Stock Code: 3016

Episil-Precision Inc.

2022Annual Report

Notice to readers
This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Annual report inquiry website http://mops.twse.com.tw http://www.epi.episil.com
Printed on April 2, 2023

I. Spokesperson and Acting Spokesperson Contact Information

Vice President Spokesperson：FAN,GUI-RONG / Spokesman

Tel: (03)5632255   Email:famy.fan@epi.episil.com

Acting Spokesperson：LIN,TING-YUAN / Acting Spokesman

Tel: (03)5632255   Email:tingyuan.lin@epi.episil.com

II. Episil Address and Telephone Number

1. Headquarters：Episil Hold Inc.

   Address：No.10 Dusing Road I, Hsinchu Science Park, Hsinchu 30078, Taiwan

   Tel：(03)5632255 Website：www.epi.episil.com

2. Branch office：None

3. Factory：

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

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

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

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

4. Subsidiary

   PRECISION SILICON JAPAN CO.,LTD. Tel：(03)5632255

III. Common Share Transfer Agent and Registrar

Company：Yongfeng Jin Securities Co., Ltd. Share Agent Department

Address：17 Boai Road, Taipei City, 3rd floor

Tel：(02)23816288 Website：www.sinopac.com.tw

IV. Independent Auditors

Accounting Firm：PWC

Auditors：Hsieh, Chih Cheng、Lin, Yu Kuan

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

Tel：(02)27296666   Website：www.pwcglobal.com.tw

V. Corporate Website：www.epi.episil.com

Contents

One. A Letter to Shareholders

Dear Shareholders,

Under the impact of the prolonged COVID-19 pandemic, the Russo-Ukrainian War, and the inflationary spike, the global economic prospect in 2022 has lost its momentum, and the decline is expected to last through 2023. Meanwhile, fierce supply and demand fluctuations have been witnessed in the global market, which is very different from the past. The semiconductor industry has shifted rapidly from the supply shortage in early 2022 to the adjustment of excessive inventory in the second-half year. Apart from the rapid management responses required by the situation, the global supply chain has been transferred under geopolitical factors, further complicating the operation of the enterprise.

Facing the strong demand at the beginning of 2022, Episil-Precision succeeded in effectively fulfilling the order and delivery schedule, achieving a record high in revenue. Furthermore, global enterprises have been placing more importance on sustainable development, and net-zero emission has become a critical issue, while new energy vehicles and renewable energy have been key points of investment. The market demand for the highly-efficient compound semiconductor business invested by Episil-Precision has been continuously growing. In addition to silicon epitaxial wafers, the revenue of compound semiconductor epitaxial wafers has also increased by 64% compared to 2021.

1. Implementation of 2022 business plan

Episil-Precision's consolidated revenue for 2022 was NT$5,900 million, an increase of 17 % year-over-year. Net income after tax was NT$681.27 million, and earnings per share was NT$2.38.

The consolidated operating performance of 2022 is as follows:

Unit: Thousand (TWD)

Items	2022	2021
Operating revenue	5,899,587	5,043,332
Operating margin	1,101,881	726,433
Net profit after tax	681,271	380,530
Earnings per share (Dollar(TWD))	2.38	1.35

2. Strategy and business plan

With the gradual prevalence of related applications driven by electric vehicles, 5G, energy-saving, and green energy industries, the semiconductor content of products from all fields is on the rise. Recently, our clients have been facing the pressure of inventory adjustment, and short-term revenue will be impacted greatly; however, it is expected that long-term growth will remain. WSTS estimated that the global semiconductor market would decline by 4.1% in 2023. Although facing such an estimation, Episil-Precision strategized prudently and decided to increase the scale of compound semiconductor mass production to meet the demand.

Regard to silicon epitaxy, Episil-Precision is not only operating the niche product businesses, including the Power MOSFET, PMIC, and Insulated Gate Bipolar Transistor (IGBT), but also developing high-growth field like new energy vehicles, renewable energy, servers, to meet the demands for higher efficiency in energy conversion market. Episil-Precision has gained the long-term trust with customers for superior quality, delivery, and service of silicon epitaxial wafers, and is going to expand business with this expertise.

In recent years, Episil-Precision has been engaging in the compound semiconductor epitaxy field. According to the estimation of Yole, from 2021 to 2027, Silicon Carbide (SiC) components will reach a CAGR of 34% with the high-power system demands from electric vehicles, solar energy, and industrial applications. Driven by applications including mobile phone fast charging, 5G base station, and data center, Gallium Nitride (GaN) components will reach a CAGR of 59%. Currently, Episil-Precision is the only epitaxial supplier possessing mass-production capabilities for both SiC and GaN. With the heavy focus put on this product and the large demands, its future growth has great potential. Other than strengthening the current product technology development and yield improvement, Episil-Precision has set up a compound semiconductor epitaxial wafers expansion plan in 2022, and the current progress is still on schedule.

Although cyclical fluctuation is the nature of the semiconductor market, under the trend of energy saving and carbon reduction, Episil-Precision 's silicon /compound semiconductor epitaxial wafers continue to draw the attention of the market. Apart from cultivating the existing business, the Episil-Precision management team also put importance on environmental protection and social responsibilities. It is expected that after the economic boom and demand rejuvenation in the future, Episil-Precision will resume its prominent growth and contribute more profits for its shareholders.

Wish all shareholders good health and successful.

Chairman: Jian-Hua Syu

Two. Company Profile

(I) Date of Incorporation:1998/11/09

(II) Company History

Sep 1998: Approved to enter Hsinchu scientific industrial park
Jun 2000: ISO 9002 quality system certification
Jun 2000: approved by Securities and Futures Bureau, FSC to issue shares to the public
Feb 2001: Registered the trademark" PRECISION" with the Intellectual Property Office, MOEA
Dec 2001: ISO 14001 environmental management system certification
Jan 2002: Japanese subsidiary was established
Dec 2002: The stock was officially listed
Jul 2003: ISO 9001 quality system certification
Obtained the QS 9000 quality system certification
Jan 2007: Approved "silicon thin film solar cell development plan" by the technical department of the ministry of economic affairs
Jul 2008: Obtained TS16949 system certification
Mar 2009: Private placement of 12,200,000 shares with a premium of NT$14.99 per share, and the paid-up capital increased to NT$896,269,390
Jan 2010: OHSAS 18001 safety and health management system certification
Sep 2011: Employee stock option conversion and surplus conversion, the paid-up capital increased to NT$938,708,420
Jul 2014: Employee stock option conversion capital increase, paid-up capital increased to NT$940,098,420
Oct 2014: Employee stock option conversion capital increase, paid-up capital increased to NT$940,518,420
Aug 2015: The board of directors approved the merger of Episil Semiconductor wafer co.,LTD., with a share exchange ratio of 1:1.8667876 shares
Sep 2015: Shareholders provisionally approve merger of Episil Semiconductor wafer co.,LTD.
Jan 2016: Merged with Episil Semiconductor Wafer Co., Ltd., the paid-up capital increased to NT$2,435,753,150 after the merger, and the English name was changed to "Episil-Precision Inc."
May 2016: Employee stock option conversion capital increase, the paid-up capital increased to NT$2,441,793,150

Jun 2016: Min-Ci Huang resigned as chairman of the board of directors and was hired as honorary chairman. The board of directors elected Jian-Hua Syu as the new chairman of the board

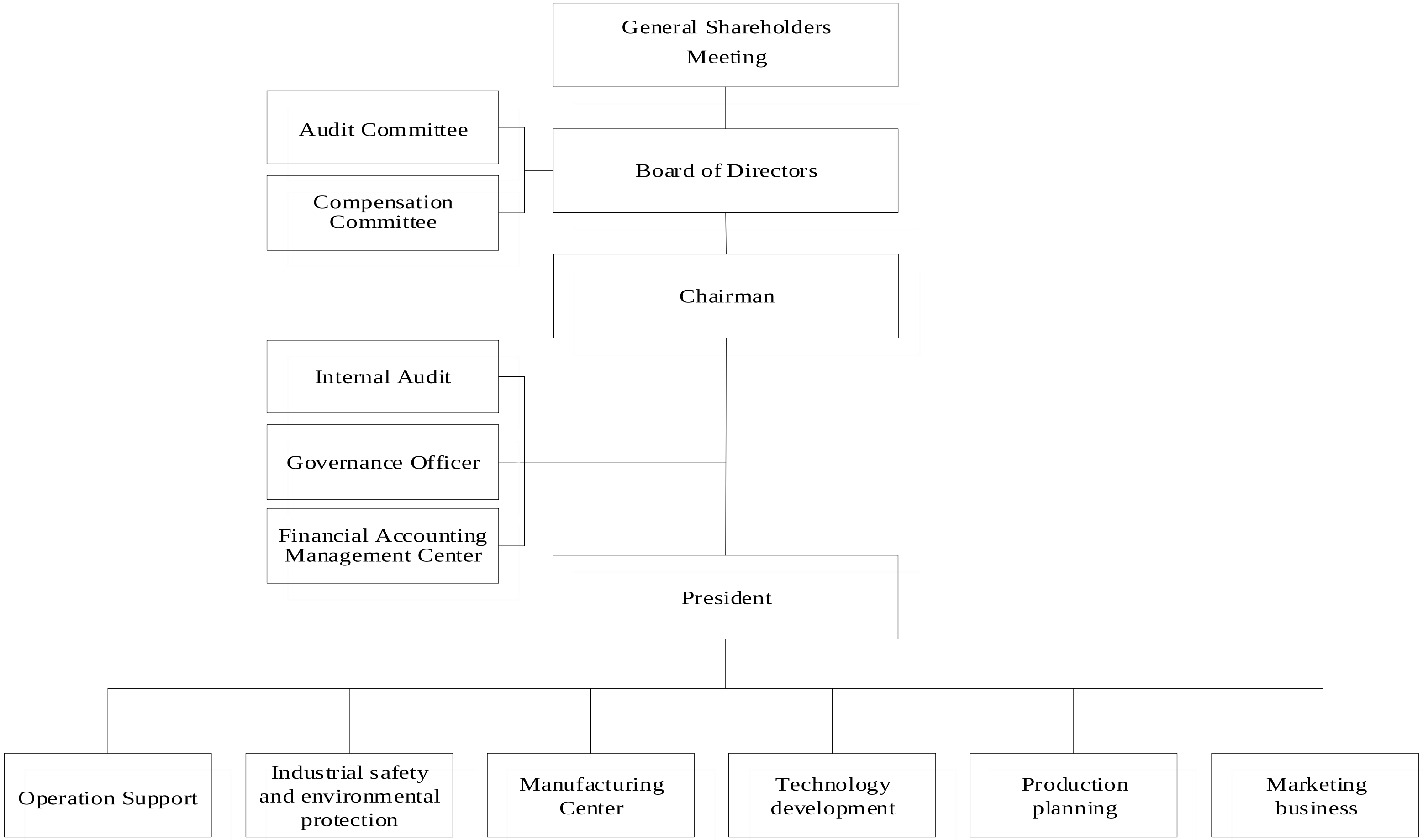
Aug 2016: Employee stock option conversion capital increase, paid-up capital increased to NT$2,442,903,150
Nov 2016: Employee stock option conversion capital increase, paid-up capital increased to NT$2,443,203,150
Feb 2017: Employee stock option conversion capital increase, paid-up capital increased to NT$2,444,013,150
Jan 2018: Cash increase of 30,000,000 shares, premium of NT$29.80 per share, paid-up capital increase to NT$2,744,013,150
Jun 2019: Shareholders re-elected the eighth directors (including independent directors) at the regular meeting. Chairman Jian-Hua Syu was reappointed
Oct 2019: Obtained ISO45001:2018 Occupational Safety and Health Management System Certification
Oct 2019: Obtained ISO45001:2018 occupational safety and health management system certification
Oct 2019: Issued the domestic third unsecured convertible corporate bond, with a total denomination of NT $6 billion
Aug 2020: The amount of paid-in capital increased to NT$ 2,774,912,130 after the conversion of corporate bonds
Nov 2020: The amount of paid-up capital increased to NT$2,788,161,030 after conversion of corporate bonds
Mar 2021: The amount of paid-up capital increased to NT$2,796,355,850 after conversion of corporate bonds
May 2021: The amount of paid-up capital increased to NT$2,800,687,900 after conversion of corporate bonds
Aug 2021: The amount of paid-up capital increased to NT$2,805,380,970 after conversion of corporate bonds
Nov 2021: The amount of paid-up capital increased to NT$2,823,206,390 after conversion of corporate bonds
Jan 2022: The amount of paid-up capital increased to NT$2,843,767,290 after conversion of corporate bonds
Mar 2022: Issued the domestic fourth unsecured convertible corporate bond, with a total denomination of NT $5 billion
Apr 2022: The amount of paid-up capital increased to NT$2,847,154,860 after conversion of corporate bonds
Jun 2022: Cash increase of 3,300,000 shares, premium of NT$82 per share, paid-up capital increase to NT$2,880,154,860
Jun 2022: Shareholders re-elected the ninth directors (including independent directors) at the regular meeting. Chairman Jian-Hua Syu was reappointed
Nov 2022: The amount of paid-up capital increased to NT$2,885,393,690 after conversion of corporate bonds

Three. Corporate Governance Report

I、Organization System：

(I) Organization

Organization of Episil-Precision Inc.



(II) Each principal departments business responsibility

Department	Business
Internal Audit	Responsible for the planning and execution of internal audit business and the tracking of improvement results.
Governance Officer	Handle matters related to the board of directors and shareholders' meetings, prepare minutes of the board of directors and shareholders' meetings, assist directors in their appointment and continuous education, provide directors with information needed to execute their business, and assist directors in complying with laws and regulations.
Financial Accounting Management Center	1. Effective use of capital management and prompt provision of correct accounting information, analysis and review of business performance, analysis of external environment and competition. 2. Provide strategic planning and subsidiary management, investment analysis, company operation process analysis and assistance in improvement, etc. for the management authority to make decisions. 3. Consultation, support, provision and other legal affairs related to legal affairs.
Operation Support	1. Strategic planning and communication and coordination of human resources. 2. The formulation of the company's important personnel management measures. 3. Human resource management and talent development. 4. Management and overall planning of public affairs within the enterprise. 5. Promote the development and maintenance of the company's computerization and information systems. 6. Purchase raw materials and machine parts in a timely and appropriate amount, and store them properly to achieve continuous and stable supply. 7. Provide customs declaration business services required for import and export of raw materials, machinery and equipment. 8. Maintain a good relationship with suppliers, handle purchase orders for raw materials, repairs, spare parts and machines, and obtain the company's best interests and reduce the impact of price increases through price negotiation and strategic deployment. 9. Management of the company's internal quality control system 10. Maintenance of various quality systems.
Industrial safety and environmental protection	1. Leading the ISO 14001/45001 environmental safety and health management system continues to be effective. 2. Occupational safety and health management, and environmental protection business management.

	3. Implementation of education and training on safety, health and environmental protection. 4. Labor health inspection, implementation of health management, emergency injury treatment and occupational disease prevention, etc.
Manufacturing Center	1. Responsible for factory operation management. 2. Responsible for product production planning, manufacturing, shipping management and development of manufacturing technology. 3. Continue to optimize the process capability, improve the yield, and improve the competitiveness of the company and customers. 4. Budget control and production cost optimization. 5. Establish factory discipline management system and supervision. 6. Manage the stability of the operation of the factory system and the rationality of water and electricity consumption. 7. Establish a pre-event prevention mechanism for the factory affairs system, and an exception handling command.
Technology development	1. Development of new products. 2. Stable mass production of existing products. 3. Evaluation and development of new technologies
Production planning	1. Provide foundry production services for customers, supervise the production cycle performance and control the delivery of goods, meet customer needs, and achieve company performance and profit requirements as the main task. 2. Wafer production portfolio planning, formulate related film casting, output and shipping plans. 3. Plan the output capacity of the factory, and complete various production capacity improvement and expansion of output capacity. 4. Analyze production costs and promote cost rationalization to improve cost structure.
Marketing business	1. Market information collection and development evaluation. 2. The formulation of sales plans, the achievement of operational objectives and performance. 3. Business promotion, including the development and maintenance of new and old customers. 4. Process development for new market applications and feasibility analysis of new process development. 5. Handling customer engineering problems and customer complaints. 6. Improve customer service and customer satisfaction. 7. Order processing, shipping matters, account processing, sales statistics and other matters.

II Directors and Management Team

(I) Directors

April 2, 2023

Title	Nationality/ Place of Incorporation	Name	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Episil Technologies Inc. Representative： Jian-Hua Syu	Male Age 61 ~ 70	111.06	3	105.02 105.06	166,200,000 150,000	58.37 0.05	166,961,680 150,000	57.86 0.05	0 0	0 0	0 0	0 0	Master's degree in chemical engineering, National Cheng Kung University	Chairman of Episil Technologies Inc. Chairman and general manager of Wellknown Holdings Ltd. President and general manager of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor	None		
Director (Note2)	R.O.C	Episil Technologies Inc. Representative： Hsi-Hsin Chen	Male Age 61 ~ 70	110.08	3	105.02 110.08	166,200,000 0	58.37 0	166,961,680 0	57.86 0	0 0	0 0	0 0	0 0	Academic degree in Solid State Physics from University of Texas, USA	Chairman of Advanced Ion Beam Technology, Inc. Director of Episil Technologies Inc. Director of Energic Technologies Corporation.	None		
Director	R.O.C	Episil Technologies Inc. Representative： Ching-Tzong Sune	Male Age 61 ~ 70	111.06	3	105.02 108.01	166,200,000 136,400	58.37 0.05	166,961,680 237,585	57.86 0.08	0 0	0 0	0 0	0 0	Doctor's degree in Electrical Engineering, North Carolina State University	Epi's General manager Chairman of Precision Silicon Japan Co.,Ltd. Director of Taiwan Hi-Tech Corp.	None		
Director	R.O.C	Episil Technologies Inc. Representative： Guei-Rong Fan	Female Age 51 ~ 60	111.06	3	105.02 108.06	166,200,000 0	58.37 0	166,961,680 11,000	57.86 0	0 0	0 0	0 0	0 0	Master's degree in MBA, University of Leicester	Director of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.	None		
Director	R.O.C	Nan Ya Photonics Incorporation Representative： Rong-Huang Luo	Male Age 61 ~ 70	111.06	3	99.06 99.06	9,847,325 0	3.46 0	9,847,325 0	3.41 0	0 0	0 0	0 0	0 0	Bachelor's Degree in Industrial Engineering, Chung Yuan Christian University	Deputy General Manager of Nan Ya Photonics Incorporation General Manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd General Manager, NY Photonics Inc.USA Director of Hexi Energy Co., Ltd Director of Xuanguan Co., Ltd Formosa Plastics Co., Ltd	None		
Director	R.O.C	Jiacai Investment Co. Ltd Representative： Wun-Guei Ye	Male	111.06	3	99.06 99.06	2,900,255 3,173,632	1.02 1.11	3,000,793 3,173,632	1.04 1.10	0 2,500,855	0 0.87	0 0	0 0	Bachelor's Degree in Controls, Feng Chia University	General manager of Jia Cai Investment Co. Ltd Director of Trend Lighting, Inc	None		
Independent Director	R.O.C	Wei-Min Shen	Male Age 61 ~ 70	111.06	3	105.02	0	0	0	0	0	0	0	0	Doctor's degree in Accounting, Purdue University	Independent director of Upi Semiconductor Corp Independent director of ELITE Semiconductor Microelectronics Technology Inc Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation, National Taichung University	None		

																of Science and Technology	
Independent Director	R.O.C	Ze-Peng Chen	Male Age 61 ~ 70	111.06	3	104.09	0	0	0	0	0	0	0	0	Doctor's degree in Materials Science and Engineering, Tsinghua University	Senior consultant of Epistar Corproration Director of Lynk Labs, USA	None
Independent Director	R.O.C	Han-Liang Hu	Male Age 51 ~ 60	111.06	3	108.06	0	0	0	0	0	0	0	0	Master's degree in Accounting and Management Decision Group, National Taiwan University	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Chairman of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Solutions Corporation. Supervisor of ORIENT PHARMA CO., LTD.	None

Note1: The Company's general meeting of shareholders on June 21, 2022 completed the reelection of the eighth term of directors for the term commencing June 21, 2022 and expiring June 20,2025.

Note2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

1. Major shareholders of the institutional shareholders：

April 2, 2023

Name of Institutional Shareholders	Major Shareholders	
Episil Technologies Inc.	Han Shin Corp.	6.49%
	Han Hsin Investment Corp.	6.22%
	Hermes-Epitek Corporation	5.45%
	Fubon Life Insurance Co., Ltd.	5.37%
	Sincere Holding Company	4.89%
	Min-Ci Huang	1.53%
	Chase Managed Vanguard Group Emerging Markets Fund Investment Account	1.29%
	Chase Managed Advanced Starlight Advanced Aggregate International Stock Index	1.21%
	Lin,Su-Lin	0.78%
	Perlas World S.A.	0.75%
Nan Ya Photonics Incorporation	Nan Ya Plastics Corporation	23.02%
	Formosa Petrochemical Corporation	22.83%
	EPISTAR CORPORATION	19.90%
	Formosa Taffeta Co., Ltd.	15.22%
	Formosa Development Corporation	7.76%
	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	7.61%
Jiacai Investment Co. Ltd	Siou-Cing Chen	29.00%
	Wun-Guei Ye	29.00%
	Fang-Chen Ye	14.00%
	Fang-Yu Ye	14.00%
	Jyun-shao Ye	14.00%

2. Major shareholders of the Company’s major institutional shareholder：

April 2, 2023

Name of Institutional Shareholders	Major Shareholders	
Han Shin Corp.	Herm Investment Co. Ltd	31.67%
	Sendrin Investment Corp	20.00%
	Hwang,Ming-Chi	18.33%
	Lu,Fei-Chian	18.33%
	Yeh Tzu Charitable Trust Fund	10.00%
	Sincere Holding Company	1.67%
Han Hsin Investment Corp.	Yeh Tzu Charitable Trust Fund	36.50%
	Han Shin Corp.	35.25%
	HERMES-EPITEK CORPORATION	9.00%
	Honder Holdings Ltd.	8.75%
	Vision Holdings Ltd.	6.25%
	Sincere Holding Company	4.25%
Hermes-Epitek Corporation	Green Cove Enterprises Inc.	69.13%
	Hwang,Ming-Chi	11.55%
	Lu,Fei-Chian	8.49%
	Lin,Su-Lin	4.57%
	Hwang,Mei-Yun	2.50%
	HonSean-JY Company Limited	2.04%
	Vision Holdings Ltd	1.24%
	JadeYale-CY Company Limited	0.48%
Sincere Holding Company	Yeh Tzu Charitable Trust Fund	100.00%
Perlas World S.A.	Mt. Jade Limited	100.00%
NAN YA PLASTICS CORPORATION	Chang Gung Medical Foundation	11.05%
	FORMOSA PLASTICS CORPORATION	9.88%
	Formosa Chemicals And Fibre Corporation	5.21%
	Chang Gung University	4.00%
	FORMOSA PETROCHEMICAL CORPORATION	2.26%
FORMOSA PETROCHEMICAL CORPORATION	FORMOSA PLASTICS CORPORATION	28.55%
	Formosa Chemicals And Fibre Corporation	24.15%
	NAN YA PLASTICS CORPORATION	23.10%
	Chang Gung Medical Foundation	5.78%
	FORMOSA TAFFETA CO., LTD.	3.83%
EPISTAR CORPORATION	ENNOSTAR Inc.	100.00%
FORMOSA TAFFETA CO., LTD.	Formosa Chemicals And Fibre Corporation	37.40%
	Chang Gung Medical Foundation	5.79%
Formosa Development Corporation	FORMOSA PETROCHEMICAL CORPORATION	46.00%
	FORMOSA PLASTICS CORPORATION	18.00%
	NAN YA PLASTICS CORPORATION	18.00%
	Formosa Chemicals And Fibre Corporation	18.00%
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NANYA TECHNOLOGY CORPORATION	32.00%
	FORMOSA TAFFETA CO., LTD.	30.68%

3. Professional qualifications and independence analysis of directors：

Criteria / Name	Professional Qualification Requirements	Experience	Independence situations (Complies with Note1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Jian-Hua Syu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Chairman of Episil Technologies Inc. Chairman and general manager of Wellknown Holdings Ltd. Chairman and general manager of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor	(3)(4)(6)(7)(8)(9)(10)(11)	2
Hsi-Hsin Chen	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Director of Episil Technologies Inc. Director of Energic Technologies Corporation. Chairman of Advanced Ion Beam Technology, Inc.	(1)(3)(4)(6)(7)(8)(9)(10)(11)	0
Ching-Tzong Sune	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Chairman of Precision Silicon Japan Co.,Ltd. Director of Taiwan Hi-Tech Corp.	(3)(4)(6)(7)(8)(9)(10)(11)	0
Guei-Rong Fan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Director of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.	(3)(4)(6)(7)(8)(9)(10)(11)	0
Rong-Huang Luo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Deputy General Manager of Nan Ya Photonics Incorporation General Manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd General Manager, NY Photonics Inc.USA Director of Hexi Energy Co., Ltd Director of Xuanguan Co., Ltd Formosa Plastics Co., Ltd	(1)(2)(3)(4)(6)(7)(8)(9)(10)(11)	0
Wun-Guei Ye	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	General manager of Jia Cai Investment Co. Ltd Director of Trend Lighting, Inc.	(1)(2)(4)(5)(6)(7)(8)(9)(10)(11)	0
Ze-Peng Chen	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Senior consultant of Epistar Corprotation Director of Lynk Labs, USA	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Wei-Min Shen	Professor, Department of Finance and Taxation.	Independent director of Upi Semiconductor Corp Independent director of Elite Semiconductor Microelectronics Technology Inc. Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation,National Taichung University of Science and Technology	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	3

Criteria / Name	Professional Qualification Requirements	Experience	Independence situations (Complies with Note1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Han-Liang Hu	Certified Public Accountant and Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Chairman of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Solutions Corporation. Supervisor of ORIENT PHARMA CO., LTD.	(1)(2)(3)(4) (5)(6)(7)(8) (9)(10)(11)(12)	1

Note1: The directors during the two years prior to being elected or during the term of office.

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

4. Diversity of Directors:

(I) Diversity of the Board of Directors:

In accordance with Rule 20 of the Company's Corporate Governance Code, the composition of the Board of Directors shall generally possess the knowledge, skills and qualities necessary for the performance of their duties. In order to achieve the desired objectives of corporate governance, the Board as a whole should possess the following capabilities:：(1)Operation judgment (2)Accounting and financial analysis(3)Operation management(4)Crisis management(5)Industrial knowledge(6)International market view (7)Leader ship(8) Decision making skills.

In order to implement the diversity policy of the board members and take into account the company's operating style and development needs, the proposed target policy includes (1) one-third of the number of independent directors, (2) half of the independent directors serving for a term of not more than 9 years, and (3) sufficient diversity of professional knowledge and skills (at least five directors in each competency, and at least four of the eight competencies of individual board members).

Among the 9 directors of the Company, there are 1 director with employee status and 3 independent directors; Independent directors accounted for 33%. The board members include relevant professional backgrounds in science and engineering, finance and economics, and relevant experience covers the semiconductor field (including directors Jian-Hua Syu,Hsi-Hsin Chen,Ching-Tzong Sune,Guei-Rong Fan and Ze-Peng Chen, a total of 5), optoelectronic (including directors Rong-Huang Luo, Wun-Guei Ye and Ze-Peng Chen, a total of 3), and financial experience (including directors Fan Guirong, Wei-Min Shen and Han-Liang Hu, a total of 3).

The specific management objectives and achievements of the Company's diversity policy are as follows:

Manage goals	Achievement situation
The number of independent directors is one-third of the seats of directors	Reached
Half of the independent directors serve a term of not more than 9 years	Reached
Diverse professional knowledge and skills	Reached

The relevant implementation status is as follows:

Diversified core projects / Name	Basic Composition							Possible Ability							
	Nationality	Gender	Also an employee	age		Term of office of independent directors (Year)		Operation judgment	Accounting and financial analysis	Operation management	Crisis management	Industrial knowledge	International market view	Leader ship	Decision making skills
				51~60	61~70	0~3	6~9								
Jian-Hua Syu	R.O.C	Male			V			V	V	V	V	V	V	V	V
Hsi-Hsin Chen	R.O.C	Male			V			V	V	V	V	V	V	V	V
Ching-Tzong Sune	R.O.C	Male	V		V			V	V	V	V	V	V	V	V
Guei-Rong Fan	R.O.C	female		V				V	V	V	V	V	V	V	V
Rong-Huang Luo	R.O.C	Male			V			V		V	V	V	V	V	V
Wun-Guei Ye	R.O.C	Male			V			V	V		V			V	V
Ze-Peng Chen	R.O.C	Male			V		V	V	V	V	V	V	V	V	V
Wei-Min Shen	R.O.C	Male			V		V		V		V			V	V
Han-Liang Hu	R.O.C	Male		V		V		V	V	V	V			V	V

(II) Board independence: As of the end of 2022, the independent directors have all complied with the regulations of the Securities and Futures Bureau of the Financial Regulatory Commission regarding independent directors, and there are no matters 3 and 4 of Article 26-3 of the Securities and Exchange Act between each director and independent directors, and the board of directors of the Company is independent (please refer to page 13~14 of the Company - Professional qualifications of directors and disclosure of independent director independence information).

(II) Management Team：

April 2, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Presidents	R.O.C	Ching-Tzong Sune	Male	2016.01	237,585	0.08	0	0	0	0	Doctor's degree in Electrical Engineering, North Carolina State University	Chairman of Precision Silicon Japan Co.,Ltd. Director of Taiwan Hi-Tech Corp.	None		
Vice Presidents	R.O.C	Shao-Hao Lyu	Male	2016.01	180,929	0.06	0	0	0	0	Doctor's degree in Department of Power Mechanics, Tsinghua University	None	None		
Associate	R.O.C	Jhih-Kai Jhang	Male	2022.10	11,000	0	0	0	0	0	Master's degree in Department of Aeronautical and Space Engineering, National Cheng Kung University	None	None		
Associate	R.O.C	Jie-Biao Wang	Male	2022.10	0	0	0	0	0	0	Bachelor's degree in Department of Materials Science Engineering, Feng Chia University	Director of Jjplus Corporation Director of Voltraware Semiconductor Co., LTD.	None		
Head of finance & Accounting	R.O.C	Pei-Yuan Chen	female	2017.11	19,900	0.01	0	0	0	0	Bachelor's degree in Department of Finance and Taxation, Tamkang University	Ombudsman of Precision Silicon Japan Co.,Ltd. Ombudsman of Taiwan Hi-Tech Corp.	None		

Note: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship.

