EPISIL-PRECISION INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 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.

EPISIL-PRECISION INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

Episil-Precision Inc.

Representative: Xu, Jian-Hua

February 26, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000336

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

Opinion

We have audited the accompanying consolidated balance sheets of Episil-Precision Inc. and its subsidiary (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Inventory valuation

<u>Description</u>

Please refer to Note 4(12) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for description of inventory and allowance for inventory valuation losses. As of December 31, 2023, inventory and allowance for inventory valuation losses amounted to NT$1,027,962 thousand and NT$108,244 thousand, respectively.

The Group primarily engages in research and development, manufacture and sales of epitaxy wafers and compound semiconductor epitaxial wafers. The industry is characterised by rapidly evolving technology and is easily affected by fluctuation in market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventories are measured at the lower of cost and net realisable value, and the calculation of the net realisable value used in individually obsolete inventories or inventories which are over a certain period involves subjective judgement. Since abovementioned inventories and allowance for inventory valuation losses are significant to the financial statements, we identified allowance for inventory valuation losses a key audit matter.

<u>How our audit addressed the matter</u>

For inventory valuation losses against inventories that are over a certain period or individually obsolete, we tailored the audit scope as follows:

1. Obtained an understanding and assessed the reasonableness of Group's policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory.
2. Verified whether the systematic logic used in the Group's inventory aging report is appropriate and in accordance with the Group's policies.
3. Verified a sample of separately numbered inventory items against the clearance of those inventory items and respective historical data of discounts, and compared the sample to recorded allowance for inventory valuation losses to assess the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Episil-Precision Inc. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Hsieh, Chih-Cheng　　　　　　　　Chiang, Tsai-Yen

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 26, 2024

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

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,284,089	34	$ 2,841,411	37
1170	Accounts receivable, net	6(3)	880,646	13	1,025,940	14
1180	Accounts receivable due from related parties, net	6(3) and 7	102,958	2	207,799	3
1200	Other receivables		27,516	-	27,584	-
1210	Other receivables due from related parties	7	10,452	-	8,472	-
130X	Inventories	6(4)	919,718	13	947,076	12
1410	Prepayments		76,673	1	93,490	1
1470	Other current assets		4,381	-	9,766	-
11XX	**Total current assets**		4,306,433	63	5,161,538	67
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income		17	-	17	-
1535	Non-current financial assets at amortised cost	6(2) and 8	13,583	-	13,565	-
1600	Property, plant and equipment	6(5)	2,020,775	30	2,008,385	26
1755	Right-of-use assets	6(6)	220,993	3	242,625	3
1760	Investment property - net	6(8)	155,397	2	160,320	2
1780	Intangible assets	6(9)	55,648	1	52,520	1
1840	Deferred income tax assets	6(27)	38,067	1	32,095	1
1920	Refundable guarantee deposits	7	1,073	-	1,109	-
15XX	**Total non-current assets**		2,505,553	37	2,510,636	33
1XXX	**Total assets**		$ 6,811,986	100	$ 7,672,174	100

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

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 266,950	4	$ 178,624	2
2130	Current contract liabilities	6(20)	32,942	1	42,574	1
2170	Accounts payable	6(11)	257,005	4	419,139	5
2180	Accounts payable to related parties	7	5,975	-	1,885	-
2200	Other payables	6(12)	362,648	5	621,779	8
2220	Other payables to related parties	7	32,581	-	36,083	1
2230	Current income tax liabilities		58,279	1	120,663	2
2280	Current lease liabilities		6,907	-	9,532	-
2399	Other current liabilities, others		20,686	-	22,430	-
21XX	**Total current liabilities**		1,043,973	15	1,452,709	19
	Non-current liabilities					
2527	Non-current contract liabilities	6(20)	52,762	1	77,065	1
2530	Bonds payable	6(13)	491,143	7	484,170	6
2570	Deferred income tax liabilities	6(27)	34,868	1	36,148	1
2580	Non-current lease liabilities		225,938	3	242,962	3
2640	Net defined benefit liability, non-current	6(14)	57,962	1	67,338	1
2645	Guarantee deposits received		8,095	-	8,095	-
25XX	**Total non-current liabilities**		870,768	13	915,778	12
2XXX	**Total liabilities**		1,914,741	28	2,368,487	31
	Equity attributable to owners of parent					
	Share capital	6(16)				
3110	Share capital - common stock		2,885,394	42	2,885,394	38
	Capital surplus	6(17)				
3200	Capital surplus		1,614,778	24	1,614,778	21
	Retained earnings	6(18)				
3310	Legal reserve		170,583	3	101,319	1
3320	Special reserve		1,155	-	910	-
3350	Unappropriated retained earnings		227,233	3	702,441	9
	Other equity interest	6(19)				
3400	Other equity interest		(1,898)	-	(1,155)	-
3XXX	**Total equity**		4,897,245	72	5,303,687	69
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 6,811,986	100	$ 7,672,174	100

