulated amortisation | (2,780) | - | (36,879) | (39,659) |
| | <u>\$ 2,357</u> | <u>\$ 48,369</u> | <u>\$ 2,393</u> | <u>\$ 53,119</u> |

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

| | For the three-month periods ended September 30, | |
|----------------------------------------|-------------------------------------------------|-----------------|
| | 2023 | 2022 |
| Operating costs | \$ 294 | \$ 994 |
| General and administrative expenses | 422 | - |
| | <u>\$ 716</u> | <u>\$ 994</u> |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Operating costs | \$ 996 | \$ 2,778 |
| General and administrative expenses | 821 | - |
| | <u>\$ 1,817</u> | <u>\$ 2,778</u> |

B. The Group has no interest capitalisation for the three-month and the nine-month September 30, 2023 and 2022.

C. As of September 30, 2023 , December 31, 2022 and September 30, 2022, the Group has no intangible assets pledged to others as collateral.

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(10) Short-term borrowings

| <u>Type of borrowings</u> | <u>September 30, 2023</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|---------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>486,583</u> | 5.88%~6.40% | None |

| <u>Type of borrowings</u> | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>178,624</u> | 4.10%~6.04% | None |

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

For the three-month and nine-month periods ended September 30, 2023 and 2022, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to \$5,048 , \$2,732 , \$12,855 and \$5,123, respectively.

(11) Accounts payable

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|----------------------------|---------------------------|--------------------------|---------------------------|
| Accounts payable | \$ 297,442 | \$ 387,080 | \$ 449,432 |
| Estimated accounts payable | <u>51,404</u> | <u>32,059</u> | <u>70,358</u> |
| | <u>\$ 348,846</u> | <u>\$ 419,139</u> | <u>\$ 519,790</u> |

(12) Other payable

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2023</u> |
|-------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| Accrued expenses- expendables | \$ 94,846 | \$ 133,352 | \$ 109,114 |
| Payables for equipment | 52,449 | 199,347 | 85,339 |
| Accrued expenses-bonus | 47,189 | 122,087 | 57,956 |
| Employees' compensation and directors' remuneration payable | 14,784 | 84,428 | 73,605 |
| Accrued expenses-others | <u>90,451</u> | <u>82,565</u> | <u>99,192</u> |
| | <u>\$ 299,719</u> | <u>\$ 621,779</u> | <u>\$ 425,206</u> |

(13) Bonds payable

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------------------------------|--------------------|-------------------|--------------------|
| The Croup's third secured convertible bonds | \$ - | \$ - | \$ 600,000 |
| The Croup's fourth secured convertible bonds | 500,000 | 500,000 | 500,000 |
| | 500,000 | 500,000 | 1,100,000 |
| Less: Bonds payable converted | - | - | (582,300) |
| Less: Discount on bonds payable | (10,610) | (15,830) | (17,581) |
| | 489,390 | 484,170 | 500,119 |
| Less: Current portion | - | - | (17,677) |
| | \$ 489,390 | \$ 484,170 | \$ 482,442 |

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

- (a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Group. The bonds are with a total issuance amount of \$600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 31, 2019 to October 31, 2022, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 31, 2019.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of Episil-Precision Inc. during the period from the date after three month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The effective date for the conversion price of the convertible was set on October 23, 2019. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of \$52.93 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.04% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT\$55.6 (in dollars) per share based on the aforementioned method.
- (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) As of October 31, 2022, the bonds totaling \$599,700 (face value) had been converted into

10,838 thousand shares of common stock.

- B. The issuance terms of the Company's fourth domestic unsecured convertible bonds are as follows:
- (a) The regulatory authority has approved the fourth domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of \$500,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from March 29, 2022 to March 29, 2025, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on March 29, 2022.
 - (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (c) The effective date for the conversion price of the convertible was set on March 21, 2022. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean in 1, 3 or 5 business day(s) before the effective date (effective date is excluded) by convertible premium rate of 109.22% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT\$128 (in dollars) per share based on the aforementioned method. The company paid a cash dividend, and the conversion price was adjusted to NT\$122.4 from July 12, 2023.
 - (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.
- C. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32. As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts were \$21,757, \$21,757 and \$842, respectively.

(14) Pensions

- A. (a) The Group (excluding overseas subsidiary) has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the

average monthly salaries and wages of the last month prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Group 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 Group (excluding overseas subsidiary) will make contributions for the deficit by next March.

- (b) The pension costs recognized by the Group according to the above pension regulations for the three-month and nine-month periods ended September 30, 2023 and 2022 were \$258, \$179, \$774 and \$537, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$3,129.
- B. (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2023 and 2022 were \$7,186, \$7,099, \$21,877 and \$20,614, respectively.

(15) Share based payment

- A. For the years ended September 30, 2023 and 2022, the Group's share-based payment arrangements were as follows:

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

- B. The Group increased its capital by issuing 3.3 million common shares and reserved 15% of the shares issued this time, that is 495 thousand shares, for subscription by employees at \$82(in dollars) per share in accordance with the requirements of the Article 267 of the Company Act. The fair value of share-based payment amounting to \$5,000 was assessed based on market approach, and was recognised as compensation cost.

