

Stock Code: 8028

Phoenix Silicon International Corporation

2023 Annual 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 and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

Corporate Website: <http://www.psi.com.tw>

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Stock Transfer Agent

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Auditors

Name of CPAs : Chien-Yu Liu, Chih-Cheng Hsieh
Name of Accounting Firm : Pricewaterhouse Coopers (PwC) Taiwan
Address : 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)
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Overseas Securities Exchange

NA

Corporate Website

<http://www.psi.com.tw>

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I. Letter to Shareholders

Dear shareholders,

Operation Performance

The year 2023 witnessed dramatic shifts in the global economic and political landscape. Factors such as high interest rates, inflation, and the post-pandemic economic performance of China led to weakened demand for end products globally. This, in turn, slowed down manufacturing activities across various countries. Additionally, the expansion of the US-China chip ban, the Russia-Ukraine conflict, and ongoing tensions in the Middle East, particularly in the conflict between Israel and Hamas, contributed to a global geopolitical trend towards bloc confrontation, exerting long-term impacts on global economic development trends.

Amidst these irreversible international trends, the global semiconductor market in 2023 experienced a sharper decline than expected. In the face of various challenges and negative impacts, Phoenix Silicon International Ltd. (Psi) not only focused on its core business but also continuously enhanced its two major core capabilities: high-purity wafer surface treatment and wafer thinning. The company swiftly adjusted its operational strategies to optimize the allocation of corporate resources and manpower. Thanks to the concerted efforts of all employees, annual revenue reached NT\$3.328 billion, marking a historic high for the third consecutive year with a year-on-year growth rate of 6.04%. However, due to adjustments in global semiconductor inventory and currency exchange rate factors, operating profit decreased by 25.51% compared to the previous year, amounting to NT\$229 million.

Financial results

Unit : K NTD, %

Item	2023	2022	YoY%
Revenue	3,327,700	3,138,053	6.04
Gross profit	756,516	831,790	(9.05)
Operating profit	229,421	307,991	(25.51)
Net profit before tax	350,037	372,659	(6.07)
Net Profit for the year	311,994	325,251	(4.08)
EPS(NTD)	2.02	2.17	(6.91)
ROA	4.12%	4.72%	(12.71)

In terms of Reclaim wafer, with the rapid development of AI artificial intelligence technology in 2023, the demand for high-speed computing has surged, leading to an increase in the demand for advanced processes. Consequently, the demand for Reclaim wafers in the market has significantly increased in both quantity and quality. In order to meet the growing needs of customers, our newly established fully automated subsidiary, the Chung Kang Branch, has expanded its capacity to reach

120,000 wafers per month as planned. By the end of 2023, Psi's total production capacity for 12-inch Reclaim and Test wafer had reached 510,000 wafers per month.

Regarding Wafer thinning, the demand for overall wafer thinning remains at a low level due to market inventory clearance pressures and the price war in China affecting power semiconductor products. However, in the latter half of the year, driven by emerging applications such as AI artificial intelligence and energy conversion, we focused on high-value-added products and customer segments. We continued to cultivate innovative technologies and expanded into the 8-inch WBG silicon carbide/gallium nitride wafer thinning market and the 12-inch wafer thinning market, maintaining our technological leadership advantage in anticipation of economic recovery.

Technical Development

"Technological innovation" is fundamental to the operation of Psi. We actively recruit and retain key research and development talents. In 2023, we initiated industry-academic cooperation with National Taipei University and National Yang Ming Chiao Tung University Tainan Campus. This collaboration focused on the research and development of AI behavior detection and wafer surface defect detection technologies. These innovations have been successfully integrated into production, effectively enhancing our overall competitiveness.

On the front of smart manufacturing, we continuously refine our operational cost control and technological content. The world's first Lights-Out wafer reclaim factory, fully automated for smart manufacturing, achieved a production capacity of 120,000 wafers in May 2023, surpassing cost-effectiveness expectations. The second phase of capacity expansion is scheduled to be completed by the end of this year, aiming to achieve a monthly production capacity of 200,000 wafers.

In the wave of AI artificial intelligence, advanced processes and advanced packaging are playing increasingly important roles. They significantly increase the usage of new wafers, reclaimed wafers, and carrier wafers. In addition to maintaining a leading position in high-spec reclaimed wafers among peers, we are also developing custom carrier wafers for logic and memory 3D advanced packaging requirements, aiming to seize the initiative in this rapidly growing market. Furthermore, the demand for high-power ultra-thin MOSFETs required for AI servers and intelligent electric vehicles is rapidly increasing. We are collaborating with strategic customers to develop thinning technologies for 12-inch and WBG silicon carbide/gallium nitride wafers, expanding into new market applications.

In the field of Biochips, our collaboration with National Taiwan University College of Medicine and Taipei Mackay Memorial Hospital on the "multi-functional liquid protein detection platform" has completed preclinical trials. Its accuracy using serum, plasma, and other samples reaches 80% compared to traditional testing methods. This rapid and accurate detection platform aims to be used for clinical point-of-care testing and may serve as a guide for physician medication. Furthermore, we will integrate AI predictive models to enhance precision and effectiveness. Through Contract

Development and Manufacturing Organization (CDMO) services, we aim to accelerate development and production services for our customers.

Corporate Social Responsibility

Psi adheres to the principles of "Promise, Sustainable, and Innovation" to achieve its vision of sustainable business through five key initiatives: corporate governance, environmental protection, supply chain management, friendly workplace, and social participation. In 2023, we published our first sustainability report to demonstrate sound corporate governance and address environmental and social issues. Low-carbon production is our goal. Despite a 13.8% increase in total production capacity compared to 2022, our total greenhouse gas emissions decreased by 6.4%, total electricity consumption decreased by 3.1%, total water consumption decreased by 3%, and waste reuse increased by 5%. We received a B grade recognition in the CDP climate change project. The ESG Executive Committee has set a target to increase total carbon reduction by 8% compared to 2023 for 2024.

To enhance a diverse and inclusive environment, we conduct annual employee satisfaction and engagement surveys and provide a transparent communication platform to respect employees' voices. Corporate well-being extends beyond our employees; we also give back to society by supporting vulnerable groups through partnerships with charitable organizations and donating supplies. To support education in remote areas, we donate refurbished laptops to schools, aiming to drive positive social change.

Sound corporate governance is our responsibility to all stakeholders. In 2023, we obtained LRQA ISO27001 information security management certification, affirming our company's protection level in information security management systems, enhancing corporate governance capabilities, and reducing operational risks. As a responsible global corporate citizen, Psi's efforts and performance have been recognized by the Hsinchu Science Park Bureau, National Science and Technology Council and the Taiwan Industry Technology Association, winning the 20th Taiwan Golden Root Award in the General Enterprise category.

The impact of the external competitive environment, the regulatory environment and the overall operating environment

The uncertainty brought about by geopolitical challenges, including the US semiconductor restrictions on China and global macroeconomic concerns such as inflation, interest rate hikes, and slowing GDP growth in some economies, particularly in the Chinese market, has been exacerbated by the ongoing conflict in Ukraine and recent tensions in the Middle East. These factors inevitably undermine market confidence and affect semiconductor end-market demand. On the supply side, China's overproduction due to sluggish domestic demand and resulting currency tightening exports will have severe negative impacts on the global economy, particularly in mature semiconductor processes, solar modules, LEDs, EV batteries, and traditional industries such as cement.

Overall, these situations may have adverse effects on global economic development. Governments worldwide are actively proposing solutions, such as strengthening subsidies or tariff barriers, to address these challenges. Otherwise, the time for global economic recovery may be prolonged, potentially impacting business performance. We need to closely monitor changes in the global situation and take appropriate measures to diversify operational risks, ensuring the company's steady and sustainable development in uncertain environments.

Outlook

In addition to continuous cost improvements, key investments and product development are crucial. We anticipate that this year's operating targets will be roughly equivalent to last year's. 2024 is a preparatory year for 2025 and 2026. We are optimistic about the strong market demand in the next two years for two reasons: Firstly, the long-term growth drivers in terminal markets such as Generative AI, energy transition, and electrification are leading to increasing semiconductor demand. With the expansion of application areas, advanced processes and advanced packaging play increasingly important roles, significantly increasing the usage of virgin wafers, reclaim wafers, and wafer thinning. Secondly, from the perspective of the semiconductor business cycle, we are currently in a downturn. Historical downturns typically last two to three years, and the current downturn began in the second half of 2022 but has gradually warmed up. Inventory in the electronic terminal market and semiconductor inventory continues to improve, and capacity utilization rates are gradually rising. 2025 and 2026 will be two years of strong demand.