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(20) and 7	$ 4,236,502	100	$ 5,899,587	100
5000	Operating costs	6(4) and 7	(3,741,029)	(88)	(4,797,706)	(81)
5900	Gross profit from operation		495,473	12	1,101,881	19
	Operating expenses	6(25)(26) and 7				
6100	Selling and marketing expenses		(47,409)	(1)	(61,365)	(1)
6200	General and administrative expenses		(176,750)	(5)	(185,626)	(3)
6300	Research and development expenses		(88,345)	(2)	(70,091)	(1)
6000	Total operating expenses		(312,504)	(8)	(317,082)	(5)
6900	Operating profit		182,969	4	784,799	14
	Non-operating income and expenses					
7100	Interest income	6(21)	30,776	1	14,058	-
7010	Other income	6(22)	45,698	1	44,138	1
7020	Other gains and losses	6(23)	(21,907)	-	32,893	-
7050	Finance costs	6(24)	(31,921)	(1)	(21,223)	-
7000	Total non-operating income and expenses		22,646	1	69,866	1
7900	**Profit before income tax**		205,615	5	854,665	15
7950	Income tax expense	6(27)	(41,576)	(1)	(173,394)	(3)
8200	**Profit for the year**		$ 164,039	4	$ 681,271	12
	Other comprehensive income, net					
8311	Gains (losses) on remeasurements of defined benefit plans	6(14)	$ 7,340	-	$ 11,368	-
	Items may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations	6(19)	(743)	-	(245)	-
8300	**Other comprehensive income, net**		$ 6,597	-	$ 11,123	-
8500	**Total comprehensive income for the year**		$ 170,636	4	$ 692,394	12
	Profit attributable to:					
8610	Owners of the parent		$ 164,039	4	$ 681,271	12
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 170,636	4	$ 692,394	12
	Basic earnings per share	6(28)				
9750	Basic earnings per share (in dollars)		$	0.57	$	2.38
	Diluted earnings per share	6(28)				
9850	Diluted earnings per share (in dollars)		$	0.57	$	2.36

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital Reserves				Retained Earnings				
	Notes	Share capital - common stock	Additional paid-in capital	Warrants	Restricted stocks	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Equity
2022											
Balance at January 1, 2022		$2,843,767	$1,300,515	$ 2,260	$ 670	$ 10,494	$ 63,445	$ -	$ 389,838	($ 910)	$4,610,079
Profit for the year		-	-	-	-	-	-	-	681,271	-	681,271
Other comprehensive income (loss)	6(19)	-	-	-	-	-	-	-	11,368	(245)	11,123
Total comprehensive income (loss)		-	-	-	-	-	-	-	692,639	(245)	692,394
Appropriation of 2021 earnings	6(18)										
Legal reserve		-	-	-	-	-	37,874	-	(37,874)	-	-
Special reserve		-	-	-	-	-	-	910	(910)	-	-
Cash dividends		-	-	-	-	-	-	-	(341,252)	-	(341,252)
Conversion of corporate bonds	6(13)(16)(17)	8,627	40,591	(2,246)	-	-	-	-	-	-	46,972
Issuance of corporate bonds	6(13)	-	-	21,757	-	-	-	-	-	-	21,757
Corporate bonds not converted after the due date		-	-	(14)	-	14	-	-	-	-	-
Cash capital increase	6(16)	33,000	235,737	-	-	-	-	-	-	-	268,737
Compensation cost for cash capital increase retained for employees	6(15)	-	5,000	-	-	-	-	-	-	-	5,000
Balance at December 31, 2022		$2,885,394	$1,581,843	$ 21,757	$ 670	$ 10,508	$ 101,319	$ 910	$ 702,441	($ 1,155)	$5,303,687
2023											
Balance at January 1, 2023		$2,885,394	$1,581,843	$ 21,757	$ 670	$ 10,508	$ 101,319	$ 910	$ 702,441	($ 1,155)	$5,303,687
Profit for the year		-	-	-	-	-	-	-	164,039	-	164,039
Other comprehensive income (loss)	6(19)	-	-	-	-	-	-	-	7,340	(743)	6,597
Total comprehensive income (loss)		-	-	-	-	-	-	-	171,379	(743)	170,636
Appropriation of 2022 earnings	6(18)										
Legal reserve		-	-	-	-	-	69,264	-	(69,264)	-	-
Special reserve		-	-	-	-	-	-	245	(245)	-	-
Cash dividends		-	-	-	-	-	-	-	(577,078)	-	(577,078)
Balance at December 31, 2023		$2,885,394	$1,581,843	$ 21,757	$ 670	$ 10,508	$ 170,583	$ 1,155	$ 227,233	($ 1,898)	$4,897,245