(III) Y2022 Remuneration of Directors, Independent Directors, President, and Vice Presidents

1. Y2022 Remuneration of Directors and Independent Directors

Unit: NT$ thousands

Title	Name (Note3)	Remuneration								Ratio of Total Remuneration (A+B+C+D) & to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) & to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 1)
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Episil Technologies Inc.	0	0	0	0	6,253	6,253	585	585	6,838 (1.02%)	6,838 (1.02%)	5,059	5,059	108	108	3,128	0	3,128	0	15,133 (2.23%)	15,133 (2.23%)	240
	Representative: Jian-Hua Syu																					
	Representative: Hsi-Hsin Chen																					
	Representative: Ching-Tzong Sune																					
	Representative: Guei-Rong Fan																					
Director	Nan Ya Photonics Incorporation																					
	Representative: Rong-Huang Lu																					
Director	Jiacai Investment Co. Ltd																					
	Representative: Wun-Guei Ye																					
Independent Director	Wei-Min Shen	0	0	0	0	3,126	3,126	1,530	1,530	4,656 (0.69%)	4,656 (0.69%)	0	0	0	0	0	0	0	0	4,656 (0.69%)	4,656 (0.69%)	0
Independent Director	Ze-Peng Chen																					
Independent Director	Han-Liang Hu																					

Note1: The Board of Directors of the Company decided on February 24, 2023 to allocate the remuneration to the directors for the year 2022. The above table is provisional and has not yet been reported to the regular meeting of shareholders.

Note2: Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: please refer to page 21~22 of the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

Note3: Except as disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company/all companies listed in the financial report/re-investment enterprises, etc.): None.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Parent company and all reinvested businesses
Less thanNT$ 1,000,000	Jian-Hua Syu/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/	Jian-Hua Syu/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/	Jian-Hua Syu/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/	Jian-Hua Syu/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/
NT$1,000,000 ~ NT$1,999,999	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu
NT$2,000,000 ~ NT$3,499,999	-	-	-	-
NT$3,500,000 ~ NT$4,999,999	Episil Technologies Inc.	Episil Technologies Inc.	Episil Technologies Inc.	Episil Technologies Inc.
NT$5,000,000 ~ NT$9,999,999	-	-	Ching-Tzong Sune	Ching-Tzong Sune
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
Greater than or equal to NT$100,000,000	-	-	-	-
Total	12	12	12	12

2.Y2022 Remuneration of President and Vice Presidents Unit: NT$ thousands

Title	Name	Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		Employee Compensation (D) (Note1)				Ratio of Total Remuneration (A+B+C) & to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Presidents	Ching-Tzong Sune	8,224	8,224	216	216	92	92	4,912	0	4,912	0	13,444 (1.97%)	13,444 (1.97%)	0
Vice Presidents	Shao-Hao Lyu													

Note 1: The Board of Directors of the Company decided on February 24, 2023 to allocate the remuneration for employees in 2022. The above table is a provisional estimate.

Range of Remuneration

Range of Remuneration	Name of Executive Officers	
	The company	Companies in the consolidated financial statements (D)
Less than NT$ 1,000,000	-	-
NT$1,000,000 ~ NT$1,999,999	-	-
NT$2,000,000 ~ NT$3,499,999	-	-
NT$3,500,000 ~ NT$4,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	Ching-Tzong Sune/ Shao-Hao Lyu	Ching-Tzong Sune/ Shao-Hao Lyu
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
Greater than or equal to NT$100,000,000	-	-
Total	2	2

3. Names of managers and distribution of compensation to employees in 2022：

Unit: NT$ thousands

Title		Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total(Note1)	Ratio of Total Amount to Net Income
Executive Officers	Presidents	Ching-Tzong Sune	0	7,500	7,500	1.10%
	Vice Presidents	Shao-Hao Lyu				
	Associate	Jhih-Kai Jhang				
	Associate	Jie-Biao Wang				
	Head of finance & Accounting	Pei-Yuan Chen				
	Corporate manager	Shu-Rong Wu				

Note : The Board of Directors of the Company decided on February 24, 2023 to allocate the remuneration for employees in 2022. The above table is a provisional estimate.

(IV) Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents:

1、The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Unit: NT$ thousands

Year / Identity	Y2021				Y2022(Note1)			
	The company		Companies in the consolidated financial statements		The company		Companies in the consolidated financial statements	
	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)
Director	5,974	1.57%	5,974	1.57%	11,389	1.68%	11,389	1.68%
Executive Officers	7,121	1.87%	7,121	1.87%	13,444	1.97%	13,444	1.97%

Note 1: The Board of Directors of the Company decided on February 24, 2023 to allocate the remuneration for employees in 2022. The above table is a provisional estimate and has not yet been reported to the regular meeting of shareholders.

2、The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance：

(1) The remuneration of the directors of the Company includes two major items: directors' remuneration and service expense; these are handled pursuant to the Company's Articles of Incorporation and relevant regulations. The president and vice president's remuneration includes of salary, bonus and employee remuneration, which are determined based on the company's Articles of Incorporation and approval authority.

(2) The procedures for determining remuneration
In accordance with the Articles of Incorporation of the Company, "The Company shall, in accordance with the profits of the current year, allocate not less than 5% of the remuneration of employees and not more than 2% of the remuneration of directors." The determination of directors' remuneration is based on the degree of participation and contribution of the directors to the Company's operations, and taking into account the results of their directors' performance appraisal, pursuant to the Company's Articles of Incorporation . The remuneration received by the president and vice president is determined based on the Articles of Incorporation and the operational performance limit set forth in the annual budget approved by the Board of Directors each year,

while taking into account their positions, responsibilities assumed and contributions to the Company, as well as the industry standards It is agreed. The remunerations are handled pursuant to the procedures of " Manager incentive and performance bonus method ".

The Company established the Remuneration Committee on 2011 year. The Committee is engaged in reviewing the assessment on performance of directors and managerial officers, as well as the policies, standards, and packages by which the remuneration is paid, and reviewing the content and amount of directors and managerial officers' remunerations periodically, to report to the Board of Directors.

(3) The correlation with business performance and future risks

The performance appraisal and remuneration of the directors and managerial officers of the Company refer to their positions, participation in the Company's operations, personal performance contributions (including financial indicators such as revenue and profit achievement rate, and non-financial indicators such as laws and internal control compliance, or special achievement) and taking into account the usual standards of the peers, while comprehensively considering the amount of remuneration, payment methods, and future risks faced by the Company. It is are highly related to the Company's operating responsibilities and overall performance.

III、Implementation of Corporate Governance：

(I) Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2022. The attendance of director were as follows:

Title	Name		Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Episil Technologies Inc.	Representative：Jian-Hua Syu	7	0	100%	
Director	Episil Technologies Inc.	Representative：Hsi-Hsin Chen	4	1	57%	
Director	Episil Technologies Inc.	Representative：Ching-Tzong Sune	7	0	100%	
Director	Episil Technologies Inc.	Representative：Guei-Rong Fan	7	0	100%	
Director	Nan Ya Photonics Incorporation	Representative：Rong-Huang Luo	7	0	100%	
Director	Jiacai Investment Co. Ltd	Representative：Wun-Guei Ye	7	0	100%	
Independent	Wei-Min Shen		7	0	100%	
Independent	Ze-Peng Chen		7	0	100%	
Independent	Han-Liang Hu		7	0	100%	

Other mentionable items:

I、 If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified. Please see page 65~68

(I)Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II)Other issues opposed by independent directors or about which directors have reservations that have been noted in the record or declared in writing: None.

II、In situations where directors recuse themselves due to conflict of interest, the director's name,content of the resolution, reason for recusal, and his or her voting participation should be properly recorded:

Board meeting Term/ Date	Name of benefit avoidance director	Major resolutions	Should benefit to void the reason	Voting situation
8th Term 14th Session 2022.01.03	Jian-Hua Syu, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo Wun-Guei Ye	1. General directors' business execution fees	Director himself	The rest of the directors present approved the case
8th Term 14th Session 2022.01.03	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu,	1. Independent director business execution fees		
8th Term 15th Session 2022.02.14	Cing-Zong Sun	1. Manager incentive and performance bonus 2. Proposal on executive compensation		
8th Term 16th Session 2022.05.09	Cing-Zong Sun	1. Proposal on 2022 executive compensation		
9th Term 2nd Session 2022.08.08	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu	1. Appoint the 5th Remuneration Committee Council Members		
9th Term 3rd Session 2022.11.07	Cing-Zong Sun	1. Proposal on executive compensation		
9th Term 5th Session 2023.02.24	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu	1. Independent director remuneration distribution 2. Independent director business execution fees		
9th Term 5th Session	Jian-Hua Syu,	1. General directors' remuneration		

2023.02.24	Hsi-Hsin Chen, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo Wun-Guei Ye	distribution 2. General director business execution fees		
9th Term 5th Session 2023.02.24	Cing-Zong Sun	1. Appointment of directors of subsidiaries. 2. Manager incentive and performance bonus 3. Proposal on executive compensation		

III、For the information of evaluation cycles, periods, scope, method and content of self-evaluation of the Board of Directors:

(I)Evaluation Cycle：Annually

(II)Evaluation Period：2022/1/1~2022/12/31

(III)Evaluation Scope：The Company's board self-evaluation scope covers the evaluation of the board, functional committees and individual board members.

(IV)Evaluation Method：Self-evaluation of the board, its functional committees and individual board members' performance

(V)Evaluation Content：

1. The self-evaluation of board members includes the following aspects: (1)Familiarity with the goals and missions of the company; (2)Awareness of the duties of a director; (3) Participation in the operation of the company; (4)Management of internal relationships and communication; (5) The director's professionalism and continuing education; and (6)Internal control.
2. The self-evaluation of the board of directors includes the following aspects: (1) Participation in the operation of the company; (2)Improvement of the quality of the board of directors' decision making; (3) Composition and structure of the board of directors; (4)Election and continuing education of the directors; and (5) Internal control.
3. The self-evaluation of the functional committees includes the following aspects: (1) Participation in the operation of the company; (2)Awareness of the duties of the functional committee; (3) Improvement of quality of decisions made by the functional committee; (4)Composition of the functional committee and election of its members; and (5) Internal control.
4. At the end of each year, collect the relevant information of the board of directors and the functional committee, collect the questionnaire, make the score according to the evaluation index, and submit the report to the board of directors.
5. The Company completed the self-evaluation of board members ,the board of directors and functional committees in January 2023. And reported to the board of directors in February 2023. The overall operation of individual board members , the board of directors and functional committees is assessed as " Superior above " in 2022.

IV、Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.：

(1) The Audit Committee and Remuneration Committee established under the authorization of the Board of Directors of the Company. The two committees are composed of three independent directors who assist the Board in discharging its oversight duties.

(2) In terms of enhancing information transparency, information such as the shareholding ratio of directors of the Company, financial information, major resolutions, and directors' attendance at the Board of Directors have been published on the Public Information Observatory in accordance with relevant laws and regulations..

Note: The attendance rate of the board of directors in 2022 (total actual attendance rate of all directors/total attendance rate that all directors should attend) is more than 95%.

(II) Operation of the audit committee and annual focus of work

I、Work Priorities in 2023：

1. Communicate the results of the internal audit business report regularly with the internal audit supervisor according to the annual audit plan.
2. Communicate regularly with the Visa Accountant of the Company on the review or verification results of the quarterly financial statements.
3. Review financial reports.
4. Assess the effectiveness of the internal control system.
5. Appointment of a visa accountant.
6. Independent assessment of accountants and public service fees.
7. Examining and revising procedures for acquiring or disposing of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others in major financial business activities.
8. Follow the law.

II、Audit Committee：

(1) The Audit Committee of the Company consists of three members (term commencing on June 21, 2022 and expiring on June 20, 2025).

(2) A total of 6 (A) Audit Committee meetings were held in 2022. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	Delegated in Person	Attendance Rate (%)【B/A】	Remarks
Independent director	Wei-Min Shen	6	0	100%	
Independent director	Ze-Peng Chen	6	0	100%	
Independent director	Han-Liang Hu	6	0	100%	

Other mentionable items：

I、If any of the following circumstances occur, the date of the meeting, schedule, content of the proposal, content of independent directors' objections, reservations or major recommendations, results of the audit committee's resolutions and the company's handling of the audit committee's opinions:

1.Matters referred to in Article 14-5 of the Securities and Exchange Act.：

<table>
<tr><th>Audit Committee Term/ Date</th><th>Major resolutions</th><th>Comments and follow-up of the Board of Auditors</th><th>The Company's Handling of the Audit Committee's Opinions</th></tr>
<tr><td>2nd Term 13th Session 2022.01.03</td><td>1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase
2.2022 annual operating plan and related manpower, equipment and cost budget</td><td rowspan="2">The independent directors of the proposals listed on the left did not express any objections,</td><td rowspan="2">All directors present agreed</td></tr>
<tr><td>2nd Term 14th Session 2022.02.14</td><td>1.2021 Annual Business Report and Financial Report
2.2021 Earnings Allocation Proposal</td></tr>
</table>

	3.Handle cash capital increase and issuance of new shares. 4.Issued the fourth domestic unsecured conversion company debt. 5.2021 Internal Control System Effectiveness Assessment and Internal Control System Statement.	reservations or major suggestions, and the proposals were approved by all members of the Audit Committee	
2nd Term 15th Session 2022.05.09	1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2.Financial Report for the first quarter of 2022.		
3rd Term 1st Session 2022.08.08	1.Financial Report for the second quarter of 2022. 2. Revision of the company's "Procedures for Acquisition or Disposal of Assets" 3.Revision of the Company's internal control system.		
3rd Term 2nd Session 2022.11.07	1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2.Financial Report for the third quarter of 2022. 3.Revision of the Company's internal control system. 4.Establish an internal audit plan for the year 2023. 5.The Company's Annual Visa Accountant and its assessment of independence in 2023.		
3rd Term 3rd Session 2022.12.26	1.2023 annual operating plan and related manpower, equipment and cost budget.		
3rd Term 4th Session 2023.02.24	1.2022 annual business report and financial report. 2.The company's 2022 profit distribution proposal. 3.2022 annual internal control system effectiveness assessment and internal control system statement. 4.Appointment and remuneration of certified accountants for financial statement review in 2023 and assessment of their competence and independence.		

2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors:None

II、If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

<table>
<tr><th>Board meeting Term/ Date</th><th>Major resolutions</th><th>In situations of independent directors recuse themselves due to conflict of interest</th></tr>
<tr><td>8th Term 14th Session 2022.01.03</td><td>1. Expenses for business execution of independent directors</td><td rowspan="3">For the motion listed on the left, the three independent directors Ze-Peng Chen, Wei-Min Shen and Han-Liang Hu did not participate in the voting because they had interests in themselves and avoided their interests.</td></tr>
<tr><td>9th Term 2nd Session 2022.08.08</td><td>1. Appointment of members of the 5th Remuneration Committee</td></tr>
<tr><td>9th Term 5th Session 2023.02.24</td><td>1. Distribution of remuneration of independent directors
2. Expenses for business execution of independent directors</td></tr>
</table>

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

1. In addition to monthly audit reports and audit deficiencies improvement tracking reports sent to the independent directors by the internal audit department of the company, the internal audit supervisor regularly explains the audit business, audit results and tracking status to the independent directors at least once a quarter. Audit supervisors and independent directors can also contact each other directly at any time as needed, and the communication channels are smooth.
2. The certified accountants of the company report to the independent directors quarterly on the results of the review or inspection of the company's financial statements, internal control inspections, the impact of the revision and release of the IFRSs Bulletin on the company, and other relevant legal requirements, and report whether there are financial report adjustment entries Or whether the amendment of the law affects the way of accounting. Accountants and independent directors can also contact each other directly as needed at any time, and the communication channel is smooth. Independent directors and accountants have achieved full communication.
3. Communication between Independent Directors and head of internal audit:

<table>
<tr><th>meeting date</th><th>Way</th><th>communication focus</th><th>Suggestions, corrections and communication results of independent directors</th></tr>
<tr><td rowspan="2">2022.02.14</td><td rowspan="2">The Audit Committee</td><td>Internal audit business execution report for the fourth quarter of 2021</td><td>Contact. No other suggestions and corrections.</td></tr>
<tr><td>2021 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement</td><td>After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors</td></tr>
</table>

<table>
<tr><td></td><td></td><td></td><td>for approval.</td></tr>
<tr><td>2022.05.09</td><td>The Audit Committee</td><td>Internal audit business execution report for the first quarter of 2022</td><td>Contact. No other suggestions and corrections.。</td></tr>
<tr><td>2022.08.08</td><td>The Audit Committee</td><td>Internal audit business execution report for the second quarter of 2022</td><td>Contact. No other suggestions and corrections.</td></tr>
<tr><td rowspan="2">2022.11.07</td><td>Independent directors communicate with internal audit supervisor separately</td><td>Internal audit business execution report for the third quarter of 2022</td><td>Contact. No other suggestions and corrections.</td></tr>
<tr><td>The Audit Committee</td><td>2023 Internal Audit Plan Report</td><td>After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.</td></tr>
<tr><td rowspan="3">2023.02.24</td><td rowspan="2">The Audit Committee</td><td>Internal audit business execution report for the fourth quarter of 2022</td><td>Contact. No other suggestions and corrections.</td></tr>
<tr><td>2022 Annual Internal Control System Effectiveness Assessment and Internal Control System Statement</td><td>After being consulted by the chairman and passed without objection by all the attending members, it will be submitted to the board of directors for approval.</td></tr>
<tr><td>Independent directors communicate with internal audit supervisor separately</td><td>The head of internal audit explained the questions raised by the independent directors</td><td>Contact. No other suggestions and corrections.</td></tr>
</table>

4.Communication between Independent Directors and CPAs:

meeting date	Way	communication focus	Suggestions, corrections and communication

			results of independent directors
2022.02.14	The Audit Committee	1.Review of financial reports for the fourth quarter of 2021 2.Communication matters with main governance units 3.Description of key check items	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
2022.05.09	The Audit Committee	1.Review of financial reports for the first quarter of 2022 2.Communication matters with main governance units	
2022.08.08	The Audit Committee	1.Review of financial reports for the second quarter of 2022 2.Communication matters with main governance units	
2022.11.07	Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting
	The Audit Committee	Review of financial reports for the third quarter of 2022	There were no other suggestions or corrections at this meeting, and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
2023.02.24	The Audit Committee	1.Review of financial reports for the fourth quarter of 2022 2.Communication matters with main governance units 3.Description of key check items	There were no other suggestions or corrections at this meeting,

			and the financial report has been approved by the Audit Committee and submitted to the Board of Directors for approval.
	Independent directors communicate with internal audit supervisor separately	The accountant explained the questions raised by the independent directors	There were no other suggestions or corrections at this meeting.

Note:The attendance rate of audit committee in 2022 (total actual attendance rate of all independent directors/total attendance rate required by all independent directors) is 100%.

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

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The company has formulated the "code of corporate governance", which regulates the protection of shareholders' rights and interests, the strengthening of the functions of the board of directors, the respect for interested parties, and the promotion of information transparency. For the company's "code of corporate governance", please visit the company's website (www.epi.episil.com) Query.	No difference
II. Equity structure and shareholder rights				
(I)Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	✓		(I)The company convenes the shareholders' meeting in accordance with the company law and relevant laws and regulations, and formulates complete rules of procedure for shareholders' meeting. The company has a spokesman system and investor relations personnel to deal with shareholders' suggestions, doubts and disputes, and disclose the contact information on the company's website. Shareholders can respond to their opinions and handle them properly.	No difference
(II)Does the Company maintain a list of major Company shareholders and the ultimate owners of these shareholders?	✓		(II)In accordance with the provisions of the securities and exchange law, the company shall report to the public information observatory on a monthly basis the changes of equity held by insiders (directors, managers and shareholders holding more than 10% of the total shares), so as to obtain the list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders, so as to ensure the stability of operation	No difference
(III)Has the Company built and executed a risk management mechanisms and "firewall" between the Company and its affiliates?	✓		(III)The company shall handle all transactions in accordance with the provisions of the SFC, formulate relevant procedures for capital loans, endorsements and guarantees with related enterprises, and establish internal control over the supervision of subsidiaries, so as to control risks.	No difference
(IV) Has the Company set internal standards to	✓		(IV)The company has established internal regulations such as "internal major	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
prohibit the use of undisclosed insider information to trade securities on the market?			information processing and prevention of insider trading management procedures", which prohibit the company's insiders from trading securities by using the unpublished information on the market.	
III. Composition and responsibilities of the Board of Directors (I) Does the board formulate and implement a diversity policy and specific management objectives regarding membership?	✓		(I)The composition of the board of directors of the company is based on the "code of corporate governance" and "method for election of directors", and the diversity of board members is considered from many aspects. The company has nine directors, including three independent directors; one of them is a female director; the professional background of the board of directors covers management, science and engineering, financial analysis, etc., and it is a technology industry operator. It has the semiconductor industry knowledge, operation judgment ability, international market concept, leadership ability and decision-making ability that the company needs, so it can provide professional support from different angles Industry opinion can improve the company's operating performance and management efficiency. Please refer to page 15~16 for diversity of board members.	No difference
(II) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee of its own accord?	✓		(II)In addition to the Remuneration Committee and audit committee established in accordance with the law, the company has set up a special committee on merger and acquisition voluntarily, and other functional committees will be set up according to the needs in the future.	No difference
(III)Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance evaluation on a regular basis each year, reported the evaluation result to the Board of	✓		(III)The company has formulated the board performance evaluation method and its evaluation method. Evaluate the board of directors, board members and all functional committees. The evaluation results of 2022 has submitted to the 5th report of the 9th board of directors on February 24, 2023 as the basis for review and improvement. The overall performance evaluation results	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
Director and used the result as a reference on the consideration of individual directors' remuneration and nomination for re-election?			of the board of directors will be used as the reference basis for the selection or nomination of directors (including independent directors), and the performance evaluation results of individual directors will be considered as the reference basis for determining their individual salaries and nominations for renewal in the future.	
(IV) Does the Company assess the independence of external auditors on a regular basis?	✓		(IV) 1. The company regularly evaluates the competency and independence of Certified Public Accountants every year, together with the declaration letter issued by the certified public accountants that the independence has not been violated, and submits it to the board of directors for evaluation. 2. The company regularly evaluates the independence of certified accountants, including: (1)Whether accountants and their spouses and dependants have direct or significant indirect financial interests with the company. (2)Whether the accountant and his spouse and dependants have a business relationship with the directors and managers of the company that affects their independence. (3)During the audit period, whether the audit accountant and his spouse and dependants are directors or managers of the company or have direct and significant influence on the audit work. (4)Whether the auditor and the directors and managers of the company have spouse, direct blood relatives, direct in laws or second-class internal collateral blood relatives. 3. The company refers to the audit quality indicators to evaluate the qualifications of certified accountants. The important contents include: (1)Whether accountants and inspectors above management level have sufficient	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			audit experience to perform the audit work. (2)Whether accountants and inspectors above management level receive sufficient education and training every year to continuously acquire professional knowledge and skills. (3)The accountant's workload, including the number of public offering companies that act as the main signatory or the proportion of the accountant's available working hours. (4)The number of cases of lack of inspection by the Financial Supervisory Commission and the Accounting Oversight Board of American Public Offering Companies, and the number of cases in which accountants have been disciplined and sanctioned. 4.According to the assessment results of the 5th meeting of the 9th session of the board of directors on February 24, 2023 reported by the company: the certified accountants of the company are independent and qualified..	
IV. Does the TWSE/TPEx listed company dedicate competent managers or sufficient number of managers to be in charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and supervisors in legal compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing	✓		In order to implement the corporate governance and promote the board of directors to play its due functions to safeguard the rights and interests of investors, the company has allocated suitable and appropriate number of corporate managers. The resolution of the board of directors passed on March 8, 2021, appointing Shu-Rong Wu, the financial director, as the corporate governance director, to be responsible for the corporate governance related affairs. Manager Shu-Rong Wu has the experience of financial director in public companies More than three years, the main business implementation is as follows and please refer to page 59 of 2022 continuing education situation. 1.Assist the board of directors or its committees in drawing up annual work plans and meeting agenda, and collect, study, analyze or provide relevant information. 2.To put forward analytical opinions on the legality, appropriateness and feasibility	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
meeting minutes of board/shareholder meetings)?			of the bills deliberated by the board of directors or its committees for the reference of the board of directors or its committees. 3. Ensure that the operation of the board of shareholders, the board of directors and the committees established by the board of directors of the company does not violate the laws, articles of association, resolutions of the board of shareholders and the corporate governance standards of the company. 4. Supervise the business related to the shareholders' meeting, and be responsible for the general administrative affairs such as the convening, notice, meeting and minutes of the board of directors and its committees. 5. Draw up the schedule of the board meeting, notify the directors seven days in advance, call the meeting and provide the meeting materials, and complete the minutes of the board meeting within 20 days after the meeting. 6. To evaluate and take out appropriate liability insurance for directors, supervisors and managers.	
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The company has a dedicated investor relations unit to provide relevant information and communication channels including shareholders, customers, suppliers and investors. The company's website also sets up a special area for interested parties to contact with the responsible personnel to respond to the concerns of stakeholders. Please refer to page 39~42 for important corporate social responsibility issues of concern to stakeholders and information on communication channels.	No difference
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company entrusts SinoPac Securities Corporation stock affairs agency to handle the affairs of the shareholders' meeting.	No difference
VII. Information Disclosure (I) Has the Company established a corporate	✓		(I)The company has set up a website (www.epi.episil.com) Disclose	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
website to disclose information regarding its financial, business and corporate governance status?			information related to financial business and corporate governance at any time.	
(II)Does the Company adopt other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(II)The company regularly updates the online reporting system for public information, designates a special person to collect and disclose the company's information, and establishes a spokesman system to ensure that information that may affect the decisions of shareholders and interested parties can be timely and appropriately disclosed. In addition, the company regularly holds corporate briefing meetings every year, and places relevant information in the public information Observatory and the company's website to provide investors with operational and financial information of the company.	No difference
(III)Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and the monthly operating status report before the stipulated deadlines?	✓		(III)At present, the company has reported its financial report and monthly operating report in accordance with the specified date of "business matters for issuers of listed securities on the Taiwan Stock Exchange". The annual financial report shall be announced and reported within two months after the end of the fiscal year, and the operation shall be announced earlier than the prescribed deadline.	No difference
VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing	✓		1. Employees' rights and interests: the company has working rules to ensure the protection of employees' rights and interests, and protects employees' rights and interests in accordance with the provisions of the labor basic law. In addition, the company has "measures for the implementation of labor management meetings" to serve as a channel for communication between employers and employees. 2. Employee care: the company obtained OHSAS18001 occupational safety and health management system certification. The international organization for Standardization (ISO) announced in March	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?			2018 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. The labor safety department is responsible for supervising and guiding all departments to carry out independent inspection and improvement, and regularly carry out various work safety inspection, so as to improve the safety and health of operators, and regularly hold fire drills and work safety education and training, so as to cultivate employees' ability of emergency response and self safety management, so as to provide safe and appropriate working environment and necessary emergency rescue. 3. Investor relations, supplier relations, rights of interested parties: the company discloses information through the public information Observatory and the company's website, so that investors can fully understand the company's operating conditions, and communicate with investors through the shareholders' meeting and the spokesman mechanism. In addition, a special area for interested parties is set up on the company's website to respond to important issues of concern to interested parties. 4. The situation of directors' Further Education: Directors of the company may attend the courses of professional knowledge such as finance and business as required. Please refer to the situation of directors' further education on page 60~61. 5. Implementation of risk management policies and risk measurement standards: major operational policies, investment proposals, acquisition or disposal of assets, etc. are evaluated and analyzed by relevant departments, and then submitted to the board of directors for resolution. According to the risk assessment results, the Audit Office formulates the annual audit plan and implements it to implement	

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			the risk control and supervision mechanism. 6. Implementation of customer policy: the company has quality engineering department and business support department to provide transparent and effective after-sales service and customer complaint handling for products and services. 7. The company purchases liability insurance for directors: the company purchases liability insurance for directors. The insured amount in 2023 is US $5 million, which has been submitted to the 3rd session of the nineth board of directors and reported to the public information Observatory in accordance with regulations.	

IX. Please explain improvements that have been made as well as priorities and measures to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center: The company has completed self-assessment and review, and will continue to strengthen the level of corporate governance.

Important corporate social responsibility issues of concern to stakeholders and communication channels

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2022
client	. Customer relationship management · Corporate Governance · Code of conduct . Regulatory Compliance . Grievance mechanism · Innovation and development	1. Sustainability report (annual). 2. Review meetings with customers: including technology, products, after-sales service, prohibited substances, conflict minerals, environment, etc. (irregular, QBR/HBR/ABR). 3. Customer satisfaction survey (annual). 4. Corporate website (irregularly). 5. Customer supplier meeting (irregular).	1. Provide the 2022 sustainability report on the company's official website. 2. Complete the annual customer satisfaction survey. 3. Disclose the latest product technology on the corporate website. 4. Participate in important customer technology forums to report technology research and development results. 5. Cooperate with customer product, environment, responsibility and other requirements and checks, and cooperate with prevention and continuous improvement. contact window Tel:03-5632255 extension 2816 Miss Yu E-mail epi.sales@epi.episil.com
supplier	· supply chain management · Conflict-free minerals · Supplier Rating · Supplier ESG policy and management · Supplier RBA compliance	1. Supplier audit (irregular). 2. Supplier code of conduct requirements (annual). 3. Requirements for declaration of non-conflict minerals (irregularly). 4. Rating of suppliers and outsourcers (annual).	1. Irregularly communicate operational performance, annual operational development and ESG goals with suppliers, and synchronize important norms and development trends of international brand manufacturers to jointly create sustainable operations and cooperation between enterprises and suppliers. 2. Unscheduled supplier audits are conducted on the second-order supply chain and ESG (15 suppliers, and another four are scheduled to be postponed due to the epidemic). 3. 100% require suppliers to sign a declaration of non-use of conflict minerals. contact window Tel:03-5632255 extension 2300 Director Lai E-mail:neilson.lai@epi.episil.com
staff	· Human rights protection · Talent Attraction and Retention	1. Labor-management meeting (quarterly). 2. Employee welfare committee meeting (quarterly).	1. A total of 4 labor-management meetings are held every quarter. 2. A total of 4 regular meetings of the Employee Welfare Committee are held every quarter.