Psi is rooted in Taiwan, with its production base primarily in the Hsinchu Science Park and gradually increasing capacity in the Chung Kang Branch. With the increasing demand from major overseas customers and foreign customers, in addition to supplying from our Taiwan factory, Psi is actively evaluating overseas production bases. The aim is to achieve win-win results for Psi and its customers by focusing on smart factory manufacturing and green production. In terms of technological development, we will focus more on the AI field and related services, especially in advanced processes and advanced packaging applications, to maintain the most advanced technology and quality and provide customers with the most competitive services and value. °

In terms of sustainable development, we will further build on the 2023 sustainability report to establish TCFD and complete carbon footprint verification for the Chung Kang Branch based on ISO 14064-1. This will strengthen our corporate governance capabilities and enhance the long-term enterprise value, adhering to the core values of "Promise, Sustainable, Innovation". We will steadily operate sustainably to create good returns for shareholders, provide career growth for employees, and make significant contributions to social progress and the overall growth of the semiconductor supply chain.

Chairman and President Tony Tsai



II. Company Profile

(I) Date of Incorporation : March 3, 1997

(II) Company History

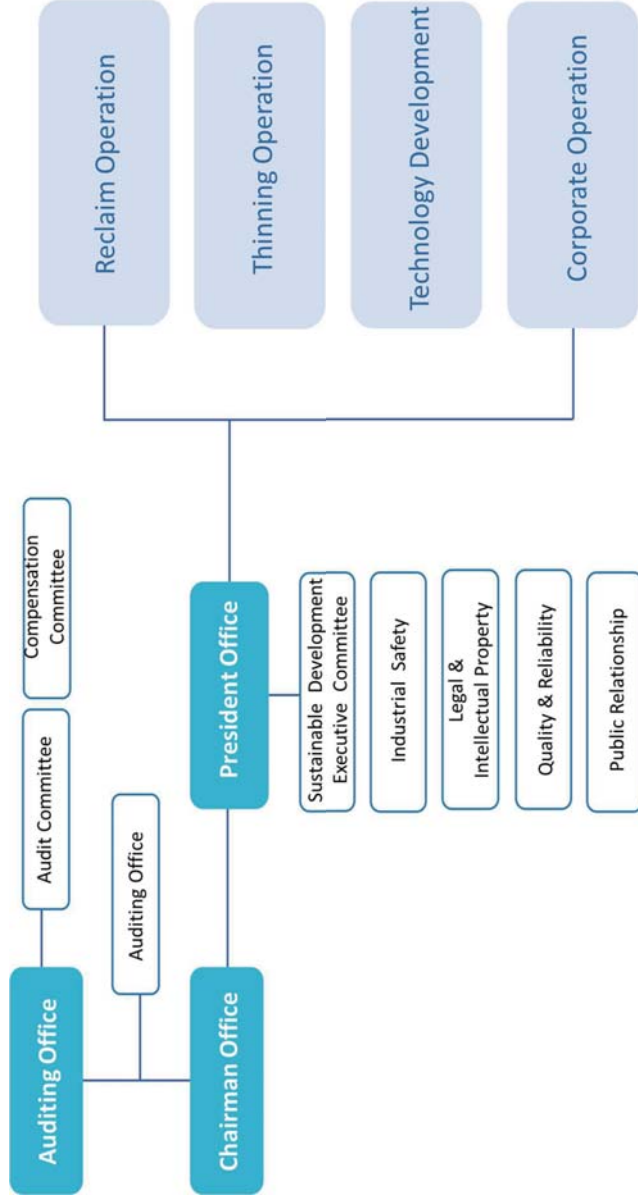
Year	Milestones
Mar 1997	The Company was registered with a paid-in capital of NTD 165,000 thousand and has established Hsinchu Fab.1
Jun 1997	The paid-in capital amounted to NT\$660,000 thousand after the cash capital increase.
Mar 1998	The paid-in capital amounted to NT\$880,000 thousand after the cash capital increase.
Oct 2002	The paid-in capital amounted to NT\$748,000 thousand after the cash capital increase.
Nov 2004	The paid-in capital amounted to NT\$924,000 thousand after the cash capital increase.
Oct 2012	Established Hsinchu fab.2.
Jul 2013	The Paid-in capital amounted to NT\$ 934,520 thousand after the Employee stock option certificates exchange to share.
Jul 2013	The paid-in capital amounted to NT\$1,114,520 thousand after the cash capital increase.
Aug 2013	Certified to CNS15506:2011.
Dec 2013	The Paid-in capital amounted to NT\$1,128,280 thousand after the Employee stock option certificates exchange to share.
Jul 2014	Certified to IECQ QC 080000.
Oct 2014	The paid-in capital amounted to NT\$1,168,280 thousand after the cash capital increase.
Nov 2014	Public issuance of stocks.
Dec 2014	The stocks are listed on the over-the-counter market (OTC).
Oct 2016	Certified to ISO 14001:2015.
Nov 2016	The company obtained the Taiwan National Academic-Industry Innovation Award for its enzyme-free glucose detection chip.
Feb 2017	Invest and establishment Phoenix Battery Corporation (PBC), the capital is NT\$ NT\$1 million
Nov 2017	Certified to IATF16949.
Jul 2017	The Company divested its energy business to its subsidiary (PBC) for NT\$250 million
Jul 2018	The paid-in capital amounted to NT\$1,324,080 thousand after the cash capital increase.
Jul 2018	Public listed on Taiwan Stock Exchange.
May 2019	Purchased Hsinchu Fab.3.
Oct 2019	Certified to ISO 45001:2018.
Sep 2021	The paid-in capital amounted to NT\$1,403,525 thousand after the capital reserve is increase.
Oct 2021	Certified to ISO 14046.
Dec 2021	The relationship between the Company and PBC was changed from a subsidiary to an affiliated company.
Jan 2022	Establishment of Chungkang Branch.
Jul 2022	The paid-in capital amounted to NT\$1,487,736 thousand after the capital reserve is increase.
Nov 2022	The paid-in capital amounted to NT\$1,526,280 thousand after after the conversion of convertible bonds into common shares.
Feb 2023	The relationship between the Company and PBC transitioned from an affiliated entity to an unrelated party.
Oct 2023	Certified to ISO 27001 for the international standard of information security management.
Dec 2023	Disposal of all the shares of PBC owned by the Company.
Dec 2023	The paid-in capital amounted to to NT\$1,726,280 thousand after the cash capital increase.

Note: The changes in the company's paid-in capital, Please refer to pages 76-77 of the report for the sources of shareholders regarding fundraising details.

III. Corporate Governance Report

(I) Organization

1. Organizational Chart



2. Major Corporate Functions

Department	Functions
Auditing Office	Internal audit and operation process management.
President Office	Market strategy integration and operate management.
Sustainability Development Executive Committee	Establish sustainable development policies, systems, or related management guidelines, and propose specific promotion plans and execution.
Industrial Safety	Evaluate, implement, and audit about internal safety, health and environmental protection.
Legal & Intellectual Property	Company of legal, contract, patent, and other intellectual property management, information security management.
Quality & Reliability	Quality and reliability technology development management, management review, mass product customer complaint management, new product introduction, engineering improvement, mass production yield improvement and abnormal product analysis, cross-process abnormal analysis and benefit analysis.
Public Relationship	Corporate Image and media relationship maintenance.
Reclaim Operation	New technology market development analyzation, sales management, business development, customer service and production planning, manufacturing management, manufacturing product engineering, and production efficiency management of the reclaim wafer process.
Thinning Operation	New technology market development analyzation, sales management, business development, customer service and production planning, manufacturing management, manufacturing product engineering, and production efficiency management of the thinning wafer process.
Technology Development	Product specification/schedule/cost control of new product development, life cycle management and market competition analysis, advanced process technology research and development, special technology integration development.
Corporate Operation	Financial accounting, stock affairs and budget management, human resource management, employee relations and organizational development, general affairs and medical management, information environment and application system establishment and maintenance, and operational management benefit analysis, etc. Operational management, procurement and material management, factory affairs System planning, maintenance and maintenance, and plant engineering planning and management.