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

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

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 205,615	$ 854,665
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation expense	6(5)(6)(8)(25)	499,742	452,954
Amortisation expense	6(9)(25)	2,520	3,857
Finance costs	6(24)	31,921	21,223
Interest income	6(21)	(30,776)	(14,058)
Dividend income		-	(1)
Share-based payments	6(15)	-	5,000
Gain on disposal of property, plant and equipment	6(23)	(1,599)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		145,294	101,626
Accounts receivable due from related parties		104,841	(15,361)
Other receivables		434	(11,484)
Other receivables due from related parties		(1,980)	3,378
Inventories		27,358	(78,616)
Prepayments		16,817	(36,044)
Other current assets		5,385	(3,880)
Changes in operating liabilities			
Contract liabilities		(33,935)	(14,054)
Accounts payable		(162,134)	(63,975)
Accounts payable to related parties		4,090	269
Other payables		(146,401)	104,810
Other payables to related parties		(3,502)	(2,098)
Other current liabilities		(1,744)	2,439
Net defined benefit liability		(2,036)	(2,306)
Cash inflow generated from operations		659,910	1,308,344
Interest received		30,392	14,117
Dividends received		-	1
Interest paid		(25,422)	(14,678)
Income taxes paid		(111,212)	(147,402)
Net cash flows from operating activities		553,668	1,160,382

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

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at amortised cost	6(2)	($ 2,622)	($ 275,983)
Disposal of financial assets measured at amortised cost		2,622	670,276
Acquisition of property, plant and equipment	6(29)	(608,688)	(475,557)
Proceeds from disposal of property, plant and equipment	6(23)	2,460	-
Acquisition of intangible assets	6(9)	(5,648)	(2,847)
Decrease in refundable guarantee deposits		35	65,025
Net cash flows used in investing activities		(611,841)	(19,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(30)	1,085,310	1,411,939
Decrease in short-term borrowings	6(30)	(996,984)	(1,679,598)
Proceeds from issuance of corporate bonds	6(30)	-	500,763
Redemption of corporate bonds	6(30)	-	(300)
Decrease in guarantee deposits received	6(30)	-	(195)
Payments of lease liabilities	6(30)	(9,654)	(9,907)
Cash capital increase	6(16)	-	268,737
Cash dividends paid	6(18)	(577,078)	(341,252)
Net cash flows (used in) from financing activities		(498,406)	150,187
Effect of exchange rate changes		(743)	(244)
Net (decrease) increase in cash and cash equivalents		(557,322)	1,291,239
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)	$ 2,284,089	$ 2,841,411

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

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

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

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

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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 liabilitiesarising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

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

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

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

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

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

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through other comprehensive income.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) The subsidiary is included in the Group's consolidated financial statements. Subsidary is the entity (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

(b) Inter-company transactions, balances and unrealised gain or loses on transactions between companies within the Group are eliminated.

B. Subsidiary included in the consolidated financial statements:

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

B. Translation of foreign operations

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

i. Assets and liabilities for each balance sheet presented are translated at the exchange rates prevailing at the balance sheet date;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b)When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control, such transaction should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at fair value through other comprehensive income</u>

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Group has not retained control of the financial asset.