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2022
	· Talent cultivation and development · alary and benefits · Workplace safety and health · Employee Care and Care	3. Education and training (irregular). 4. Departmental communication and work meetings (irregular). 5. Internal information announcement (irregular). 6. Employee complaint hotline (timely). 7. Meetings of the Occupational Safety and Health Committee (quarterly).	3. Conduct training for new recruits to help them understand the company. Provide internal and external training resources, and the average training hours for each employee is about 21.98 hours, effectively achieving talent cultivation and development. 4. Conduct corporate information security/business secret training courses to improve employees' legal literacy. 5. Hold a supervisor meeting every week to assist the supervisors of each unit to understand the company's operating conditions and improve communication efficiency. 6. Organize annual budget briefings and strategic consensus camps for middle/senior executives, and assist supervisors in understanding the company's future operating strategies and product development directions. 7. Release company information announcements from time to time, so that all colleagues can understand company-related information in real time. 8. Employee complaint calls: 0 times. 9. A total of 4 Occupational Safety and Health Committee meetings are held every quarter. contact window Tel:03-5632255 extension 2226 Ms. Chen E-mail:2226@epi.episil.com
Investors	· Integrity management · Organization strategy vision · Risk Management · Follow the law · Information transparency for shareholder rights protection	1. Shareholders' meeting (annual). 2. Legal person briefing (annual). 3. Release operating income (monthly). 4. Public information observation station (updated in real time). 5. Company website (updated immediately).	1. One annual general meeting of shareholders. 2. Hold a briefing session for legal persons. 3 Regularly disclose the company's financial and business information on the public information observation station and the company's website. 4 There are spokespersons and acting spokespersons to respond to issues of concern to investors in real time. contact window Spokesperson:Fan Guirong, Deputy General Manager

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2022
	· Economic performance		Acting Spokesperson:Director Lin Tingyuan Tel:03-5632255 E-mail:epi@epi.episil.com
Government Units and Competent Authorities	· Integrity management · Risk Management · Follow the law	1. Respond to government agencies' requests in official documents (immediately). 2. Update the information on the company website and public information observation station (monthly, quarterly, and yearly). 3. Questionnaires and interviews (irregular). 4. Accept the evaluation of government agencies (annual). 5. Participate in relevant activities of government agencies (irregularly).	1. In accordance with the requirements of government regulations, provide relevant reports or replies on a regular basis. 2. Complete the 2022 corporate governance evaluation. 3. 6 directors participated in the publicity and briefing session of the securities regulatory authority for a total of 26 hours. contact window Address:No. 10, Duxing 1st Road, Hsinchu Science Park Tel:03-5632255
Nonprofits and Communities	· Social care · Community Involvement · Charitable activities	1. Talent recruitment platform and activities (daily). 2. The company's external website (daily). 3. Public welfare donations (irregular).	1. The talent recruitment platform provides employment opportunities and participates in a total of about 3 local talent recruitment activities. Participate in the government's stable employment incentive plan: the stable employment plan. In 2022, a total of 60 new colleagues will meet the project requirements and receive a total of 985,000 yuan in labor employment incentives. 2. Donate materials to public welfare organizations. 3. Completed 3 charitable donations. contact window Tel: 03-5632255 extension 2226 Ms. Chen E-mail: 2226@epi.episil.com
School	· Integrity management	1. Industry-university cooperation negotiation	1. Complete 9 industry-university cooperation. 2. Participate in promotion meetings

Stakeholder	Issues of concern	Communication Form and Frequency	The actual implementation status and contact window of each agreed pipeline in 2022
	· Compliance with laws and regulations · Talent attraction and retention · Talent cultivation and development	(annual). 2. Participation in conferences related to industry-university cooperation (annual). 3. Participate in campus recruitment activities (annual).	related to industry-university cooperation, where the latest national policies and international trends are discussed. 3. Participate in a total of about 8 school talent recruitment activities, provide employment opportunities, and hold campus seminars on company and industry trends to increase employment willingness. contact window Tel: 03-5632255 extension 2226 Ms. Chen E-mail: 2226@epi.episil.com

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

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

Title	Criteria / Name	seniority	Professional Qualification Requirements	Experience	Independence situations (Complies with Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent director	Ze-Peng Chen	7 year	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Senior consultant of Epistar Corproration Director of Lynk Labs, USA	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0
Independent director	Wei-Min Shen	7 year	Professor, Department of Finance and Taxation.	Independent director of Upi Semiconductor Corp Independent director of Elite Semiconductor Microelectronics Technology Inc. Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation,National Taichung University of Science and Technology	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	3
Independent director	Han-Liang Hu	4 year	Certified Public Accountant and Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Director of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Solutions Corporation. Supervisor of ORIENT PHARMA CO., LTD.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0

Note: The member during the two years prior to being elected or during the term(s) of office. (Compliance is revealed in the table above)

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

II、Attendance of Members at Remuneration Committee Meetings：

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

(2)A total of 4 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows：

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Wei-Min Shen	4	0	100%	
Committee Member	Ze-Peng Chen	4	0	100%	
Committee Member	Han-Liang H	4	0	100%	

Other mentionable items：

I、If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company' s response to the remuneration committee' s opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II、Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Remuneration Committee Meeting	Major resolutions	All compensation committee comments and follow-up processing
2022.01.03 4th Term 5th Session	I. Adjustment of employee remuneration expenses for the company's in 2021 II.The Company's general director business execution fee case III.The Company's independent directors' business execution expenses	The above proposals, except for independent directors to withdraw their interests due to the director's remuneration, and propose that the remuneration of independent directors be submitted to the board of directors for negotiation. The other motions have been approved by all the members of the Compensation Committee and all the directors without any objection or reservation from the independent directors.
2022.02.14 4th Term 6th Session	I. The 2021 annual employee compensation and director compensation distribution plan. II. 2022 Employee Compensation and Director Compensation Appraisal Proposal III.Manager incentives and performance bonuses. IV. The salary proposal for managers in 2022.	
2022.05.09 4th Term 7th Session	I. 2021 Directors' Remuneration Distribution Case. II. Salary adjustment proposal for managers in 2022	
2022.11.07 5th Term 1st Session	I. Proposal for remuneration of managers. II. Manager appointment and remuneration proposal.	
2023.02.24 5th Term 2nd Session	I.The 2022 annual employee compensation and director compensation distribution plan. II.2023 Employee Compensation and Director Compensation Appraisal Proposal III.2023 Director's Business Execution Fee IV.The salary proposal for managers in 2023. V.Manager incentives and performance bonuses.	

(V) Promoting Sustainable Development Implementation:

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
I. Has the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	✓		Following the vision and mission of the company's ESG policy, the " ESG Steering Committee " is established in 2022 to serve as the highest-level sustainable development decision-making center within the company. The chairman serves as the chairman and reviews the company together with many senior executives in different fields. The core operating capabilities of the company have established a medium- and long-term sustainable development plan. The " ESG Implementation Committee " serves as a cross-departmental communication platform integrating top and bottom and horizontally connecting. Through meetings and task groups set up according to issues, identify sustainable issues related to company operations and stakeholders, formulate corresponding strategies and work guidelines, compile budgets related to sustainable development of each organization, plan and implement annual plans, At the same time, track the implementation results to ensure that the sustainable development strategy is fully implemented in the company's daily operations. The ESG steering committee regularly reports to the board of directors on the progress of sustainable development.	No difference
II. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle?	✓		The company has established "Corporate Social Responsibility Code", "Corporate Governance Code", "Integrity Management Code", "Episil-Precision Inc. Human Rights Policy" and other relevant regulations, actively planning corporate social responsibility strategies and directions, and promoting sustainable operations. Governance, and strictly abide by laws and regulations, to provide colleagues with a good working environment and reasonable remuneration and benefits; at the same time shoulder the important mission of a sustainable environment, the company colleagues start from themselves, implement environmental protection and energy conservation, and call on colleagues to participate in social welfare activities.	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			The internal risk management policy established by the company takes precautionary measures to reduce the loss caused by the risk as the principle, identifies, evaluates, handles and monitors the potential risks that may affect the company's goals, and regularly tracks and incorporates them into each unit Daily homework.	
III. Environmental Issues (I)Has the Company developed an proper environmental management system, given its distinctive characteristics?	✓		(I) We, EPi , based on the concept of sustainable operation, staying abreast of global climate change trends, strive to protect the earth and environment, advocate green manufacturing, energy saving and carbon reduction, minimize the environmental impact of our products and activities, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, protect environment, sustainable growth of enterprises. We determine to strictly comply with applicable legal requirements and other requirements relevant to Environment prevention. Pay attention to Environment issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing Environment and objectives to enhance the Environment and performance. All factories of the company obtained the ISO14001 environmental management system certification in December 2001, and regularly obtain third-party verification and pass the review every year, which is continuously valid; at the same time, starting from 2021, the greenhouse gas inventory will be carried out every year in accordance with the ISO14064-1/GHG protocol and passed verification by the third party	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(II)Is the Company committed to achieving Energy efficiency and efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		(II) Based on the environmental spirit of " cherishing natural resources", the company combines the core business of environmental protection with customers' trust, and jointly creates the concept of "sustainable operation" and social feedback, so as to continuously promote waste reduction and reuse..	No difference
(III)Has the Company made an assessment on the potential risks and opportunities posed by climate changes to the present and future of the Company and undertaken countermeasures pertaining to climate changes?	✓		(III)The company has assessed the potential risks and opportunities of climate change for enterprises now and in the future, incorporated them into risk management, and actively promoted energy and carbon reduction related operations.	No difference
(IV) Has the Company measured its greenhouse gas emission, water use and total weight of waste, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	✓		(IV)The Company measured its greenhouse gas emission, water use and total weight of waste, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal on page 54~55.	No difference
IV. Social Issues (I)Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(I) The company refers to the "United Nations Universal Declaration of Human Rights" and "United Nations International Labor Organization" and other international human rights conventions, and has formulated the "King Jing Electronics Human Rights Policy". Recognize and follow the principles proclaimed in international human rights conventions, and take consistent actions of the Responsible Business Alliance to provide employees with a fair and safe working environment, treat and respect all stakeholders with dignity, and eliminate any violations and violations of human rights. And abide by the labor laws of the local government, and fulfill the	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			responsibility of management, publicity and risk reduction.. (1) The company implements a childcare leave without pay system, and also provides family care leave and physiological leave for colleagues. With reference to the international human rights conventions and the belief in respect for the equal rights and interests of men and women, the company establishes a special chapter on gender equality in work and sexual harassment prevention measures in the work rules. (2)Protect the rights and interests of employees In order to ensure the fairness of employees, the company will uphold the relevant provisions of the Labor Standards Law and Employment Service Law, protect human rights and prohibit employment discrimination, and provide a friendly working environment. (3)Human rights advocacy and training In 2011, the "Best Friendly Workplace" related training was carried out for colleagues. The number of people who completed the training was 604, accounting for 83% of the total number of employees, and the total number of training hours was 604 hours. In the future, we will continue to pay attention to issues of human rights protection,Promote relevant education and training as well as human rights risk assessment and control to increase awareness of human rights protection and reduce the possibility of related risks.	
(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits),	✓		(II) The company has provided a number of welfare policies for employees. In addition to labor insurance, health insurance, pension allocation and parental leave stipulated by laws and regulations, it also handles annual	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
reasonably tying operating results to employee salary?			health checkups for employees, distribution of gift money and gift certificates for three festivals, wedding and funeral celebrations and condolences, and employee group insurance In addition, according to the company's articles of association, the company should allocate no less than 5% of the employee's remuneration according to the annual profit situation, and distribute it to all colleagues after the annual performance appraisal, so as to encourage all colleagues to work together. The company's goal is to work hard. In addition, the company has formulated the "Salary Management Measures" as the basis for employee salary assessment, and actively grasps the market salary level to regularly review the company's salary policy, and has a corresponding salary adjustment mechanism to provide employees with good salary conditions. The company also has a performance bonus, which is awarded according to the annual operating performance (operating results), financial status, operating status and personal work performance, in order to achieve the purpose of rewarding employees.	
(III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues?	✓		(III)We, EPi , strive to enhance safety and health, prevent injury and ill health, and eliminate hazard and reduce OH&S risks, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, maintain a healthy safety atmosphere, and sustainable growth of enterprises. In order to protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, Episil-Precision monitors the workplace twice a year to gradually understand the actual	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			status of workers' exposure.We determine to strictly comply with applicable legal requirements and other requirements relevant to OH&S hazard prevention. Pay attention to OH&S issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing OH&S objectives to enhance the OH&S performance. Establish a complete communication structure to actively communicate to all persons working under EPi, and be available to interested parties. Promote independent safety inspections by unit supervisors, as well as regular inspections by safety engineers and irregular project inspections to achieve the goal of continuous improvement. Regarding employee education and training, both new and in-service employees are required to carry out safety training in accordance with the law.OHSAS 18001 safety and health management system certification in January 2010. The international organization for Standardization (ISO) announced in March 107 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. The expiry date is 2025/11/24, and it will be reviewed every year to keep it valid. In 2022, the company has no employee disability due to occupational accidents. Compared with 2021, there were 3 cases of occupational accidents and 3 people (accounting for 0.4% of the total number of employees), which shows that there will be better employee safety and health performance in 2022.	
(IV) Has the Company implemented an effective training program that	✓		(IV) The company has established a complete functional map and career development plan for employees, including newcomer	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
helps employees develop skills over their career?			training, management function training, professional training, core competence training, etc., through internal and external training, and C-Learning, E-Learning, OJT and other multiple learning methods, effective Improve work ability, and provide colleagues with on-the-job degree training assistance, language training assistance, etc., to motivate and assist colleagues in continuous self-development. The company has been awarded the Bronze Medal Award of Taiwan Training Quality System, which strengthens the professional skills of employees and provides the company with competitiveness and long-term development.2022 annual training results: (1)The completion rate of the annual training plan is 90.7%. (2)The total number of hours of annual course bidding is about 2,610.5 hours, the total number of participants is about 7,466, the total number of training hours is 16,130.5 hours, and the average number of training hours per employee per year is about 21.98 hours.	
(V)Pertaining to the health and safety of customer when using the Company' s products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer and customer protection and complaint procedure?	✓		(V) The marketing and labeling of our products and services comply with and comply with relevant laws and regulations and international standards.	No difference
(VI)Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertinent to	✓		(VI)Our company has a supplier evaluation system. We will conduct qualification examination with suppliers and confirm whether there are records of environmental and social impacts in the past. If there	No difference

<table>
<tr><th rowspan="2">Evaluation project</th><th colspan="3">Operation</th><th rowspan="2">Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons</th></tr>
<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td>environmental protection, labor safety and health or labor rights, and monitoring their implementation?</td><td></td><td></td><td>are, we will not contact them. When signing the contract, the supplier is required to promise to abide by all relevant ethical systems formulated by the company.</td><td></td></tr>
<tr><td>V. Does the Company refer to universal standard or guideline for report preparation when preparing for Sustainability Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?</td><td>✓</td><td></td><td>The company refers to the internationally accepted reporting standards or guidelines to prepare the 2022 annual sustainability report to disclose the company's non-financial information.</td><td>No difference</td></tr>
<tr><td colspan="5">VI. If the Company has established integrity management principles in accordance with " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" please describe the currentpractices and any deviations from the Best Practice Principles：The company attaches great importance to the promotion of sustainable development. In the future, it will regularly review the implementation situation in accordance with the code and improve accordingly. There is no difference in the implementation so far.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of corporate conduct and ethics compliance practices of the Company: All factories of the company have obtained the international standard certification of environmental management system (ISO 14001: 2015) and occupational safety and health management system (ISO 45001:2018). "Chemical Substances Operation Management Regulations" and "Environmental Banned Substances Management Procedures" strictly control all products and materials as standards for the management of banned/restricted chemical substances for suppliers to comply with international conventions, environmental protection laws and customer specifications;
And through the implementation of the ISO14001 environmental management system, the optimization of energy saving is carried out, the water and electricity energy consumption is managed from the source, the impact on the environment is reduced and the cost is saved.The company conducts conflict ore source investigations on suppliers semi-annually and irregularly, and requires suppliers not to purchase or use mines from conflict areas controlled by non-governmental military groups or illegal military factions in the Democratic Republic of the Congo, including the metals such as Au, Ta, W and Sn are also publicly promoted through the company's website, declaring the policy of not using conflict minerals; supplier management is in accordance with IATF 16949:2016 and the requirements of RoHS and related laws and regulations to confirm whether its quality system complies with ISO9001.</td></tr>
</table>

The company's greenhouse gas emissions in the past two years

Year	Data Coverage	Direct Greenhouse Gas Emissions (Scope 1)	Energy Indirect Greenhouse Gas Emissions (Scope 2)	Total greenhouse gas emissions (tCO_2e/Yr)
2021	All factories	491.34	50956.22	51447.56
2020	All factories	104.95	53540.82	53645.77

The company' s water consumption and total waste weight in the past two years

Year	Data Coverage	water consumption (m3/Yr)	Total weight of waste (tons)			Waste reuse rate
			hazardous waste	non-hazardous waste	total	
2022	All factories	1,370,583	5.20	174.45	179.65	46%
2021	All factories	1,249,414	5.38	187.41	192.79	47%

Company policy on greenhouse gas reduction, water reduction or other waste management

Develop policies for greenhouse gas reduction, water use reduction or other waste management	Promotional measures to achieve the goal	Achievement
Water consumption per unit wafer<15.5 ton/ m2	1. Increase the ratio of process wastewater used by Local scrubber. 2. Install water-saving devices on faucets in the factory area 3. Assess the cooling tower to increase conductivity and reduce drainage.	Water consumption per unit wafer is about 13.2 ton/m2
Power consumption per unit chip <1395.13 KWH/m2	1. Improve lighting and use energy-saving lamps 2. Replacing ordinary motors with energy-saving motors 3. High-voltage transformers are replaced by high-efficiency energy-saving transformers 4. Regularly clean or replace the cooling fins of the air conditioning cooling tower 5 Evaluate and eliminate air compressor units with low efficiency. 6. Evaluate the elimination of low-efficiency ice water hosts and improve the optimal operation of ice machines. 7. Evaluate the cooling water tower of the air conditioner to reduce the load on the blades of the heat dissipation windmill. 8. Evaluate the dew point temperature of the air compressor dryer system. 9. Improve the leakage rate of the air compressor system. 10. The air-conditioning temperature in the office is set at 25-26 degrees, and the air-conditioning equipment is regularly maintained to maintain high-efficiency operation and energy-saving status of the air-conditioning equipment. 11. Evaluate system heat recovery. 12. Hold energy-saving management system meetings every year.	Power consumption per unit chip is about 1104.6 KWH/m2
Recycling rate of waste >30%	1. The factory area implements waste classification, stores recyclables independently and asks the manufacturer to recycle them 2. Reduce the use of control tablets, reduce the use of energy resources and the amount of waste generated. 3. Reduce the weight of empty boxes of finished products.	Waste recycling rate is 46%

(VI)Status of Implementation of Integrity Operation:

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	✓		(I) In order to implement the policy of good faith operation and actively prevent dishonest behaviors, the company has formulated the code of good faith operation and the code of ethics for employees to specifically regulate the matters that the board of directors, management and all employees should pay attention to when carrying out business.	No difference
(II) Has the Company established an risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		(II)The code of good faith practices of the company has formulated preventive measures for the business activities with high risk of dishonest behavior in the code of good faith practices of listed and OTC companies or other business scope, established effective accounting system and internal control system, and reviewed them from time to time, so as to ensure the continuous and effective implementation of the system.	No difference
(III)Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?	✓		(III)The company has formulated "code of conduct for good faith" and "code of ethics for employees", which specify the operation procedures, conduct guidelines, punishment and complaint system for violations, and implemented them, and regularly reviewed and amended them.	No difference
II.Enforcement of ethical management				
(I) Does Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior	✓		(I) According to the company's code of conduct on good faith, before conducting business transactions, the legitimacy and reputation of the objects of business transactions should	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
provisions in contracts with such counterparties?			be considered to avoid dealing with those who have dishonest behaviors. In addition, the terms of dishonest behaviors should be specified in the relevant business contracts. If the opposite party is involved in dishonest behaviors, the contract may be terminated or terminated at any time.	
(II)Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on ethical management policy, as well as the supervision of measures for prevention of unethical conduct?	✓		(II)In order to improve the management of good faith operation, the management center is responsible for the formulation of good faith operation policies and preventive plans, which are supervised and implemented by the audit unit and reported to the board of directors when necessary.	No difference
(III)Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(III)The company has formulated the "Code of Integrity Management" and "Employee Code of Ethics" to prevent conflicts of interest, and set up investment zones, corporate governance zones, corporate sustainable development zones, and stakeholder zones on the company's website to benefit shareholders and Stakeholders etc.	No difference
(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, and had internal auditors made audit plans according to the results of the risk assessment of unethical conduct, so as to inspect the compliance of the preventive measures, or commissioned external CPA to conduct the audit?	✓		(IV)The company has established an effective accounting system and internal control system, and the operation is normal. The internal auditors regularly carry out audit according to the audit plan and make audit reports, and the audit reports are sent to the chairman and independent directors for inspection, so as to implement honest operation and avoid fraud.	No difference
(V)Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(V) Through departmental meetings, the company promotes and enables employees to understand the company's principles and norms of good faith management.	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
III. Implementation of the Whistleblowing System (I) Has the Company established specific whistle-blowing and reward procedures, accessible reporting channels, and designated personnel to handle the reported misconducts?	✓		(I) The company has established "code of conduct for good faith" and "code of ethics for employees". According to different issues, the company sets up special handling personnel and provides relevant reporting channels. Any violation of the company's code of ethics will be severely punished in accordance with the company's reward and punishment measures. In this year, there was no punishment for breach of integrity management regulations.	No difference
(II) Has the Company established standard operating procedures for investigating misconducts, follow-up measures taken after investigation and confidentiality protection mechanism?	✓		(II) The company has a suggestion mailbox and a full-time personnel unit responsible for handling employee complaints. Reporters can report through letters, emails, telephone lines, complaint platforms, etc., and handle them in a confidential manner. The company' s website has also set up a stakeholder contact platform to serve as a communication channel for handling stakeholder suggestions, doubts and disputes. In addition, to ensure the rights and interests of stakeholders, a rigorous reporting mechanism allows stakeholders to be safe and confidential. Convey the message.	No difference
(III) Has the Company provided proper whistleblower protection?	✓		(III) The company provides a reporting channel and takes appropriate protection measures in accordance with the law to maintain the personal data and privacy of the informant.	No difference
IV、Strengthen information disclosure？ Enhancement of Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	✓		The company has downloaded (www.epi.episil.com) Disclosure of code of conduct.	No difference
V. If the Company has established integrity management principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				

<table>
<tr><td rowspan="2">Evaluation project</td><td colspan="3">Operation</td><td rowspan="2">Differences and reasons between the code of good faith operation of listed and OTC companies</td></tr>
<tr><td>yes</td><td>no</td><td>Summary</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate better understanding of the Company' s corporate conduct and ethics compliance practices (e.g., review the company' s corporate conduct and ethics policy): Up to now, the company has not violated the integrity management rules, affecting the operation of the company.</td></tr>
</table>

(VII)If the Company has established corporate governance principles or other relevant guidelines, the channels of access to such principles must be disclosed:
Please refer to the Company' s website (http://www.epi.episil.com) or Open Information Observatory (http://mops.twse.com.tw)for the company' s Corporate Governance Principles.

(VIII)Other important information material to the understanding of corporate governance within the Company: In order to improve the corporate good governance system, the company has formulated the "Code of Procedure for the Board of Directors", "Rules of Procedure for the Board of Shareholders", "Method for the Election of Directors", "Code of Corporate Governance", "Code of Ethical Business Practice" and "Code of Corporate Social Responsibility".

(1)Corporate Governance Supervisors：

Title	Name	During training	Organizer	Course title	Hours
Head of Corporate Governance	Shu-Rong Wu	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Industry Theme Publicity Conference	2
		2022/09/14	The Institute of Internal Auditors-Chinese Taiwan	Analysis of the latest "Enterprise Merger and Acquisition Law" and "Corporate Governance" practical cases	6
		2022/09/19	The Institute of Internal Auditors-Chinese Taiwan	Cross-strait tax inspection and legal analysis practice	6
		2022/10/05	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
		2022/10/14	Securities and Futures Institute	2022 Insider Trading Prevention Promotion Conference	3

(2)Director's training：

Title	Name	During training	Organizer	Course title	Hours
Chairman	Jian-Hua Syu	2022/08/25	Taipei Exchange	Insider shareholding publicity briefing for companies emerging from the OTC	3
		2022/08/01	Corporate Operation and Sustainable Development Association	Discussion on Taiwanese Businessmen's Management and M&A Strategies from the Perspective of Global Political and Economic Situation	2
		2022/08/01	Corporate Operation and Sustainable Development Association	The cognition of the executives of the listed counter company to the supervision of the competent authority	1
Director	Hsi-Hsin Chen	2022/10/12	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
Director		2022/12/09	ROC Accounting Research and Development Foundation	Relevant legal responsibilities and case analysis of the competition for company management rights	3
Director	Ching-Tzong Sune	2022/10/21	Securities and Futures Institute	2022 Insider Trading Prevention Promotion Conference	3
		2022/10/12	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
Director	Guei-Rong Fan	2022/10/12	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
		2022/08/25	Taipei Exchange	Insider equity publicity briefing	3
Director	Wun-Guei Ye	2022/10/19	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
		2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Industry Theme Publicity Conference	2
Director	Rong-Huang Luo	2022/10/19	Securities and Futures Institute	2022 Insider Equity Trading Act compliance publicity briefing	3
		2022/09/29	Taiwan Stock Exchange	Release of reference guidelines for independent directors and audit committees to exercise their powers and directors and supervisors promotion meeting	3
Director	Wei-Min Shen	2022/10/27	Securities and Futures Institute	Enterprises face the risks and crises caused by the digital wave	3

Title	Name	During training	Organizer	Course title	Hours
		2022/10/14	Taiwan Sustainable Energy Research Foundation	How ESG Can Enhance Corporate Resilience Transformation and Opportunity	3
		2022/07/29	Securities and Futures Institute	Analysis of important laws and regulations on cross-strait investment, joint ventures and mergers and acquisitions	3
		2022/05/05	Taiwan Corporate Governance Association	Post-merger integration under investment holding companies and corporate governance of investment holding companies	3
Director	Ze-Peng Chen	2022/11/17	Taiwan Institute of Financial Incorporation	Corporate Governance Forum	3
		2022/11/13	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	9
Director	Han-Liang Hu	2022/06/28	Taiwan Institute of Directors	Exploring the core competitiveness of the next generation in the age of drastic changes	3
		2022/03/03	Chinese Corporate Governance Association	The only way to sustainable management of enterprises-external innovation	3

(IX) Status of Implementation of Internal Control System

1. Statement of internal control system：

Episil-Precision Inc.

Statement of Internal Controls

Date: February 24, 2023

The following statement has been made based on a self-assessment of the Company’s internal control system in 2022:

I. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcomes and efficiency of the Company’s operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.

II. There are inherent limitations to even the best designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. The Company evaluates the effectiveness of its internal control system design and execution based on the criteria specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The criteria introduced by the “Regulations” consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further divided into several sub-elements. Please refer to the “Regulations” for the above mentioned elements.

IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as of December 31, 2022. This system (including the supervision and management of subsidiaries) has provided assurance concerning the Company's business results, target accomplishments, reliability, timeliness, and transparency of reported information, and its compliance with relevant laws.

VI. This statement constitutes part of the Company’ s annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed at the board meeting held on February 24, 2023 by all 9 attending Directors.

Episil-Precision Inc.

Chairman:：Jian-Hua Syu

General Manager：Ching-Tzong Sune

2. If the Company is required by the Security and Futures Bureau to hire an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: Not applicable.

(X)In the most recent year up till the printing date of this annual report, penalties imposed against the Company and employees for regulatory violation, or penalties against employees imposed by the Company for violation of internal control policy, which would affect the shareholders' interests and the share price significantly, if any, shall have the content of the penalties, areas of weakness and any corrective actions taken described: None.

(XI)Major resolutions passed at shareholders' meetings and board meetings held in the most recent year up till the printing date of this annual report:

1. Major resolutions and execution of the shareholders' meeting:

Shareholders' meeting	Resolutions	Execution
Shareholders' meeting June 21.2022	1.Acknowledgement of the 2021 financial statement 2.Acknowledging the 2021 surplus allocation. 3.Election of the ninth term of directors 4.Approved the proposal of lifting restrictions on directors' competition	1.The resolution was adopted. 2.Worked in accordance with the resolution results. NT$1.18483932 will be distributed per share, and a cash dividend of NT$341,252,075 will be distributed on August 12, 2022. 3.The list of elected directors of the ninth session is as follows, and the change registration has been completed on July 8, 2022. Episil Technologies Inc. Representative：Jian-Hua Syu/Hsi-Hsin Chen/Ching-Tzong Sune/Guei-Rong Fan Nan Ya Photonics Incorporation Representative：Rong-Huang Luo Jiacai Investment Co. Ltd Representative：Wun-Guei Ye Wei-Min Shen Ze-Peng Chen Han-Liang Hu 4.Worked in accordance with the resolution results.