(II) Directors, Supervisors and Management Team

1. Directors

(1) Directors Data

March 30, 2024 Unit: shares; %																	
Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
Chairman	Tony Tsai	Male	51~60	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	100,000	0.08	474,681	0.27	0	0	0	0	- PhD of ME in Silicon photonic modeling, Univ. of California, Berkeley -President, Phoenix Silicon International Corp. -Director, Micron Technology -Special Assistant, Inotera Memories, Inc. -Director, Nanya Technology -Bachelor of Animal and Husbandry, National Chung Hsing Univ. -Director, Cheng Han Investment Co., Ltd.- -Director, Telesynergy Corp. Ltd. -Director, Phoenix Battery Corp.	-President, Phoenix Silicon International Corp.
Director	Wen-Cheng Cheng	Male	61~70	Taiwan R.O.C	Apr 12, 2000	3 years	Jul 05, 2021	2,517,157	1.90	2,828,277	1.64	0	0	0	0	-Director, Cheng Han Investment Co., Ltd.- -Director, Telesynergy Corp. Ltd. -Director, Phoenix Battery Corp.	-Director, Cheng Han Investment Co., Ltd.- -Director, Telesynergy Corp. Ltd.
Director	Min Ho Shuen Investments Co., Ltd. Representative : Yaw Zen- Chang	-	-	Taiwan R.O.C	Jun 26, 2014	3 years	Jul 05, 2021	1,817,520	1.37	2,256,245	1.31	-	-	-	-	N/A	Director, Pharma Power Biotech Co., Ltd.
		Male	41~50	Taiwan R.O.C	-	-	-	-	-	1,846,662	1.07	524,302	0.30	0	0	-Bachelor of Business Management Economics, Univ. of California, Santa Cruz -Chairman, Min He Shun Investment Co., Ltd.	- Chairman, Min He Shun Investment Co., Ltd. -Supervisor, Pharma Power Biotech Co., Ltd.
	Ting Dong Liang Investment Co., Ltd.	-	-	Taiwan R.O.C	Jun 30, 2003	3 years	Jul 05, 2021	960,000	0.73	1,742,972	1.01	-	-	-	-	N/A	-Director, Agrawood Biochemistry Technology Co., Ltd.
Director	Representative : Shin-Chin Huang	Female	41~50	Taiwan R.O.C	-	-	-	-	-	3,792	0.00	0	0	0	0	-Bachelor of Business Administration, National Taichung Univ. -Director, Phoenix Battery Corp.	-Director, Chipwell Tech Corporation -Director, Agrawood Biochemistry Technology Co., Ltd.
Director	An Grace Investment Corp.	-	-	Taiwan R.O.C	Jun 24, 2009	3 years	Jul 05, 2021	1,489,525	1.12	1,213,871	0.70	-	-	-	-	N/A	(Note1)

Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Mr. Ma		Experience (Education)	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
	Representative : Ji-Ceng Ma	Male	61~70	Taiwan R.O.C	-	-	-	-	-	0	0	0	0	0	0	-Master of Computer Science, San José State Univ. -Assistant Manager, Software Business of Hon Hai Group -President, TATA Consultancy Services Taiwan -President, ATOS (Taiwan) Ltd. -Vice President, SAS Institute Taiwan Ltd. -Vice President, SAP Taiwan Co., Ltd. -Advisor, An Grace Investment Corporation Ltd. -Director, Phoenix Battery Corp.	-Independent Director, SmartDisplayer Technology Co., Ltd.
	Gallant Precision Machining Co., Ltd	-	-	Taiwan R.O.C	May 26, 2023	3 years	May 26, 2023	2,076,000	1.36	8,286,461	4.80	-	-	-	-	(Note2)	-Chairman and CEO, Gallant Micro Machining CO., Ltd. -President, C SUN Mfg., Ltd. -Vice Chairman, Gallant Precision Machining Co., Ltd. -Director, Taiwan Printed Circuit Association -Supervisor, AmTrust Investment Consulting Corp. -Director, Utron Technologies CO., Ltd. -Chairman, Top Creation Machines Co., Ltd. -Chairman, Power Ever Enterprises Limited. -Director, Suzhou Top Creation Machines Co., Ltd. -Chairman, Good Team International Enterprise Limited -Director, Nantong Top Creation Machines Co., Ltd., -Independent Director of Control Technology Co., Ltd.
Director	Representative : Frank Liang	Male	41~50	Taiwan R.O.C	-	-	-	-	-	0	0	0	0	0	0	-NCCU EMBA 40th -Master of Law School of Law, Northwestern Univ. -Certificate in Business Admin., Kellogg School of Management, Northwestern Univ. -University of Washington MBA -Certificate in Business Administration – Kellogg School of Business, Northwestern Univ. -Chairman and Director, Gallant Micro Machining CO., Ltd. -Special assistant to the Chairman and consultant, CSUN Mfg., Ltd. -Chairman, Huashun Technology Co. -Supervisor, ViewMove Technologies, Inc. -Chairman, Suzhou Top Creation Machines Co., Ltd.	
Independent Director	Ming-Cheng Liang	Male	61~70	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	0	0	600,000	0.35	0	0	0	0	-Master of International Business Management, National Taiwan Univ. -Bachelor of Physics, National Cheng Kung Univ. -President, King Yuan Electronics Co., Ltd. -President, Amkor Taiwan Vice president, Micron Memory Co., Ltd.	-Chairman, Aptos Technology -Independent Director, Xintec Inc.

Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Mr. Ma Sheng-Long		Experience (Education)	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director	Guo-Chiao Hong	Male	51~60	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	0	0	0	0	0	0	0	0	-Master of Finance, City Univ. of New York -Bachelor of Mechanical Engineering, National Taiwan Univ. -Chairman and President, Makoto Bank -Chairman, Shin Kong Venture Capital International Co., Ltd.	-Director and President, Shin Kong Security Co., Ltd. -Director, Next Bank -Independent Director, Jung Shing Wire Co., Ltd.
Independent Director	Ling-Shih Meng	Male	51~60	Taiwan R.O.C	Oct 26, 2021	3 years	Oct 26, 2021	0	0	0	0	0	0	0	0	-Ph.D. of political science, National Taiwan Normal Univ. -Head Prosecutor, Taiwan Miaoli District Prosecutors Office -Head Prosecutor, Taiwan Taipei District Prosecutors Office	- Lawyer, K&L Gates

1. Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.

2. If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed (ex: Increase the number of independent directors and more than half of the directors should not serve as employees or managers):

Our company's Chairman also serves as the General Manager to enhance operational efficiency and decision-making, as well as to maintain close communication with the board members regarding the company's operations and strategic plans, leading the management team in reporting to the board. However, to strengthen the independence of the board, the company will actively train suitable candidates internally and plans to increase the number of independent directors to enhance the board's functions and oversight. Currently, the company has three independent directors specializing in finance and accounting, law and relevant industries, effectively fulfilling their supervisory roles, while ensuring that less than half of the directors hold concurrent positions as employees or executives. To effectively fulfill the functions of the board and strengthen corporate governance, the company will conduct a comprehensive election of directors at the 2024th annual shareholders' meeting to comply with relevant legal requirements.

Note1: Director of Be Biomed Management Consulting Co., Ltd., Director of Panan VC Co., Ltd., Director of Arise Corporation, Director of Litefilm Technology Co., Ltd., Director of Allaplus Semiconductor Inc., Supervisor of BE New Biotech Venture Capital Co., Ltd.

Note2: Director, APEX1 International Co. Ltd., Director, Gallant Micro Machining Co., Ltd. Director, OPXION Tech. Incorporation 、 Director, Ohmplus Technology Inc.

(2) Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders (Note)	
	Shareholder name	%
Min Ho Shuen Investments Co., Ltd.	Yaw-Zen Chang	51.29%
	Pi-Yueh Chang Tseng	25.59%
Ting Dong Liang Investment Co., Ltd	Po-Tsung Ting	55.00%
	Chin-Yu Ting	15.00%
	Shin- Chin Huang	15.00%
An Grace Investment Corporation Ltd.	Samuel Chow	49.66%
	Chiu-Hui Yang	31.82%
	Hsun-Hsin Chou	10.22%
Gallant Precision Machining Co., Ltd.	C SUN MFG. LTD.	27.10%
	Micronics Japan Co., LTD Investment Account in Custody of Mega Bank	1.64%
	Mega International Commercial Bank	1.14%
	Ta-Hsien Chiu	1.10%
	Treasury stock account of Gallant Precision Machining Co., Ltd.	1.01%
	Jason Chen	0.68%
	Yi-Jin Wu	0.42%
	Xuan-wei Wang	0.39%
	Cang-yi Zhang	0.35%
	Zhen-yuan Huang	0.35%

Note : The information source for Min Ho Shuen Investment Co., Ltd., Ting Dong Liang Investment Co., Ltd., and An Grace Investment Co., Ltd. is the Ministry of Economic Affairs (MOEA) Commerce Industrial Services Portal. The information source of Gallant Precision Machining Co., Ltd. is based on the book closure date of April 21, 2023 as published in the 2022th Annual Report of the company.