C. Expenses incurred on share-based payment transactions are shown below:

| | For the three-month periods ended September 30, | |
|----------------|-------------------------------------------------|-------|
| | 2023 | 2022 |
| Equity-settled | - | 5,000 |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Equity-settled | - | 5,000 |

(16) Share capital

A. TAs of September 30, 2023, the Group's authorised capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,885,394 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Unit: thousand shares)

| Unit: thousand shares | 2023 | 2022 |
|--------------------------------|---------|---------|
| At January 1 | 288,539 | 284,376 |
| Cash capital increase | - | 3,300 |
| Conersion of convertible bonds | - | 543 |
| At September 30 | 288,539 | 288,219 |

B. The Company's Board of Directors resolved the capital increase by issuing 3.3 million new shares with a par value of NT\$10 (in dollars) per share on February 14, 2022. The capital increase was approved by the regulatory authority on March 15, 2022. In addition, the Chairman was authorised to set the issuance price at NT\$82 (in dollars) according to the relevant and market conditions. The total amount of the capital increase was \$270,600 and the effective date was set on April 14, 2022. The capital increase had been registered on June 28, 2022.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient..

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining

amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings based on the Company's dividend policy for the approval of the shareholders.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting, which is not subject to the rules in relation to the resolution of shareholders' meeting.

- B. The Company's dividend policy is summarised below: as the Company operates in high-tech industries and is in the stable growth stage, to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 10% of total cash and stock dividends and bonus to be distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. On May 31, 2023, the shareholders during their meeting resolved to distribute 2022 earnings and On June 21, 2022, the shareholders during their meeting resolved to distribute 2021 earnings Details are summarised below :

| | Year ended December 31, 2022 | |
|-----------------|------------------------------|---------------------------------|
| | Amount | Dividend per share (in dollars) |
| Legal reserve | \$ 69,264 | |
| Special reserve | 245 | |
| Cash dividends | 577,058 | \$ 2.0 |
| | \$ 646,567 | |

| | Year ended December 31, 2021 | |
|-----------------|------------------------------|---------------------------------|
| | Amount | Dividend per share (in dollars) |
| Legal reserve | \$ 37,874 | |
| Special reserve | 910 | |
| Cash dividends | 341, 252 | \$ 1.2 |
| | \$ 380,036 | |

- E. The number of the Company's shares outstanding has changed because the Company increased capital by issuing new shares and certain creditors proposed to convert the third domestic unsecured convertible bonds. With the total amount of cash dividends distributed held constant,

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the Board of Directors resolved to adjust the distribution ratio of cash dividends as NT\$1.18483932 (in dollars) per share on June 28, 2022.

(19) Other equity items

| | 2023 | 2022 |
|-----------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| | Financial statements translation difference of foreign operations | Financial statements translation difference of foreign operations |
| At January 1 | (\$ 1,155) | (\$ 910) |
| -Group | (834) | (912) |
| At September 30 | (\$ <u>1,989</u>) | (\$ <u>1,822</u>) |

(20) Operating revenue

| | For the three-month periods ended September 30, | |
|---------------------------------------|-------------------------------------------------|---------------------|
| | 2023 | 2022 |
| Revenue from contracts with customers | \$ <u>1,034,387</u> | \$ <u>1,544,038</u> |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Revenue from contracts with customers | \$ <u>3,210,234</u> | \$ <u>4,550,300</u> |

A. Disaggregation of revenue from contracts with customers

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

| For the three-month periods ended September 30, 2023 | Silicon epitaxy wafers | Others | Total |
|---------------------------------------------------------|---------------------------|-----------------|---------------------|
| Revenue from external customer contracts | \$ <u>1,029,713</u> | \$ <u>4,674</u> | \$ <u>1,034,387</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ <u>1,029,713</u> | \$ <u>4,674</u> | \$ <u>1,034,387</u> |

| For the three-month periods ended September 30, 2022 | Silicon epitaxy wafers | Others | Total |
|---------------------------------------------------------|---------------------------|-----------------|---------------------|
| Revenue from external customer contracts | \$ <u>1,542,133</u> | \$ <u>1,905</u> | \$ <u>1,544,038</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ <u>1,542,133</u> | \$ <u>1,905</u> | \$ <u>1,544,038</u> |

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| <u>For the nine-month periods ended September 30, 2023</u> | <u>Silicon epitaxy wafers</u> | <u>Others</u> | <u>Total</u> |
|------------------------------------------------------------|-------------------------------|------------------|---------------------|
| Revenue from external customer contracts | \$ 3,197,277 | \$ 12,957 | \$ 3,210,234 |
| Timing of revenue recognition | | | |
| At a point in time | <u>\$ 3,197,277</u> | <u>\$ 12,957</u> | <u>\$ 3,210,234</u> |
| | | | |
| <u>For the nine-month periods ended September 30, 2022</u> | <u>Silicon epitaxy wafers</u> | <u>Others</u> | <u>Total</u> |
| Revenue from external customer contracts | \$ 4,542,125 | \$ 8,175 | \$ 4,550,300 |
| Timing of revenue recognition | | | |
| At a point in time | <u>\$ 4,542,125</u> | <u>\$ 8,175</u> | <u>\$ 4,550,300</u> |

B. Contract liabilities

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

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> | <u>January 1, 2022</u> |
|-----------------------------------------------|---------------------------|--------------------------|---------------------------|------------------------|
| Contract liabilities: | | | | |
| Contract liabilities – advance sales receipts | <u>\$ 85,704</u> | <u>\$ 119,639</u> | <u>\$ 160,691</u> | <u>\$ 133,693</u> |