(11) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 61 years
Machinery and equipment	3 ~ 16 years
Other equipment	2 ~ 11 years

(14) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 40 ~ 51 years.

(16) Intangible assets

A. Computer software

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

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost, net of accumulated amortisation and accumulated impairment. Intangible assets acquired in a business combination are recognised at fair value at acquisition date and are amortised on a straight-line basis over their estimated useful lives of 2 ~ 5 years.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible corporate bonds

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity in accordance with the substance of the contractual arrangement.

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of equity are initially recognised in "Capital surplus—warrants" at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - warrants.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past-service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. The Group manufactures and sells silicon epitaxy wafers and compound semiconductor epitaxial wafers. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods to external customers in the ordinary course of the Group’s activities. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Therefore, there might be material changes to the inventory valuation in the future.

As of December 31, 2023, the carrying amount of inventories was $919,718.

6. Details of Significant Accounts

(1) Cash and cash equivalents

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

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

B. The Company’s cash and cash equivalents pledged to others as collateral for customs guarantee were classified as non-current financial assets at amortised cost. Refer to Note 8.

(2) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Non-current items:		
Pledged time deposits	$ 13,583	$ 13,565

A. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $13,583 and $13,565, respectively.

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

(3) Accounts receivable

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

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

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

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $1,320,004.

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

D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable was $983,604 and $1,233,739, respectively.

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

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 413,705	($ 60,994)	$ 352,711
Supplies	467,932	(42,705)	425,227
Work in progress	66,614	(2,674)	63,940
Finished goods	79,711	(1,871)	77,840
	$ 1,027,962	($ 108,244)	$ 919,718

	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

The cost of inventories recognised as expense for the year:

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

(5) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2023					
Cost	$ 2,301,420	$ 4,190,767	$ 71,335	$ 268,329	$ 6,831,851
Accumulated depreciation	(1,413,314)	(3,348,504)	(60,292)	-	(4,822,110)
Accumulated impairment	(420)	(936)	-	-	(1,356)
	$ 887,686	$ 841,327	$ 11,043	$ 268,329	$ 2,008,385
2023					
At January 1	$ 887,686	$ 841,327	$ 11,043	$ 268,329	$ 2,008,385
Additions	75,734	166,939	20,227	233,532	496,432
Disposals	-	(862)	-	-	(862)
Reclassifications	55,024	143,053	-	(198,077)	-
Depreciation expense	(114,906)	(362,472)	(5,802)	-	(483,180)
At December 31	$ 903,538	$ 787,985	$ 25,468	$ 303,784	$ 2,020,775
At December 31, 2023					
Cost	$ 2,428,011	$ 4,490,365	$ 91,369	$ 303,784	$ 7,313,529
Accumulated depreciation and impairment	(1,524,473)	(3,702,380)	(65,901)	-	(5,292,754)
	$ 903,538	$ 787,985	$ 25,468	$ 303,784	$ 2,020,775

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2022					
Cost	$ 2,084,553	$ 3,919,301	$ 69,469	$ 128,127	$ 6,201,450
Accumulated depreciation and impairment	(1,325,785)	(3,017,606)	(59,028)	-	(4,402,419)
	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
2022					
At January 1	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
Additions	173,077	195,553	4,264	268,329	641,223
Reclassifications	48,299	81,918	1,888	(128,127)	3,978
Depreciation expense	(92,458)	(337,839)	(5,550)	-	(435,847)
At December 31	$ 887,686	$ 841,327	$ 11,043	$ 268,329	$ 2,008,385
At December 31, 2022					
Cost	$ 2,301,420	$ 4,190,767	$ 71,335	$ 268,329	$ 6,831,851
Accumulated depreciation and impairment	(1,413,734)	(3,349,440)	(60,292)	-	(4,823,466)
	$ 887,686	$ 841,327	$ 11,043	$ 268,329	$ 2,008,385

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

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

(6) Lease transactions－lessee

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

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

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

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

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

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $1,140 and $1,070, respectively.

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

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

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

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Leasing arrangements – lessor

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

B. For the years ended December 31, 2023 and 2022, the Group recognised rental revenue in the amounts of $40,348 and $42,703, respectively, based on the operating lease agreements, which do not include variable lease payments.