(3) Major shareholders of the Company's major institutional shareholders :

Name of Institutional Shareholders	Major Shareholders (Note1)	
	Shareholder name	%
C SUN Mfg., Ltd.	Gallant Precision Machining Co., Ltd. (Note2)	9.98%
	Haihsing Investment Co. (Note 2)	9.55%
	Pinchin Investment Co. (Note 2)	7.73%
	Mao-Chung Liang	5.41%
	Mao-Sheng Liang	5.16%
	Chin-Tu Chien	2.02%
	Morgan Stanley Account in Custody of HSBC (Taiwan)	1.80%
	Standard Chartered Entrusted with the SPDR Profile Emerging Market ETF Special Account	1.32%
	Good Dollar Investment Limited	1.19%
	Hsiu-Hung Fu Liang	1.03%

Note1 : The information source of G C SUN Mfg., Ltd. is based on the book closure date of March 25, 2023 as published in the 2022th Annual Report of the company.

Note2 : In the 2023 Financial Report of G C SUN Mfg., Ltd., the major shareholders' information is as follows: Gallant Precision Machining Co., Ltd. holds 12.73%, Haihsing Investment Co. holds 9.65%, and Pinchin Investment Ltd. holds 7.76%.

(4) Directors' Professional Qualifications and Independent Directors' Independence Status

Name/Title		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Tony Tsai	Chairman and President		<ul style="list-style-type: none"> • Experience in commercial, marketing and semiconductor industry related business. • Ph.D. of ME in Silicon photonic modeling from Univ. of California, Berkeley • Past positios : Presdent of the Company, Director of Micron Technology, Special Assistant of Inotera Memories, Inc., Director of Nanya Technology. • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	0
Wen-Cheng Cheng	Director		<ul style="list-style-type: none"> • Experience in commercial and technology industry. • Bachelor of Animal and Husbandry, of National Chung Hsing Univ. • Currently also the Director of Cheng Han Investment Co., Ltd., Director of TeleSynergy Corp. Ltd. • Past positios : Director of Phoenix Battery Corp. • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	0
Yaw Zen-Chang	Corporate Director Representative (Note2)		<ul style="list-style-type: none"> • Experience in commercial and technology industry. • Bachelor of Business Management Economics from Univ. of California, Santa Cruz • Currently also the Chairmanof Min He Shun Investment Co., Ltd., Supervisor of Pharma Power Biotec Co., Ltd., • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	0

Name/Title		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Shin-Chin Huang		Corporate Director Representative (Note 2)	<ul style="list-style-type: none"> • Experience in commercial and finance. • Bachelor of Business Administration, National Taichung Univ. • Currently also the Director, Chipwell Tech Corporation, Director, Agarwood Biochemistry Technology Co., Ltd., Director of Agarwood Biochemistry Technology Co., Ltd. • Past positios : Director of Phoenix Battery Corp. • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	0
Ji-Ceng Ma		Corporate Director Representative (Note 2)	<ul style="list-style-type: none"> • Experience in commercial and technology industry • Master of Computer Science, San José State Univ. • Currently also the Independent Director of SmartDisplayer Technology Co., Ltd., • Past positios : Assistant Manager of Software Business of Hon Hai Group, President of TATA Consultancy Services Taiwan, President of ATOS (Taiwan) Ltd., Vice President of SAS Institute Taiwan Ltd., Vice President of SAP Taiwan Co., Ltd., Advisor of An Grace Investment Corporation Ltd., Director of Phoenix Battery Corp. • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	1

Name/Title		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Frank Liang	Corporate Director Representative (Note 2)		<ul style="list-style-type: none"> • Experience in commercial, marketing and semiconductor industry related business. • Certificate in Business Admin., Kellogg School of Management, Northwestern Univ.Univ. of Washington MBA, Master of Law, School of Law, Northwestern Univ. • Currently also the Chairman and CEO, Gallant Micro. Machining CO., Ltd., President, C SUN Mfg., Ltd., Vice Chairman, Gallant Precision Machining Co., Ltd. Director, Taiwan Printed Circuit Association, Supervisor, AmTrust Investment Consulting Corp., Director, Utron Technologies CO., Ltd. Chairman, Top Creation Machines Co., Ltd., Chairman, Power Ever Enterprises Limited., Director, Suzhou Top Creation Machines Co., Ltd., Chairman, Good Team International Enterprise Limited, Director, Nantong Top Creation Machines Co., Ltd., Independent Director of Contrel Technology Co., Ltd. • Past positios : Chairman and Director, Gallant Micro. Machining CO., Ltd., Special assistant to the Chairman and consultant, C SUN Mfg., Ltd., Chairman, Huashun Technology Co., Supervisor, ViewMove Technologies, Inc., Chairman, Suzhou Top Creation Machines Co., Ltd. • Not been involved in any of situations defined in Article 30 of the Company Act. 	Not Applicable	1

Name/Title		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Ming-Cheng Liang	Independent Director, Audit Committee Convenor		<ul style="list-style-type: none"> • Experience in commercial, marketing and semiconductor industry related business. • Master of International Business Management, National Taiwan Univ., Bachelor of Physics, National Cheng Kung Univ. • Currently also the Chairman, Aptos Technology, Independent Director, Audit Committee member and Remuneration Committee member of Xintec Inc. • Past positios : President of King Yuan Electronics Co., Ltd., President of Amkor Taiwan, Vice president of Micron Memory Co., Ltd. • Not been involved in any of situations defined in Article 30 of the Company Act. 	<p>All of the following situations apply to each and every of the Independent Directors:</p> <p>1. The Independent Directors, their spouses, or relative within the second degree of kinship do not serve as Directors, Supervisors, or employees of the Company or its affiliates.</p> <p>2. The independent directors, their spouses, and relatives within the second degree of consanguinity (or r</p> <p>held by the person under others' names) do not hold any shares of the Company.</p> <p>3. The Independent Directors do not serve as Directors, Supervisors or employees of companies with specific relationships with the Company (Note 1).</p> <p>4. Received no compensation or benefits for providing commercial, legal, financial, accounting services or</p>	1
Guo-Chao Hong	Independent Director, Audit Committee Member		<ul style="list-style-type: none"> • Experience in commercial, financial management and banking. • Master of Finance, City Univ. of New York, Bachelor of Mechanical Engineering, National Taiwan Univ. • Currently also the Director and President of Shin Kong Security Co., Ltd., Director of Next Bank, Independent Director, Audit Committee member and Remuneration Committee member of Jung Shing Wire Co., Ltd. • Past positios : Chairman and President of Makoto Bank, Chairman of Shin Kong Venture Capital International Co., Ltd. • Not been involved in any of situations defined in Article 30 of the Company Act. 		1

Name/Title		Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Ling-Shih Meng	Independent Director, Audit Committee Member		<ul style="list-style-type: none"> • Experience in legal and risk judgment. • Ph.D. in political science from National Taiwan Normal Univ. • Currently also the Lawyer of K&L Gates • Past positions : Head Prosecutor of Taiwan Taipei District Prosecutors Office, Head Prosecutor of Taiwan Miaoli District Prosecutors Office. • Not been involved in any of situations defined in Article 30 of the Company Act. 	consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".	0

Note1 : The Directors, Supervisors or employees of the specified affiliated companies are defined in Article 3, Item 1, Paragraphs 5 to 8 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

- (1) 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.
- (2) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (3) 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: a director (or governor), supervisor, or employee of that other company or institution.
- (4) 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.

Note 2 : Yaw Zen- Chang is the representative of Min Ho Shuen Investments Co., Ltd, Ming-Cheng Liang is the representative of Ting Dong Liang Investment Co., Ltd, Ji-Ceng Ma is the representative of An Grace Investment Corporation Ltd., Frank Liang is the representative of Gallant Precision Machining Co., Ltd.

5. Board Diversity and Independence :

In accordance with the Company's "Corporate Governance Principles", The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- (1) General conditions and values: Gender, age, nationality and culture
- (2) Professional knowledge and skills: Professional background (ex : Legal, Accounting, Industry, Finance, Marketing or Technology), professional skills and industrial experience.