2. Major resolutions passed in board meetings:

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
2022.01.03 8th Term 14th Session	1. Adopt the operating plan of 2021 and the budget of related manpower, equipment and expenses. 2. Approve the 2022 annual operating plan and budget for related manpower, equipment and expenses. 3. Approved the company's 2021 employee compensation adjustment plan. 4. Expenses for business execution through the general director of the company. 5. Expenses for business execution through independent directors of the company.	None	NA	All the directors present agree to pass
2022.02.14 8th Term 15th Session	1. Approved the 2021 employee compensation and director compensation distribution plan. 2. Approved the company's 2022 employee remuneration and director remuneration estimation proposal. 3. Pass the 2021 annual business report and financial report. 4. Pass the 2021 surplus distribution proposal. 5. By discussing the election of directors. 6. Nominate and review the list of candidates for directors (including independent directors) through the board of directors. 7. Approved the lifting of restrictions on competition for new directors. 8. Issue new shares through cash capital increase. 9. By issuing the fourth domestic unsecured convertible corporate bonds. 10. Determine the date, venue and reason for convening the company's 2022 regular shareholders' meeting. 11. Pass the 2021 internal control system effectiveness assessment and internal control system statement. 12. Through manager incentives and performance bonuses. 13. Approval of the 2022 salary proposal for managers.	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
2022.05.09 8th Term 16th Session	1. Issued new shares through the company's third domestic unsecured conversion of corporate debt to capital increase. 2. Pass the financial report for the first quarter of 2022. 3. Pass the company's greenhouse gas inventory and verification schedule. 4. Approved the company's 2021 director remuneration distribution proposal. 5. Approve the 2022 salary adjustment proposal for the company's managers.	None	NA	All the directors present agree to pass
2022.06.21 9th Term 1st Session	1. Elect the chairman of the company.	None	NA	All the directors present agree to pass
2022.08.08 9th Term 2nd Session	1. Approved the financial report for the second quarter of 2022 of the Republic of China. 2. Approved the revision of the company's "Procedures for Acquisition or Disposal of Assets". 3. Approved the revision of the company's internal control system - the management of preventing insider trading. 4. Approval of loan case from financial institutions. 5. Appointment of members of the Fifth Salary and Remuneration Committee.	None	NA	All the directors present agree to pass
2022.11.07 9th Term 3rd Session	1. Issued new shares through the company's third domestic unsecured conversion of corporate debt to capital increase. 2. Approved the financial report for the third quarter of 2022 of the Republic of China. 3. Revise the company's internal control system - management of internal major information processing and prevention of insider trading. 4. Formulate the internal audit plan for 2023. 5. Appointment of the company's certified accountant for 2023 and its independence assessment. 6. Approve the manager compensation proposal.	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
	7. Approve the manager appointment and salary proposal. 8. Approved the lifting of the manager's non-compete case.			
2022.12.26 9th Term 4th Session	1. Approve the 2023 annual operation plan and related budgets for manpower, equipment and expenses. 2. Amend the "Articles of Association", "Rules of Procedures for Shareholders' Meetings", "Standards of Procedures for Board Meetings" and "Code of Corporate Governance". 3. Approval of loan case from financial institutions.	None	NA	All the directors present agree to pass
2023.2.24 9th Term 5th Session	1. Approved the company's 2022 employee remuneration and director remuneration distribution proposal. 2. Approved the company's 2023 employee remuneration and director's remuneration estimation proposal 3. Approved the 2022 annual business report and financial report. 4. Approved the company's 2022 profit distribution proposal. 5. Approve the date, venue and reason for convening the company's 2023 regular shareholders' meeting. 6. Pass the 2022 internal control system effectiveness assessment and internal control system statement. 7. Pass the 2023 financial statement review and certification of the appointment and remuneration of certified accountants and their eligibility and independence assessment. 8. Pass the 2023 Directors Business Executive Fee. 9. Approved the appointment of the directors and supervisors of the subsidiary (PRECISION SILICON JAPAN CO.,LTD.) 10. Approval of the 2023 salary proposal for managers.	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
	11. Through manager incentives and performance bonuses.			

3. Important decisions of the Audit Committee:

Board of Directors Date/Term	Proposal content and subsequent handling	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors
2022.01.03 8th Term 14th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2. 2022 annual operating plan and related manpower, equipment and cost budget	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2022.02.14 8th Term 15th Session	1. 2021 Annual Business Report and Financial Report 2. 2021 Earnings Allocation Proposal 3. Handle cash capital increase and issuance of new shares. 4. Issued the fourth domestic unsecured conversion company debt. 5. 2021 Internal Control System Effectiveness Assessment and Internal Control System Statement.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2022.05.09 8th Term 16th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2. Financial Report for the first quarter of 2022.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2022.08.08 9th Term	1. Financial Report for the second quarter of 2022.	✓	None

<table>
<tr><th>Board of Directors Date/Term</th><th>Proposal content and subsequent handling</th><th>Items listed in Article 14-5 of the Securities and Exchange Act</th><th>Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors</th></tr>
<tr><td rowspan="2">2th Session</td><td>2.Revision of the company's "Procedures for Acquisition or Disposal of Assets"
3.Revision of the Company's internal control system.</td><td></td><td></td></tr>
<tr><td colspan="3">Audit Committee Resolution：All members of the Audit Committee agreed to pass.
The company's handling of the opinions of the audit committee: all the directors present agreed to pass.</td></tr>
<tr><td rowspan="2">2022.11.07
9th Term
3th
Session</td><td>1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase
2.Financial Report for the third quarter of 2022.
3.Revision of the Company's internal control system.
4.Establish an internal audit plan for the year 2023.
5.The Company's Annual Visa Accountant and its assessment of independence in 2023.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Audit Committee Resolution：All members of the Audit Committee agreed to pass.
The company's handling of the opinions of the audit committee: all the directors present agreed to pass.</td></tr>
<tr><td rowspan="2">2022.12.26
9th Term
4th
Session</td><td>1.2023 annual operating plan and related manpower, equipment and cost budget.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Audit Committee Resolution：All members of the Audit Committee agreed to pass.
The company's handling of the opinions of the audit committee: all the directors present agreed to pass.</td></tr>
<tr><td rowspan="2">2023.02.24
9th Term
5th
Session</td><td>1. 2022 annual business report and financial report.
2. The company's 2022 profit distribution proposal.
3. 2022 annual internal control system effectiveness assessment and internal control system statement.
4. Appointment and remuneration of certified accountants for financial statement review in 2023 and assessment of their competence and independence.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Audit Committee Resolution：All members of the Audit Committee agreed to pass.
The company's handling of the opinions of the audit committee: all the directors present agreed to pass.</td></tr>
</table>

(XII) Written opinions or declarations made by Directors or Supervisors against board resolutions in the most recent year,up till the printing date of this annual report: None.

(XIII) Resignation or dismissal of chairman, general managers,accounting directors, financial directors, internal auditors,corporate governance and R&D supervisors, up till the printing date of this annual report: None.

IV、Visa Accountant Fees：

Unit: Thousand (TWD)

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-Audit fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	2022/01/01- 2022/12/31	2,470	1,730	4,200	

(I)The content of non-audit services in 2022 includes non-executive salary review, public fees for issuance of convertible corporate bonds, professional consulting fees for perpetuity reports, and public fees for change registration services. The total amount is NT$1,730,000。

(II)If there is a reduction of audit fees paid compared to that in the previous year due to change of accounting firms, the amount of fees reduced, percentage, and reason shall be disclosed: No such situation.

(III)If the audit fees paid is less than 10% of that in the previous year, the amount of fees reduced, percentage, and reason shall be disclosed: Audit fees decreased by NT$750,000 (23.29%) compared to the previous year. This is due to the adjustment of tax visa fees of NT$750,000 from audit fees to non-audit fees in accordance with the instructions on Schedule 2-4 of the Guidelines for Items to be Recorded in Annual Reports of Publicly Issued Companies. Due to public expenses.

(IV)Alternation of CPA：No such situation.

(V)Any of the Company’s Chairman, General Manager, or managers responsible for Financial or Accounting Affairs being employed by the auditor’s firm or any of its affiliated Company in the most recent year: No such situation.

V、Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders：

Title	Name	2022		As of Apr. 2, 2023	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director & Major shareholder	Episil Technologies Inc.	761,680	0	0	0
Chairman	Representative: Jian-Hua Syu	0	0	0	0
Director	Representative: Hsi-Hsin Chen	0	0	0	0
Director & General Manager	Representative: Ching-Tzong Sune	101,185	0	0	0
Director	Representative: Guei-Rong Fan	11,000	0	0	0
Director	Nan Ya Photonics Incorporation	0	0	0	0
	Representative: Rong-Huang Luo	0	0	0	0
Director	Jiacai Investment Co. Ltd	100,538	0	0	0
	Representative: Wun-Guei Ye	0	0	0	0
Independent Director	Wei-Min Shen	0	0	0	0
Independent Director	Ze-Peng Chen	0	0	0	0
Independent Director	Han-Liang Hu	0	0	0	0
Deputy General Manager	Shao-Hao Lyu	30,000	0	0	0
Associate	Jhih-Kai Jhang	11,000	0	0	0
Associate	Jie-Biao Wang	0	0	0	0
Head of finance & Accounting	Pei-Yuan Chen	19,900	0	0	0
Head of Corporate Governance	Shu-Rong Wu	3,300	0	0	0

1. The counterparties of equity transfer are related parties：None
2. The counterparties of share pledges are related parties：None

VI、Information on Relationships among Top 10 Largest Shareholders：

Name	Shareholding		Shares Held by Spouse & Minors		Total shares held in the name of others		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Name	Relationship	
Episil Holding Inc	166,961,680	57.86	None	None	0	0	None	None	
Representative: Jian-Hua Syu	150,000	0.05	0	0.00	0	0	None	None	
Nan Ya Photonics Incorporation	9,847,325	3.41	None	None	0	0	None	None	
Representative: Wen-chao Wang	0	0.00	0	0.00	0	0	None	None	
Wun-Guei Ye	3,173,632	1.10	2,500,855	0.87	0	0	Siou-Cing Chen Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Jiacai Investment Co. Ltd	3,000,793	1.04	None	None	0	0	None	None	
Representative: Siou-Cing Chen	2,500,855	0.87	3,173,632	1.10	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
HSBC Bank (Taiwan) Limited Entrusted custody of Manulife Vision Fund unit trust investment account	2,731,000	0.95	None	None	0	0	None	None	
Siou-Cing Chen	2,500,855	0.87	3,173,632	1.10	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Bi-xiang Ye	2,479,385	0.86	2,400,814	0.83	0	0	Wu-Shun Huang Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Wu-shun Huang	2,400,814	0.83	2,479,385	0.86	0	0	Bi-Siang Ye Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Jhih-Ying Yang	869,075	0.30	0	0.00	0	0	None	None	
Lin-gzhu Zhao	834,730	0.29	0	0.00	0	0	None	None	

VII、Combined Shareholding Ratio：

March 31, 2023/ Unit: shares

Affiliated Enterprise (Note1)	Ownership by the Company		Ownership by Directors, Supervisors, Managerial officers, and directly/indirectly owned subsidiaries		Total Ownership	
	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding
PRECISION SILICON JAPAN CO.,LTD.	200	100	-	-	200	100

Note1：Investment by the company using the equity method

Four. Capital Overview

I、Capital and Shares：

(I) Sources of Capital ：

April 23, 2022 Unit: shares

Share categories	Authorized capital			Note
	Outstanding shares (public listed)	Unissued shares	Total	
Registered Common Shares	288,539,369	211,460,631	500,000,000	-

April 23, 2022
Unit: shares / NTD

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
105.01	10	300,000,000	3,000,000,000	243,575,315	2,435,753,150	Marge with Episil Semiconductor Co. Ltd	—	Note 1
105.05	10	300,000,000	3,000,000,000	244,179,315	2,441,793,150	Execute employee stock warrants 604,000 shares	—	Note 2
105.08	10	300,000,000	3,000,000,000	244,290,315	2,442,903,150	Execute employee stock warrants 111,000 shares	—	Note 3
105.11	10	300,000,000	3,000,000,000	244,320,315	2,443,203,150	Execute employee stock warrants 30,000 shares	—	Note 4
106.02	10	300,000,000	3,000,000,000	244,401,315	2,444,013,150	Execute employee stock warrants 81,000 shares	—	Note 5
107.01	29.8	300,000,000	3,000,000,000	274,401,315	2,744,013,150	Capital increase from cash 30,000,000 shares	—	Note 6
109.08	10	500,000,000	5,000,000,000	277,491,213	2,774,912,130	Corporate bonds into shares 3,089,898 shares	—	Note 7
109.11	10	500,000,000	5,000,000,000	278,816,103	2,788,161,030	Corporate bonds into shares 1,324,890 shares	—	Note 8
110.03	10	500,000,000	5,000,000,000	279,635,585	2,796,355,850	Corporate bonds into shares 819,482 shares	—	Note 9
110.05	10	500,000,000	5,000,000,000	280,068,790	2,800,687,900	Corporate bonds into shares 433,205 shares	—	Note 10
110.08	10	500,000,000	5,000,000,000	280,538,097	2,805,380,970	Corporate bonds into shares 469,307 shares		Note 11
110.11	10	500,000,000	5,000,000,000	282,320,639	2,823,206,390	Corporate bonds into shares 1,782,542 shares		Note 12

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
111.01	10	500,000,000	5,000,000,000	284,376,729	2,843,767,290	Corporate bonds into shares 2,056,090 shares		Note 13
111.05	10	500,000,000	5,000,000,000	284,715,486	2,847,154,860	Corporate bonds into shares 338,757 shares		Note 14
111.06	10	500,000,000	5,000,000,000	288,015,486	2,880,154,860	Capital increase from cash 3,300,000 shares		Note 15
111.11	10	500,000,000	5,000,000,000	288,539,369	2,885,393,690	Corporate bonds into shares 523,883 shares		Note 16

Note 1：Approved by February 19, 2016, GSZ No. 1050004119
Note 2：Approved by May 24, 2016, GSZ No. 1050013773
Note 3：Approved by August 22, 2016, GSZ No. 1050023364
Note 4：Approved by November 21, 2016, GSZ No. 1050032283
Note 5：Approved by February 06, 2017, GSZ No. 1060002669
Note 6：Approved by January 12, 2018, GSZ No. 1070002205
Note 7：Approved by August 18, 2020, GSZ No. 1090023232
Note 8：Approved by November 23, 2020, GSZ No. 1090032888
Note 9：Approved by February 22, 2021, GSZ No. 1100007646
Note 10：Approved by May 24,2021, GSZ No.1100014727
Note 11：Approved by August 20,2021,GSZ No.1100023377
Note 12：Approved by November 23,2021,GSZ No.1100034547
Note 13：Approved by January 19,2022,GSZ No.1110001782
Note 14：Approved by May 26,2022,GSZ No. 1110016327
Note 15：Approved by June 28,2022,GSZ No. 1110019931
Note 16：Approved by November 18,2022,GSZ No. 1110037183

(II) Status of Shareholders ：

April 2, 2023

Shareholder Structure / Quantity	Government agencies	Financial institutions	Others institutional investors	Individuals	Foreign institutions & individuals	Total
Number of Shareholders	1	10	52	35,544	110	35,717
Shareholding	1	1,002,037	180,623,602	98,407,418	8,506,311	288,539,369
Percentage of Shareholding (%)	0.00	0.35	62.60	34.10	2.95	100.00

(III) Shareholding Distribution Status：

April 2, 2023

Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage%
1-999	12,803	1,020,195	0.35
1,000-5,000	19,799	35,816,799	12.42
5,001-10,000	1,843	13,585,072	4.71
10,001-15,000	511	6,319,394	2.19
15,001-20,000	260	4,625,537	1.60
20,001-30,000	201	4,910,014	1.70
30,001-40,000	94	3,196,908	1.11
40,001-50,000	41	1,868,342	0.65
50,001-100,000	82	5,680,330	1.97
100,001-200,000	40	5,352,323	1.85
200,001-400,000	25	6,966,410	2.41
400,001-600,000	5	2,300,756	0.80
600,001-800,000	3	2,098,000	0.73
800,001-1,000,000	2	1,703,805	0.59
1,000,001 and above	8	193,095,484	66.92
Total	35,717	288,539,369	100.00

(IV) List of major shareholders：

April 2, 2023

Name of major shareholders \ Shares	Shares Held (Shares)	Holding Percentage (%)
Episil Technologies Inc.	166,961,680	57.86%
Nan Ya Photonics Incorporation	9,847,325	3.41%
Wun-Guei Ye	3,173,632	1.10%
Jiacai Investment Co. Ltd	3,000,793	1.04%
HSBC Bank (Taiwan) Limited Entrusted custody of Manulife Vision Fund unit trust investment account	2,731,000	0.95%
Siou-Cing Chen	2,500,855	0.87%
Bi-Siang Ye	2,479,385	0.86%
Wu-Shun Huang	2,400,814	0.83%
Jhih-Ying Yang	869,075	0.30%
Lin-gzhu Zhao	834,730	0.29%

(V) Information on Market Price, Book Value, Earnings Per Share and Dividends：

Unit: NT$

Items \ Year			2021	2022	As of April 2, 2023 of current year
Market price per share share	Highest		154.50	139.50	80.30
	Lowest		54.70	66.10	69.10
	Average		87.17	92.23	73.99
Equity per share	Before distribution		16.21	18.38	-
	After distribution(Note1)		15.01	16.38 (Note1)	-
Earnings per share	Weighted-average shares (thousand shares)		281,253	286,615	-
	Earnings per share (NTD)		1.35	2.38	-
Dividend per share (NTD)	Cash dividends(Note1)		1.20	2.00 (Note1)	-
	Stock dividends	From earnings	-	-	-
		From capital surplus	-	-	-
	Cumulative undistributed dividends		-	-	-
Investment return analysis	P/E ratio (Note 2)		64.57	38.75	-
	Price-dividend ratio (Note 3)		72.64	46.12	-
	Cash dividend yield (Note 4)		1.38	2.17	-

Note 1: The 2022 profit distribution plan was approved by the board of directors on February 24, 2023
Note 2：Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price。

(VI) Dividend Policy and Execution Status ：

1. The company will consider the industrial environment and growth stage, meet the future capital demand and long-term financial planning, and meet the shareholders' demand for cash flow. The annual amount of cash dividends shall not be less than 30% of the total amount of cash dividends and stock dividends issued in the current year.

2. Situation of dividend distribution discussed this year: The company's board of directors resolved on February 24, 2023 to issue a cash dividend of NT$1.2 per share, totaling NT$577,078,738.

(VII)The impact of the free allotment proposed by the shareholders' meeting on the company's business performance and earnings per share: not applicable.

(VIII)Employee dividends and directors' remuneration:

1. The percentage or range of employee dividends and directors' remuneration as set out in the articles of association:
   Article 25 of the articles of association:
   The company shall allocate not less than 5% for the remuneration of its employees and not more than 2% for the remuneration of its directors according to the profit situation of the current year. However, if the company still has accumulated losses, it shall reserve the amount of compensation in advance.
   Employees may be remunerated in stock or cash, and the objects of payment in stock or cash may include employees of subordinate companies who meet certain conditions.
2. According to the approval of the board of directors, the employee compensation and director compensation in 2022 are NT $75,047,295 and NT $9,380,912 respectively, all of which are paid in cash. It is based on the amount of the company's net profit before tax deducting the employee compensation and director compensation multiplied by the distribution ratio of employee compensation and director compensation proposed in the articles of association There is no difference in the annual cost estimates.
3. The actual distribution of employee dividends and directors' remuneration in the previous year (including the number of shares distributed, amount and share price), and the difference between the actual distribution and the remuneration of recognized employees and directors, the reasons for the difference and the handling situation: no difference.

(IX) Share repurchases: None

II、Corporate Bonds:

(I)Corporate bonds issued but not repaid：

April 2, 2023

<table>
<tr><th colspan="2">Corporate Bond Type</th><th>The fourth domestic unguaranteed corporate bonds</th></tr>
<tr><td colspan="2">Issue date</td><td>March 29, 2022</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuing and transaction location</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>Issue by denomination 101%</td></tr>
<tr><td colspan="2">Total price</td><td>NT$500,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>0%</td></tr>
<tr><td colspan="2">Tenor</td><td>3 years Maturity: March 29, 2025</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Consignee</td><td>KGI Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified lawyer</td><td>Handsome Attomeys-at- Law Lawyer Ya-Wen Chiu</td></tr>
<tr><td colspan="2">CPA</td><td>PWC Chih-Cheng Hsieh, CPA、Yu-Kuan Lin, CPA</td></tr>
<tr><td colspan="2">Repayment method</td><td>Unless the holders of the convertible bonds are converted into the common shares of the company in accordance with Article 10 of the issuance and conversion rules, or the company purchases and cancels the bonds at the business offices of securities firms, the company will repay the bonds held by the bondholders in cash in one lump sum according to the face value of the bonds at the maturity of the bonds.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT $500,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds</td></tr>
<tr><td colspan="2">Restrictive clause</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, rating of corporate bonds</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities</td><td>None were converted as of April 2, 2023.</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds.</td></tr>
<tr><td colspan="2">Issuance and conversion exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity</td><td>Please refer to the appendix of the public statement of the fourth domestic unguaranteed corporate bonds.</td></tr>
<tr><td colspan="2">Transfer agent</td><td>None</td></tr>
</table>

(II)Issue convertible bonds, exchangeable bonds, and corporate bonds with warrants in general, and disclose the information of convertible bonds, exchangeable bonds, and corporate bonds with warrants in general.

A・Convertible Bonds

Corporate bond type		4th Unsecured Convertible Corporate Bond	
Item \ Year		Y2022	As of 2023/4/2
Market price of the convertible bond	Highest	122.95	98.00
	Lowest	95.50	96.50
	Average	116.62	97.39
Convertible Price		From Jun 14, 2022, the conversion price will be adjusted from NT$128.0 to NT$127.8; From July 23, 2022, the conversion price will be adjusted from NT$127.8 to NT$126.2.	
Issue date and conversion price at issuance		Issue Date：March 29, 2022 Conversion price at issuance:：NT$128.0	
Conversion methods		Issuing of new stocks	

B・Exchangeable Bonds Information：None

C・Shelf Registration for Issuing Bonds：Non。

D・DCorporate Bonds with Warrants：None

III、Issuance of Special Stock:None

IV、Issuance of Global Depository Receipts:None

V、Issuance of Employee Stock Options:None

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

VII、Financing Plans and Implementation:

(I)In order to purchase machinery and equipment and related installation projects, the company handled the issuance of new shares by cash capital increase and the fourth domestic unsecured conversion of corporate bonds. The total amount raised by converting corporate bonds is 505,000,000 yuan).

(II)An overview of the plan for the use of funds and the expected benefits：

Project	estimated finish time	total funds required	The actual amount paid as of 2021	Estimated progress of fund utilization								
				Y2022				Y2023				Y2024
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Purchase of machinery and equipment and related installation works	Q1 2024	960,187	122,286	52,937	173,824	119,281	267,836	65,153	62,950	58,720	18,600	18,600
Total		960,187	122,286	52,937	173,824	119,281	267,836	65,153	62,950	58,720	18,600	18,600
OVERVIEW OF EXPECTED POSSIBLE BENEFITS		(1) The company intends to use the raised funds to purchase machinery and equipment and related installation works. The purchased machinery and equipment are mainly for the production capacity required for semiconductor epitaxial silicon wafers such as compounds and silicon wafers, which belong to the expansion of existing production										

	lines.According to past experience, considering the time of delivery, installation, acceptance and customer certification of machinery and equipment, it is expected to be put into operation from the fourth quarter of 2022 to 2023. It is estimated that the output will increase by 32,900 pieces in 2022.It is estimated that the production can be increased to 288,600 pieces in fiscal 2023, and it is estimated that the annual production will increase to 440,400 pieces after fiscal 2024.；In terms of sales value, considering that only some machines have completed acceptance inspection and customer certification and started mass production in 2022, the sales amount in 2022 is conservatively estimated to increase by NT$233,096 thousand.Due to factors such as the adjustment of the epitaxial foundry product mix of different materials and the market supply and demand situation, it is reasonable to estimate that the new sales value in 2023~2024 will be NT$1,211,321 thousand and NT$1,921,662 thousand respectively.The new sales value in 2025~2026 is NT$1,883,229 thousand and NT$1,845,565 thousand respectively；In terms of operating gross profit, it is reasonably estimated that the newly increased operating gross profit from 2022 to 2026 is NT$20,745 thousand, NT$170,571 thousand, NT$229,393 thousand, NT$222,217 thousand and NT$215,184 thousand respectively; In terms of operating benefits, it is reasonable to estimate that the new operating benefits from 2022 to 2026 will be NT$9,091 thousand, NT$110,005 thousand, NT$133,310 thousand, NT$128,056 thousand and NT$122,906 thousand, respectively. (2) As of the first quarter of 2023, the accumulated capital utilization plan implementation progress is 76.64%, which is 6.81% behind the scheduled progress of 83.45%. The schedule is delayed. As of the publication date of the annual report, some machinery and equipment have been installed, checked and accepted, and trial production has been completed, and mass production has begun. The machinery and equipment purchased by the company have gradually brought into play their benefits.

Five. Business overview

I、Business Content:

(I) Scope

1. Main content: Manufacture of silicon epitaxy wafers, buried-layer epitaxy wafers, multi-layer epitaxy wafers, silicon epitaxy on SOI (Silicon on Insulator) wafer, GaN epitaxy wafers, SiC epitaxy wafers..
2. 2021 Consolidated operating proportion：

Unit: NT$ Thousand ; %

Year / Major Divisions	Y2021		Y2022	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Epitaxial wafers	5,043,332	100.00	5,899,587	100.00
Total	5,043,332	100.00	5,899,587	100.00

3. Current portfolios: production and foundry of Silicon Epitaxy, Silicon Carbide Epitaxy and Gallium Nitride Epitaxy.

4. New products planned to be developed

(1)Gen 2 High Grade SiC-on-SiC epitaxial wafers.

(2)8” GaN-on-Silicon medium and low voltage epitaxial wafers for low and medium voltage applications.

(3)8” SiC-on-SiC epitaxial wafers.s

(II)Industrial overview

1. Current status of the industry

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

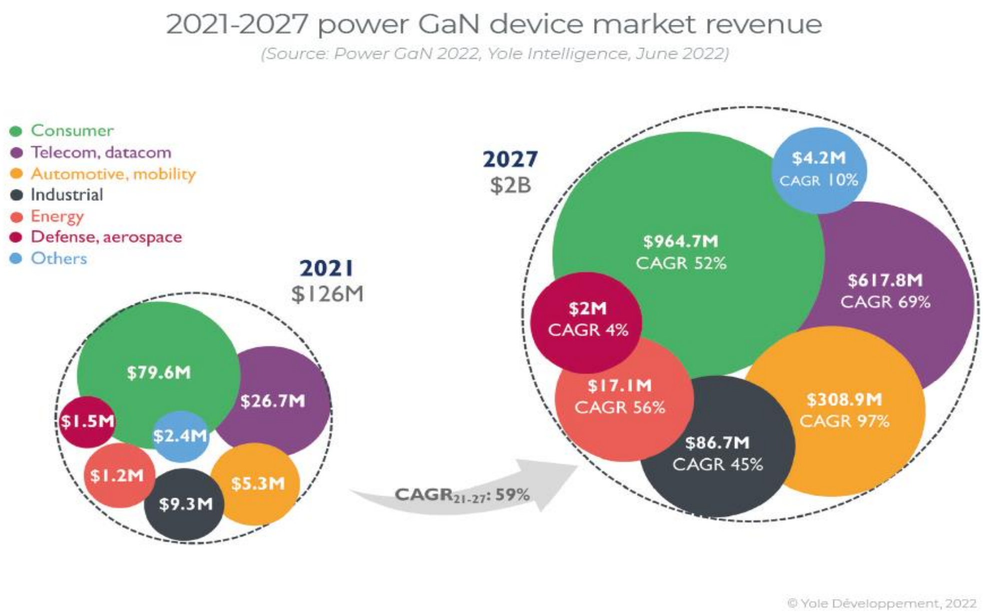
Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Source: WSTS, November 2022

According to the November 2022 report of World Semiconductor Trade Statistics (WSTS), the global semiconductor market grew in 2022, with a scale of $580.126 billion dollars, an annual increase of 4.4% from $555.893 billion in 2021. In 2023, the overall semiconductor market is expected to decline by 4.1%, however the analogic IC and discrete device markets, which are more closely related to the epitaxy material, will slightly grow by 1.6% and 2.8% respectively.

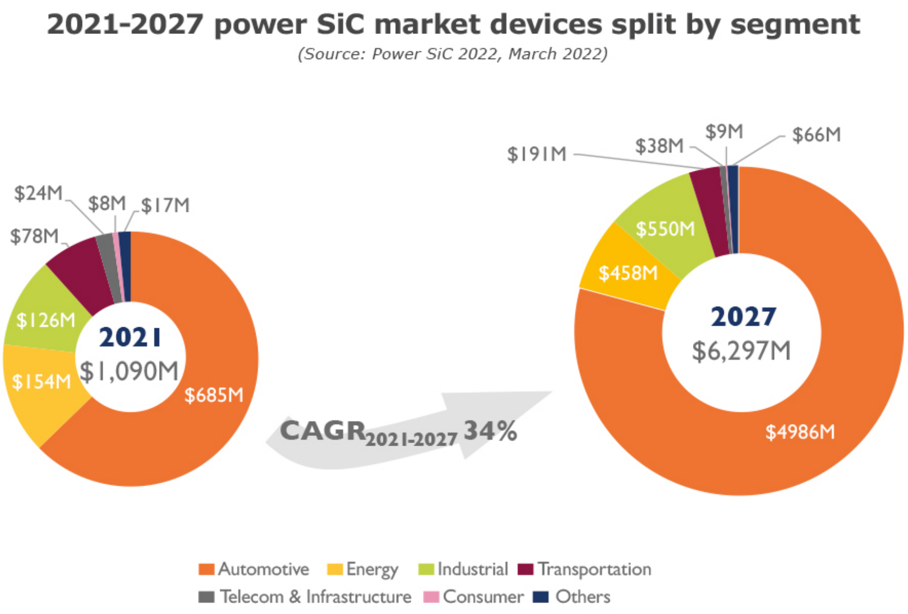
In addition, GaN-on-Silicon wafers and GaN-on-SiC wafers, which have higher performance than silicon materials and have been successfully developed by Episil-Precision, are expected to be more widely adopted in Power discrete market.