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

| | <u>For the three-month periods ended September 30,</u> | |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | <u>\$ -</u> | <u>\$ 21,991</u> |
| | | |
| | <u>For the nine-month periods ended September 30,</u> | |
| | <u>2023</u> | <u>2022</u> |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | <u>\$ -</u> | <u>\$ 64,348</u> |

(21) Interest income

| | <u>For the three-month periods ended September 30,</u> | |
|------------------------------------|--------------------------------------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| Interest income from bank deposits | <u>\$ 6,206</u> | <u>\$ 3,754</u> |

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| | For the nine-month periods ended September 30, | |
|------------------------------------|------------------------------------------------|----------|
| | 2023 | 2022 |
| Interest income from bank deposits | \$ 22,499 | \$ 7,654 |

(22) Other income

| | For the three-month periods ended September 30, | |
|----------------------|-------------------------------------------------|-----------|
| | 2023 | 2022 |
| Rental revenue | \$ 10,147 | \$ 10,658 |
| Other income, others | 135 | 635 |
| | \$ 10,282 | \$ 11,293 |

| | For the nine-month periods ended September 30, | |
|----------------------|------------------------------------------------|-----------|
| | 2023 | 2022 |
| Rental revenue | \$ 30,314 | \$ 32,258 |
| Dividend income | - | 1 |
| Other income, others | 5,194 | 946 |
| | \$ 35,508 | \$ 33,205 |

(23) Other gains and losses

| | For the three-month periods ended September 30, | |
|-------------------------------------|-------------------------------------------------|-----------|
| | 2023 | 2022 |
| Net currency exchange gains | \$ 15,028 | \$ 32,701 |
| Depreciation on investment property | (1,231) | (1,241) |
| Other losses | (1,664) | (2,197) |
| | \$ 12,133) | \$ 29,263 |

| | For the nine-month periods ended September 30, | |
|-----------------------------------------------------|------------------------------------------------|-----------|
| | 2023 | 2022 |
| Net currency exchange gains | \$ 9,451 | \$ 60,173 |
| Gains on disposals of property, plant and equipment | 1,599 | - |
| Depreciation on investment property | (3,693) | (3,766) |
| Other losses | (8,180) | (6,630) |
| | (\$ 823) | \$ 49,777 |

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(24) Finance costs

| | For the three-month periods ended September 30, | |
|------------------------|-------------------------------------------------|------------------|
| | 2023 | 2022 |
| Interest expense: | | |
| Banking borrowings | \$ 5,048 | \$ 2,732 |
| Bonds payable | 1,746 | 1,825 |
| Lease liabilities | 1,372 | 1,458 |
| Other | 30 | 1,515 |
| | <u>\$ 8,196</u> | <u>\$ 7,530</u> |
| | | |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Interest expense: | | |
| Banking borrowings | \$ 12,855 | \$ 5,123 |
| Bonds payable | 5,220 | 3,808 |
| Lease liabilities | 4,238 | 4,412 |
| Other | 91 | 1,546 |
| Other finance expenses | 150 | 172 |
| | <u>\$ 22,554</u> | <u>\$ 15,061</u> |

(25) Expenses by nature

| | For the three-month periods ended September 30, | |
|--------------------------------------------|-------------------------------------------------|------------|
| | 2023 | 2022 |
| Employee benefit expense | \$ 181,441 | \$ 243,607 |
| Depreciation expenses | 126,992 | 111,831 |
| Amortisation expenses on intangible assets | 716 | 994 |
| | | |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Employee benefit expense | \$ 578,785 | \$ 700,127 |
| Depreciation expenses | 371,181 | 330,030 |
| Amortisation expenses on intangible assets | 1,817 | 2,778 |

(26) Employee benefit expense

| | For the three-month periods ended September 30, | |
|----------------------------------|-------------------------------------------------|-------------------|
| | 2023 | 2022 |
| Wages and salaries | \$ 146,570 | \$ 206,092 |
| Labour and health insurance fees | 15,761 | 15,571 |
| Pension costs | 7,444 | 7,278 |
| Other personnel expenses | 11,666 | 14,666 |
| | <u>\$ 181,441</u> | <u>\$ 243,607</u> |

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| | For the nine-month periods ended September 30, | |
|----------------------------------|------------------------------------------------|------------|
| | 2023 | 2022 |
| Wages and salaries | \$ 470,314 | \$ 583,201 |
| Employee stock options | - | 5,000 |
| Labour and health insurance fees | 46,260 | 43,071 |
| Pension costs | 22,651 | 21,151 |
| Other personnel expenses | 39,560 | 47,704 |
| | \$ 578,785 | \$ 700,127 |

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

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

B. For the three-month and six-month periods ended September 30, 2023 and 2022, employees' compensation was accrued at \$4,723, \$22,187, \$13,141 and \$65,427, respectively; while directors' remuneration was accrued at \$591, \$2,773, \$1,643 and \$8,178, respectively. The aforementioned amounts were recognised in salary expenses and other expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 1%, 8% and 1% of earnings for the nine-month periods ended September 30, 2023 and 2022, respectively.

Employees' compensation of \$75,047 and directors' remuneration of \$9,381 for the year ended December 31, 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Abovementioned employees' compensation of 2022 will be distributed in the form of cash.