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

	December 31, 2023	December 31, 2022
2023	$ -	$ 40,960
2024	39,134	40,865
2025	38,811	40,541
2026	29,797	31,527
2027	7,008	8,739
2028	7,008	8,739
After 2029	56,067	69,910
	$ 177,825	$ 241,281

(8) Investment property

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

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

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

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

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was $197,614 and $213,458, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

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

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

D. The significant components of investment property include buildings and renovation, which are depreciated over 51 years and 46 years, respectively.

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

(9) Intangible assets

	2023			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 5,618	$ 48,369	$ 39,270	$ 93,257
Accumulated amortisation and impairment	(3,001)	-	(37,736)	(40,737)
	$ 2,617	$ 48,369	$ 1,534	$ 52,520
At January 1	$ 2,617	$ 48,369	$ 1,534	$ 52,520
Additions	5,020	-	628	5,648
Amortisation expense	(1,877)	-	(643)	(2,520)
At December 31	$ 5,760	$ 48,369	$ 1,519	$ 55,648
At December 31				
Cost	$ 10,638	$ 48,369	$ 39,898	$ 98,905
Accumulated amortisation and impairment	(4,878)	-	(38,379)	(43,257)
	$ 5,760	$ 48,369	$ 1,519	$ 55,648

	2022			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 39,104	$ 90,126
Accumulated amortisation and impairment	(2,653)	-	(34,228)	(36,881)
	$ -	$ 48,369	$ 4,876	$ 53,245
At January 1	$ -	$ 48,369	$ 4,876	$ 53,245
Additions	2,680	-	167	2,847
Transfer	285	-	-	285
Amortisation expense	(348)	-	(3,509)	(3,857)
At December 31	$ 2,617	$ 48,369	$ 1,534	$ 52,520
At December 31				
Cost	$ 5,618	$ 48,369	$ 39,270	$ 93,257
Accumulated amortisation and impairment	(3,001)	-	(37,736)	(40,737)
	$ 2,617	$ 48,369	$ 1,534	$ 52,520

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

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

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

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

(10) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 266,950	6.120% ~ 6.502%	None

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 178,624	4.100% ~ 6.040%	None

For the years ended December 31, 2023 and 2022, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $19,090 and $8,071, respectively.

(11) Accounts payable

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

(12) Other payables

	December 31, 2023	December 31, 2022
Accrued expenses-expendables	$ 122,036	$ 133,352
Payables for equipment	87,091	199,347
Accrued expenses-bonus	61,071	122,087
Employees' compensation and directors' remuneration payable	20,279	84,428
Accrued expenses-others	72,171	82,565
	$ 362,648	$ 621,779

(13) Bonds payable

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

A. The domestic unsecured convertible bonds issued by the Group

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

(a) The regulatory authority has approved the fourth domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $500,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from March 29, 2022 to March 29, 2025, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on March 29, 2022.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The effective date for the conversion price of the convertible was set on March 21, 2022. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean in 1, 3 or 5 business day(s) before the effective date (effective date is excluded) by convertible premium rate of 109.22% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT$128 (in dollars) per share based on the aforementioned method. Starting from July 12, 2023, the conversion price of the bonds was adjusted to NT$122.4 (in dollars) per share due to the Company's cash dividend distribution.

(d) All convertible bonds repurchased, redeemed or converted by the Company from securities trading markets shall be retired, which are not allowed to resell or reissue, and conversion rights attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32. As of December 31, 2023 and 2022, the carrying both amounts were $21,757.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last month prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

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

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

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

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

(d) The Bank of Taiwan was commissioned to manage the fund of the Group’s defined benefit pension plan in accordance with the fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement

Fund" (Article 6: The scope of utilisation for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Group has no right to participate in managing and operating that fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2023	2022
Discount rate	1.30%	1.30%
Future salary increases	3.25%	3.25%

For the years ended December 31, 2023 and 2022, future mortality rate was both estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligations	($ 3,934)	$ 4,067	$ 3,566	($ 3,474)
December 31, 2022				
Effect on present value of defined benefit obligations	($ 4,562)	$ 4,725	$ 4,182	($ 4,067)

The sensitivity analysis above is based on a change in one assumption while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to $3,014.