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



Sources: Yole, May 2022

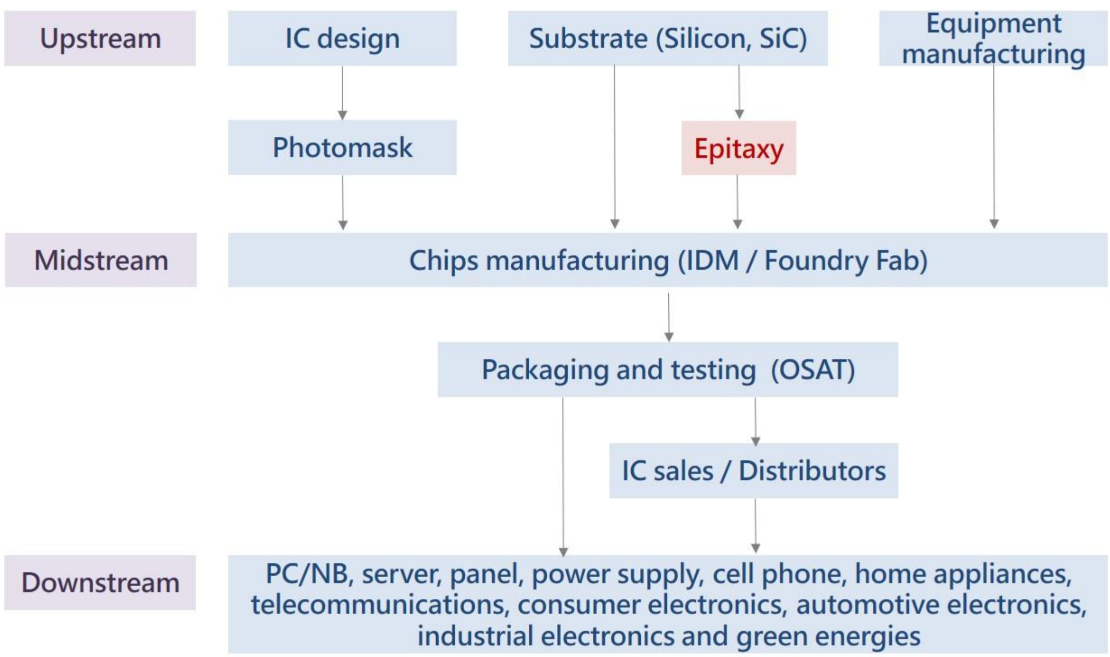
In terms of SiC, Yole predicted a market size will be from $1.1 billion in 2021 to $6.3 billion in 2027 which expected to reach 34% CAGR (2021-2027), and will play an important role in the EV, PV, and industrial sectors.



Sources: Yole, March 2022

2. Relevance of the industry

Relevance of the industry are shown in the figure below, the upstream industries include: wafer manufacturing or reclaiming, IC design, chemical manufacturing, equipment manufacturing, lead frame manufacturing and mask manufacturing, etc. The downstream industries are: packaging and testing, IC sales, system manufacturers. Episil-Precision belongs to the upstream wafer related industry.



With the evolution of vertical integration of semiconductor industry, the upstream are IC design companies and silicon wafer manufacturing companies. IC design companies design the circuit diagrams base on customers’ request, and silicon wafer manufacturing companies use polysilicon as raw materials to produce silicon wafers. For the midstream, The IC wafer manufacturer companies follows the circuit diagram designed by IC design Companies and prints the basic circuit pattern on the wafer with photo mask, and then produces the circuit and device on the wafer by oxidation, diffusion, CVD, etching, ion implantation and other methods. The finished wafers are then sent to downstream IC packaging and testing companies, the dice are coated with plastic, ceramic or metal to protect from contamination and easy assembly, and attain the effect of electrical connection and heat dissipation between the chip and electronic system. Lastly testing process including function, electrical and heat dissipation tests. Episil-Precision’ s silicon and compound semiconductor (SiC and GaN) epitaxy belong to the upstream industry.

The major products of Episil-Precision and subsidiary are Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, Multi-Layer Epitaxial Wafer, GaN Epitaxial Wafer and SiC Epitaxial Wafer, which are important materials for Power Semiconductors, such as Power MOSFET, Diodes, Insulated Gate Bipolar Transistor (IGBT), and Power Management IC (PMIC). There are many applications of its downstream products, such as consumer electronics, automotive electronics, industrial control, telecommunications, computers, etc.

3. Industrial trend

Moving into the future, emerging technologies such as IoTs, wireless charging, and autopilot will increase the semiconductor content in end products, which can be expected to increase the production value of the semiconductor industry. Epitaxy technology, due to the superior electrical properties, it can be widely applied to discrete devices and ICs, such as power management, driver, optoelectronic, and protective devices s to meet ESG concept. Current mainstream power devices use 6 inches and 8 inches epitaxial wafers, but major IDMs have begun pushing production towards 12 inches power devices. In some application that beyond silicon’s limit, there are increasing companies adopting wide band gap semiconductor devices. Episil-Precision is also working on SiC-on-SiC and GaN-on-Silicon epitaxy development.

4. Competition

Foreign competitors are mainly silicon substrate manufacturing companies in Japan, German and United States. These competitors have substrate ingot, slicing, grinding, polishing, cleaning and epitaxy. Most of them focus on large-size (8” /12”) standard CMOS processes. In addition, China has some competitors in the small/medium-size silicon epi house.

Episil-Precision's epitaxial technology has recognized by domestic and foreign customers. We will go on developing new processes to provide quality, costly and competitive products to our customers.

(III)Overview of technology and R&D

1. Technical level and research development of the business

Episil-Precision has developed key epitaxial technologies for quality improvements such as gas supply stability monitoring technology, equipment improving for parameter stabilization and decompression growth technology. Our 6, 8 inch epitaxial silicon wafers, 6, 8 inch buried layer epitaxial silicon wafer and 8 inch super-junction epitaxial silicon wafers have been certified and adopted by large semiconductor manufacturers. In addition to legacy silicon materials, our new developed GaN and SiC epitaxy technologies are also certified and in mass production.

2. Research and Development Expenses by the Central Research Institute (CRI) in the Past year

Unit：NT$ thousands

Year	Y2022	2023/03/31
Total Expenses	70,091	19,120
Total Sales	5,899,587	1,097,160
%	1.19%	1.74%

3. Successfully developed technology or product

(1)Recent developed technologies or products

1)RF GaN (GaN-on-Silicon) epitaxial wafers.

2)Gen 2 650V GaN-on-Silicon epitaxial wafers.

3)Reduced pressure process for high resistance silicon epitaxial wafers.

(2)Patents

Up to now, 7 ROC patents, 2 US patents, 2 China patents and 1 Japan patent have been filed and approved.

(IV)Long-term and short-term business plan

(1)Short-term business pla

The short-term business plan is to maintain good customer relationships, deepen the niche market, differentiate the market with high quality, avoid price-cutting competition, improve the profitability, and keep the competitive advantage.

(2)Long-term business plan

Due to long-term effort in business internationalization, service and quality improvement, we has been recognized by customers. In recent years, Episil-Precision develops China and emerging markets in response to the growing needs of Asian and China semiconductor market, and produce various types of epitaxy such as SOI, SiC-on-SiC and GaN-on-Silicon to expand the epitaxy business.

II、Market and Sales Overview:

(I) Market analysis

1. Sales (Service) Region

Unit；NT$ thousands

Area	Year	2021		2022	
		Amount	(%)	Amount	(%)
Domestic sales	Taiwan	2,791,166	55.34	3,178,107	53.87
Export sales	Japan	1,068,995	21.20	1,484,141	25.16
	Mainland China	629,903	12.49	503,822	8.54
	Other	553,268	10.97	733,517	12.43
Total Sales		5,043,332	100.00	5,899,587	100.00

2.The future demand and growth of the market

With the booming development of EVs, green energy, and 5G related applications, the reliance on semiconductors is increasing, and the semiconductor market is bound to continue to expand in the coming years. Coupled with higher energy efficiency requirements, this is also driving both qualitative and quantitative improvements in power semiconductors. Since Episil-Precision’ s silicon epitaxial products and compound semiconductor epitaxial products are necessary raw materials for power semiconductors, we are optimistic that the demand for epitaxial products will continue to grow.

3.Niche of Competition

A. With a complete product line and market reputation

Episil-Precision has excellent epitaxial production technology, R&D capabilities, and market reputation. It is an important supplier for global silicon epitaxial material which can provide complete services in response to the needs of different customers. Market position is small amount of variety, and customer orders are all customized products.

B. Key technologies through strategic alliances

In addition to our own research and development, Episil-Precision also cooperates with customers and allied companies to develop processes technology. To reduce production costs, increase product yield, we also upgraded the transferred technology by our own technology and established a long-term relationship. In the other hand, employees are rewarded to apply patents with their research results for intellectual property protection.

C. Independent research and development capabilities

With the trend of consumer electronics products becoming lighter, thinner and shorter, the industry continues to introduce products with more power-saving, low-power and fast data transmission characteristics. Semiconductor material companies must also provide silicon substrates that are in line with future trends to help device manufacturers achieve the best performance. Epitaxial silicon wafers are essential materials for energy saving trends. Episil-Precision’s epitaxial technology can be applied to energy-saving and carbon reduction power components and develop energy-saving products. In addition to legacy silicon materials, we also develop and mass-produced new epitaxial materials GaN and SiC, provide a superior epitaxy material and become a pioneer in the energy-saving and carbon reduction power electronics industry.

D. A robust portion of vertically integrated IC industry in Taiwan

For Taiwan stands a key position in the global semiconductor industry, Episil-Precision is an integral part of this value chain and has been closely integrated with upstream and downstream, and share mutual benefits. Therefore, Episil-Precision is not only internationally competitive, but also effective in developing new markets.

E. High-quality product is highly recognized by customers

About quality, Episil-Precision is ISO 9001:2015 and ISO/TS16949:2016 certified.

In terms of environmental safety and health, Episil-Precision is ISO 14001:2015 and ISO 45001:2018 certified.

4. Advantages and disadvantages of development prospects and countermeasures

A. Advantages

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

(B) Episil-Precision and the subsidiaries have been researching and manufacturing on epitaxy for more than 30 years and has accumulated mature technology in terms of quality and human resource. The complete foundry service enables well-known domestic and foreign companies to participate in technical cooperation. We have obtained a large number of orders and long-term orders in Japan market, and also made great efforts to develop European, American and China markets, to become a diversified market.

(C) Silicon wafer materials market grows as global semiconductor demand continues to grow. Devices like smart phones, tablets, computers are in strong demand, making memory, processors, communications chips and other IC components in short supply, also makes semiconductor materials market continued growth.

B. Disadvantages

(A) New competitors are coming into the market, squeezing margins. In addition, China government actively supports there domestic semiconductor industry, and the market competition becomes more fierce.

Countermeasures

a. Episil-Precision works with customers to develop new processes and products, and work on yield improvement to enhance the competitiveness of products. In recent years, epitaxial silicon wafer technologies have been applied in many products, including energy-saving products. Episil-Precision will continue to upgrade new manufacturing processes to face competition.

b. To develop business, adjust product portfolio, and establish strategic alliances to reduce impact from industry competition and economic.

c. To develop the epitaxial materials and device manufacturing technologies for next generation power semiconductors, and expend mass production lines, increase product value, and avoid price competition.

(B) Silicon wafers are essential materials for semiconductor devices. They are part of the semiconductor industry and are subject to semiconductor booms and booms..

Countermeasures

To carefully evaluate investment plans and schedule for personnel, machinery, capital and technology. Reduce the impact of business fluctuations by flexibility.

(II) Important use and production process of main products

(1) Important use of main products

The major products of Episil-Precision and subsidiary are Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, Multi-Layer Epitaxial Wafer, GaN Epitaxial Wafer and SiC Epitaxial Wafer, which are important materials for Power Semiconductors, such as Power MOSFET, Diodes, Insulated Gate Bipolar Transistor (IGBT), and Power Management IC (PMIC).

Product	Function	Use
Silicon epitaxial wafer (Buried layer epitaxial wafer)	It can increase the breakdown voltage and maintain the fast response time of the transistor	Essential materials for power FET (field-effect transistor), small signal transistors, FRD (fast recovery diodes), CMOS (Complementary Metal-Oxide-Semiconductor), VLSI (very-large-scale integration
Multilayer epitaxial wafer	Achieve ultra-low MOSFET on-resistance	For ultra-low resistance power FET manufacturing.
Silicon epitaxy on SOI (Silicon on Insulator)	High speed devices	For RF IC manufacturing
GaN epitaxy wafer	It can increase the breakdown voltage and 10 times better than silicon wafer, and increase the operating frequency	Suitable for applications on communication, military, aerospace, high-speed/high-voltage/high-current power
SiC epitaxy wafer	It can increase the breakdown voltage and better than GaN wafer, and reduce on-resistance	Suitable for applications on high-speed/high-voltage/ultra-high-current power, such as 1200V applications

(2)Process flow

Raw material

Epitaxy growth

Epitaxy film — Thickness/uniformity/resistance

Clean

Surface inspection — Particle /Metal

Package

Shipment

(III)Raw materials supply chain

EPi is committed to stabilizing the supply of raw materials and managing and certifying suppliers. There are more than 2 suppliers to buy the raw materials with reasonable price, good quality, and rapid delivery, and to enhance competitiveness. EPi has established long-term cooperative relations with suppliers, and regularly evaluates them to ensure the stability of quality and delivery.

In recent years, EPi has developed energy-saving products and has been certified by major IDMs, which has resulted in stable revenue. In addition, EPi is also constantly develop products application and customer, to avoid the risk of market concentration.

(IV)Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease

1. Major Suppliers in the Last Two Calendar Years：

Unit:NT$ thousands

Item	Y2021				Y2022			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	B	687,823	26.27	None	B	709,161	24.89	None
2	A	504,056	19.25	None	A	473,409	16.62	None
3	C	364,582	13.92	None	C	424,241	14.89	None
4	Others	1,062,069	40.56		Others	1,241,965	43.60	
	Net Total Supplies	2,618,530	100.00		Net Total Supplies	2,848,776	100.00	

2. Major Clients in the Last Two Calendar Years：

Item	Y2021				Y2022			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1					A	688,579	11.67	parent company
2					B	667,491	11.31	None
3								
4	Others	5,043,332	100.00		Others	4,543,517	77.02	
	Net Total Clients	5,043,332	100.00		Net Total Clients	5,899,587	100.00	

The company and its subsidiaries did not have customers who accounted for more than 10% of the total sales in the last two years.

(V) Production in the Last Two Years

Unit: floor; NT $ thousands

Year / Output / Major Products	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Epitaxial Wafers	4,976,000	4,887,977	5,057,601	5,106,000	4,523,856	5,824,562

Note: production capacity refers to the quantity that the company can produce under normal operation by using existing production equipment after measuring factors such as necessary downtime and holidays. Different product mix will affect the conversion of total capacity.

(VI) Shipments and Sales in the Last Two Years

Unit: Piece;NT$ thousands

Year / Shipments & Sales / Major Products	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Epitaxial Wafers	2,955,781	2,791,166	1,751,516	2,252,166	2,648,123	3,169,389	1,623,858	2,730,198

III、Human Resources：

Employees information in the most recent two years and as of the publication date of the annual report

Year		2021	2022	As of 2023/4/2
Numbers Of Employees	Operators	258	294	283
	Indirect	353	440	441
	Total	611	734	724
Average Age		38.95	41.08	38.59
Average Years of Employment		10.19	11.85	9.68
Level of Education(%)	Ph.D.	0.82%	0.68%	0.69%
	Master's Degree	12.76%	13.08%	13.40%
	Bachelor's& Associate's Degree	64.81%	69.35%	69.61%
	Senior High School	19.97%	15.67%	15.06%
	Other	1.64%	1.23%	1.24%

IV、Environmental Protection Expenditure：

(I)Amount of losses and penalties for environmental pollution in the most recent year and up to the date of publication of the annual report: none.

(II)Future countermeasures and possible expenditures:

The company is committed to protecting the earth and the environment and providing safe and healthy workplaces. In the planning of the plant, we have carefully considered the pollution prevention and control facilities and treatment methods. After being reviewed by the Environmental Protection Bureau of Hsinchu County / city and the Administration Bureau of Hsinchu Science and Industry Park, we have met the statutory discharge standards and obtained the air, water, waste and poison permits. According to the law, the company has a special person responsible for the supervision and management of relevant environmental protection business, all of whom have relevant certificates. In December, 2001, Episil-Precision obtained the certification of ISO 140001.The current issue date is 2022/11/25 and the expiry date is 2025/11/24. Obtained OHSAS18001 safety and health management system certification in 2010. In March 2018, the International Organization for Standardization (ISO) announced a new version of the occupational health and safety management system (ISO 45001:2018) to replace OHSAS 18001. The company has obtained ISO45001:2018 certification in October 2019 , the current issue date is 2022/11/25 and the expiry date is 2025/11/24. Whether it is the environmental management system or the occupational safety and health management system, it is regularly reviewed every year. In the future, continuous improvement actions will be taken to strengthen pollution prevention, risk control, and reduce the impact on the environment and the risk of safety and health.

(III)Protection actions for working environment and personal safety of employees:

1. The company has set up an Occupational safety and health department, which is responsible for the planning, implementation and audit of the safety and health management work in the plant area, continuously improving various safety and health measures, and creating a safe and healthy working environment.
2. In order to make the colleagues have a correct understanding of the hazards and preventive measures in the operation, the safety and health education, training, propaganda and drills should be carried out regularly every year or irregularly, so as to enhance the safety awareness and emergency response ability of the colleagues.
3. Conduct staff health examination and health promotion activities (such as health weight loss, health lecture, etc.), and provide the latest health information to take care of and improve staff's physical and mental health.
4. A professional organization shall be entrusted to monitor the working environment every half a year, divide the similar exposure groups and establish their exposure status. According to the results of exposure assessment, chemicals shall be classified and managed, and relevant protective measures and operation control shall be taken to provide a safe and comfortable working environment for employees, so as to maintain their physical and mental health.
5. Formulate annual automatic inspection schedule, formulate inspection items covering hazard prevention of machinery and equipment according to the requirements of each unit, and implement the supervision and audit

mechanism to prevent accidents and meet the requirements of laws and regulations.

V、Labor and Management Relationship：

(I) Employees welfare、 further Study and training、 retirement system and its implementation， as well as labor-management agreements and employee rights：

1. Employees welfare：

(1)All employees participate in labor insurance and national health insurance：
Employees from the day they officially start to work participate in labor insurance, national health insurance and accident insurance to ensure their rights.

(2)Employees regular health check：
In order to ensure the health of employees, in addition to providing regular free health check-ups, the company also adds other specific item health check-ups for special operators.

(3) Staff training ：

A. Staff training and training methods
Employees are the company's most important asset. In order to cultivate talents, the company has established complete training procedures and implemented various training courses based on the employees functions. The company's training covers orientation training, on-the-job training, external training, self-development, and certification and appraisal methods to improve the work efficiency of employees and provide customers with better product quality and services.

B. Staff training and expenditure information
Year 2021 current employees training as follows:

Items	Total	Class	Total hours	Cost($NT)
Function Professional Training	1,658	245	3,779	$244,800
Class Management Training	342	11	848	$331,089
Others	5,466	324	11,504	$812,643
Total	7,466	580	16,131	$1,388,532

(4) Employees welfare：

The Employee Welfare Committee provides subsidies for birthdays, marriages, childbirth, funeral ceremonies and organizes employee tours and a number of club activities to enhance the friendship of employees and relax their bodies and minds.

2. Employee Retirement System：

In order to take care of employee' s retirement life and promote labor-management harmony, the company has implemented a retirement system in accordance with the "Labor Standards Act" and the "Labor Pension Act". For employees who choose the old pension system, the company will allocate retirement funds in accordance with the provisions of the Ministry of the Interior' s Retirement Reserve and Management Measures, and transfer them to the special account designated by the competent authority; employees who choose the new pension system, the company every month allot 6% of the average monthly salary of the worker to the individual employee pension account. The rest of the retirement matters shall be handled in accordance with the relevant provisions of the" Labor Standards Act" and "Labor Pension Act".

3. Other important agreements：

The company has always spared no effort in protecting the rights of employees and caring for employees' body and mind. The labor-management relationship is very harmonious. The company has established an employee welfare committee to be responsible for the planning of employee welfare matters.

Use more communication and coordination methods for labor and management to ensure that both labor and management can obtain a common understanding, so that all tasks can be promoted smoothly. In addition to strengthening the communication between labor and management and cooperation team, it also attaches importance to the opinions and complaints of employees. Labor-management meetings are held regularly, and no labor-management disputes have occurred so far.

4. Other important information that helps to understand the operation of corporate social responsibility：

The company' s labor relations policy has always adhered to the philosophy of sincerity, cooperation, and sharing, constantly strives to create a harmonious happy working atmosphere and living environment through internal communication, with the hope to establish a satisfactory relationship of mutual trust between employees and management to allow all employees to enjoy the company, prosperity and growth together; Implementation of external social responsibilities is in the planning and execution of the company' s various employee relationship activities, long-term donation of materials to the private Hsinchu Ren'ai Children's Home in Hsinchu City, supporting public welfare activities in the neighborhood, and participating in donations and charity sales (see the table below) to give back to stakeholders in the community.

Item		Donation / Order
2016/5/22	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Hope, A Happiness~ Enlightenment and Environmental Protection Love Garden Fair】	50,000
2017/1/11	Corporate Encouragement Voice Social Welfare Foundation Workshop	Order 600 boxes of chocolates totaling $60,000 for company

Item		Donation / Order
		events
2017/5/20	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【LOVE FLIES ～ Enlightenment and Environmental Love Garden Party】	50,000
2017/12/2	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【LOVE LIGHTS UPP ～ resentation of Disable Learning Results】	50,000
2017/12/29	Corporate World Peace Association 【Live a Good Year with Hungry Children】	30,000
2017/12/29	Eden Social Welfare Foundation 【2018 Love Around the Stove Charitable Works】	30,000
2018/3/30	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Fun Flash ~ Development ~ Special Education ~ Sanitation. Environmental Love Garden Party】	50,000
2018/5/25	Corporate World Peace Association 【2018 Children' s Drama Charity Performance Event】	20,000
2018/10/12	Eden Social Welfare Foundation 【2018 Service Plan for Developmental Delay Children】	30,000
2019/4/12	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Young Happiness ~ Development & Environmental Love Garden Party】	50,000
2019/5/3	Corporate World Peace Association 【Rescue Children from Starvation 2019 Children' s Drama Charity Performance】	20,000
2019/9/6	Eden Social Welfare Foundation 【Eden-Elderly Care Service Plan (Spend a Quality life with Them】	30,000
2020/1/17	Corporate World Peace Association 【Happy Chinese New Year for hungry children】	20,000
2020/3/27	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Christmas Happiness, Learning Achievement Parent-Child Activity】	50,000
2020/11/6	Eden Social Welfare Foundation 【2020 The disabled Service Program】	30,000
2021/11/26	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Happiness Painted Pottery Music and Grass Concert - Art Creation Exhibition for People with Disabilities】	50,000
2021/11/19	Eden Social Welfare Foundation 【2021 The disabled Service Program】	30,000
2022/2/18	Corporate World Peace Association 【2022 Happy Chinese New Year for hungry children】	20,000
2022/3/30	SAINT JOSEPH SOCIAL WELFARE FOUNDATION 【Animal Rhapsody Painted Kneading Pottery - Art Creation Exhibition for People with	50,000

Item		Donation / Order
	Disabilities】	
2022/10/17	Eden Social Welfare Foundation 【2022 The disabled Service Program】	30,000

(II)Losses suffered due to labor disputes in the most recent year and as of publication date of the annual report, the estimated amount and corresponding measures that may occur at present and in the future are disclosed： None

(III)Employee Code of Conduct:

1. In order to comply with the relevant regulations of listed companies such as the Securities Exchange Law, to protect the rights and interests of employees, customers and shareholders, the company has formulated a code of conduct for employees, as summarized below：

A. Corporate governance standards

Be truthful with shareholders, customers, suppliers, competitors, at all levels of government agencies and other persons or organizations that will be affected by the company’ s activities. Strictly abide the various laws and regulations, commit to the transparency of the company’ s response to external disclosure as well and respect social culture.

Uphold the principle of fair competition as the foundation of business operations, and aim to continuously provide high-quality products and services. To maintain profitability as the company’ s operation goal for a long time to ensure shareholder’ s remuneration rights.

B. Maintain the trading order and fairness of the securities market

The company has established a code of conduct for employees. Any information that may affect the market price of the company’ s stocks should be disclosed by the company’ s spokesperson. Before the authority and responsible unit announced according to law, employees should keep confidential the information learned due to their duties. Prohibited to disclose without authorization.

If an employee is an insider as defined by the stock exchange, the person must comply with the “Insider Equity Transition Reporting Operation” to handle equity changes.

C. Maintain an excellent working environment

Within the company, propaganda for political parties or politicians is not allowed, nor allowed to spread religion or recruit for charitable organizations.

Department heads above employees should avoid relatives within third-degree relatives (including) to work in the company. Employees performing non-official services should be approved by their superiors.

D. Promote social harmony

No employee of the company shall accept any form of bribery. If there is a gift for the holidays and festivals, it should be shared by all departments or given to the Welfare Committee for use in activities.

Employees shall not introduce illegal software to the company's computer system for use.

2. In order to establish an accurate concept of gender equality among colleagues and protect employee's rights and interests at work, the company provides a working environment free from sexual harassment, and formulates sexual harassment prevention, complaints and punishment measures.

3. In order to promote workplace harmony, protect all employees' workplace safety and work rights, prevent employees while performing their duties encounters internal and external workplace violence incidents. There is a 「Workplace Violence Prevention Measures」 to prevent unlawful violations.

VI、Information security management：

(I) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

(1)Infocom Security Risk Management Framework：

A. The company's information department is responsible for information security policy management and planning, and an information security team is responsible for information security-related incident handling and reporting.

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

(2)Information Security Policy：

Formulate information security management specifications to ensure the confidentiality and security of the company's information assets and legal compliance, and formulate hazard handling procedures to minimize the impact.

(3)specific management plan：

A. Endpoint device protection and control: install antivirus software, keep operating system updated, import DLP mechanisms, and file encryption security solutions。

B. Central external control: establish a security protection platform such as Firewall, Mail Gateway, Proxy Gateway, etc.

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

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

(4) 10.34 million yuan has been invested in the introduction of existing information security solutions. The annual continuous maintenance investment is 1.75 million yuan. The information security budget for 2023 includes an investment of 7.1 million yuan based on protection needs..

(II) In the most recent year and as of the date of publication of the annual report, losses, possible impacts and countermeasures due to major information security incidents: None.

VII、Important contracts：

Nature of contract	Parties	Contract start and end date	Main contents	Restrictions and remarks
Sales contract	Company A	From 2019 to 2023	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company B	From 2022 to 2023	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company C	From 2018 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company D	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company E	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company F	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company G	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company H	From 2022 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company I	From 2020 to 2030	To formulate the relevant conditions, rights and obligations of both parties	None

Six. Financial Information

I、Condensed Balance Sheet and Consolidated Income Statement

(I) Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Current assets		3,080,313	2,933,641	3,306,410	4,229,977	5,161,538
Property, Plant and Equipment		2,603,048	2,495,653	2,059,306	1,799,031	2,008,385
Intangible assets		64,398	58,639	55,096	53,245	52,520
Other assets		262,004	534,286	544,752	531,282	449,731
Total assets		6,009,763	6,022,219	5,965,564	6,613,535	7,672,174
Current liabilities	Before distribution	1,641,576	1,044,706	1,103,174	1,530,855	1,452,709
	After distribution	1,915,977	1,113,306	1,173,184	1,872,107	2,029,788(Note)
Non-current liabilities		312,000	1,157,811	816,851	472,601	915,778
Total liabilities	Before distribution	1,953,576	2,202,517	1,920,025	2,003,456	2,368,487
	After distribution	2,227,977	2,271,117	1,990,035	2,344,708	2,945,566(Note)
Equity attributable to shareholders of the parent		4,056,187	3,819,702	4,045,539	4,610,079	5,303,687
Capital stock		2,744,013	2,744,013	2,796,356	2,843,767	2,885,394
Advance share capital		0	0	0	0	0
Capital surplus		846,718	875,577	1,104,180	1,313,939	1,614,778
Retained earnings	Before distribution	464,935	199,631	144,555	453,283	804,670
	After distribution	190,534	131,031	74,545	112,031	227,591(Note)
Other equity interest		521	481	448	(910)	(1,155)
Total equity	Before distribution	4,056,187	3,819,702	4,045,539	4,610,079	5,303,687
	After distribution	3,781,786	3,751,102	3,975,529	4,268,827	4,726,608(Note)

Source:Financial report audited and certified by accountants.

Note： The 2022 profit distribution plan was approved by the resolution of the board of directors on February 24, 2023.

(II) Individual Condensed balance sheet – Based on IFRS

Unit: NT$ thousands

Item / Year		Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Current assets		3,074,354	2,927,749	3,295,949	4,218,979	5,145,585
Property, Plant and Equipment		2,603,048	2,495,653	2,059,306	1,799,031	2,008,385
Intangible assets		64,398	58,639	55,096	53,245	52,520
Other assets		266,442	539,863	554,221	540,832	461,323
Total assets		6,008,242	6,021,904	5,964,572	6,612,078	7,667,813
Current liabilities	Before distribution	1,640,055	1,044,391	1,102,182	1,529,398	1,448,348
	After distribution	1,914,456	1,112,991	1,172,192	1,870,650	2,025,427(Note)
Non-current liabilities		312,000	1,157,811	816,851	472,601	915,778
Total liabilities	Before distribution	1,952,055	2,202,202	1,919,033	2,001,999	2,364,126
	After distribution	2,226,456	2,270,802	1,998,043	2,343,251	2,941,205(Note)
Equity attributable to shareholders of the parent		4,056,187	3,819,702	4,045,539	4,610,079	5,303,687
Capital stock		2,744,013	2,744,013	2,796,356	2,843,767	2,885,394
Advance share capital		0	0	0	0	0
Capital surplus		846,718	875,577	1,104,180	1,313,939	1,614,778
Retained earnings	Before distribution	464,935	199,631	144,555	453,283	804,670
	After distribution	190,534	131,031	74,545	112,031	227,591(Note)
Other equity interest		521	481	448	(910)	(1,155)
Total equity	Before distribution	4,056,187	3,819,702	4,045,539	4,610,079	5,303,687
	After distribution	3,781,786	3,751,102	3,975,529	4,268,827	4,726,608(Note)

Source:Financial report audited and certified by accountants.

Note： The 2022 profit distribution plan was approved by the resolution of the board of directors on February 24, 2023.

(III)Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years				
	2018	2019	2020	2021	2022
Operating revenue	4,524,026	3,854,729	4,039,180	5,043,332	5,899,587
Gross profit	769,988	245,406	243,959	726,433	1,101,881
Income from operations	499,480	6,399	11,488	464,113	784,799
Non-operating income & expenses	29,817	4,082	8,371	16,556	69,866
Income before tax	529,297	10,481	19,859	480,669	854,665
Continue with the business unit Net (loss) profit for the current period	430,119	10,478	25,693	380,530	681,271
Net income (Loss)	430,119	10,478	25,693	380,530	681,271
Other comprehensive income (income after tax)	(5,588)	(1,421)	(12,202)	(3,150)	11,123
Total comprehensive income	424,531	9,057	13,491	377,380	692,394
Net income attributable to shareholders of the parent	430,119	10,478	25,693	380,530	681,271
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	424,531	9,057	13,491	377,380	692,394
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.57	0.04	0.09	1.35	2.38

Source:Financial report audited and certified by accountants.