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

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(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three-month periods ended September 30, | |
|---------------------------------------------------|-------------------------------------------------|-----------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | \$ 11,242 | \$ 50,598 |
| Prior year income tax under estimation | - | - |
| Total current tax | 11,242 | 50,598 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | - | - |
| Total deferred tax | - | - |
| Income tax expense | \$ 11,242 | \$ 50,598 |

| | For the nine-month periods ended September 30, | |
|---------------------------------------------------|------------------------------------------------|------------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | \$ 30,394 | \$ 148,969 |
| Prior year income tax under estimation | - | - |
| Total current tax | 30,394 | 148,969 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | - | - |
| Total deferred tax | - | - |
| Income tax expense | \$ 30,394 | \$ 148,969 |

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

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

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(28) Earning earnings per share

| For the three-month periods ended September 30,2023 | | | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic loss per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 42,979 | 288,539 | \$ 0.15 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 42,979 | 288,539 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 86 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 42,979 | \$ 288,625 | \$ 0.15 |
| For the three-month periods ended September 30,2022 | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic loss per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 201,901 | 288,077 | \$ 0.70 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 201,901 | 288,077 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 391 | |
| Convertible bonds | 1,460 | 4,234 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 203,361 | \$ 292,702 | \$ 0.69 |

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| For the nine-month periods ended September 30, 2023 | | | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic loss per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 119,586 | 288,539 | \$ 0.41 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 119,586 | 288,539 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 435 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 119,586 | \$ 288,974 | \$ 0.41 |

| For the nine-month periods ended September 30, 2022 | | | |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic loss per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 595,387 | 285,998 | \$ 2.08 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 595,387 | 285,998 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,006 | |
| Convertible bonds | 3,046 | 4,478 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 598,433 | \$ 291,482 | \$ 2.05 |

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

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(29) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the nine-month periods ended September 30, | |
|-------------------------------------------------|------------------------------------------------|------------|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | \$ 330,546 | \$ 437,382 |
| Add: Beginning balance of payables on equipment | 199,347 | 33,681 |
| Less: Ending balance of payables on equipment | (52,449) | (85,339) |
| Cash paid during the year | \$ 477,444 | \$ 385,724 |

B. Financing activities with no cash flow effects:

| | For the nine-month periods ended September 30, | |
|-----------------------------------------------------|------------------------------------------------|-----------|
| | 2023 | 2022 |
| Convertible bonds being converted to capital stocks | \$ - | \$ 29,572 |

(30) Changes in liabilities from financing activities

| | Short-term borrowings | Lease liabilities | Guarantee deposits-received | Bonds payable | Liabilities from financing activities |
|------------------------------------------------|-----------------------|-------------------|-----------------------------|---------------|---------------------------------------|
| At January 1 | \$ 178,624 | \$ 252,494 | \$ 8,095 | \$ 484,170 | \$ 923,383 |
| Changes in cash flow from financing activities | 307,959 | (7,295) | - | - | 300,664 |
| Interest paid | - | (4,238) | - | - | (4,238) |
|)Interest expense | - | 4,238 | - | 5,220 | 9,458 |
| Changes in other non-cash items | - | (9,994) | - | - | (9,994) |
| At September 30 | \$ 486,583 | \$ 235,205 | \$ 8,095 | \$ 489,390 | \$ 1,219,273 |

| | Short-term borrowings | Lease liabilities | Guarantee deposits-received | Bonds payable | Cash capital increase | Liabilities from financing activities |
|------------------------------------------------|-----------------------|-------------------|-----------------------------|---------------|-----------------------|---------------------------------------|
| At January 1 | \$ 446,283 | \$ 261,346 | \$ 8,290 | \$ 46,878 | \$ - | \$ 762,797 |
| Changes in cash flow from financing activities | 1,190 | (7,419) | - | 500,763 | - | 494,534 |
| Interest paid | - | (4,412) | - | - | - | (4,412) |
| Interest expense | - | 4,412 | - | 3,808 | - | 8,220 |
| Option exercised | - | - | - | (29,572) | - | (29,572) |
| Cash capital increase | - | - | - | - | 268,737 | 268,737 |
| Changes in other non-cash items | - | 1,055 | - | (21,758) | 5,000 | (15,703) |
| At September 30 | \$ 447,473 | \$ 254,982 | \$ 8,290 | \$ 500,119 | \$ 273,737 | \$ 1,484,601 |

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company's ultimate parent company is Episil Technologies Inc. (former name: Episil Holding Inc.) holds 57.86% of the Company's outstanding shares.

(2) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|------------------------------------|------------------------------------------------------------------|
| Episil Technologies Inc. | The parent company |
| Episil Technologies Inc.(Shanghai) | The parent company's indirect wholly-owned subsidiary |
| Hermes-Epitek Corp. | The parent company's director is Hermes-Epitek Corp.'s director |
| Taiwan Hi-Tech Corp. | Investee of the parent company accounted for using equity method |

(3) Significant related party transactions

A. Operating revenue

B.

| | <u>For the three-month periods ended September 30,</u> | |
|---------------------|--------------------------------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Sales of goods: | | |
| -The parent company | \$ 66,546 | \$ 173,941 |
| -Affiliate company | 1,188 | 106 |
| | <u>\$ 67,734</u> | <u>\$ 174,047</u> |
| | <u>For the nine-month periods ended September 30,</u> | |
| | <u>2023</u> | <u>2022</u> |
| Sales of goods: | | |
| -The parent company | \$ 245,697 | \$ 544,936 |
| -Affiliate company | 2,858 | 419 |
| | <u>\$ 248,555</u> | <u>\$ 545,355</u> |

The price and terms on sales are available to third parties and the credit term is 30 to 90 days after monthly billings.