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

B. (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were $28,904 and $28,070, respectively.

(15) Share based payment

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

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:

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

(16) Share capital

A. As of December 31, 2023, the Group's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was $2,885,394 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2023	2022
At January 1	288,539	284,376
Cash capital increase	-	3,300
Conversion of convertible bonds	-	863
At December 31	288,539	288,539

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

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings as dividends or the reserve of the remaining earnings for the approval of the shareholders.

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

The Company's dividend policy is summarised below: to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 30% of total cash and stock dividends to be distributed.

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

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

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The Company's Board of Directors resolved on February 26, 2024 to distribute cash dividends of NT$0.5 (in dollars) to each common share using the unappropriated retained earnings, and the dividends came to a total of $144,270.

E. On May 31, 2023, the Company's shareholders resolved the distribution of 2022 earnings as follows:

	2022	
	Amount	Earnings per share (in dollars)
Legal reserve	$ 69,264	
Special reserve	245	
Cash dividend	577,078	$ 2.0
Total	$ 646,587	

F. On June 21, 2022, the Company's shareholders resolved the distribution of 2021 earnings as follows:

	2021	
	Amount	Earnings per share (in dollars)
Legal reserve	$ 37,874	
Special reserve	910	
Cash dividend	341,252	$ 1.2
Total	$ 380,036	

G. The number of the Company's shares outstanding has changed because the Company increased capital by issuing new shares and certain creditors proposed to convert the third domestic unsecured convertible bonds. With the total amount of cash dividends distributed held constant, the Board of Directors resolved to adjust the distribution ratio of cash dividends as NT$1.18483932 (in dollars) per share on June 28, 2022.

(19) Other equity items

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

(20) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

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

B. Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities	$ 85,704	$ 119,639	$ 133,693

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

	Years ended December 31,	
	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	$ -	$ 79,596

(21) Interest income

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

(22) Other income

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

(23) Other gains and losses

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

(24) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense：		
Bank borrowings	$ 19,090	$ 8,071
Bonds payable	6,973	5,558
Lease liabilities	5,576	5,858
Others	132	1,564
Finance expenses	150	172
	$ 31,921	$ 21,223

(25) Expenses by nature

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

(26) Employee benefit expenses

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

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

   Employees' compensation can be distributed by stock or dividends, including distributions to certain qualifying employees in affiliate companies.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $18,026 and $75,047, respectively; while directors' remuneration was accrued at $2,253 and $9,380, respectively. The aforementioned amounts were recognised in salary expenses.

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

   Employees' compensation of $75,047 and directors' remuneration of $9,380 for the year ended December 31, 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Abovementioned employees' compensation of 2022 will be distributed in the form of cash.

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

(27) Income taxes

A. Income tax benefit expenses

Components of income tax benefit expense:

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

B. Reconciliation between income tax expense and accounting profit

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

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

	2023		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 11,796	$ 6,668	$ 18,464
Pension liability	11,682	(1,875)	9,807
Others	8,617	1,179	9,796
	32,095	5,972	38,067
Deferred income tax liabilities:			
Income on investments accounted for using equity method	1,293	(275)	1,018
Property, plant and equipment - book-tax difference	(19,218)	553	(18,665)
Investment property - book-tax difference	(17,708)	487	(17,221)
Intangible assets - book-tax difference	(515)	515	-
	(36,148)	1,280	(34,868)
	($ 4,053)	$ 7,252	$ 3,199

	2022		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 11,618	$ 178	$ 11,796
Pension liability	16,981	(5,299)	11,682
Others	5,415	3,202	8,617
	$ 34,014	($ 1,919)	$ 32,095
Deferred income tax liabilities:			
Income on investments accounted for using equity method	1,748	(455)	1,293
Property, plant and equipment - book-tax difference	(19,631)	413	(19,218)
Investment property - book-tax difference	(18,151)	443	(17,708)
Intangible assets - book-tax difference	(515)	-	(515)
	(36,549)	401	(36,148)
	($ 2,535)	($ 1,518)	($ 4,053)

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

(28) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 164,039	288,539	$ 0.57
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	164,039	288,539	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	448	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 164,039	288,987	$ 0.57