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

Management objectives	Progress
Independent directors exceed one-third of the board members	Achieved
Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.	Achieved
At least one seat of Directors are females.	Achieved

The Board of Directors of the Company is diversified, and them each have professional backgrounds including legal, finance or accounting, industry or technology, marketing, etc. to provide professional advice to the Company from different perspectives, which greatly contributes to the improvement of operational performance and management efficiency. The Board of Directors has nine members, including three independent directors (33.3%), one female director (11.1%), the one Director is also the Company's employee (11.1%), the age distribution of the Directors : the three Directors aged between 41 and 50 (33.3%), the three Directors aged between 51 and 60(33.3%), the three Directors aged between 61 and 70(33.3%), and there is no marital or is within the second degree of kinship relationship between or among the Directors. As such, the Board of Directors carries independence. The following table demonstrates the implementation of the diversity policy for Board members:

Name	Tital	Gender	Professional knowledge and skills				Age			Employees Identification
			Industry or Technology	Finance or Accounting	Legal	Marking	41~50	51~60	61~70	
Tony Tsai	Chairman	M	V			V		V		V
Wen-Cheng Cheng	Director	M	V						V	
Yaw Zen-Chang	Director	M	V				V			
Shin-Chin Huang	Director	F		V			V			
Ji-Ceng Ma	Director	M	V						V	
Frank Liang	Director	M	V	V	V		V			
Ming-Cheng Liang	Independent Director	M	V	V		V			V	
Guo-Chao Hong	Independent Director	M		V				V		
Ling-Shih Meng	Independent Director	M			V			V		

Note : All of the Independent Directors have a term of less than three years.

2. Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

March 30, 2024 Unit: shares; %																
Title(Note)	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name	Title Name	Relation	
President	Tony Tsai	Male	Taiwan R.O.C	Aug 1, 2018	474,681	0.27	0	0	0	0	- PhD of ME in Silicon photonic modeling, Univ. of California, Berkeley -President, Phoenix Silicon International Corp. -Director, Micron Technology -Special Assistant, Inotera Memories, Inc. -Director, Nanya Technology	None	None	None	None	None
Vice President	Eric Pan	Male	Taiwan R.O.C	Aug 1, 2018	201,551	0.12	0	0	0	0	-Bachelor of Industrial Engineering, TaTung Univ. - Director of Reclaim Wafer, Phoenix Silicon International Corp.	None	None	None	None	None
Vice President	TK Huang	Male	Taiwan R.O.C	Oct 05, 2018	34,418	0.02	0	0	0	0	- Master of Department of Chemical Engineering, National Cheng Kung Univ.-Vice President, Amkor Technology Co., Ltd.-Director, International rectifier-Senior Manager, Infineon Technologies AG -Special Assistant, Phoenix Silicon International Corporation	None	None	None	None	None
Vice President	FN Huang	Male	Taiwan R.O.C	Aug 1, 2018	1,960	0.00	0	0	0	0	- Completion of Advanced Executive Course on Business Strategies at Peking University -CFO, Yuan Rwei Battery Co., Ltd. -Director of Finance and Administrative, Phoenix Silicon International Corporation	None	None	None	None	None
Vice President	CM Ho	Male	Taiwan R.O.C	May 5, 2023	112,378	0.07	0	0	0	0	- Bachelor of Science in Water Resources and Environmental Engineering, Tamkang University -Manager, FuYang Technology Corporation	None	None	None	None	None

Title(Note)	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity				Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name	Title Name	Relation	Relation	
Accounting officer	Megan Yang	Female	Taiwan R.O.C	Aug 03,2023	20,000	0.01	0	0	0	0	-Master of Enterprise Resource Planning Accounting at Central University -Section Manager, Phoenix Silicon International Corporation	None	None	None	None	None	None
Financial officer	Yun-Jia Shan	Female	Taiwan R.O.C	Dec 06,2023	20,000	0.01	0	0	0	0	-Master of Accounting and Law in the Department of Accounting and Information Technology, Chung Cheng University -Project Section Manager, Phoenix Silicon International Corporation	None	None	None	None	None	None
Audit officer	Agnes Chang	Female	Taiwan R.O.C	Aug 02,2019	0	0	0	0	0	0	-National Taiwan Univ. of Science and Technology, Department of Information Management -Audit Manager, U-MEDIA Communications Inc. -Audit Manager, Jing Hong Technology Co., Ltd. -Audit Manager,Macronix International Co., Ltd.	None	None	None	None	None	None

If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed (ex: Increase the number of independent directors and more than half of the directors should not serve as employees or managers):

Our company's Chairman also serves as the General Manager to enhance operational efficiency and decision-making, as well as to maintain close communication with the board members regarding the company's operations and strategic plans, leading the management team in reporting to the board. However, to strengthen the independence of the board, the company will actively train suitable candidates internally and plans to increase the number of independent directors to enhance the board's functions and oversight. Currently, the company has three independent directors specializing in finance and accounting, law, and relevant industries, effectively fulfilling their supervisory roles, while ensuring that less than half of the directors hold concurrent positions as employees or executives. To effectively fulfil

Note : Information as of the printing date of the annual report.

(III) Remuneration to directors, supervisors, general manager and deputy general managers in the most recent year

1. Remuneration Paid to Directors (Independent Directors included)

Title (Note1)	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income. (%)		Relevant Remuneration Received by Directors Who are Also Employees						December 31, 2023, Unit: NTDS thousand, %		Compensation paid to the President and Vice President of the Company Other Than the Company's Salary	
		Base Compensation (A)		Severance Pay and Pensions (B)		Bonus to Directors (C) (Note 2)		Allowances (D) (Note 3)		Ratio of Total Remuneration (A+B+C+D) to Net Income. (%)		Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G) (Note 2)		Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)			
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities		
Chairman	Mike Yang	2,897	2,897	0	0	291	291	130	130	1.06	1.06	0	0	0	0	0	0	0	1.06	1.06	360
	Tony Tsai	1,075	1,075	0	0	1,401	1,401	494	494	0.95	0.95	12,397	12,397	0	0	2,947	0	5.87	5.87	0	
	Wen-Cheng Cheng	0	0	0	0	1,401	1,401	78	78	0.47	0.47	0	0	0	0	0	0	0	0.47	0.47	0
Director	Min Ho Shuen Investments Co., Ltd Representative : Yaw-Zen Chang	0	0	0	0	1,401	1,401	86	86	0.48	0.48	0	0	0	0	0	0	0	0.48	0.48	0
	Ting Dong Liang Investment Co., Ltd Representative : Shin-Chin Huang	0	0	0	0	1,401	1,401	89	89	0.48	0.48	0	0	0	0	0	0	0	0.48	0.48	0
	An Grace Investment Corporation Ltd. Representative : Ji-Zeng Ma	0	0	0	0	1,401	1,401	75	75	0.47	0.47	0	0	0	0	0	0	0	0.47	0.47	0
	Gallant Precision Machining Co., Ltd. Representative : Frank Liang	0	0	0	0	844	844	26	26	0.28	0.28	0	0	0	0	0	0	0	0.28	0.28	0
Independent Director	Mike Liang	720	720	0	0	0	0	193	193	0.29	0.29	0	0	0	0	0	0	0	0.29	0.29	0
	Guo-Chao Hong	720	720	0	0	0	0	158	158	0.28	0.28	0	0	0	0	0	0	0	0.28	0.28	0
	Ling-Shi Meng	720	720	0	0	0	0	158	158	0.28	0.28	0	0	0	0	0	0	0	0.28	0.28	0
1. Policies, systems, standards and structures of Independent Director remuneration paid and describe the relevance to the amount of remuneration according to responsibilities, risks, time invested, etc.: The remuneration structures of Independent Director was based on the management methods formulated by the company with monthly fixed remuneration, not participating in the annual distribution of director's remuneration. The monthly fixed remuneration is regularly reviewed by the remuneration committee for industry standards, if there is a change proposal, it is submitted to the board of directors for resolution.																					
2. Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as serving as a consultant for the parent company/all companies in the financial report/reinvested enterprises that are not employees, etc.): NTSD																					

1. Policies, systems, standards and structures of Independent Director remuneration paid and describe the relevance to the amount of remuneration according to responsibilities, risks, time invested, etc.: The remuneration structures of Independent Director was based on the management methods formulated by the company with monthly fixed remuneration, not participating in the annual distribution of director's remuneration. The monthly fixed remuneration is regularly reviewed by the remuneration committee for industry standards, if there is a change proposal, it is submitted to the board of directors for resolution.

2. Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as serving as a consultant for the parent company/all companies in the financial report/reinvested enterprises that are not employees, etc.) : NT\$0

Note 1: On February 8, 2023, Mike Yang resigned from the positions of Chairman and Director. On the same day, the Board of Directors elected Tony Tsai as the Chairman. The company held Shareholders' General Meeting on May 26, 2023, to elect directors, and Frank Liang, representing Gallant Precision Machining Co., Ltd., was elected.

Note 2: Director's remuneration and employee's remuneration for 2022 were approved by the board of directors on February 22, 2024.

Note 3: The operating expenses for business execution include expenses for transportation, vehicle maintenance, and various allowances.

Note 4: The expense includes various bonuses, salaries related to participation in cash capital increases and subscription for shares, as well as various allowances provided by the company.