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C. Purchases

| | For the three-month periods ended September 30, | |
|------------------------|-------------------------------------------------|-----------|
| | 2023 | 2022 |
| Purchases of goods: | | |
| -The parent company | \$ 3,002 | \$ 1,478 |
| -Affiliate company | 2,102 | - |
| Purchases of services: | | |
| -The parent company | 3,195 | 3,407 |
| | \$ 8,299 | \$ 4,885 |
| | For the nine-month periods ended September 30, | |
| | 2023 | 2022 |
| Purchases of goods: | | |
| -The parent company | \$ 4,103 | \$ 8,067 |
| -Affiliate company | 3,765 | - |
| Purchases of services: | | |
| -The parent company | 9,628 | 9,885 |
| | \$ 17,496 | \$ 17,952 |

The price and terms on purchase are available to third parties and the payment term is 30 to 90 days after monthly billings.

C. Receivables from related parties

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|----------------------|--------------------|-------------------|--------------------|
| Accounts receivable: | | | |
| -The parent company | \$ 114,788 | \$ 207,799 | \$ 303,753 |
| -Affiliate company | 838 | - | - |
| | 115,626 | 207,799 | 303,753 |
| Other receivables: | | | |
| - Affiliate company | \$ 10,826 | \$ 8,472 | \$ 8,399 |

The receivables from related parties arise mainly from sales of goods and service provision transactions. The receivables are due 3 months after the date of sale.

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D. Payables to related parties

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---------------------|---------------------------|--------------------------|---------------------------|
| Accounts payable: | | | |
| -The parent company | \$ 336 | \$ 811 | \$ 1,540 |
| - Affiliate company | <u>2,268</u> | <u>1,074</u> | <u>-</u> |
| | <u>2,604</u> | <u>1,885</u> | <u>1,540</u> |
| Other payable: | | | |
| -The parent company | \$ 4,481 | \$ 5,037 | \$ 5,975 |
| - Affiliate company | <u>26,712</u> | <u>31,046</u> | <u>27,531</u> |
| | <u>\$ 31,193</u> | <u>\$ 36,083</u> | <u>\$ 33,506</u> |

The payables to related parties arise mainly from purchase of services, and the payment terms are made under mutual agreement.

Other payables mainly refer to payables for service fees and processing fees.

E. Lease transactions

- (a) For the three-month periods and nine-month periods ended September 30, 2023 and 2022, rental revenue arising from leasing certain buildings and structures to affiliate companies amounted to \$1,846, \$2,279, \$5,537 and \$6,835, respectively, which is collected monthly.
- (b) For the three-month periods and nine-month periods end September 30, 2023 and 2022, rental expense due to leasing certain buildings and structures from affiliate companies amounted to \$31, \$31, \$92 and \$92, respectively, which is paid monthly.

F. Others (Shown as “Operating costs” and “Operating expenses”)

| | <u>For the three-month periods ended September 30,</u> | |
|--------------|--------------------------------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Testing fee: | | |
| -Associates | <u>\$ 42,646</u> | <u>\$ 32,536</u> |

| | <u>For the nine-month periods ended September 30,</u> | |
|--------------|-------------------------------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Testing fee: | | |
| -Associates | <u>\$ 120,489</u> | <u>\$ 94,833</u> |

(4) Key management personnel compensation

| | <u>For the three-month periods ended September 30,</u> | |
|-------------------------------------------------|--------------------------------------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| Salaries and other short-term employee benefits | \$ 14,421 | \$ 8,164 |
| Post-employment benefits | <u>143</u> | <u>54</u> |
| | <u>\$ 14,564</u> | <u>\$ 8,218</u> |

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| | For the nine-month periods ended September 30, | |
|-------------------------------------------------|------------------------------------------------|-----------|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | \$ 28,648 | \$ 19,302 |
| Post-employment benefits | 427 | 162 |
| | \$ 29,075 | \$ 19,464 |

8. Pledged Assets

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

| Pledged asset | Book value | | | Purpose |
|-----------------------------------------------------------------------------------|--------------------|-------------------|--------------------|----------------------------------------------------|
| | September 30, 2023 | December 31, 2022 | September 30, 2022 | |
| Restricted assets (shown as "Current financial assets at amortised cost") | \$ 2,622 | \$ - | - | Customs deposits |
| Pledged time deposits (shown as "Non-Current financial assets at amortised cost") | 13,565 | 13,565 | 7,858 | Customs deposits and guarantee deposits for leases |
| | \$ 16,187 | \$ 13,565 | \$ 7,858 | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|--------------------|-------------------|--------------------|
| Property, plant and equipment | \$ 438,113 | \$ 342,084 | \$ 470,461 |

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

None.

12. Others

(1) Capital management

There are no material changes in the current period. Please refer to Note 12 to the 2022 year end Consolidated Financial Statements of the Republic of China.