(IV) Individual Condensed Statement of Comprehensive Income - Based on IFRS

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2018	2019	2020	2021	2022
Operating revenue	4,504,898	3,838,154	4,022,775	5,027,125	5,880,611
Gross profit	759,423	235,334	233,311	718,625	1,091,859
Income from operations	498,025	4,766	6,902	462,154	781,319
Non-operating income & expenses	30,940	5,212	12,284	18,234	72,344
Income before tax	528,965	9,978	19,186	480,388	853,663
Continue with the business unit Net (loss) profit for the current period	430,119	10,478	25,693	380,530	681,271
Net income (Loss)	430,119	10,478	25,693	380,530	681,271
Other comprehensive income (income after tax)	(5,588)	(1,421)	(12,202)	(3,150)	11,123
Total comprehensive income	424,531	9,057	13,491	377,380	692,394
Earnings per share	1.57	0.04	0.09	1.35	2.38

Source:Financial report audited and certified by accountants.

(V)Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2018	PricewaterhouseCoopers Taiwan	Ya-Huei Jheng Dian-Yi Li	Clean audit opinion
2019	PricewaterhouseCoopers Taiwan	Dian-Yi Li Ya-Huei Jheng	Clean audit opinion
2020	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion
2021	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion
2022	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion

II、Financial analysis

(1) Consolidated Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years				
	Year	2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	32.51	36.57	32.19	30.29	30.87
	Ratio of long-term capital to property, plant and equipment	167.81	199.45	236.12	282.52	309.67
Solvency (%)	Current ratio	187.64	280.81	299.72	276.83	355.30
	Quick ratio	136.14	193.27	221.55	216.35	283.67
	Interest earned ratio (times)	66.77	1.59	2.04	38.96	41.27
Operating performance	Accounts receivable turnover (times)	4.15	3.55	4.24	4.37	4.62
	Average collection period	88	103	86	83	79
	Inventory turnover (times)	6.00	4.19	4.23	4.77	4.97
	Accounts payable turnover (times)	9.03	8.30	9.71	9.42	10.59
	Average days in sales	61	87	86	77	74
	Property, plant and equipment turnover (times)	2.09	1.51	1.77	2.61	3.10
	Total assets turnover (times)	0.84	0.64	0.67	0.80	0.83
Profitability	Return on total assets (%)	8.08	0.41	0.68	6.21	9.78
	Return on stockholders' equity (%)	11.36	0.27	0.65	8.79	13.74
	Pre-tax income to paid-in capital (%)	19.29	0.38	0.71	16.90	29.62
	Profit ratio (%)	9.51	0.27	0.64	7.55	11.55
	Earnings per share (NT$)	1.57	0.04	0.09	1.35	2.38
Cash flow	Cash flow ratio (%)	36.42	37.80	44.98	45.23	79.88
	Cash flow adequacy ratio (%)	55.72	64.18	70.88	74.38	91.96
	Cash reinvestment ratio (%)	6.20	1.48	5.15	6.94	8.26
Leverage	Operating leverage (Note)	1.59	63.14	40.24	2.01	1.58
	Financial leverage	1.02	(0.56)	(1.50)	1.03	1.03

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

1. Increase in Current ratio & Quick ratio: The increase was mainly due to increase in net profit and fundraising in 2022，led to the increase in Cash and approximate cash.
2. Increase in profitability related ratios:The increase was due to increase in capacity utilization and the increase in selling prices，led to the increase in operating gross profit and operating profit, and the incrase in net profit before tax in 2022.
3. Increase in Cash flow ratio (%) & Cash flow adequacy ratio (%) :The increase was mainly due to increase in net profit and net cash flow from operating activities in 2022.
4. Decrease in operating leverage: The decrease was due to increase in revenue and operating profit in 2022.

Source:Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

(2) Individual Financial Analysis - Based on IFRS

Item		2018	2019	2020	2021	2022
Year		Financial Analysis for the Last Five Years				
Financial structure (%)	Debt Ratio	32.49	36.57	32.17	30.28	30.83
	Ratio of long-term capital to property, plant and equipment	167.81	199.45	236.12	285.52	309.67
Solvency (%)	Current ratio	187.45	280.33	299.04	276.37	355.27
	Quick ratio	135.92	192.78	220.81	215.84	283.43
	Interest earned ratio (times)	66.73	1.56	2.00	38.95	41.23
Operating performance	Accounts receivable turnover (times)	4.04	3.46	4.14	4.29	4.50
	Average collection period	90	105	88	85	81
	Inventory turnover (times)	5.98	4.18	4.22	4.76	4.96
	Accounts payable turnover (times)	9.01	8.29	9.70	9.42	10.60
	Average days in sales	61	87	86	77	74
	Property, plant and equipment turnover (times)	2.08	1.51	1.77	2.61	3.09
	Total assets turnover (times)	0.83	0.64	0.67	0.80	0.82
Profitability	Return on total assets (%)	8.08	0.41	0.68	6.21	9.78
	Return on stockholders' equity (%)	11.36	0.27	0.65	8.79	13.74
	Pre-tax income to paid-in capital (%)	19.28	0.36	0.69	16.89	29.59
	Profit ratio (%)	9.55	0.27	0.64	7.57	11.59
	Earnings per share (NT$)	1.57	0.04	0.09	1.35	2.38
Cash flow	Cash flow ratio (%)	36.03	38.52	45.04	44.51	78.87
	Cash flow adequacy ratio (%)	55.10	55.30	68.75	72.14	89.10
	Cash reinvestment ratio (%)	6.12	1.57	5.16	6.81	7.61
Leverage	Operating leverage (Note)	1.59	84.43	66.31	2.02	1.58
	Financial leverage	1.02	(0.36)	(0.56)	1.03	1.03

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

1. Increase in Current ratio & Quick ratio: The increase was mainly due to increase in net profit and fundraising in 2022，led to the increase in Cash and approximate cash.
2. Increase in profitability related ratios:The increase was due to increase in capacity utilization and the increase in selling prices，led to the increase in operating gross profit and operating profit, and the increase in net profit before tax in 2022.
3. Increase in Cash flow ratio (%) & Cash flow adequacy ratio (%) :The increase was mainly due to increase in net profit and net cash flow from operating activities in 2022.
4. Decrease in operating leverage: The decrease was due to increase in revenue and operating profit in 2022.

Source:Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

Note ：The calculation formula for financial analysis is as follows：

1. Financial structure:
   (1)Debt of long fund to bank property and equipment=total liabilities/total assets
   (2)Ratio of liabilities to assets=(net shareholder's equity+long-term liabilities)/net fixed assets
2. Solvency:
   (1)Current ratio=current assets/current liabilities
   (2)Quick ratio=(current assets-inventory-prepaid expense)/current liabilities
   (3)Times interest earned ratio=net income before tax and interest expense/interest expense
3. Operating ability:
   (1)Account receivable turnover (including accounts receivable and notes receivable resulted from businessoperation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2)Days sales in account receivable=365/account receivable turnover
   (3)Inventory turnover=cost of goods sold/average inventory
   (4)Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5)Average days in sales=365/inventory turnover
   (6)Fixed property and equipment turnover=net sales/net fixed assets
   (7)Total assets turnover=net sales/average total assets
4. Profitability:
   (1)Ratio or return on total assets=[net income+interest expense*(1-tax rate)] / average total assets
   (2)Ratio or return on shareholder's equity=net income/average net shareholder's equity
   (3)Profit ratio=net income/net sales
   (4)Earnings per share=(net income-preferred stock dividend)/weighted average stock shares issued
5. Cash flow:
   (1)Cash flow ratio=net cash flow from operating activity/current liabilities
   (2)Cash flow adequacy ratio=(net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year
   (3)Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total fixed assets+long-term investment+other assets+working capital)
6. Balance：
   (1)Operation balance=(net operating income-operating variable cost and expense) / operating income
   (2)Financial balance= operating income/(operating income-interest expense)

III、Audit Committee’ s Report

Audit Committee’s Review Report

The Board of Directors has prepared and submitted to us the Company’ s 2022 Business Report, Financial Statements, and proposal for earnings distribution. Financial Statements were audited by PricewaterhouseCoopers (PwC), Taiwan.and they issued an audited report accordingly.We, as the Audit Committee of the Company, have reviewed the Business Report,Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act,we hereby submit this report.

Submit to
2022Annual Meeting of Shareholders, Episil-Precision Ine.

Chairman of the Audit Committee: Tzer Pemg Chen

Date: February 24,2023

IV、Financial report including accountant's audit report:

EPISIL-PRECISION INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, 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 24, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000396

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, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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 the these reguirments. 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 2022 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 2022 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, 2022, inventory and allowance for inventory valuation losses amounted to NT$1,006,054 thousand and NT$58,978 thousand, respectively.

The Group primarily engages in research and development, manufacture and sales of silicon 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, 2022 and 2021.

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.

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	Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
February 24, 2023

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,841,411	37	$ 1,550,172	24
1136	Current financial assets at amortised cost	6(2)	-	-	400,000	6
1170	Accounts receivable, net	6(3)	1,025,940	14	1,127,566	17
1180	Accounts receivable due from related parties, net	6(3) and 7	207,799	3	192,438	3
1200	Other receivables		27,584	-	16,159	-
1210	Other receivables due from related parties	7	8,472	-	11,850	-
130X	Inventories	6(4)	947,076	12	868,460	13
1410	Prepayments		93,490	1	57,446	1
1470	Other current assets		9,766	-	5,886	-
11XX	**Total current assets**		5,161,538	67	4,229,977	64
	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	13,565	-	7,858	-
1600	Property, plant and equipment	6(5)	2,008,385	26	1,799,031	27
1755	Right-of-use assets	6(6)	242,625	3	253,681	4
1760	Investment property - net	6(8)	160,320	2	169,579	3
1780	Intangible assets	6(9)	52,520	1	53,245	1
1840	Deferred income tax assets	6(27)	32,095	1	34,014	-
1920	Refundable guarantee deposits	7	1,109	-	66,133	1
15XX	**Total non-current assets**		2,510,636	33	2,383,558	36
1XXX	**Total assets**		$ 7,672,174	100	$ 6,613,535	100

(Continued)

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 178,624	2	$ 446,283	7
2130	Current contract liabilities	6(20)	42,574	1	38,395	1
2170	Accounts payable	6(11)	419,139	5	483,114	7
2180	Accounts payable to related parties	7	1,885	-	1,616	-
2200	Other payables	6(12)	621,779	8	350,315	5
2220	Other payables to related parties	7	36,083	1	38,181	1
2230	Current income tax liabilities		120,663	2	96,188	1
2280	Current lease liabilities		9,532	-	9,894	-
2320	Long-term liabilities, current portion	6(13)	-	-	46,878	1
2399	Other current liabilities, others		22,430	-	19,991	-
21XX	**Total current liabilities**		1,452,709	19	1,530,855	23
	Non-current liabilities					
2527	Non-current contract liabilities	6(20)	77,065	1	95,298	1
2530	Bonds payable	6(13)	484,170	6	-	-
2570	Deferred income tax liabilities	6(27)	36,148	1	36,549	1
2580	Non-current lease liabilities		242,962	3	251,452	4
2640	Net defined benefit liability, non-current	6(14)	67,338	1	81,012	1
2645	Guarantee deposits received		8,095	-	8,290	-
25XX	**Total non-current liabilities**		915,778	12	472,601	7
2XXX	**Total liabilities**		2,368,487	31	2,003,456	30
	Equity attributable to owners of parent					
	Share capital	6(16)				
3110	Share capital - common stock		2,885,394	38	2,843,767	43
	Capital surplus	6(17)				
3200	Capital surplus		1,614,778	21	1,313,939	20
	Retained earnings	6(18)				
3310	Legal reserve		101,319	1	63,445	1
3320	Special reserve		910	-	-	-
3350	Unappropriated retained earnings		702,441	9	389,838	6
	Other equity interest	6(19)				
3400	Other equity interest		(1,155)	-	(910)	-
3XXX	**Total equity**		5,303,687	69	4,610,079	70
	Significant commitments and contingencies	9				
3X2X	**Total liabilities and equity**		$ 7,672,174	100	$ 6,613,535	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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
4000	Operating revenue	6(20) and 7	$ 5,899,587	100	$ 5,043,332	100
5000	Operating costs	6(4) and 7	(4,797,706)	(81)	(4,316,899)	(86)
5900	Gross profit from operation		1,101,881	19	726,433	14
	Operating expenses	6(25)(26) and 7				
6100	Selling and marketing expenses		(61,365)	(1)	(54,408)	(1)
6200	General and administrative expenses		(185,626)	(3)	(139,392)	(3)
6300	Research and development expenses		(70,091)	(1)	(68,520)	(1)
6000	Total operating expenses		(317,082)	(5)	(262,320)	(5)
6900	Operating profit		784,799	14	464,113	9
	Non-operating income and expenses					
7100	Interest income	6(21)	14,058	-	4,956	-
7010	Other income	6(22)	44,138	1	45,513	1
7020	Other gains and losses	6(23)	32,893	-	(21,249)	(1)
7050	Finance costs	6(24)	(21,223)	-	(12,664)	-
7000	Total non-operating income and expenses		69,866	1	16,556	-
7900	**Profit before income tax**		854,665	15	480,669	9
7950	Income tax expense	6(27)	(173,394)	(3)	(100,139)	(2)
8200	**Profit for the year**		$ 681,271	12	$ 380,530	7
	Other comprehensive income, net					
8311	Gains (losses) on remeasurements of defined benefit plans	6(14)	$ 11,368	-	($ 1,792)	-
	Items may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations	6(19)	(245)	-	(1,358)	-
8300	**Other comprehensive income (loss), net**		$ 11,123	-	($ 3,150)	-
8500	**Total comprehensive income for the year**		$ 692,394	12	$ 377,380	7
	Profit attributable to:					
8610	Owners of the parent		$ 681,271	12	$ 380,530	7
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 692,394	12	$ 377,380	7
	Basic earnings per share	6(28)				
9750	Basic earnings per share (in dollars)		$ 2.38		$ 1.35	
	Diluted earnings per share	6(28)				
9850	Diluted earnings per share (in dollars)		$ 2.36		$ 1.35	

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, 2022 AND 2021
(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
2021											
Balance at January 1, 2021		$2,796,356	$1,078,295	$ 14,721	$ 670	$ 10,494	$ 62,093	$ -	$ 82,462	$ 448	$4,045,539
Profit for the year		-	-	-	-	-	-	-	380,530	-	380,530
Other comprehensive loss	6(19)	-	-	-	-	-	-	-	(1,792)	(1,358)	(3,150)
Total comprehensive income (loss)		-	-	-	-	-	-	-	378,738	(1,358)	377,380
Appropriation of 2020 earnings	6(18)										
Legal reserve		-	-	-	-	-	1,352	-	(1,352)	-	-
Cash dividends		-	-	-	-	-	-	-	(70,010)	-	(70,010)
Conversion of corporate bonds	6(13)(16)(17)	47,411	222,220	(12,461)	-	-	-	-	-	-	257,170
Balance at December 31, 2021		$2,843,767	$1,300,515	$ 2,260	$ 670	$ 10,494	$ 63,445	$ -	$ 389,838	($ 910)	$4,610,079
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											
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	6(15)	-	-	(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

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 854,665	$ 480,669
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation expense	6(5)(6)(8)(25)	452,954	466,502
Amortisation expense	6(9)(25)	3,857	3,518
Finance costs	6(24)	21,223	12,664
Interest income	6(21)	(14,058)	(5,116)
Dividend income		(1)	(1)
Share-based payments	6(15)	5,000	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	1,733
Accounts receivable		101,626	(256,598)
Accounts receivable due from related parties		(15,361)	(79,289)
Other receivables		(11,484)	(3,530)
Other receivables due from related parties		3,378	792
Inventories		(78,616)	(72,917)
Prepayments		(36,044)	9,293
Other current assets		(3,880)	364
Changes in operating liabilities			
Contract liabilities		(14,054)	(50,868)
Accounts payable		(63,975)	52,946
Accounts payable to related parties		269	(243)
Other payables		104,810	104,118
Other payables to related parties		(2,098)	1,976
Other current liabilities		2,439	1,169
Net defined benefit liability		(2,306)	(15,317)
Cash inflow generated from operations		1,308,344	651,865
Interest received		14,117	5,116
Dividends received		1	1
Interest paid		(14,678)	(9,093)
Income taxes (paid) received		(147,402)	44,573
Net cash flows from operating activities		1,160,382	692,462

(Continued)

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at amortized cost		($ 275,983)	($ 400,000)
Disposal of financial assets measured at amortised cost		670,276	-
Acquisition of property, plant and equipment	6(29)	(475,557)	(174,842)
Acquisition of intangible assets	6(9)	(2,847)	(1,667)
Decrease in refundable guarantee deposits		65,025	83
Increase in other current financial assets		-	(97)
Net cash flows used in investing activities		(19,086)	(576,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(30)	1,411,939	1,770,233
Decrease in short-term borrowings	6(30)	(1,679,598)	(1,624,017)
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)	(9,907)	(9,699)
Cash capital increase	6(16)	268,737	-
Cash dividends paid	6(18)	(341,252)	(70,010)
Net cash flows from financing activities		150,187	66,507
Effect of exchange rate changes		(244)	(1,358)
Net increase in cash and cash equivalents		1,291,239	181,088
Cash and cash equivalents at beginning of year	6(1)	1,550,172	1,369,084
Cash and cash equivalents at end of year	6(1)	$ 2,841,411	$ 1,550,172

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, 2022 AND 2021

(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 24, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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 IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	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.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) 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, 2022	Ownership (%) December 31, 2021
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) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) 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) Cash equivalents

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

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

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

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

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

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

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

(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 applicable variable selling expenses.

(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. 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, 2022, the carrying amount of inventories was $947,076.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 422	$ 394
Checking accounts and demand deposits	287,133	578,381
Time deposits	1,896,356	683,897
Bonds sold under repurchase agreements	657,500	287,500
	$ 2,841,411	$ 1,550,172

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

B. Time deposits with maturity between three months and a year held by the Company were classified as current financial assets at amortised cost.

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

(2) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits-maturing in over three months	$ -	$ 400,000
Non-current items:		
Pledged time deposits	13,565	7,858
	$ 13,565	$ 407,858

A. As at December 31, 2022 and 2021, 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 $13,565 and $407,858, respectively.

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

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$ 1,026,092	$ 1,127,718
Accounts receivable due from related parties	207,799	192,438
Less: Loss allowance	(152)	(152)
	$ 1,233,739	$ 1,320,004

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

	December 31, 2022	December 31, 2021
	Accounts receivable (Including related parties)	Accounts receivable (Including related parties)
Not past due	$ 1,110,105	$ 1,128,477
Up to 30 days	102,834	138,959
31 to 90 days	20,952	52,720
	$ 1,233,891	$ 1,320,156

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $985,850.

C. As of December 31, 2022 and 2021, collaterals held by the Group as security for accounts receivable both amounted to $5,000.

D. As of December 31, 2022 and 2021, 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 $1,233,739 and $1,320,004, respectively.

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

(4) Inventories

	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

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 490,324	($ 32,281)	$ 458,043
Supplies	279,944	(22,048)	257,896
Work in progress	81,804	(963)	80,841
Finished goods	74,475	(2,795)	71,680
	$ 926,547	($ 58,087)	$ 868,460

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of goods sold	$ 4,795,139	$ 4,331,281
Inventory valuation loss (reversal of loss)	891	(30,074)
Inventory scrapped	1,676	15,692
	$ 4,797,706	$ 4,316,899

For the year ended December 31, 2021, the Group reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of certain inventories which were previously provided with allowance.

(5) Property, plant and equipment

	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

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2021					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
2021					
At January 1	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
Additions	31,685	22,694	6,586	128,127	189,092
Reclassifications	2,800	17,575	-	(20,375)	-
Depreciation expense	(84,313)	(361,342)	(3,712)	-	(449,367)
At December 31	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
At December 31, 2021					
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

A. The Group has no interest capitalisation for the years ended December 31, 2022 and 2021.

B. As of December 31, 2022 and 2021, 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, 2022	December 31, 2021
	Book value	Book value
Land	$ 238,144	$ 245,199
Buildings and structures	4,333	7,887
Machinery and equipment	148	595
	$ 242,625	$ 253,681

	Year ended December 31	
	2022	2021
	Depreciation expense	Depreciation expense
Land	$ 8,122	$ 8,087
Buildings and structures	3,543	3,553
Machinery and equipment	446	446
	$ 12,111	$ 12,086

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $1,070 and $0, respectively.

E. For the years ended December 31, 2022 and 2021, the decrease to right-of-use assets were $15 and $0, respectively.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 5,858	$ 6,029
Expense on short-term lease agreements	1,369	6,942

G. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were $17,134 and $22,670, respectively.

H. 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, 2022 and 2021, the Group recognised rental revenue in the amounts of $42,703 and $43,774, 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, 2022	December 31, 2021
2022	$ -	$ 42,181
2023	40,960	41,511
2024	40,865	41,415
2025	40,541	41,092
2026	31,527	32,078
2027	8,739	9,289
After 2028	78,649	83,605
	$ 241,281	$ 291,171

(8) Investment property

	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

	2021
	Buildings and Structures
At January 1	
Cost	$ 211,322
Accumulated depreciation and impairment	(36,694)
	$ 174,628
At January 1	$ 174,628
Depreciation expense	(5,049)
At December 31	$ 169,579
At December 31	
Cost	$ 211,322
Accumulated depreciation and impairment	(41,743)
	$ 169,579

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

	Year ended December 31, 2022	Year ended December 31, 2021
Rental revenue from investment property	$ 41,607	$ 42,656
Direct operating expenses arising from the investment property that generated rental revenue during the year	$ 9,363	$ 9,799

B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 was $213,458 and $221,272, 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, 2022	December 31, 2021
Discount rate	11.01%	11.21%
Annual rent (net income)	$36,267	$37,896
Duration	10 years	10 years

C. The Group has no interest capitalisation for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, the Group has no investment property pledged to others as collateral.

(9) Intangible assets

	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

	2021			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096
At January 1	$ -	$ 48,369	$ 6,727	$ 55,096
Additions	-	-	1,667	1,667
Amortisation expense	-	-	(3,518)	(3,518)
At December 31	$ -	$ 48,369	$ 4,876	$ 53,245
At December 31				
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

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

	Year ended December 31, 2022	Year ended December 31, 2021
Operating costs	$ 3,857	$ 3,518

B. The Group has no interest capitalisation for the years ended December 31, 2022 and 2021.

C. As of December 31, 2022 and 2021, the Group has no intangible assets pledged to others as collateral.

(10) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 178,624	4.10% ~ 6.04%	None

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 446,283	0.61% ~ 1.06%	None

For the years ended December 31, 2022 and 2021, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $8,071 and $2,959, respectively.

(11) Accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	$ 387,080	$ 435,563
Estimated accounts payable	32,059	47,551
	$ 419,139	$ 483,114

(12) Other payables

	December 31, 2022	December 31, 2021
Payables for equipment	$ 199,347	$ 33,681
Accrued expenses-expendables	133,352	119,114
Accrued expenses-bonus	122,087	81,286
Employees' compensation and directors' remuneration payable	84,428	59,374
Accrued expenses-others	82,565	56,860
	$ 621,779	$ 350,315

(13) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable		
The Group’s third domestic unsecured convertible bonds	$ -	$ 600,000
The Group’s fourth domestic unsecured convertible bonds	500,000	-
	500,000	600,000
Less: Bonds payable converted	-	(552,500)
Discount on bonds payable	(15,830)	(622)
	484,170	46,878
Less: Current portion (shown as “Other current liabilities”)	-	(46,878)
	$ 484,170	$ -

A. The domestic unsecured convertible bonds issued by the Group

(a) The issuance terms of the Group's third domestic unsecured convertible bonds are as follows:

i. The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Group. The bonds are with a total issuance amount of $600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 31, 2019 to October 31, 2022, and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 31, 2019.

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

iii. The effective date for the conversion price of the convertible was set on October 23, 2019. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of $52.93 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.04% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT$55.6 (in dollars) per share based on the aforementioned method.

iv. All convertible bonds repurchased, redeemed or converted by the Group 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) The issuance terms of the Company's fourth domestic unsecured convertible bonds are as follows:

i. 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.

ii. 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.

iii. 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.

iv. 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, 2022 and 2021, the carrying amounts were $21,757 and $2,260, repectively.

C. As of December 31, 2022, the bonds totaling $599,700 (face value) had been converted into 10,838 thousand shares of common stock.

(14) <u>Pensions</u>

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

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 186,499	$ 182,232
Fair value of plan assets	(119,161)	(101,220)
Net defined benefit liability	$ 67,338	$ 81,012

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

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

2021	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 185,996	($ 91,459)	$ 94,537
Current service cost	156	-	156
Interest expense (income)	558	(274)	284
	186,710	(91,733)	94,977
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,364)	(1,364)
Change in demographic assumptions	6,144	-	6,144
Change in financial assumptions	(2,040)	-	(2,040)
Experience adjustments	(948)	-	(948)
	3,156	(1,364)	1,792
Pension fund contribution	-	(11,864)	(11,864)
Paid pension	(7,634)	3,741	(3,893)
At December 31	$ 182,232	($ 101,220)	$ 81,012

(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, 2022 and 2021 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,	
	2022	2021
Discount rate	1.30%	0.60%
Future salary increases	3.25%	3.25%

For the years ended December 31, 2022 and 2021, future mortality rate was estimated based on the 6th and 5th 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, 2022				
Effect on present value of defined benefit obligations	($ 4,562)	$ 4,725	$ 4,182	($ 4,067)
December 31, 2021				
Effect on present value of defined benefit obligations	($ 4,976)	$ 5,166	$ 4,566	($ 4,431)

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 Group for the year ending December 31, 2023 amount to $3,129.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11 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, 2022 and 2021 were $28,070 and $23,342, respectively.

(15) Share based payment

A. For the years ended December 31, 2022 and 2021, 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, 2022	Year ended December 31, 2021
Equity-settled	$ 5,000	$ -

(16) Share capital

A. As of December 31, 2022, 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)

	2022	2021
At January 1	284,376	279,635
Cash capital increase	3,300	-
Conversion of convertible bonds	863	4,741
At December 31	288,539	284,376

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. On February 14, 2022 and March 8, 2021, the shareholders resolved that total dividends for the distribution of earnings for the year of 2022 and 2021 was $ 341,252 and $70,010 at $1.2 (in dollars) and $0.25 (in dollars) per share, respectively.

E. On June 21, 2022, the Company recognised dividends distributed to owners amounting for the years ended December 31, 2021 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	

F. The Company proposed for the distribution of dividends for the year 2020 earnings on August 19, 2021.

G. On February 24, 2023, the Board of Directors proposed for the distribution of dividends of earnings for the year ended December 31, 2021 in the amount of $577,079 at $2 (in dollars) per share.

H. 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.

I. The number of the Company's shares outstanding has changed because 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$0.24955765 (in dollars) per share on June 25, 2021.

(19) Other equity items

	Year ended December 31	
	2022	2021
	Financial statements translation difference of foreign operations	Financial statements translation difference of foreign operations
At January 1	($ 910)	$ 448
Currency translation differences:		
–Group	(245)	(1,358)
At December 31	($ 1,155)	($ 910)

(20) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	$ 5,899,587	$ 5,043,332

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, 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

Year ended December 31, 2021	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 5,008,833	$ 34,499	$ 5,043,332
Timing of revenue recognition			
At a point in time	$ 5,008,833	$ 34,499	$ 5,043,332

B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability– advance sales receipts	$ 119,639	$ 133,693	$ 184,561

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

	Years ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 79,596	$ 76,047

(21) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	$ 14,058	$ 4,956

(22) Other income

	Years ended December 31,	
	2022	2021
Rental revenue	$ 42,703	$ 43,774
Dividend income	1	1
Other income, others	1,434	1,738
	$ 44,138	$ 45,513

(23) Other gains and losses

	Years ended December 31,	
	2022	2021
Net currency exchange gain (loss)	$ 46,768	($ 7,191)
Depreciation on investment property	(4,996)	(5,049)
Other losses	(8,879)	(9,009)
	$ 32,893	($ 21,249)

(24) Finance costs

	Years ended December 31, 2022	Years ended December 31, 2021
Interest expense：		
Bank borrowings	$ 8,071	$ 2,959
Bonds payable	5,558	3,492
Lease liabilities	5,858	6,029
Others	1,564	91
Finance expenses	172	93
	$ 21,223	$ 12,664

(25) Expenses by nature

	Years ended December 31, 2022	Years ended December 31, 2021
Employee benefit expense	$ 938,648	$ 683,976
Depreciation expenses on property, plant and equipment	452,954	466,502
Amortisation expenses on intangible assets	3,857	3,518

(26) Employee benefit expenses

	Years ended December 31, 2022	Years ended December 31, 2021
Wages and salaries	$ 786,552	$ 564,660
Share-based payments	5,000	-
Labour and health insurance fees	57,279	47,045
Pension costs	28,786	23,782
Other personnel expenses	61,031	48,489
	$ 938,648	$ 683,976

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, 2022 and 2021, employees' compensation was accrued at $75,047 and $53,976, respectively; while directors' remuneration was accrued at $9,381 and $5,398, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 1%, 10% and 1% of earnings for the years ended December 31, 2022 and 2021, respectively.