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company	From All Consolidated Entities (H)	The Company	From All Consolidated Entities (I)
Under NT\$ 1,000,000	Independent Director : Ming-Cheng Liang, Guo-Chao Hong, Ling Shi Meng Director : Gallant Precision Machining Co., Ltd. Representative : Frank Liang	Independent Director : Ming-Cheng Liang, Guo-Chao Hong, Ling Shi Meng Director : Gallant Precision Machining Co., Ltd. Representative : Frank Liang	Independent Director : Ming-Cheng Liang, Guo-Chao Hong, Ling Shi Meng Director : Gallant Precision Machining Co., Ltd. Representative : Frank Liang	Independent Director : Ming-Cheng Liang, Guo-Chao Hong, Ling Shi Meng Director : Gallant Precision Machining Co., Ltd. Representative : Frank Liang
NT\$ 1,000,000 ~ NT\$ 1,999,999	Director : Wen-Cheng Cheng, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative : Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative : Shin-Chin Huang An Grace Investment Corp. Ltd. Representative : Ji-Zeng Ma	Director : Wen-Cheng Cheng, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative : Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative : Shin-Chin Huang An Grace Investment Corp. Ltd. Representative : Ji-Zeng Ma	Director : Wen-Cheng Cheng, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative : Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative : Shin-Chin Huang An Grace Investment Corp. Ltd. Representative : Ji-Zeng Ma	Director : Wen-Cheng Cheng, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative : Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative : Shin-Chin Huang An Grace Investment Corp. Ltd. Representative : Ji-Zeng Ma
NT\$ 2,000,000 ~ NT\$ 3,499,999	Director : Mike Yang, Tony Tsai	Director : Mike Yang, Tony Tsai	Director : Mike Yang	Director : Mike Yang
NT\$ 3,500,000 ~ NT\$ 4,999,999	-	-	-	-
NT\$ 5,000,000 ~ NT\$ 9,999,999	-	-	-	-
NT\$ 10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$ 15,000,000 ~ NT\$ 29,999,999	-	-	Director : Tony Tsai	Director : Tony Tsai
NT\$ 30,000,000 ~ NT\$ 49,999,999	-	-	-	-
NT\$ 50,000,000 ~ NT\$ 99,999,999	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	10	10	10	10

2. Remuneration Paid to CEO, President and Vice Presidents

Title	Name	Salary(A)		Severance Pay and Pensions (B) (Note 1)		Bonuses and Allowances (C)(Note 2)		Profit Sharing- Employee Bonus (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities	The company	From All Consolidated Entities		
								Cash	Stock				Cash		Stock
President	Tony Tsai													
Vice President	Eric Pan													
Vice President	TK Huang													
Vice President	FN Huang	12,262	12,262	626	626	16,361	16,361	7,125	0	7,125	0	11.66	0	
Vice President	Stephen Liao													
(Note 4)	CM Ho													

Note 1: The severance pay and Pensions is the allocation for pension withdrawals in 2023.

Note 2: The expense includes various bonuses, vehicle expenses, salaries related to participation in cash capital increases and subscription for shares, as well as various allowances provided by the company.

Note 3: The company's employee compensation in 2023 was approved by the Board of directors on February 22, 2024, the proposed distribution amount for this year is calculated in proportion to the actual amount of the previous distribution.

Note 4: CM Ho was appointed as Vice President on May 5, 2023; Stephen Liao retired as Vice President on November 1, 2023. The information in the above table discloses the remuneration received by the Company executives during their tenure.

Remuneration Paid to CEO, President and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	The Company	From All Consolidated Entities
Under NT\$ 1,000,000	-	-
NT\$ 1,000,000 ~ NT\$ 1,999,999	-	-
NT\$ 2,000,000 ~ NT\$ 3,499,999	Stephen Liao, CM Ho	Stephen Liao, CM Ho
NT\$ 3,500,000 ~ NT\$ 4,999,999	TK Huang, FN Huang	TK Huang, FN Huang
NT\$ 5,000,000 ~ NT\$ 9,999,999	Eric Pan	Eric Pan
NT\$ 10,000,000 ~ NT\$ 14,999,999	-	-
NT\$ 15,000,000 ~ NT\$ 29,999,999	Tony Tsai	Tony Tsai
NT\$ 30,000,000 ~ NT\$ 49,999,999	-	-
NT\$ 50,000,000 ~ NT\$ 99,999,999	-	-
Over NT\$ 100,000,000	-	-
Total	6	6

3. Names of managers distributed employee compensation and the status of distribution

December 31, 2023 Unit: NT\$ thousand

Title		Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total (Note1)	Ratio of Total Amount to Net Income (%)
Management	President	Tony Tsai	0	7,858	7,858	2.52
	Vice President	Eric Pan				
	Vice President	TK Huang				
	Vice President	FN Huang				
	Vice President	Stephen Liao				
	(Note 2)	CM Ho				
	Accounting Supervisor	Eunice Tai				
	(Note 3)	Megan Yang				
	Financial Supervisor	Candy Yeh				
	(Note 4)	Yun-Jia Shan				

Note 1: The Company's 2023 employee compensation was approved by the board of directors on February 22, 2024, and the proposed allotment amount for this year was calculated based on the proportion of the actual allotment amount in the past. The information in the above table discloses the remuneration received by the Company executives during their tenure.

Note 2: CM Ho was appointed as Vice President on May 5, 2023; Stephen Liao retired as Vice President on November 1, 2023.

Note 3: Accounting Supervisor Eunice Tai retired on August 3, 2023, and was succeeded by Megan Yang on the same day.

Note 4: Financial Supervisor Candy Yeh retired on September 20, 2023, and was succeeded by Yun-Jia Shan on November 06, 2023.

4. Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, president, and vice presidents, and the respective proportion of such remuneration to the income after tax referred to in the entity or standalone financial statements, as well as the policies, standards, and packages by which it was paid, the procedures through which the remuneration was determined, and its association with business performance and future risks:

Unit: NT\$ thousand; %

Title	Ratio of Total Amount to Net Income (%)			
	2022		2023	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Directors	4.60	4.60	5.04	5.04
President and Vice President	11.00	11.00	11.66	11.66

(1) Policy, Standards, and Composition of Compensation:

In accordance with Article 30-1 of the Company's Articles of Incorporation, when the company is in a state of accumulated losses, these must be addressed as a priority. Additionally, a distribution of employee remuneration equivalent to 10% to 15% of the profit for the current year is prescribed. Should the profit for the current year not exceed 2%, director remuneration is distributed. The distribution of employee remuneration and director remuneration requires a resolution by the board of directors with a majority of two-thirds of the attending directors in favor, subsequently reported to the shareholders' meeting.

A. Directors:

The Company's director compensation structure, as governed by the "Regulations on Directors' Remuneration and Distribution of Compensation" and "Articles of Incorporation", encompasses:

- a. Compensation: Fixed compensation is provided based on the responsibilities assumed by the Chairman of the Board; independent directors receive fixed compensation for their duties and concurrent roles as members of the Compensation Committee and Audit Committee, disbursed monthly. The aforementioned compensation is assessed and recommended by the Compensation Committee and sanctioned by the board of directors.
- b. Transportation and Attendance Fees: Directors attending company meetings in person are provided with transportation expenses for each instance to the same meeting venue, as well as attendance fees for each meeting.
- c. Remuneration: Independent directors do not receive separate remuneration, while individual remuneration for non-independent directors is subject to review by the Compensation Committee based on their level of engagement in company operations (including provision of core operational advice, etc.) and contributions, responsibilities within financial planning scope, and assumption of the chairman of the board position. The distribution is reviewed based on the weight approved by the board of directors, deliberated upon by the Compensation Committee, and resolved by the board of directors.
- d. Retirement Benefits: Directors concurrently holding employee positions are entitled to retirement benefits based on their tenure, with conditions and calculation methods in line with the Company's Employee Retirement Management Regulations.

B. President and Vice President:

According to the "Employee Bonus Budget and Allocation Guidelines" and the "Articles of Incorporation", the compensation for the President and Vice President includes both fixed salary and variable salary.

- a. fixed salary: Monthly salary, holiday bonuses, and long-term incentive bonus for employees who have been in the position for over a year.
- b. Variable Salary: Operational bonuses are determined based on the achievement rate of revenue and the growth rate of operating net profit; employee compensation is determined based on the growth rate of net profit after tax. President does not receive operational bonuses, and the maximum amount of operational bonuses for Vice President shall not exceed 4 months' salary per person.
- c. In addition to receiving fixed salary, President's employee compensation is based on the achievement rate of annual earnings per share.

- (2) The process of determining remuneration and its association with business performance and future risks.