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

For the year ended December 31, 2023, the Company's convertible bonds had anti-dilutive effect, thus, it was not included in the calculation of diluted earnings per share.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2023	Years ended December 31, 2022
Acquisition of property, plant and equipment	$ 496,432	$ 641,223
Add: Opening balance of payable on equipment	199,347	33,681
Less: Ending balance of payable on equipment	(87,091)	(199,347)
Cash paid during the year	$ 608,688	$ 475,557

B. Financing activities with no cash flow effects:

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

(30) Changes in liabilities from financing activities

2023	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 178,624	$252,494	$ 8,095	$484,170	$ 923,383
Changes in cash flow from financing activities	88,326	(9,654)	-	-	78,672
Interest paid	-	(5,576)	-	-	(5,576)
Interest expense	-	5,576	-	6,973	12,549
Changes in other non-cash items	-	(9,995)	-	-	(9,995)
At December 31	$ 266,950	$232,845	$ 8,095	$491,143	$ 999,033

	2022				
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 446,283	$261,346	$ 8,290	$ 46,878	$ 762,797
Changes in cash flow from financing activities	(267,659)	(9,907)	(195)	500,463	222,702
Interest paid	-	(5,858)	-	-	(5,858)
Interest expense	-	5,858	-	5,558	11,416
Conversion option exercised	-	-	-	(46,972)	(46,972)
Changes in other non-cash items	-	1,055	-	(21,757)	(20,702)
At December 31	$ 178,624	$252,494	$ 8,095	$ 484,170	$ 923,383

7. Related Party Transactions

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

(3) Significant related party transactions

A. Operating revenue

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

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

B. Purchases

	Years ended December 31,	
	2023	2022
Purchases of goods:		
-Parent company	$ 8,277	$ 9,044
-Other related parties	5,562	1,059
	$ 13,839	$ 10,103
Purchases of services:		
-Parent company	$ 12,116	$ 13,469

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

C. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable:		
-Parent company	$ 99,352	$ 207,799
-Other related parties	3,606	-
	$ 102,958	$ 207,799
Other receivables:		
-Parent company	$ 10,452	$ 8,472

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

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable:		
-Parent company	$ 4,169	$ 811
-Other related parties	1,806	1,074
	$ 5,975	$ 1,885
Other payables:		
-Parent company	$ 4,004	$ 5,037
-Other related parties	28,577	31,046
	$ 32,581	$ 36,083

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

F. Lease transactions

(a) For the years ended December 31, 2023 and 2022, rental revenue arising from leasing certain buildings and structures to the parent company amounted to $7,382 and $9,113, respectively, which is collected monthly.

(b) For the years ended December 31, 2023 and 2022, rental expense due to leasing certain buildings and structures from the parent company amounted to $122 and $235, respectively, which is paid monthly.

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

	Years ended December 31,	
	2023	2022
Testing fee:		
-Other related parties	$ 161,036	$ 135,316

(4) Key management personnel compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 35,416	$ 24,892
Post-employment benefits	572	270
	$ 35,988	$ 25,162

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Pledged time deposits (shown as "Non-current financial assets at amortised cost")	$ 13,583	$ 13,565	Customs deposits and guarantee deposits for leases

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2023	December 31, 2022
Property, plant and equipment	$ 393,906	$ 342,084

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2023 earnings is provide in Note 6(18).

12. Others

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to meet the needs of plant expansion and equipment enhancement. The Group’s capital management is to ensure it has sufficient financial resources and operating plans to maintain or adjust capital structure and to meet operational capital for future needs, capital expenditure, research and development expenses, obligation repayment and dividend distribution within the next year.

(2) Financial instruments

A. Financial instruments by category

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

B. Policy of risk management

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

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

ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies that are adopted to minimise the volatility of the foreign exchange.

iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and the subsidiary's functional currency: JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 19,809	30.708	$ 608,295
JPY:NTD	9,015	0.218	1,962
RMB:NTD	21,520	4.325	93,074
USD:JPY	4,632	141.121	142,239
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 12,957	30.708	$ 397,884
JPY:NTD	73,106	0.218	15,908
RMB:NTD	7,718	4.325	33,380
USD:JYP	126	141.121	3,869
Non-monetary items: None.			

	December 31, 2022			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
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.				
Financial liabilities				
Monetary items				
USD:NTD	$	15,395	30.720	$ 472,934
JPY:NTD		41,915	0.233	9,766
RMB:NTD		16,824	4.406	74,127
Non-monetary items: None.				

iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to ($8,739) and $46,768, respectively.