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(2) Financial instruments

A. Financial instruments by category

| | <u>September, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through other comprehensive income | \$ 17 | \$ 17 | \$ 17 |
| Financial assets at amortised cost | | | |
| Financial assets at amortised cost | 16,187 | 13,565 | 7,858 |
| Cash and cash equivalents | 2,432,929 | 2,841,411 | 2,736,459 |
| Accounts receivable | 983,467 | 1,025,940 | 1,257,385 |
| Accounts receivable due from related parties | 115,626 | 207,799 | 303,753 |
| Other receivables | 39,060 | 27,584 | 26,832 |
| Other receivables due from related parties | 10,826 | 8,472 | 8,399 |
| Refundable guarantee deposits | 1,070 | 1,109 | 1,086 |
| | <u>\$ 3,599,165</u> | <u>\$ 4,125,880</u> | <u>\$ 4,341,772</u> |
| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 486,583 | \$ 178,624 | \$ 447,473 |
| Accounts payable | 348,846 | 419,139 | 519,790 |
| Accounts payable to related parties | 2,604 | 1,885 | 1,540 |
| Other payables | 299,719 | 621,779 | 425,206 |
| Other payables to related parties | 31,193 | 36,083 | 33,506 |
| Bonds payable (including current portion) | 489,390 | 484,170 | 500,119 |
| Guarantee deposits received | 8,095 | 8,095 | 8,290 |
| | <u>\$ 1,666,430</u> | <u>\$ 1,749,775</u> | <u>\$ 1,935,924</u> |
| Lease liabilities | <u>\$ 235,205</u> | <u>\$ 252,494</u> | <u>\$ 254,982</u> |

B. Policy of risk management

There are no material changes in the current period. Please refer to Note 12 to the 2022 year end Consolidated Financial Statements of the Republic of China.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiary using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future

commercial transactions and recognised assets and liabilities.

- ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies that are adopted to minimise the volatility of the foreign exchange.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and the subsidiary's functional currency: JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | September 30, 2023 | | |
|--------------------------------------------|----------------------------------------------|---------------|---------------------|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 21,479 | 32.277 | \$ 693,278 |
| JPY:NTD | 16,468 | 0.216 | 3,557 |
| RMB:NTD | 35,164 | 4.415 | 155,249 |
| USD: JPY | 4,539 | 149.154 | 146,505 |
| Non-monetary items: None. | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 20,908 | 32.277 | \$ 674,848 |
| JPY:NTD | 28,536 | 0.216 | 6,164 |
| RMB:NTD | 9,956 | 4.415 | 43,956 |
| Non-monetary items: None. | | | |

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| | | December 31, 2022 | | |
|-----------------------------------------|----|----------------------------------------------|---------------|---------------------|
| | | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 37,261 | 30.720 | \$ 1,144,658 |
| JPY:NTD | | 15,532 | 0.233 | 3,619 |
| RMB:NTD | | 13,285 | 4.406 | 58,534 |
| USD: JPY | | 1,833 | 132.016 | 56,310 |
| Non-monetary items: None. | | | | |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 15,395 | 30.720 | \$ 472,934 |
| JPY:NTD | | 41,915 | 0.233 | 9,766 |
| RMB:NTD | | 16,824 | 4.406 | 74,127 |
| Non-monetary items: None. | | | | |
| | | September 30, 2022 | | |
| | | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 35,757 | 31.755 | \$ 1,135,463 |
| JPY:NTD | | 10,661 | 0.220 | 2,348 |
| RMB:NTD | | 13,505 | 4.480 | 60,502 |
| USD: JPY | | 2,047 | 144.210 | 64,994 |
| Non-monetary items: None. | | | | |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ | 21,978 | 31.755 | \$ 697,942 |
| JPY:NTD | | 39,653 | 0.220 | 8,732 |
| RMB:NTD | | 28,601 | 4.480 | 128,131 |
| Non-monetary items: None. | | | | |

- iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2023 and 2022, amounted to \$15,028, \$32,701, \$9,451 and \$60,173, respectively.

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

| | | Year ended September 30, 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% | \$ | 6,933 | \$ - |
| JPY:NTD | 1% | | 36 | - |
| RMB:NTD | 1% | | 1,552 | - |
| USD: JPY | 1% | | 1,465 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | (\$ | 6,748) | \$ - |
| JPY:NTD | 1% | (| 62) | - |
| RMB:NTD | 1% | (| 440) | - |
| | | Year ended September 30, 2022 | | |
| | | Change in exchange rate | Effect on profit (loss) | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | \$ | 11,355 | \$ - |
| JPY:NTD | 1% | | 23 | - |
| RMB:NTD | 1% | | 605 | - |
| USD: JPY | 1% | | 650 | - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 1% | (\$ | 6,979) | \$ - |
| JPY:NTD | 1% | (| 87) | - |
| RMB:NTD | 1% | (| 1,281) | - |

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 The Group's investments in equity securities comprise shares issued by a domestic company. The prices of equity securities would change due to the change of the future value of investee company. If the prices of these equity securities had increased /decreased by 10% with all other variables held constant, fair value adjustment would have increased/decreased both by \$2, as a result of the price change on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. For the six-month periods ended September 30, 2023 and 2022, the Group's borrowings at floating rates were mainly denominated in New Taiwan dollars, US dollars and Japanese yen.
- ii. If the borrowing interest rate of New Taiwan dollars and US dollars had increased/decreased by 0.25% with all other variables held constant, loss after tax For the nine-month periods ended September 30, 2023 and 2022, would have increased/decreased by \$912 and \$839, respectively. Changes in interest expense mainly due from floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's perspective. Only rated banks with an optimal rating and financial institutes with investment grade are accepted. According to the Group's credit policy, each entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