The company follows the procedures for the distribution of remuneration to directors and managers as outlined in the " Articles of Incorporation, " Regulations on Directors' Remuneration and Distribution of Compensation," and " Employee Bonus Budget and Allocation Guidelines." The Compensation Committee evaluates and reviews the compensation situation annually, taking into account individual performance achievements and contributions to the company, as well as considering the overall operational performance of the company, future industry risks, and continuously reviewing the remuneration system in accordance with actual operational conditions and relevant regulations. Reasonable compensation is provided to achieve a balance between sustainable company operations and risk management.

In addition to aligning responsibilities with performance outcomes, managers in the Company also aggregate quarterly performance evaluations as a basis for remuneration. Performance indicators include qualitative metrics such as problem-solving abilities, communication skills, organizational and innovative development, and personal growth assessments, as well as quantitative metrics such as the achievement status, attainment rate, and completion rate of individual and departmental goals, and special project accomplishments. Moreover, short-term profit is not the sole criterion for compensation, and directors and managers are not encouraged to engage in risk-taking behaviors beyond the company's risk tolerance solely for the sake of pursuing salary rewards.

The remuneration disbursed to directors of the company in 2023 was all subject to review and resolution by the Compensation Committee prior to being presented for approval at the Board of Directors' meetings.

(IV) Implementation of Corporate Governance

1. Operations of Director for Board Meetings

The Company had convened 11(A) Board of Director meetings in 2023 with the following attendance:

Title(Note1)	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note2)	Remarks (Note2)
Chairman	Mike Yang	1	0	100.00	Resigned on Feb 8,2023
	Tony Tsai	11	0	100.00	Appointed as Chairman on Feb 8,2023
Director	Wen-Cheng Cheng	10	0	90.91	-
Director	Min Ho Shuen Investments Co., Ltd Representative : Yaw-Zen Chang	11	0	100.00	-
Director	Ting Dong Liang Investment Co., Ltd Representative : Shin-Chin Huang	11	0	100.00	-
Director	An Grace Investment Corp. Ltd. : Representative : Ji-Ceng Ma	11	0	100.00	-
Director	Gallant Precision Machining Co., Ltd. Representative : Frank Liang	3	1	75.00	Appointed as Director on May 26,2023
Independent Director	Ming-Cheng Liang	11	0	100.00	-

Title(Note1)	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note2)	Remarks (Note2)
Independent Director	Guo-Chao Hong	11	0	100.00	-
Independent Director	Ling-Shih Meng	11	0	100.00	-

Other items that shall be recorded:

I.Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

- (1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee.
- (2) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.

II.In instances where an independent director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts:

- (1) Resolution of the Board of Directors on Jan. 12, 2023, proposal for the adjustment of year-end bonus amount for managers. As Director Tony Tsai is the president of the Company, to avoided conflicts of interest, did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance.
- (2) Resolution of the Board of Directors on Feb. 23, 2023, Chairman and President of the Company Compensation Plan. As Director Tony Tsia is the Chariman and president of the Company, to avoided conflicts of interest, did not participate in discussion or voting, Independent Director Ming-Cheng Liang was appointed as the acting chairman, the proposal was approved without dissent after discussions among the Directors in attendance.
- (3) Resolution of the Board of Directors on May 5, 2023, proposal for the Company's managers' 2022 employee compensation plan. As Director Tony Tsia is the President of the Company, to avoided conflicts of interest, did not participate in discussion or voting of the amount of the President, Director Wen-Cheng Cheng was appointed as the acting chairman, the proposal was approved without dissent after discussions among the Directors in attendance.

III. Board of Directors' Evaluation of Implementation

The Board of Directors of the Company approved the "Rules for Performance Evaluation of the Board of Directors and Functional Committees" on December 24, 2019. The performance assessment of the Board of Directors as a whole, individual Board members and functional committees (including the Audit Committee and the Remuneration Committee) is conducted through internal self-assessment questionnaires at the end of each year, and the results are reported to the Board of Directors, which are implemented as follows:

Cycle	Period	Scope	Assessment Method	Assessment Content	Assessment Result
Once per year	Jan. 1, 2023 to Dec. 31, 2023	Board of Directors, Functional Committees (including Audit Committee and Remuneration Committee)	Internal self assessment by the board of directors and Functional Committees	1.Level of participation in the operation of the Company. 2.Improvement of the quality of the Board and Functional Committees. decisions. 3.Composition and structure the Board and Functional Committees.	<ul style="list-style-type: none"> The performance and results of the performance evaluation of the Board of Directors, individual Board members and functional committees for 2023 were reported to the Board of Directors on February 22, 2024. The self-assessment achievement rate of the overall board of Directors, each Functional Committee

Title(Note1)		Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note2)	Remarks (Note2)
				4.Selection of the Board and Functional Committees. 5.Continued learning of directors. 6.Internal control.		and individual Board members is 90% (or more), which meets the evaluation result of exceeding the standard, and this result will be used as the reference information for the reappointment of Directors. • The directors generally express strong agreement with the operational effectiveness of various performance assessment indicators. They affirm the overall performance of the board, noting that functional committees have fully realized their mandates in accordance with corporate governance standards. The board adheres to regulatory compliance with notable efficiency, effectively strengthening its functions and upholding shareholder rights and interests.
		Individual directors	Internal self assessment by the Individual directors	1.Understanding of the Company's objectives and missions 2.Awareness of directors' duties 3.Level of participation in the operation of the Company. 4.Internal relationship operations and communications. 5.Directors' professionalism and continued learning. 6.Internal control.		

IV.Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directorsand assessment of their implementation:

(1) Upgrade the competence and professional knowledge of Board of Directors:

- A. Strengthen the professional competence of the board of director: The Company set up audit committee and remuneration committee to assist the board of director exercise their authority.
- B. Reduce and disperse the risks which are caused by directors' fault or negligent behavior to the company and shareholders.

(2) Execution Evaluation:

- A.It has cooperated with the listed and company's regulation, insure directors' liability insurance, which can reduce and disperse the risk which are caused by directors' fault or negligent behavior to the company and shareholders. Addtinally, strengthens the competence of the board of directors.
- B.The Company has established the "Board Meeting Procedures" to comply with. Besides, disclose major board resolutions at the Market Observation Post System.
- C.Independent directors regularly review the audit report to internal audit division and grasp the company's operation.
- D.Set up corporate governance supervisors to assist directors excercise their duties and enhance effectiveness:
On May 13, 2019, the board of directors approved to set up the corporate governance to deal with directors 'requirements immediately, effectively. It increases the support to the company's directors and strengthen compliance with relevant corporate governance laws and regulations.
- E.The company encourage the member of board to participate in various professional courses and conduct relevant laws and regulations on the meeting to enhance the decision-making ability and meet relevant laws and regulations.

Note1:On February 8, 2023, Mike Yang resigned from the positions of Chairman and Director. On the same day, the Board of Directors elected Tony Tsai as the Chairman. The company held Shareholders' General Meeting on May 26, 2023, to elect directors, and Frank Liang, representing Gallant Precision Machining Co., Ltd., was elected.

Note2:Attendance Rate in Person (%) is to calculate by board meeting time and actual attendance time.

2. Operations of Audit Committee

The Company had convened 8 (A) Audit Committee meetings in 2023 with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Independent Director	Ming-Cheng Liang	8	0	100.00	
Independent Director	Guo-Chao Hong	8	0	100.00	
Independent Director	Ling-Shih Meng	8	0	100.00	
Other items to be stated:					
I. When one of the following situations has occurred to the operations of the Audit Committee, state the date, term and content of proposals of the Audit Committee, Independent directors' dissenting opinions, reservations or significant recommendations, result of resolutions of the Audit Committee and the Company's actions in response to the resolutions:					
(1) Matters included in Article 14-5 of the Securities and Exchange Act:					
Audit Committee of Date	Audit Committee of Term	Contents of Motion		Resolution of the Audit Committee	
Feb 23, 2023	3rd term 15th Meeting	<ul style="list-style-type: none"> • 2022 Financial Report. • Assessment the independence and suitability of the Company's CPA. • Amendment the "Internal control system". • Effectiveness Assessment of Internal Control System and the "Internal Control System Statement" of 2022. 		Approved	
Apr 13, 2023	3rd term 16th Meeting	<ul style="list-style-type: none"> • 2022 Business Report • 2022 Earnings Distribution 		Approved	
Apr 18, 2023	3rd term 17th Meeting	<ul style="list-style-type: none"> • Disposal of equity shares of Phoenix Battery Corp. 		Approved	
May 05, 2023	3rd term 18th Meeting	<ul style="list-style-type: none"> • 2023Q1 Financial Report. 		Approved	
Aug 03, 2023	3rd term 19th Meeting	<ul style="list-style-type: none"> • 2023Q2 Financial Report. • The Company's 2023 Cash Capital Increase Issue of Ordinary Shares. • Amendments the "Level Of Authority" • Appointment for the Accounting Supervisor. 		Approved	
Sep 20, 2023	3rd term 20th Meeting	<ul style="list-style-type: none"> • Appointment for the Financial Supervisor. 		Approved	
Nov 06, 2022	3rd term 21th Meeting	<ul style="list-style-type: none"> • 2023Q3 Financial Report. • Disposal of equity shares of Phoenix Battery Corp. • Proposed Disposition of Company Machinery and Equipment. • 2024 Internal Audit Plan. • Appointment for the Financial Supervisor. 		Approved	
Dec 28, 2023	3rd term 22th Meeting	<ul style="list-style-type: none"> • 2024 Capital Expenditure Program 		Approved	