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

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

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

Price risk

i. The Group’s investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

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

Cash flow and fair value interest rate risk

i. The Group’s main interest rate risk arises from short-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. December 31, 2023 and 2022 the Group’s borrowings at floating rates were mainly denominated in New Taiwan dollars, US dollars and Japanese yen.

ii. If the borrowing interest rate of New Taiwan dollars, US dollars or Japanese yen had increased/decreased by 0.25% with all other variables held constant, profit after tax for the years ended December 31, 2023 and 2022 would have decreased /increased by $534 and $357, respectively. Changes in interest expense mainly due from floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group’s perspective. Only rated banks and financial institutes with an optimal rating are accepted. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer ;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group categorised accounts receivable in accordance with credit risk and applies the modified approach using a provision matrix to estimate the expected credit loss.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days past due	Individual	Total
December 31, 2023							
Expected loss rate	0.01%	0.01%	0.12%	0.69%	0.12%	0.12~4.72%	
Total book value	$ 906,411	$ 45,006	$ 2,919	$ -	$ -	$ 29,420	$ 983,756
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)
December 31, 2022							
Expected loss rate	0.01%	0.01%	0.13%	0.77%	0.12%	0.12~5.26%	
Total book value	$ 1,054,418	$ 76,720	$ 148	$ -	$ -	$ 102,605	$ 1,233,891
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)

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

	2023	2022
	Accounts receivable	Accounts receivable
At January 1 / December 31	$ 152	$ 152

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Group held money market position of $2,283,710 and $2,840,989, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

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

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
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	-
Deposits received	-	-	8,095	-

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s convertible bonds payable is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in unlisted stocks is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

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

	December 31, 2023			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 491,143	$ -	$ 491,800	$ -

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

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

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

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

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 17	$ 17

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 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	Closed-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. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk and liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

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

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	2022
	Equity instruments	Equity instruments
At January 1 / December 31	$ 17	$ 17

G. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

H. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher the fair value

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher the fair value

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

			December 31, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±10%	$ -	$ -	$ 2	($ 2)

			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±10%	$ -	$ -	$ 2	($ 2)

13. Supplementary Disclosures

(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: table 3.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Information

(1) General information

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

(2) Measurement of segment information

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

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

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

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

(4) Reconciliation for segment income (loss)

None.

(5) Information on products and services

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

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

(6) Geographical information

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

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

(7) Major customer information

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

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

Episil-Precision Inc. and Subsidiaries

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

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2023				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Episil-Precision Inc.	Dah Chung Bills Finance Corp.-common stock	None	Financial assets at fair value through other comprehensive income-non-current	1,109	$ 17	-	$ 17	

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

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Episil-Precision Inc. and Subsidiaries

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

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Episil-Precision Inc.	Episil Technologies Inc.	Parent company	(Sales)	$ 315,034	7.44%	30-90 days after monthly billings	$ -	Gerneral terms	$ 99,352	10.10%	Note 2
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	391,325	9.24%	90-180 days after monthly billings	-	Gerneral terms	156,847	15.95%	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

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

Episil-Precision Inc. and Subsidiaries

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

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Episil-Precision Inc.	Precision silicon Japen Co., Ltd	Subsidiary	$ 156,847	3.39	$ -	Amount collected subsequent to the balance sheet date	$ 24,536	$ -

Note 1: Please rely on the account receivable, bills, other receivable… etc.

Episil-Precision Inc. and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	$ 391,325	Gerneral terms	9.24%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	6,978	Gerneral terms	0.16%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	156,847	90~180 days after monthly billings	2.30%

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

(1)Parent company is ‘0’.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Episil-Precision Inc. and Subsidiaries

Information on investees

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2023					
Investor	Investee (Note 1 and 2)	Location	Main business activities	Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of silicon epitaxy wafer	$ 2,740	$ 2,740	200	100.00%	$ 12,763	$ 1,376	$ 1,376	

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

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

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2020’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2)The ‘Net profit (loss) of the investee for the year ended December 31, 2020’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2020’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Episil-Precision Inc. and Subsidiaries
Major shareholders information
December 31, 2023

Table 6

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