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- (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group categorised accounts receivable in accordance with credit risk and applied the modified approach using a provision matrix to estimate the expected credit loss.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of September 30, 2023, December 31, 2022, September 30 2022, the provision matrix is as follows:

| | Not past due | Up to 30 days past due | 31~90 days past due | 91~180 days past due | over 180 days past due | Individual | Total |
|------------------------------|--------------|---------------------------|------------------------|-------------------------|---------------------------|-------------|--------------|
| <u>At September 30, 2023</u> | | | | | | | |
| Expected loss rate | 0.01% | 0.01% | 0.12% | 0.71% | 0.12% | 0.12%~4.84% | |
| Total book value | \$ 908,959 | \$ 125,537 | \$ - | \$ - | \$ 11,763 | \$ 52,986 | \$ 1,099,245 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | (152) | (152) |
| <u>At December 31, 2022</u> | | | | | | | |
| Expected loss rate | 0.01% | 0.01% | 0.13% | 0.77% | 0.12% | 0.12%~5.26% | |
| Total book value | \$ 1,054,418 | \$ 76,720 | \$ 148 | \$ - | \$ - | \$ 102,605 | \$ 1,233,891 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | (152) | (152) |
| <u>At September 30, 2022</u> | | | | | | | |
| Expected loss rate | 0.00% | 0.01 | 0.13% | 0.79% | 0.12% | 0.12%~5.42% | |
| Total book value | \$ 1,381,157 | \$ 27,398 | \$ 1,085 | \$ - | \$ - | \$ 151,650 | \$ 1,561,290 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | (152) | (152) |

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

| | 2023 | |
|------------------------------|---------------------|-----|
| | Accounts receivable | |
| At January 1 / September 30, | \$ | 152 |
| | 2022 | |
| | Accounts receivable | |
| At January 1 / September 30, | \$ | 152 |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (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. As at September 30, 2023, December 31, 2022 and September 30, 2022, the Group held money market position of \$2,432,554, \$2,840,989 and \$2,736,040, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

- iii. The Group has the following undrawn borrowing facilities:

| | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|--------------------------|--------------------|-------------------|--------------------|
| Floating rate: | | | |
| Expiring within one year | \$ - | \$ 200,000 | \$ 150,462 |
| Fixed rate: | | | |
| Expiring within one year | 1,148,025 | 1,423,438 | 754,468 |
| | \$ 1,148,025 | \$ 1,623,438 | \$ 904,930 |

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

| <u>Non-derivative financial liabilities</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> |
|----------------------------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|
| September 30, 2023 | | | | |
| Short-term borrowings | \$ 486,583 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 351,450 | - | - | - |
| Other payables (including related parties) | 330,912 | - | - | - |
| Lease liabilities | 12,877 | 11,828 | 33,954 | 263,248 |
| Bonds payable | - | 500,000 | - | - |
| Guarantee deposits received | - | - | 8,095 | - |
| December 31, 2022 | | | | |
| Short-term borrowings | \$ 178,624 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 421,024 | - | - | - |
| Other payables (including related parties) | 657,862 | - | - | - |
| Lease liabilities | 15,193 | 12,403 | 35,185 | 285,310 |
| Bonds payable | - | - | 500,000 | - |
| Guarantee deposits received | - | - | 8,095 | - |
| September 30, 2022 | | | | |
| Short-term borrowings | \$ 447,473 | \$ - | \$ - | \$ - |
| Accounts payable (including related parties) | 521,330 | - | - | - |
| Other payables (including related parties) | 458,712 | - | - | - |
| Lease liabilities | 15,367 | 13,122 | 35,320 | 288,215 |
| Bonds payable | 17,700 | - | 500,000 | - |
| Guarantee deposits received | 195 | - | 8,095 | - |

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. 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(8).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

| September 30, 2023 | | | | |
|------------------------|------------|---------|------------|------|
| Fair value | | | | |
| Book value | Level 1 | Level 2 | Level 3 | |
| Financial liabilities: | | | | |
| Bonds payable | \$ 489,390 | \$ - | \$ 490,750 | \$ - |

| December 31, 2022 | | | | |
|------------------------|------------|---------|------------|------|
| Fair value | | | | |
| Book value | Level 1 | Level 2 | Level 3 | |
| Financial liabilities: | | | | |
| Bonds payable | \$ 484,170 | \$ - | \$ 485,450 | \$ - |

| September 30, 2022 | | | | |
|------------------------|------------|---------|------------|------|
| Fair value | | | | |
| Book value | Level 1 | Level 2 | Level 3 | |
| Financial liabilities: | | | | |
| Bonds payable | \$ 500,119 | \$ - | \$ 499,279 | \$ - |

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

Bonds payable: The fair value of the convertible bonds issued by the Group was estimated by the Binomial-Tree approach to convertible bonds.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| September 30, 2023 | 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 | \$ - | \$ - | \$ 17 | \$ 17 |

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| December 31, 2022 | 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 | \$ - | \$ - | \$ 17 | \$ 17 |
| <hr/> | | | | |
| September 30, 2022 | 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 | \$ - | \$ - | \$ 17 | \$ 17 |

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

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

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

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

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

- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group’s credit quality.
- E. For the nine-month periods ended September 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 For the nine-month periods ended September 30, 2023 and 2022:

| | 2023 | 2022 |
|----------------------------|--------------------|--------------------|
| | Equity instruments | Equity instruments |
| At January 1/ September 30 | \$ 17 | \$ 17 |