Employees' compensation of $53,976 and directors' remuneration of $5,398 for the year ended December 31, 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. Abovementioned employees' compensation of 2021 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, 2022	Years ended December 31, 2021
Current tax:		
Current tax on profits for the year	$ 170,552	$ 98,449
Prior year income tax underestimation (overestimation)	1,324	(249)
Total current tax	171,876	98,200
Deferred tax:		
Origination and reversal of temporary differences	1,518	1,939
Total deferred tax	1,518	1,939
Income tax expense	$ 173,394	$ 100,139

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2022	Years ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	$ 171,735	$ 96,358
Expenses disallowed by tax regulation	1,112	699
Change in assessment of realisation of deferred tax assets	(777)	3,331
Prior year income tax underestimation (overestimation)	1,324	(249)
Income tax expense	$ 173,394	$ 100,139

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

	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-taxdifference	(18,151)	443	(17,708)
Intangible assets - book-tax difference	(515)	-	(515)
	(36,549)	401	(36,148)
	($ 2,535)	($ 1,518)	($ 4,053)

	2021		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 17,632	($ 6,014)	$ 11,618
Pension liability	18,907	(1,926)	16,981
Others	1,586	3,829	5,415
	$ 38,125	($ 4,111)	$ 34,014
Deferred income tax liabilities:			
Income on investments accounted for using equity method	2,017	(269)	1,748
Property, plant and equipment - book-tax difference	(21,215)	1,584	(19,631)
Investment property - book-taxdifference	(18,494)	343	(18,151)
Intangible assets - book-tax difference	(1,029)	514	(515)
	(38,721)	2,172	(36,549)
	($ 596)	($ 1,939)	($ 2,535)

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

(28) Earnings per share

	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

	Year ended December 31, 2021		
	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	$ 380,530	281,253	$ 1.35
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	380,530	281,253	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	414	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 380,530	281,667	$ 1.35

For the year ended December 31, 2021, 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, 2022	Years ended December 31, 2021
Acquisition of property, plant and equipment	$ 641,223	$ 189,092
Add: Opening balance of payable on equipment	33,681	19,431
Less: Ending balance of payable on equipment	(199,347)	(33,681)
Cash paid during the year	$ 475,557	$ 174,842

B. Financing activities with no cash flow effects:

	Years ended December 31, 2022	Years ended December 31, 2021
Convertible bonds being converted to capital stocks	$ 46,972	$ 257,170

(30) Changes in liabilities from financing activities

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

2021	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 300,067	$271,045	$ 8,290	$ 300,556	$ 879,958
Changes in cash flow from financing activities	146,216	(9,699)	-	-	136,517
Interest paid	-	(6,029)	-	-	(6,029)
Interest expense	-	6,029	-	3,492	9,521
Conversion option exercised	-	-	-	(257,170)	(257,170)
At December 31	$ 446,283	$261,346	$ 8,290	$ 46,878	$ 762,797

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. (Note)	The parent company
Episil Technologies Inc. (Shanghai)	The parent company's indirect wholly-owned subsidiary
Hermes-Epitek Corp.	The parent company's director is the Hermes-Epitek Corp.'s director
Taiwan Hi-Tech Corp.	Investee of the parent company accounted for using equity method

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

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
-Episil Technologies Inc.	$ 688,579	$ 181,594
-Affiliate companies	-	297,702
-Other related parties	1,286	2,461
	$ 689,865	$ 481,757

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, 2022		Years ended December 31, 2021	
Purchases of goods:				
-Episil Technologies Inc.	$	9,044	$	2,280
-Affiliate companies		-		7,982
-Other related parties		1,059		-
Purchases of services:				
-Episil Technologies Inc.		13,469		71,050
-Affiliate companies		-		1,189
	$	23,572	$	82,501

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

C. Receivables from related parties

	December 31, 2022		December 31, 2021	
Accounts receivable:				
-Episil Technologies Inc.	$	207,799	$	191,860
-Affiliate companies		-		578
		207,799		192,438
Other receivables:				
-Episil Technologies Inc.	$	8,472	$	11,850
	$	216,271	$	204,288

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, 2022		December 31, 2021	
Accounts payable:				
-Episil Technologies Inc.	$	811	$	1,616
-Affiliate companies		1,074		-
		1,885		1,616
Other payables:				
-Episil Technologies Inc.	$	5,037	$	15,729
-Other related parties		31,046		22,452
		36,083		38,181
	$	37,968	$	39,797

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

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

E. Refundable guarantee deposits

	December 31, 2022	December 31, 2021
Refundable guarantee deposits:		
-Other related parties	$ -	$ 65,000

F. Lease transactions

(a) For the years ended December 31, 2022 and 2021, rental revenue arising from leasing certain buildings and structures to affiliate companies amounted to $9,113 and $9,663, respectively, which is collected monthly.

(b) For the years ended December 31, 2022 and 2021, rental expense due to leasing certain buildings and structures from affiliate companies amounted to $235 and $6,760, respectively, which is paid monthly.

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

	Years ended December 31,	
	2022	2021
Testing fee:		
-Other related parties	$ 135,316	$ 119,271

(4) Key management personnel compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	$ 24,892	$ 12,879
Post-employment benefits	270	216
	$ 25,162	$ 13,095

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2022	December 31, 2021	Purpose
Pledged time deposits (shown as "Non-current financial assets at amortised cost)	$ 13,565	$ 7,858	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, 2022	December 31, 2021
Property, plant and equipment	$ 342,084	$ 109,060

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2022 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, 2022	December 31, 2021
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	$ 13,565	$ 407,858
Cash and cash equivalents	2,841,411	1,550,172
Accounts receivable	1,025,940	1,127,566
Accounts receivable due from related parties	207,799	192,438
Other receivables	27,584	16,159
Other receivables due from related parties	8,472	11,850
Refundable guarantee deposits	1,108	66,133
	$ 4,125,879	$ 3,372,176
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 178,624	$ 446,283
Accounts payable	419,139	483,114
Accounts payable to related parties	1,885	1,616
Other payables	621,779	350,315
Other payables to related parties	36,083	38,181
Bonds payable (including current portion)	484,170	46,878
Guarantee deposits received	8,095	8,290
	$ 1,749,775	$ 1,374,677
Lease liability	$ 252,494	$ 261,346

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, 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.			

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 29,948	27.690	$ 829,260
JPY:NTD	25,028	0.2406	6,022
RMB:NTD	19,628	4.347	85,323
USD:JPY	1,264	115.087	35,000
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 24,312	27.690	$ 673,199
JPY:NTD	78,548	0.2406	18,899
RMB:NTD	25,222	4.347	109,640
USD:JYP	47	115.087	1,312
Non-monetary items: None.			

iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to $46,768 and ($7,191), respectively.

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

	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)	-
USD:JPY	1%	(7)	-

	Year ended December 31, 2021		
	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%	$ 8,293	$ -
JPY:NTD	1%	60	-
RMB:NTD	1%	853	-
USD:JPY	1%	350	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 6,732)	$ -
JPY:NTD	1%	(189)	-
RMB:NTD	1%	(1,096)	-
USD:JPY	1%	(13)	-

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. During 2022 and 2021 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, 2022 and 2021 would have decreased /increased by $447 and $1,116, 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:

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

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated as low.

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

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

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

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

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

vi. The Group categorised accounts receivable in accordance with credit risk and 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, 2022 and 2021, 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, 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)
December 31, 2021							
Expected loss rate	0.01%	0.01%	0.15%	0.88%	100%	0.12~6%	
Total book value	$ 1,001,526	$ 114,241	$ 52,720	$ -	$ -	$ 151,669	$ 1,320,156
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:

	2022	2021
	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 head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Group held money market position of $2,840,989 and $1,549,778, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	$ 200,000	$ 177,988
Fixed rate:		
Expiring beyond one year	1,423,438	578,122
	$ 1,623,438	$ 756,110

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, 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	-

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Non-derivative financial liabilities				
December 31, 2021				
Short-term borrowings	$ 446,283	$ -	$ -	$ -
Accounts payable (including related parties)	484,730	-	-	-
Other payables (including related parties)	388,496	-	-	-
Lease liabilities	15,728	15,144	35,818	295,212
Bonds payable	47,500	-	-	-
Deposits received	195	-	8,095	-

(3) Fair value information

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

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

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

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 46,878	$ -	$ 46,973	$ -

(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, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 17	$ 17

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
	Equity instruments	Equity instruments
At January 1 / December 31	$ 17	$ 17

G. For the years ended December 31, 2022 and 2021, 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, 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

	Fair value at December 31, 2021	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, 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)

			December 31, 2021			
			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)

(4) Others

Impact to the Group's operations due to COVID-19: Based on the assessment of operations and financial information by the Group, there is no significant effect to the Company's going concern, assets impairment and financing risk due to COVID-19.

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:

	Year ended December 31	
	2022	2021
Revenue from external customers	$ 5,899,587	$ 5,043,332
Inter-company revenue	$ 282,969	$ 188,375
Segment income	$ 854,665	$ 480,669
Segment assets	$ 7,672,174	$ 6,613,535

(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, 2022	Year ended December 31, 2021
Sales revenue from silicon epitaxy wafer	$ 4,790,531	$ 4,072,408
Epitaxy wafer foundry	1,098,501	936,425
Others	10,555	34,499
	$ 5,899,587	$ 5,043,332

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 3,178,107	$ 2,463,851	$ 2,791,166	$ 2,275,536
Japan	1,484,141	-	1,068,995	-
China	503,822	-	629,903	-
Others	733,517	-	553,268	-
	$ 5,899,587	$ 2,463,851	$ 5,043,332	$ 2,275,536

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022			Year ended December 31, 2021	
	Revenue	Segment		Revenue	Segment
A	$ 688,579	All segment	B	$ 440,150	All segment
B	$ 667,491	All segment	D	$ 464,050	All segment
D	$ 510,145	All segment	C	$ 369,300	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, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022 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, 2022

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)	$ 688,579	11.67%	30-90 days after monthly billings	$ -	Gerneral terms	$ 207,799	16.34%	Note 4
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	278,416	4.72%	30-90 days after monthly billings	-	Gerneral terms	74,102	5.83%	

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: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: 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, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note 1)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Episil-Precision Inc.	Episil Technologies Inc.	Parent company	$ 207,799	3.5	$ 55,553	Amount collected subsequent to the balance sheet date	$ 58,030	$ -

Episil-Precision Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 3)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	$ 278,416	Gerneral terms	4.72%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	4,552	Gerneral terms	0.08%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	74,102	90~180 days after monthly billings	0.97%

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, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of silicon epitaxy wafer	$ 2,740	$ 2,740	200	100.00%	$ 12,129	$ 2,279	$ 2,279	

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, 2022

Table 6

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000381

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

Opinion

We have audited the accompanying parent company only balance sheets of Episil-Precision Inc. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Inventory valuation

Description

Please refer to Note 4(11) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for description of inventory and allowance for inventory valuation losses. As of December 31, 2022, inventory and allowance for inventory valuation losses amounted to NT$1,006,054 thousand and NT$58,978 thousand, respectively.

The Company primarily engages in research and development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafer. 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 Company'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.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the reasonableness of Company's policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory.
2. Verified whether the systematic logic used in the Company's inventory aging report is appropriate and in accordance with the Company'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.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 parent company only 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Hsieh, Chih-Cheng	Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
February 24, 2023

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

EPISIL-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,790,736	37	$ 1,517,349	23
1136	Current financial assets at amortised cost	6(2) and 8	-	-	400,000	6
1170	Accounts receivable, net	6(3)	989,879	13	1,104,893	17
1180	Accounts receivable due from related parties, net	7	281,901	4	239,074	4
1200	Other receivables		24,347	-	14,116	-
1210	Other receivables due from related parties	7	8,472	-	11,850	-
130X	Inventories	6(4)	947,076	12	868,460	13
1410	Prepayments	9	93,408	1	57,351	1
1470	Other current assets		9,766	-	5,886	-
11XX	**Total current assets**		5,145,585	67	4,218,979	64
	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		13,565	-	7,858	-
1550	Investments accounted for using equity method	6(5)	12,129	-	10,095	-
1600	Property, plant and equipment	6(6)	2,008,385	26	1,799,031	27
1755	Right-of-use assets	6(7)	242,625	3	253,681	4
1760	Investment property - net	6(9)	160,320	2	169,579	3
1780	Intangible assets	6(10)	52,520	1	53,245	1
1840	Deferred income tax assets	6(28)	32,095	1	34,014	-
1920	Refundable guarantee deposits		572	-	65,579	1
15XX	**Total non-current assets**		2,522,228	33	2,393,099	36
1XXX	**Total assets**		$ 7,667,813	100	$ 6,612,078	100

(Continued)

EPISIL-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 178,624	2	$ 446,283	7
2130	Current contract liabilities	6(21)	42,574	1	38,395	1
2170	Accounts payable	6(12)	418,765	5	482,599	7
2180	Accounts payable to related parties	7	1,598	-	573	-
2200	Other payables	6(13)	621,702	8	350,217	5
2220	Other payables to related parties	7	36,287	1	38,631	1
2230	Current income tax liabilities		119,745	2	96,180	1
2280	Current lease liabilities		9,532	-	9,894	-
2320	Long-term liabilities, current portion	6(14)	-	-	46,878	1
2399	Other current liabilities, others		19,521	-	19,748	-
21XX	**Total current liabilities**		1,448,348	19	1,529,398	23
	Non-current liabilities					
2527	Non-current contract liabilities	6(21)	77,065	1	95,298	1
2530	Bonds payable	6(14)	484,170	6	-	-
2570	Deferred income tax liabilities	6(28)	36,148	1	36,549	1
2580	Non-current lease liabilities		242,962	3	251,452	4
2640	Net defined benefit liability, non-current	6(15)	67,338	1	81,012	1
2645	Guarantee deposits received		8,095	-	8,290	-
25XX	**Total non-current liabilities**		915,778	12	472,601	7
2XXX	**Total liabilities**		2,364,126	31	2,001,999	30
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Share capital - common stock		2,885,394	38	2,843,767	43
	Capital surplus	6(18)				
3200	Capital surplus		1,614,778	21	1,313,939	20
	Retained earnings	6(19)				
3310	Legal reserve		101,319	1	63,445	1
3320	Special reserve		910	-	-	-
3350	Unappropriated retained earnings		702,441	9	389,838	6
	Other equity interest	6(20)				
3400	Other equity interest		(1,155)	-	(910)	-
3XXX	**Total equity**		5,303,687	69	4,610,079	70
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 7,667,813	100	$ 6,612,078	100

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2022		2021	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	$ 5,880,611	100	$ 5,027,125	100
5000	Operating costs	6(4) and 7	(4,788,752)	(81)	(4,308,500)	(86)
5900	Gross profit from operation		1,091,859	19	718,625	14
	Operating expenses	7				
6100	Selling and marketing expenses		(54,823)	(1)	(48,559)	(1)
6200	General and administrative expenses		(185,626)	(3)	(139,392)	(3)
6300	Research and development expenses		(70,091)	(1)	(68,520)	(1)
6000	Total operating expenses		(310,540)	(5)	(256,471)	(5)
6900	Operating profit		781,319	14	462,154	9
	Non-operating income and expenses					
7100	Interest income	6(22)	14,056	-	4,955	-
7010	Other income	6(23)	44,131	1	45,513	1
7020	Other gains and losses	6(24)	33,100	-	(20,925)	-
7050	Finance costs	6(25)	(21,222)	-	(12,658)	-
7070	Share of profit/(loss) of associates and joint ventures accounted for using equity method	6(5)	2,279	-	1,349	-
7000	Total non-operating income and expenses		72,344	1	18,234	1
7900	**Profit before income tax**		853,663	15	480,388	10
7950	Income tax expense		(172,392)	(3)	(99,858)	(2)
8200	**Profit for the year**		$ 681,271	12	$ 380,530	8
	Other comprehensive income, net					
	Components of other comprehensive income that may not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(15)	$ 11,368	-	($ 1,792)	-
	Components of other comprehensive income that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations	6(20)	(245)	-	(1,358)	-
8300	**Other comprehensive income (loss), net**		$ 11,123	-	($ 3,150)	-
8500	**Total comprehensive income for the year**		$ 692,394	12	$ 377,380	8
	Basic earnings per share					
9750	Basic earnings per share (in dollars)		$	2.38	$	1.35
	Diluted earnings per share					
9850	Basic earnings per share (in dollars)		$	2.36	$	1.35

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			Capital Reserves				Retained Earnings				
	Notes	Share capital - common stock	Additional paid-in capital	Warrants	Restricted stock	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
2021											
Balance at January 1, 2021		$2,796,356	$1,078,295	$ 14,721	$ 670	$ 10,494	$ 62,093	$ -	$ 82,462	$ 448	$4,045,539
Profit for the year		-	-	-	-	-	-	-	380,530	-	380,530
Other comprehensive loss	6(20)	-	-	-	-	-	-	-	(1,792)	(1,358)	(3,150)
Total comprehensive income(loss)		-	-	-	-	-	-	-	378,738	(1,358)	377,380
Appropriation of 2020 earnings	6(19)										
Legal reserve		-	-	-	-	-	1,352	-	(1,352)	-	-
Cash dividends		-	-	-	-	-	-	-	(70,010)	-	(70,010)
Conversion of corporate bonds	6(14)(17)	47,411	222,220	(12,461)	-	-	-	-	-	-	257,170
Balance at December 31, 2021		$2,843,767	$1,300,515	$ 2,260	$ 670	$ 10,494	$ 63,445	$ -	$ 389,838	($ 910)	$4,610,079
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	6(20)	-	-	-	-	-	-	-	11,368	(245)	11,123
Total comprehensive income(loss)		-	-	-	-	-	-	-	692,639	(245)	692,394
Appropriation of 2021 earnings	6(19)										
Legal reserve		-	-	-	-	-	37,874	-	(37,874)	-	-
Special reserve		-	-	-	-	-	-	910	(910)	-	-
Cash dividends		-	-	-	-	-	-	-	(341,252)	-	(341,252)
Conversion of corporate bonds	6(14)(17)(18)	8,627	40,591	(2,246)	-	-	-	-	-	-	46,972
Issuance of corporate bonds	6(14)	-	-	21,757	-	-	-	-	-	-	21,757
Corporate bonds not converted after the due date	6(16)	-	-	(14)	-	14	-	-	-	-	-
Cash capital increase	6(17)	33,000	235,737	-	-	-	-	-	-	-	268,737
Compensation cost for cash capital increase retained for employees	6(16)	-	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

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

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 853,663	$ 480,388
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation expense	6(26)	452,954	466,502
Amortisation expense	6(26)	3,857	3,518
Finance costs	6(25)	21,222	12,658
Interest income	6(22)	(14,056)	(4,955)
Dividend income	6(23)	(1)	(1)
Share-based payments	6(16)	5,000	-
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(2,279)	(1,349)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	1,733
Accounts receivable		115,014	(251,150)
Accounts receivable due from related parties		(42,827)	(95,210)
Other receivables		(9,999)	(3,106)
Other receivables due from related parties		3,378	792
Inventories		(78,616)	(72,917)
Prepayments		(36,057)	9,291
Other current assets		(3,880)	267
Changes in operating liabilities			
Contract liabilities		(14,054)	(50,868)
Accounts payable		(63,834)	52,844
Accounts payable to related parties		1,025	(1,256)
Other payables		104,833	104,102
Other payables to related parties		(2,344)	1,899
Other current liabilities		(227)	1,233
Net defined benefit liability		(2,306)	(15,317)
Cash inflow generated from operations		1,290,466	639,098
Interest received		13,824	5,116
Dividends received		1	1
Interest paid		(14,678)	(9,087)
Income taxes (paid) received		(147,309)	45,535
Net cash flows from operating activities		1,142,304	680,663

(Continued)

EPISIL-PRECISION INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at amortised cost		($ 275,983)	($ 400,000)
Disposal of financial assets measured at amortised cost		670,276	-
Acquisition of property, plant and equipment	6(30)	(475,557)	(174,842)
Acquisition of intangible assets	6(10)	(2,847)	(1,667)
Decrease in refundable guarantee deposits		65,007	-
Net cash flows used in investing activities		(19,104)	(576,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(31)	1,411,939	1,770,233
Decrease in short-term borrowings	6(31)	(1,679,598)	(1,624,017)
Proceeds from issuance of corporate bonds	6(31)	500,763	-
Redemption of corporate bonds	6(31)	(300)	-
Decrease in guarantee deposits received	6(31)	(195)	-
Payment of lease liabilities	6(31)	(9,907)	(9,699)
Cash capital increase	6(17)	268,737	-
Cash dividends paid	6(19)	(341,252)	(70,010)
Net cash flows from financing activities		150,187	66,507
Net increase in cash and cash equivalents		1,273,387	170,661
Cash and cash equivalents at beginning of year	6(1)	1,517,349	1,346,688
Cash and cash equivalents at end of year	6(1)	$ 2,790,736	$ 1,517,349

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

EPISIL-PRECISION INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(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 competent 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 parent company only financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc..

The Company is 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 Holding Inc. is the Company's ultimate parent company.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on February 24, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective and become effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts — cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) 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.

(5) Cash equivalents

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company 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.

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

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

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

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

(10) Leasing arrangements (lessor)－operating leases

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. 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 applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiary

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

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

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

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

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

Buildings and structures	3 ~ 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 Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 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 Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. 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 Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial 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 Company uses interest rates of government bonds (at the balance sheet date) instead.

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

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

C. Termination benefits

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

D. Employees’ compensation and directors’ 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

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

(24) Income taxes

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the 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 parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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 Company manufactures and sells silicon epitaxy wafer 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 Company'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 Company 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 Company 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.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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, 2022, the carrying amount of inventories was $947,076.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 407	$ 360
Checking accounts and demand deposits	236,473	545,592
Time deposits	1,896,356	683,897
Bonds sold under repurchase agreements	657,500	287,500
	$ 2,790,736	$ 1,517,349

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

B. Time deposits with maturity between three months and a year held by the Company were classified as current financial assets at amortised cost.

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

(2) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits-maturing in over three months	$ -	$ 400,000
Non-current items:		
Pledged time deposits	13,565	7,858
	$ 13,565	$ 407,858

A. As at December 31, 2022 and 2021, 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 Company were $13,565 and $407,858, respectively.

B. The counterparties of the Company's investments have good credit risk.

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$ 990,031	$ 1,105,045
Accounts receivable due from related parties	281,901	239,074
Less: Loss allowance	(152)	(152)
	$ 1,271,780	$ 1,343,967

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

	December 31, 2022	December 31, 2021
	Accounts receivable (Including related parties)	Accounts receivable (Including related parties)
Not past due	$ 1,148,146	$ 1,152,440
Up to 30 days	102,834	138,960
31 to 90 days	20,952	52,719
	$ 1,271,932	$ 1,344,119

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $999,340.

C. As of December 31, 2022 and 2021, collaterals held by the Company as security for accounts receivable both amounted to $5,000.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were $1,271,780 and $1,343,967 respectively.

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

(4) Inventories

	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

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 490,324	($ 32,281)	$ 458,043
Supplies	279,944	(22,048)	257,896
Work in progress	81,804	(963)	80,841
Finished goods	74,475	(2,795)	71,680
	$ 926,547	($ 58,087)	$ 868,460

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2022	2021
Cost of goods sold	$ 4,786,185	$ 4,322,882
Inventory valuation loss (reversal of loss)	891	(30,074)
Inventory scrapped	1,676	15,692
	$ 4,788,752	$ 4,308,500

For the year ended December 31, 2021, the Company reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of certain inventories which were previously provided with allowance.

(5) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Subsidiary		
Precision Silicon Japan Co., Ltd.	$ 12,129	$ 10,095

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company’s subsidiary.

B. The Company recognised investment gain for the investments accounted for using equity method for the years ended December 31, 2022 and 2021, amounted to $2,279 and $1,349, respectively.

(6) Property, plant and equipment

	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

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2021					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
2021					
At January 1	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
Additions	31,685	22,694	6,586	128,127	189,092
Reclassifications	2,800	17,575	-	(20,375)	-
Depreciation expense	(84,313)	(361,342)	(3,712)	-	(449,367)
At December 31	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
At December 31, 2021					
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

A. The Company has no interest capitalisation for the years ended December 31, 2022 and 2021.

B. As of December 31, 2022 and 2021, there was no property, plant and equipment pledged to others as collateral.

(7) Lease transactions－lessee

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

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

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

	December 31, 2022	December 31, 2021
	Book value	Book value
Land	$ 238,144	$ 245,199
Buildings and structures	4,333	7,887
Machinery and equipment	148	595
	$ 242,625	$ 253,681

	Years ended December 31,	
	2022	2021
	Depreciation expense	Depreciation expense
Land	$ 8,122	$ 8,087
Buildings and structures	3,543	3,553
Machinery and equipment	446	446
	$ 12,111	$ 12,086

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $1,070 and $0, respectively.

E. For the years ended December 31, 2022 and 2021, the decrease to right-of-use assets were $15 and $0, respectively.

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

	Years ended December 31,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 5,858	$ 6,029
Expense on short-term lease agreements	1,369	6,942

G. For the years ended December 31, 2022 and 2021, the Company’s total cash outflow for leases were $17,134 and $22,670, respectively.

H. Extension and termination options

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

(8) Leasing arrangements – lessor

A. The Company 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 leases.

B. For the years ended December 31, 2022 and 2021, the Company recognised rental revenue in the amounts of $42,703 and $43,774, 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, 2022	December 31, 2021
2022	$ -	$ 42,181
2023	40,960	41,511
2024	40,865	41,415
2025	40,541	41,092
2026	31,527	32,078
2027	8,739	9,289
After 2028	78,649	83,605
	$ 241,281	$ 291,171

(9) Investment property

	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

	2021
	Buildings and structures
At January 1	
Cost	$ 211,322
Accumulated depreciation and impairment	(36,694)
	$ 174,628
At January 1	$ 174,628
Depreciation expense	(5,049)
At December 31	$ 169,579
At December 31	
Cost	$ 211,322
Accumulated depreciation and impairment	(41,743)
	$ 169,579

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

	Years ended December 31,	
	2022	2021
Rental revenue from investment property	$ 41,607	$ 42,656
Direct operating expenses arising from the investment property that generated rental revenue during the year	$ 9,363	$ 9,799

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 were $213,458 and $221,272, 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, 2022	December 31, 2021
Discount rate	11.01%	11.21%
Annual rent (net income)	$ 36,267	$ 37,896
Duration	10 Years	10 Years

C. The Company has no interest capitalisation for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, the Company has no investment property pledged to others as collateral.

(10) Intangible assets

	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

	2021			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096
At January 1	$ -	$ 48,369	$ 6,727	$ 55,096
Additions	-	-	1,667	1,667
Amortisation expense	-	-	(3,518)	(3,518)
At December 31	$ -	$ 48,369	$ 4,876	$ 53,245
At December 31				
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

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

	Years ended December 31, 2022	Years ended December 31, 2021
Operating costs	$ 3,857	$ 3,518

B. The Company has no interest capitalisation for the years ended December 31, 2022 and 2021.

C. As of December 31, 2022 and 2021, the Company has no intangible assets pledged to others as collateral.

(11) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 178,624	4.10%～6.04%	None

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 446,283	0.61% ~ 1.06%	None

For the years ended December 31, 2022 and 2021, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $8,071 and $2,959, respectively.

(12) Accounts payable

	December 31, 2022	December 31, 2021
Accounts payable	$ 386,707	$ 435,048
Estimated accounts payable	32,058	47,551
	$ 418,765	$ 482,599

(13) Other payables

	December 31, 2022	December 31, 2021
Payables for equipment	$ 199,347	$ 33,681
Accrued expenses-expendables	133,352	119,114
Accrued expenses-bonus	122,087	81,286
Employees' bonus and directors' remuneration payable	84,427	59,374
Accrued expenses-others	82,489	56,762
	$ 621,702	$ 350,217

(14) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable		
The Company's third domestic unsecured convertible bonds	$ -	$ 600,000
The Company's fourth domestic unsecured convertible bonds	500,000	-
	500,000	600,000
Less: Bonds payable converted	-	(552,500)
Discount on bonds payable	(15,830)	(622)
	484,170	46,878
Less: Current portion (shown as "Other current liabilities")	-	(46,878)
	$ 484,170	$ -

A. The domestic unsecured convertible bonds issued by the Company

(a)The issuance terms of the Company's third domestic unsecured convertible bonds are as follows:

i. The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Company. The bonds are with a total issuance amount of $600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 31, 2019 to October 31, 2022, and will be redeemed in cash at fare value at the maturity date. The bonds were listed on the Taipei Exchange on October 31, 2019.

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

iii. The effective date for the conversion price of the convertible was set on October 23, 2019. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of $52.93 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.04% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT$55.6 (in dollars) per share based on the aforementioned method.

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

i. 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.

ii. 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.

iii. 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.

iv. 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, 2022 and 2021, the carrying amounts were $21,757 and $2,260, respectively.

C. As of December 31, 2022, the third convertible corporate bonds totaling $599,700 (face value) had been converted into 10,838 thousand shares of common stock.

(15) 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, 2022	December 31, 2021
Present value of defined benefit obligations	$ 186,499	$ 182,232
Fair value of plan assets	(119,161)	(101,220)
Net defined benefit liability	$ 67,338	$ 81,012

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

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

2021	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 185,996	($ 91,459)	$ 94,537
Current service cost	156	-	156
Interest expense (income)	558	(274)	284
	186,710	(91,733)	94,977
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,364)	(1,364)
Change in demographic assumptions	6,144	-	6,144
Change in financial assumptions	(2,040)	-	(2,040)
Experience adjustments	(948)	-	(948)
	3,156	(1,364)	1,792
Pension fund contribution	-	(11,864)	(11,864)
Paid pension	(7,634)	3,741	(3,893)
At December 31	$ 182,232	($ 101,220)	$ 81,012

(d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 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,	
	2022	2021
Discount rate	1.30%	0.60%
Future salary increases	3.25%	3.25%

For the years ended December 31, 2022 and 2021, future mortality rate were estimated based on the 6th and 5th 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, 2022				
Effect on present value of defined benefit obligations	($ 4,562)	$ 4,725	$ 4,182	($ 4,067)
December 31, 2021				
Effect on present value of defined benefit obligations	($ 4,976)	$ 5,166	$ 4,566	($ 4,431)

The sensitivity analysis above is based on a change of 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, 2023 amount to $3,129.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11 years.

B. (a) Effective July 1, 2005, the Company 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 Company 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 Company for the years ended December 31, 2022 and 2021 were $28,070 and $23,342, respectively.

(16) Share based payment

A. For the years ended December 31, 2022 and 2021, the Company's share-based payment arrangements were as follows:

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

B. The Company 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:

	Years ended December 31,	
	2022	2021
Equity-settled	$ 5,000	$ -

(17) Share capital

A. As of December 31, 2022, the Company'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)

	2022	2021
At January 1	284,376	279,635
Cash capital increase	3,300	-
Conversion of convertible bonds	863	4,741
At December 31	288,539	284,376

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.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings 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. On February 14, 2022 and March 8, 2021, the shareholders resolved that total dividends for the distribution of earnings for the year of 2022 and 2021 were $341,252 and $70,010 at $1.2 (in dollars) and $0.25 (in dollars) per share, respectively.