- F. For the nine-month periods ended September 30, 2023 and 2022, there was no transfer into or out from Level 3.
- H. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at September 30, 2023 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|-----------------------------------|-------------------------------------|------------------------|-----------------------------------|-----------------------------|-----------------------------------------------------|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ | 17 | Market comparable companies | 1. | The higher the multiple, the higher the fair value. |
| | | | | | |
| | Fair value at December 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ | 17 | Market comparable companies | 1. | The higher the multiple, the higher the fair value. |
| | | | | | |
| | Fair value at September 30, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ | 17 | Market comparable companies | 1. | The higher the multiple, the higher the fair value. |

J. The Group has assessed the valuation models and assumptions carefully used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | September 30, 2023 | | | |
|-------------------|------------------------------|------------------------------|---------------------|------------------------------------------|---------------------|
| | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | \$ - | \$ - | \$ 2 (\$ 2) |
| | | | | | |
| | | December 31, 2022 | | | |
| | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | \$ - | \$ - | \$ 2 (\$ 2) |

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| | | September 30, 2022 | | | |
|-------------------|------------------------------|------------------------------|--------------|------------------------------------------|--------------|
| | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Favourable | Unfavourable | Favourable | Unfavourable |
| Input | Change | change | change | change | change |
| Financial assets | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | \$ - | \$ - | \$ 2 (\$ 2) |

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: None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 6.

14. Segment Information

(1) General information

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

(2) Segment Information

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

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| | For the nine-month periods ended September 30, | |
|---------------------------------|------------------------------------------------|--------------|
| | 2023 | 2022 |
| Revenue from external customers | \$ 3,210,234 | \$ 4,550,300 |
| Inter-company revenue | \$ 294,139 | \$ 192,544 |
| Segment (loss) income | \$ 149,980 | \$ 744,356 |
| Segment assets | \$ 7,007,729 | \$ 7,778,333 |
| Segment liabilities | \$ 2,162,368 | \$ 2,589,965 |

(3) Reconciliation for segment income (loss)

None.

Episil-Precision Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note 2) | General ledger account | As of September 30, 2023 | | | | Footnote (Note 4) |
|-----------------------|-----------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|------------------|---------------|------------|----------------------|
| | | | | Number of shares (in thousands) | Book value (Note | 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 | \$ 17 | |

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-Precision Inc. and Subsidiaries

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

For the nine-month period ended September 30, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | Footnote | |
|-----------------------|-----------------------------------|------------------------------------|-------------------|------------|---------------------------------------|--------------------------------------------------------------------------------|------------|-------------------------------------|------------|----------|---------------------------------------------------------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | | Percentage of total notes/accounts receivable (payable) |
| Episil-Precision Inc. | Episil Technologies Inc. | Parent company | (Sales) | \$ 245,697 | 7.65% | 30-90 days after monthly billings | - | General terms | \$ 114,788 | 10.44% | (Note 2) |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | (Sales) | 288,600 | 8.99% | 90-180 days after monthly billings | - | General terms | 159,805 | 14.54% | |

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

Note 2:Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. Afterthe merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Episil-Precision Inc. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 September 30, 2023

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. | Parent company | \$ 114,788 | 2.03 | \$ 42,175 | Amount collected subsequent to the balance sheet date | \$ 35,774 | \$ - |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Subsidiary | 159,805 | 3.29 | - | Amount collected subsequent to the balance sheet date | - | - |

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

Episil-Precision Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 For the nine-month period ended September 30, 2023

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (註2) | Transaction | | | consolidated total operating revenues or total assets (Note 4) |
|--------------------|-----------------------|-----------------------------------|----------------------|------------------------|----------------|------------------------------------|-------------------------------------------------------------------------|
| | | | | General ledger account | Amount (註3) | Transaction terms | |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Operating revenue | 288,600 | General terms | 8.99% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Operating costs | 5,539 | General terms | 0.17% |
| 1 | Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | 1 | Accounts receivable | 159,805 | 90~180 days after monthly billings | 2.28% |

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

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

Episil-Precision Inc. and Subsidiaries
Information on investees
For the nine-month period ended September 30, 2023

Table 5

| | | | | | | | | | | Expressed in thousands of NTD (Except as otherwise indicated) | |
|-----------------------|-----------------------------------|----------|----------------------------------------|----------------------------------------|---------------------------------------|--------------------------------------|------------------|------------|-------------|------------------------------------------------------------------|----------------------|
| | | | | | | | | | | Investment income | |
| | | | | | | | | | | Net profit (loss) | (loss) recognized by |
| | | | | | | | | | | for | the Company for |
| | | | | | | | | | | the nine-month | the nine-month |
| | | | | | | | | | | period ended | period ended |
| | | | | | | | | | | 2023 | September 30, 2023 |
| Investor | Investee (Note 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at September 30, 2023 | | | (Note 2(2)) | (Note 2(3)) | Footnote |
| | | | | Balance as of September 30, 2023 | Balance as of December 31, 2022 | Number of shares | Ownership (%) | Book value | | | |
| Episil-Precision Inc. | Precision Silicon Japan Co., Ltd. | Japan | Sales of epitaxy and silicon wafers | 2,740 | 2,740 | 200 | 100.00% | 11,295 | (1) | (1) | |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the nine-month period ended September 30, 2023' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Episil-Precision Inc. and Subsidiaries

Major shareholders information

September 30, 2023

Table 6

| Name of major shareholders | Shares | |
|----------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| Episil Technologies Inc. | 166,961,680 | 57.86% |