E. On June 21, 2022, the Company recognised dividends distributed to owners amounting for the years ended December 31, 2021 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	

F. The Company proposed for the distribution of dividends for the year 2020 earnings on August 19, 2021.

G. On February 24, 2023, the Board of Directors proposed for the distribution of dividends of earnings for the year ended December 31, 2021 in the amount of $577,079 at $2 (in dollars) per share.

H. 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.

I. The number of the Company's shares outstanding has changed because 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$0.24955765 (in dollars) per share on June 25, 2021.

(20) Other equity items

	Years ended December 31, 2022	Years ended December 31, 2021
	Financial statements translation difference of foreign operations	Financial statements translation difference of foreign operations
At January 1	($ 910)	$ 448
Currency translation differences:		
–Subsidiary	(245)	(1,358)
At December 31	($ 1,155)	($ 910)

(21) Operating revenue

	Years ended December 31, 2022	Years ended December 31, 2021
Revenue from contracts with customers	$ 5,880,611	$ 5,027,125

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2022	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 5,870,515	$ 10,096	$ 5,880,611
Timing of revenue recognition			
At a point in time	$ 5,870,515	$ 10,096	$ 5,880,611

Year ended December 31, 2021	epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 4,993,581	$ 33,544	$ 5,027,125
Timing of revenue recognition			
At a point in time	$ 4,993,581	$ 33,544	$ 5,027,125

B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability - advance sales receipts	$ 119,639	$ 133,693	$ 184,561

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

	Years ended December 31, 2022	Years ended December 31, 2021
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 79,596	$ 76,047

(22) Interest income

	Years ended December 31, 2022	Years ended December 31, 2021
Interest income from bank deposits	$ 14,056	$ 4,955

(23) Other income

	Years ended December 31, 2022	Years ended December 31, 2021
Rental revenue	$ 42,703	$ 43,774
Dividend income	1	1
Other income, others	1,427	1,738
	$ 44,131	$ 45,513

(24) Other gains and losses

	Years ended December 31, 2022	Years ended December 31, 2021
Net currency exchange gain (loss)	$ 46,975	($ 6,867)
Depreciation on investment property	(4,996)	(5,049)
Other losses	(8,879)	(9,009)
	$ 33,100	($ 20,925)

(25) Finance costs

	Years ended December 31, 2022	Years ended December 31, 2021
Interest expense:		
Bank borrowings	$ 8,071	$ 2,959
Bonds payable	5,558	3,493
Lease liabilities	5,858	6,029
Others	1,563	84
Finance expenses	172	93
	$ 21,222	$ 12,658

(26) Expenses by nature

	Years ended December 31, 2022	Years ended December 31, 2021
Employee benefit expense	$ 934,278	$ 680,196
Depreciation expenses on property, plant and equipment	452,954	466,502
Amortisation expenses on intangible assets	3,857	3,518

(27) Employee benefit expenses

	Years ended December 31, 2022	Years ended December 31, 2021
Wages and salaries	$ 782,204	$ 560,901
Share-based payments	5,000	-
Labour and health insurance fees	57,279	47,045
Pension costs	28,786	23,782
Other personnel expenses	61,009	48,468
	$ 934,278	$ 680,196

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, 2022 and 2021, employees' compensation were accrued at $75,047 and $53,976, respectively; while directors' and supervisors' remuneration were accrued at $9,381 and $5,398, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees' compensation and directors' remuneration were estimated and accrued based on 8%, 1%, 10% and 1% of earnings for the years ended December 31, 2022 and 2021, respectively.

Employees' compensation of $53,976 and directors' remuneration of $5,398 for the year ended December 31, 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. Abovementioned employees' compensation of 2021 will be distributed in the form of cash.

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

(28) Income taxes

A. Components of income tax benefit:

	Years ended December 31, 2022	Years ended December 31, 2021
Current tax:		
Current tax on profits for the year	$ 169,550	$ 98,169
Prior year income tax underestimation (overestimation)	1,324	(250)
Total current tax	170,874	97,919
Deferred tax:		
Origination and reversal of temporary differences	1,518	1,939
Total deferred tax	1,518	1,939
Income tax expense	$ 172,392	$ 99,858

B. Reconciliation between income tax benefit and accounting profit:

	Years ended December 31, 2022	Years ended December 31, 2021
Income tax calculated based on profit before tax and statutory tax rate	$ 170,732	$ 96,078
Expenses disallowed by tax regulation	1,112	699
Change in assessment of realisation of deferred tax assets	(776)	3,331
Prior year income tax underestimation (overestimation)	1,324	(250)
Income tax expense	$ 172,392	$ 99,858

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

	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)

	2021		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 17,632	($ 6,014)	$ 11,618
Pension liability	18,907	(1,926)	16,981
Others	1,586	3,829	5,415
	38,125	(4,111)	34,014
Deferred income tax liabilities:			
Income on investments accounted for using equity method	2,017	(269)	1,748
Property, plant and equipment - book-tax difference	(21,215)	1,584	(19,631)
Investment property - book-tax difference	(18,494)	343	(18,151)
Intangible assets - book-tax difference	(1,029)	514	(515)
	(38,721)	2,172	(36,549)
	($ 596)	($ 1,939)	($ 2,535)

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

(29) Earnings per share

	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

	Year ended December 31, 2021		
	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	$ 380,530	281,253	$ 1.35
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	380,530	281,253	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	414	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 380,530	281,667	$ 1.35

For the year ended December 31, 2021, the Company's convertible bonds had anti-dilutive effect, thus, it was not included in the calculation of diluted earnings per share.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2022	2021
Acquisition of property, plant and equipment	$ 641,223	$ 189,092
Add: Opening balance of payable on equipment	33,681	19,431
Less: Ending balance of payable on equipment	(199,347)	(33,681)
Cash paid during the year	$ 475,557	$ 174,842

B. Financing activities with no cash flow effects:

	Years ended December 31, 2022	2021
Convertible bonds being converted to capital stocks	$ 46,972	$ 257,170

(31) Changes in liabilities from financing activities

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

2021	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 300,067	$ 271,045	$ 8,290	$ 300,556	$ 879,958
Changes in cash flow from financing activities	146,216	(9,699)	-	-	136,517
Interest paid	-	(6,029)	-	-	(6,029)
Interest expense	-	6,029	-	3,492	9,521
Conversion option exercised	-	-	-	(257,170)	(257,170)
At December 31	$ 446,283	$ 261,346	$ 8,290	$ 46,878	$ 762,797

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. (Note)	The parent company
Episil Technologies Inc. (Shanghai)	The parent company's indirect wholly-owned subsidiary
Hermes-Epitek Corp.	The parent company's director is the Hermes-Epitek Corp.'s director
Taiwan Hi-Tech Corp.	Investee of the parent company accounted for using equity method
Precision Silicon Japan Co., Ltd.	A subsidiary wholly-owned by the Company

Note : 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.

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
-Episil Technologies Inc.	$ 688,579	$ 181,594
-Affiliate companies	-	297,702
-Subsidiary	278,416	184,507
-Other related parties	1,286	2,461
	$ 968,281	$ 666,264

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,	
	2022	2021
Purchases of goods:		
-Episil Technologies Inc.	$ 4,131	$ 290
-Affiliate companies	-	3,888
-Subsidiary	4,552	3,869
-Other related parties	1,059	-
Purchases of services:		
-Episil Technologies Inc.	13,469	71,050
-Affiliate companies	-	1,189
	$ 23,211	$ 80,286

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

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Accounts receivable:		
-Episil Technologies Inc.	$ 207,799	$ 191,860
-Subsidiary	74,102	46,636
-Affiliate companies	-	578
	281,901	239,074
Other receivables:		
-Episil Technologies Inc.	$ 8,472	$ 11,850
	$ 290,373	$ 250,924

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, 2022	December 31, 2021
Accounts payable:		
-Episil Technologies Inc.	$ 117	$ 304
-Subsidiary	407	269
-Other related parties	1,074	-
	1,598	573
Other payables:		
-Episil Technologies Inc.	$ 5,037	$ 15,729
-Other related parties	31,046	22,452
-Subsidiary	204	450
	36,287	38,631
	$ 37,885	$ 39,204

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

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

E. Refundable guarantee deposits

	December 31, 2022	December 31, 2021
Refundable guarantee deposits:		
-Other related parties	$ -	$ 65,000

F. Lease transactions

(a) For the years ended December 31, 2022 and 2021, rental income arising from leasing certain buildings and structures to affiliate companies amounted to $9,113 and $9,663, respectively, which is collected monthly.

(b) For the years ended December 31, 2022 and 2021, rental expense due to leasing certain buildings and structures from affiliate companies amounted to $235 and $6,760, respectively, which is paid monthly.

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

	Years ended December 31,	
	2022	2021
Testing fee:		
-Other related parties	$ 135,316	$ 119,271

(4) Key management personnel compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	$ 24,892	$ 12,879
Post-employment benefits	270	216
	$ 25,162	$ 13,095

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2022	December 31, 2021	Purpose
Pledged time deposits (shown as "Non-current financial assets at amortised cost)	$ 13,565	$ 7,858	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, 2022	December 31, 2021
Property, plant and equipment	$ 342,084	$ 109,060

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2022 earnings is provide in Note 6(19).

12. Others

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to meet the needs of plant expansion and equipment enhancement. The Company’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, 2022		December 31, 2021	
Financial assets				
Financial assets at fair value through other comprehensive income				
Designation of equity instrument	$	17	$	17
Financial assets at amortised cost				
Current finantial assets at amortised cost	$	13,565	$	400,000
Cash and cash equivalents		2,790,736		1,517,349
Accounts receivable		989,879		1,104,892
Accounts receivable due from related parties		281,901		239,074
Other receivables		24,347		14,116
Other receivables due from related parties		8,472		11,850
Refundable guarantee deposits		572		65,580
	$	4,109,472	$	3,352,861
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	178,624	$	446,283
Accounts payable		418,765		482,599
Accounts payable to related parties		1,598		573
Other payables		621,702		350,217
Other payables to related parties		36,287		38,631
Bonds payable (including current portion)		484,170		46,878
Guarantee deposits received		8,095		8,290
	$	1,749,241	$	1,373,471
Lease liability	$	252,494	$	261,346

B. Policy of risk management

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company 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 manage its foreign exchange risk against their functional currencies. The Company is are required to hedge its entire foreign exchange risk exposure through coordination with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies that are adopted to minimise the volatility of the foreign exchange.

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

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 39,001	30.720	$ 1,198,111
JPY:NTD	104,315	0.233	24,305
RMB:NTD	13,285	4.406	58,534
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 15,395	30.720	$ 472,934
JPY:NTD	44,540	0.233	10,378
RMB:NTD	16,824	4.406	74,127
Non-monetary items: None.			

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 31,323	27.690	$ 864,564
JPY:NTD	72,188	0.2406	17,368
RMB:NTD	19,628	4.347	85,323
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 24,312	27.690	$ 673,199
JPY:NTD	81,542	0.2406	19,619
RMB:NTD	25,222	4.347	109,640
Non-monetary items: None.			

iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to $46,975 and ($6,867), respectively.

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

	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%	$ 11,981	$ -
JPY:NTD	1%	243	-
RMB:NTD	1%	585	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 4,729)	$ -
JPY:NTD	1%	(104)	-
RMB:NTD	1%	(741)	-

	Year ended December 31, 2021				
	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%	$	8,646	$	-
JPY:NTD	1%		174		-
RMB:NTD	1%		853		-
Financial liabilities					
Monetary items					
USD:NTD	1%	($	6,732)	$	-
JPY:NTD	1%	(	196)		-
RMB:NTD	1%	(	1,096)		-

Price risk

i. The Company’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 Company’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 Company’s interest rate risk arises from short-term borrowings with floating rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company’s borrowings at floating rates were denominated in NT 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, 2022 and 2021 would have decreased /increased by $447 and $1,116, 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 Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

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

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

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

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

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated as low.

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

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

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

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

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

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

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

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, 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, 2022							
Expected loss rate	0.01%	0.01%	0.13%	0.77%	100%	0.12%~5.26%	
Total book value	$ 1,092,459	$ 76,720	$ 148	$ -	$ -	$ 102,605	$ 1,271,932
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)
December 31, 2021							
Expected loss rate	0.01%	0.01%	0.15%	0.88%	100%	0.12%~6%	
Total book value	$ 1,025,489	$ 114,242	$ 52,719	$ -	$ -	$ 151,669	$ 1,344,119
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)

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

	2022
	Accounts receivable
At January 1 / December 31	$ 152

	2021
	Accounts receivable
At January 1 / December 31	$ 152

(c) Liquidity risk

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

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company 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 head room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Company held money market position of $2,790,329 and $1,516,989, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	$ 200,000	$ 177,988
Fixed rate:		
Expiring beyond one year	1,423,438	578,122
	$ 1,623,438	$ 756,110

iv. The table below analyses the Company'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.

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2022				
Short-term borrowings	$ 178,624	$ -	$ -	$ -
Accounts payable (including related parties)	420,363	-	-	-
Other payables (including related parties)	657,989	-	-	-
Lease liabilities	15,193	12,403	35,185	285,310
Bonds payable	-	-	500,000	-
Deposits received	-	-	8,095	-

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Short-term borrowings	$ 446,283	$ -	$ -	$ -
Accounts payable (including related parties)	483,172	-	-	-
Other payables (including related parties)	388,848	-	-	-
Lease liability	15,728	15,144	35,818	295,212
Bonds payable	47,500	-	-	-
Deposits received	195	-	8,095	-

(3) Fair value information

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

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

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 Company's convertible bonds payable is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company'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, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 484,170	$ -	$ 485,450	$ -

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 46,878	$ -	$ 46,973	$ -

(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, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 17	$ 17

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 17	$ 17

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

i. The instruments the Company 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 parent company only 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 Company'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 Company'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 parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Company 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 Company's credit quality.

E. For the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
	Equity instruments	Equity instruments
At January 1 / December 31	$ 17	$ 17

G. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

H. Company 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, 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

	Fair value at December 31, 2021	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 Company 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, 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)

	Input	Change	December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±10%	$ -	$ -	$ 2	($ 2)

(4) Others

Impact to the Company’s operations due to COVID-19: Based on the assessment of operations and financial information by the Company, there is no significant effect to the Company’s going concern, assets impairment and financing risk due to COVID-19.

13. Supplementary Disclosures

The disclosures on investee companies were based on investees’ financial statements audited by independent auditors.

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

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

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

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Information

Not applicable.

Episil-Precision Inc. and Subsidiaries

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

December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022 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, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions (Note 1): Unit price	Differences in transaction terms compared to third party transactions (Note 1): Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Episil-Precision Inc.	Episil Technologies Inc.	Parent company	(Sales)	$ 688,579	11.67%	30-90 days after monthly billings	$ -	Gerneral terms	$ 207,799	16.34%	Note 4
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	278,416	4.72%	30-90 days after monthly billings	-	Gerneral terms	74,102	5.83%	

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: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: 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
December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Episil-Precision Inc.	Episil Technologies Inc.	The parent company	$ 207,799	3.50	$ 55,553	Amount collected subsequent to the balance sheet date	$ 58,030	$ -

Note 1: Please list separately the accounts receivable from related parties, bills, other receivables, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Episil-Precision Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 3)		Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	$	278,416	Gerneral terms	4.72%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase		4,552	Gerneral terms	0.08%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable		74,102	90~180 days after monthly billings	0.97%

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, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2022	Initial investment amount: Balance as at December 31, 2021	Shares held as at December 31, 2020: Number of shares	Shares held as at December 31, 2020: Ownership (%)	Shares held as at December 31, 2020: Book value	Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (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%	$ 12,129	$ 2,279	$ 2,279	

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, 2022

Table 6

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Episil Technologies Inc.	166,961,680	57.860%

V、In the most recent fiscal year and up to the date of publication of the annual report, if the company and its related enterprises have financial difficulties and their impact on the financial position of the company: None.

Seven. Review of Financial Conditions, Operating Results, and Risk Management

I、Financial situation：

(I) Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2022	2021	Difference Amount	Difference %
Current Assets	5,161,538	4,229,977	931,561	22.02
Property, Plant and Equipment	2,008,385	1,799,031	209,354	11.64
Intangible assets	52,520	53,245	(725)	(1.36)
Other Assets	449,731	531,282	(81,551)	(15.35)
Total Assets	7,672,174	6,613,535	1,058,639	16.01
Current Liabilities	1,452,709	1,530,855	(78,146)	(5.10)
Long-term Liabilities	915,778	472,601	443,177	93.77
Total Liabilities	2,368,487	2,003,456	365,031	18.22
Capital stock	2,885,394	2,843,767	41,627	1.46
Capital surplus	1,614,778	1,313,939	300,839	22.90
Retained Earnings	804,670	453,283	351,387	77.52
Other Adjustments	(1,155)	(910)	(245)	26.92
Total Stockholders' Equity	5,303,687	4,610,079	693,608	15.05

1. The main reasons for the major changes in assets, liabilities and stockholders' equity in the last two years (those with changes of more than 20 percent in the previous and late periods and the amount of change amounting to NT$10 million) and their impact and future response plans
   (1)Increase in Current Assets: The increase was mainly due to increase in net profit and fundraising in 2022，led to the increase in Cash and approximate cash.
   (2)Increase in Long-term Liabilities: The increase was mainly due to increased in convertible bonds in 2022.
   (3)Iecrease in Capital surplus: The increse was mainly due to cash replenishment and issuance of convertible bonds in 2022.
   (4)Iecrease in retained earnings: The increse was mainly due to increase in net profit in 2022.2.
   Future Response Plan: The above changes have no significant impact on the Company.

II、Financial performance：

(I) Analysis of Financial Performance：

Unit: NT$ thousands

Item \ Year	2022	2021	Difference Amount	Difference %
Net Sales	5,899,587	5,043,332	856,255	16.98
Cost of Sales	4,797,706	4,316,899	480,807	11.14
Gross Profit	1,101,881	726,433	375,448	51.68
Operating Expenses	317,082	262,320	54,762	20.88
Operating Income	784,799	464,113	320,686	69.10
Non-operating Income and Loss	69,866	16,556	53,310	322.00
Income Before Tax	854,665	480,669	373,996	77.81
Income tax (cost) benefits	(173,394)	(100,139)	(73,255)	73.15
Net income	681,271	380,530	300,741	79.03

(I) The main reasons for the significant changes in net sales, operating income and income befor tax in the last two years (those who changed by more than 20 percent in the previous and late periods and the amount of change amounted to NT$10 million)

1. Increase in Gross Profit :The increase was mainly due to the increase in capacity utilization, unit costs fell, and operating gross profit increased in 2022.
2. Increase in Operating Expenses: The increase was mainly due to the increase in employee benefit expense and remuneration of directors and supervisors.
3. Increase in Operating Income: The increase was due to increase in revenue and operating gross profit in 2022, led to operating net profit increased.
4. Increase in Income Before Tax, Income tax and Net incom: The increase was due to increase in net sales , gross profit and Operating Income for the period, and increased non-operating income due to exchange benefits increases. Net profit before tax, income tax expense and net profit for the period were enhanced as a result..

(II) Expected sales volume and basis for the coming year, possible impact on the company's future financial business and corresponding plan:

The company according to the industrial environment and the future supply and demand of the market and consider the R & D plans, business development and other related information for evaluation, set the annual sales target, the company belongs to the industry is still in the growth stage, the future will be based on the market demand changes, expand the market share, enhance the company's profitability. Due to the low profit margin of the silicon crystal industry, in addition to stabilizing production quality and reducing production costs, the company is actively expanding its customer base and continuing to lay out large customer (IDM) cooperation projects in the field of compound semiconductors to open up the blue ocean of the market.

III 、Cash Flow Analysis for the Current Year：

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year(A)	Net Cash Flow from Operating Activities (B)	Cash Outflow (C)	Cash Surplus (Deficit) (A)+(B)-(C)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,550,172	1,160,382	130,857	2,841,411	-	-

Analysis of change in cash flow in the current year:
1. Cash Shortage Improvement Plan: The Company is expected to be not cash-free for the current year, sufficient to meet normal operating requirements.
2. Cash liquidity analysis for the coming year: not applicable.

IV、Major Capital Expenditure Items: None

V、The reinvestment policy for the most recent year, the main reason for its profit or loss, improvement plan and investment plan for the next year：

The company's reinvestment under the equity method focuses on long-term strategic purposes. In the future, the company will continue to prudently evaluate reinvestment plans based on the principle of long-term strategic investment.

VI、Analysis of Risk Management：

(I)Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures：

Unit: NT$ thousands

Item	Export %	Exchange (profit) and loss	Total Sales	(%) of Total Sales
2022	46.13%	46,768	5,899, 587	0.79%

1、The company regularly evaluates the bank loan interest rate, monitors the change of market interest rate at any time, and keeps close contact with the bank to strive for preferential loan interest rate. As a result, the change of interest rate has little impact on the company's profit and loss.

2、In terms of foreign exchange management, the company regularly evaluates and monitors the adjustment of net foreign exchange position, and when necessary, conducts derivative financial commodity transactions for the purpose of hedging. Therefore, the exchange gains and losses are within the controllable range, which has limited impact on the company's overall profits and losses.

3、Inflation is a change in the overall economic environment that has a limited impact on the company's profits and losses.

(II) For the most recent fiscal year and up to the date of publication of the annual report, the policies, main reasons for profit or loss, and future countermeasures for engaging in high-risk, highly leveraged investment, loan of funds to others, endorsement and guarantee, and derivatives trading are as follows:

1. The company and its subsidiaries are not engaged in derivatives trading.

2. The company and its subsidiaries are not engaged in capital lending to others or external endorsement and guarantee transactions.

3. The company and its subsidiaries are not engaged in high-risk and highly leveraged investment.

(III) Future R&D plan and expected R&D Expenditure:

1. Future R&D plan:

(1) Gen 2 High Grade SiC-on-SiC epitaxy technologies

(2) 8" GaN-on-Silicon medium and low voltage epitaxial technologies.

(3)8" SiC-on-SiC epitaxial technologies.

(4)GaN-on-Engineered substrates epitaxial technologies.

2. The estimated R & D cost in the year of 2023 is NT$68.656 million.

3. In recent years, our company has actively researched and developed silicon epitaxy and wide band gap component epitaxy related technologies, and invested in research and development for epitaxy equipment optimization. At present, these R & D activities have achieved initial results. The company will continue to improve its characteristics and expand its R&D field in order to obtain more international IDM certification.

(IV) The impact of major domestic and foreign policy and legal changes on the company's financial business in the most recent year and up to the date of publication of the annual report and the corresponding measures: the company and its subsidiaries continue to pay attention to the changing trend of domestic and foreign situations and the changes of policies and laws, and take various corresponding measures. In the most recent fiscal year and up to the date of publication of the annual report, there were no significant changes in policies and laws at home and abroad, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.

(V) Impact of technological changes and industrial changes on the company's financial business in the most recent fiscal year and up to the date of publication of the annual report and corresponding measures: the company and its subsidiaries shall keep abreast of the industrial changes and market trends, and pay attention to the development and changes of relevant technologies. During the most recent fiscal year and up to the date of publication of the annual report, there were no significant technological and industrial changes, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.

(VI) In the most recent year and up to the date of publication of the annual report, the impact of corporate image change on corporate crisis management and Countermeasures: since the establishment of the company and its subsidiaries, the company has actively strengthened the operation and management of the company and its subsidiaries, and abided by relevant laws and regulations, so as to maintain a good corporate image. During the most recent fiscal year and up to the date of publication of the annual report, there was no major change in the corporate image that led to a crisis.

(VII) Expected benefits, possible risks and Countermeasures of M & A in the most recent year and up to the date of publication of the annual report: During the most recent year and up to the date of publication of the annual report, the company and its subsidiaries did not conduct merger and acquisition.

(VIII) Expected benefits, possible risks and Countermeasures of plant expansion in the most recent year and up to the publication date of the annual report: the company and its subsidiaries did not expand their plant in the most recent year and up to the publication date of the annual report.

(IX) In the most recent financial year and up to the date of publication of the annual report, the risks faced by the centralized purchase or sale of goods and the corresponding measures:

1. Purchase risk and Countermeasures: the main purchase manufacturers account for 56% of the net purchase amount. Considering the factors of product quality, purchase cost and cooperation with manufacturers, in addition to manufacturers with good long-term cooperative relationship, they also actively develop other new purchase sources to avoid the risk caused by purchase concentration.
2. In recent years, the company has actively researched and developed energy-saving products, which have been certified by international manufacturers, and the revenue has been growing steadily. The company will also continue to develop product applications and expand customers at home and abroad, in order to avoid the risk caused by the concentration of sales.

(X) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the substantial transfer or replacement of shares by directors or major shareholders holding more than 10% of the shares on the company: none.

(XI) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the change of management right on the company: not applicable.

(XII) In the most recent fiscal year and up to the date of publication of the annual report, the company and its directors, general managers, substantial responsible persons, major shareholders holding more than 10% of the shares, and subordinate companies have decided or are still in the process of major litigation, non litigation, or administrative litigation, the results of which may have a significant impact on shareholders' equity or securities prices: none.

(XIII)Other important risks and Countermeasures:

1. Risk management policy

The company and its subsidiaries have always adopted preventive policies for risk management. Strict internal control system is established in accordance with the law, and the implementation is checked by auditors. In addition, relevant insurance for specific projects, such as property insurance and cargo insurance, is insured to reduce the loss caused by risks. In addition, the company and its subsidiaries are not engaged in high-risk, highly leveraged investment and other businesses, and the subsidiaries are not allowed to lend funds to others or provide endorsement and guarantee by resolution of the board of directors.

The company and its subsidiaries shall, in accordance with the operation policy, reduce possible losses within the scope of acceptable risk exposure. On the premise of achieving a balance between risk and reward, we should achieve the operation goal, improve the shareholders' wealth and optimize the capital allocation.

2. Organizational structure of risk management

The company adopts a comprehensive risk management and control system to identify all risks (including market risk, credit risk and operational risk) and measure the value at risk of all kinds of risks, so that the management of the company can effectively control and measure the market risk, credit risk and operational risk. Therefore, a risk management team is set up, which is responsible for Responsible for risk management, the team sets limits and carries out risk management in accordance with relevant laws and regulations and the company's relevant regulations.

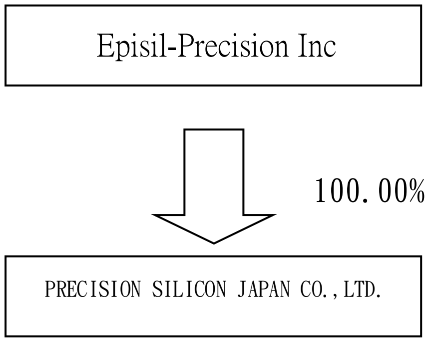
VII、Other important matters: None

Eight. Special Disclosure

I 、 Related information of related enterprises:

(I) Business report on merger of related enterprises:

1. Relationship enterprise organization chart:



2. The company is not presumed to have control and subordination in accordance with article 369-3 of the company law, and there is no controlled subsidiary company or mutual investment company specified in article 369-2, paragraph 2 and article 369-9 of the company law.

3. Basic information of related enterprises

Unit: NT $1000

Enterprise name	Date of establishment	Address	Paid in capital	Main business or production items
PRECISION SILICON JAPAN CO.,LTD.	18 January 2002	2 / F, Ho Ho building, 1-32-6, Toyoshima, Tokyo	$2,740 (exchange rate 0.2740)	Business of epitaxial silicon wafer

4. The information of the same shareholder who is presumed to have control and subordination

Unit: NT $1000；Shares%

Subsidiary company	Presumptive cause	Name (Note1)	Shares held (Note2)		Date of establishment	address	Paid in capital	Main business items
			shares	%				
		None						

Note 1:if the shareholders are the same as legal person, fill in the name of legal person; if the shareholders are the same as natural person, fill in the name of natural person. Natural person shareholders only fill in the presumption reason, name and shares held.

Note 2:the holding of shares refers to the information of shareholders holding shares in the controlling company.

5. Industries covered by the business of the overall relationship enterprise
The business scope of the company and its related enterprise, PRECISION SILICON JAPAN CO.,LTD., includes Manufacture of silicon epitaxy wafers, buried-layer epitaxy wafers, multi-layer epitaxy wafers, silicon epitaxy on SOI (Silicon on Insulator) wafer, GaN epitaxy wafers, SiC epitaxy wafers.

6. Information of directors, supervisors and general managers of related enterprises

Enterprise name	Title (Note 2)	Name or representative	Shares held (Note 3)(Note 4)	
			shares	Shareholding ratio (%)
PRECISION SILICON JAPAN CO.,LTD.	Chairman	Ching-Tzong Sune (Representative of episil precision inc)	200	100%
	Director	Ming-zhe lu (Representative of episil precision inc)		
	Director	Huei-Fen KangG, (Representative of episil precision inc)		
	Supervisor	Pei-Yuan chen (Representative of episil precision inc)		
	General manager	Ming-zhe lu		

Note 1:as of December 31, 2022.
Note 2:if the related enterprise is a foreign company, its position is equivalent.
Note 3:if the invested company is a joint-stock company, please fill in the number of shares and shareholding ratio, and others please fill in the amount and proportion of capital contribution and indicate it.

Note 4:when a director or supervisor is a legal person, the relevant information of the representative shall be disclosed.

7. An overview of the operation of the relationship enterprise

The financial position and operating results of each relationship enterprise：

Unit: NT $1000

Company	Capital	Total Assets	Total Liabilities	Total Equity	Sales	Operating Income	Net income	Earnings per share
PRECISION SILICON JAPAN CO.,LTD.	$2,740	91,203	79,074	12,129	301,944	3,480	2,279	11.39

Note 1: As of December 31, 2022.

Note 2: All related enterprises, regardless of size, should be exposed.

Note 3: If the related enterprise is a foreign company, the relevant figures shall be shown in NTD at the exchange rate at the reporting date.

(II) Consolidated financial statements of related enterprises for the most recent year: please refer to page 108 of the company's annual report.

(III) Latest annual relationship report: not applicable.

II 、Private placement of Securities for the most recent year and up to the date of publication of the annual report: none.

III 、Shares held or disposed of by subsidiaries in the most recent year and up to the date of publication of the annual report: none.

IV 、Other necessary supplementary notes: none.

Nine. Matters Affecting Shareholders' Equity or Stock Price：None