<p>a. all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.</p> <p>b. The results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions: The members of the Audit Committee approved all motions unanimously and the Board of Directors approved all motions based on the Audit Committee's recommendations.</p> <p>(2)Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.</p> <p>II.In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts: None.</p> <p>III.Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):</p> <p>(1) The internal audit supervisor regularly communicates with the members of the Audit Committee about the results of the audit reports and gives internal audit reports at the Audit Committee meetings on a quarterly basis, and reports to the members of the Audit Committee immediately if there are special circumstances. No special circumstances as mentioned for 2023. The communication between the Audit Committee and the internal audit supervisors are fine.</p> <p>(2)The CPAs regularly report the results of audits or reviews of financial statements at meetings of the Audit Committee, and other communications required by applicable laws and regulations. The communication between Audit Committee and CPAs are fine.</p> <p>(3) Communications between the Independent Directors and the head of internal audit, CPA. are as follows:</p>			
Head of Internal Audit (separate meeting)		CPA (separate meeting)	
Date	Descriptions of the meeting	Date	Descriptions of the meeting
Nov 06, 2023	2023 Annual Audit Report	Nov 06, 2023	2023 Annual Report on Auditing Matters
<p>IV.Annual key functions and operations of Audit Committee:</p> <p>2023 Annual key functions:</p> <p>(1) Audit of financial statements.</p> <p>(2) Assessment of the effectiveness of internal control system.</p> <p>(3) Review of major asset transactions.</p> <p>(4) Assessment the independence and suitability of the Company's CPA.</p> <p>(5) Issuance of Equity Securities.</p> <p>(6) Appointment for the Accounting and Financial Supervisor.</p> <p>2023 operations of Audit Committee: Please refer of the Annual Report (Page 28).</p>			

3. The state of the company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the "Corporate Governance Principles" to implement the relevant regulations in accordance with the spirit of corporate governance. Please refer to the Company's official website or the Market Observation Post System (MOPS) for the Corporate Governance Principles stipulated by the Company.	No significant difference
II. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure??	✓		(1) The Company has established the "Internal Procedures for Handling Material Information" to ensure that information that may affect shareholder decisions can be disclosed promptly and properly. The shareholder services and corporate relations unit is designated as the responsible unit and has set up a dedicated mailbox to handle shareholder suggestions, queries, disputes, and legal matters.	No significant difference
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) By interacting with major shareholders, our company is better able to promptly grasp the actual controlling shareholders of the company and the list of ultimate controllers among major shareholders.	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?	✓		(3) The Company's internal control covers the corporate risk management activities and operating activities. The Company establishes the "Regulations Governing Supervision on Subsidiaries" to fulfill the risk control mechanism against subsidiaries. Meanwhile, the Company also establishes the "Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties" to govern the purchases/sales, acquisition or disposition of assets, endorsements/guarantees and loaning of fund by the affiliates. On February 23, 2023, added the requirement that the relevant material transaction should be submitted to the board of directors for approval and to the shareholders' meeting for approval or report.	No significant difference
(4) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(4) The Company's "Integrity Operation Procedures and Code of Conduct" stipulate that directors, managers, or employees, among other internal personnel, must engage in business activities based on principles of fairness, honesty, trustworthiness, and transparency. In order to implement the policy of integrity operation and actively prevent dishonest behavior, they are required to comply with the provisions of the Securities and Exchange Act, prohibiting them from engaging in insider trading for profit using undisclosed information obtained internally, and they must	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>not disclose such information to others to prevent them from engaging in insider trading.</p> <p>On December 28, 2023, the Board of Directors resolved to amend the "Corporate Governance Best Practice Principle" to enhance the control measures for stock trading by internal personnel upon receiving company financial reports or related performance content, including (but not limited to) directors being prohibited from trading company stocks during the 30-day period before the announcement of annual financial reports, and the 15-day period before the announcement of quarterly financial reports, effective immediately upon passage.</p> <p>The company conducts at least one education and advocacy session on the "Prevention of Insider Trading Regulations" and related laws and regulations for current directors, managers, and employees each year. Newly appointed directors and managers receive education and advocacy within 3 months of assuming their positions, while new employees receive education and advocacy during pre-employment training conducted by HR.</p> <p>In December 2023, the company uploaded the "Prevention of Insider Trading" course to the digital learning platform, targeting directors, managers, and employees. The content covers the definition of insider trading, its constituting elements, legal responsibilities, and court</p>	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			judgments, and participants must pass a test. The course duration is 1 hour, and a total of 649 participants completed the training in 2023. Relevant content is also available on the company's internal knowledge management system for directors, managers, and employees to access at any time.	
III. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Board of Directors' diversity policy, specific goals of management and implementation, please refer of the Annual Report (Pages 15-16).	No significant difference
(2) In addition to the Composition Committee and Audit Committee set in accordance with the law, has the Company voluntarily set up other functional committees?		✓	(2) The Company currently has established the Composition Committee and the Audit Committee in accordance with the law, and in the future, we plan to establish other functional committees as needed.	Under discussion and preparation
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(3) On December 24, 2019, the Board of Directors of the Company approved the "Regulations Governing Performance Appraisal on Board of Directors and Functional Committees". At the end of each year, according to the overall planning of President's Office, the performance appraisal on the entire Board of directors, individual Board member and functional committees (including Audit Committee and Remuneration Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>Directors and served as the reference for election or nomination of directors and also the suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company's operations, upgrading of the decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control. The company has completed the performance evaluation in the fourth quarter of 2023, and reported the results to the board of directors on February 22, 2024, and disclosed on the website.</p> <p>(4) The Company has established the "Regulations Governing the Independence and Performance of Certified Public Accountants". The Company assesses the independence, suitability and performance of CPA annually and submits the results to the Audit Committee and the Board of Directors for approval.</p> <p>The evaluation of the independence and and suitability of the certified public accountants for 2023 was approved by the Audit Committee and the Board of Directors on February 22, 2024. The rotation of certified public accountants was also conducted in accordance with the relevant regulations.</p>	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>Independence assessment of the following standard items :</p> <p>a. No direct or indirect substantial financial interest between the CPA and the Company.</p> <p>b. No substantially close business relationship between the CPA and the Company.</p> <p>c. No potential employment relationship exists when the CPA audits the Company's report.</p> <p>d. The CPA should ensure the integrity, impartiality and independence of their assistants.</p> <p>e. The CPA never accepts any expensive gift or present from the Company or the Company's directors or managerial officers (valuing more than the value required under the general social etiquette standards).</p> <p>f. No borrowing/lending of fund between the CPA and the Company.</p> <p>g. The CPA does not hold another business, the CPA may lose its independence.</p> <p>h. The CPA has not received any commission related to his/her service.</p> <p>i. The CPA or its spouse and second degree relatives do not hold any of the Company's shares.</p> <p>j. Not simultaneously taking a regular position in the Company or its affiliated enterprises and receiving a fixed salary therefrom.</p> <p>k. The CPA has no joint investment or interest sharing with the Company and its affiliated enterprises.</p> <p>l. The CPA is not involved in the</p>	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>management function of the Company in formulating decisions °</p> <p>m. The CPA does not currently hold any the position as director, managerial officer, or any position materially critical to the audited case in the most recent 2 years, and will never hold said positions in the future audit period.</p> <p>n. During the audit period, the CPA and his / her spouse or dependent(s) did not hold any position as a director, supervisor, or manager of the company or have direct and significant influence on the audit work.</p> <p>o. The CPA issued the Statement of Detached Independence.</p> <p>p. The CPA issued the Statement of Audit Quality Indicators</p> <p>The results of the evaluation are as follows.</p> <p>As a result of the evaluation, the certified public accountants have met the requirements of the independence evaluation and issued the "Statement of Independence", "Audit Quality Indicators" which confirms that the CPAs are independent, suitability and can be trusted to issue financial reports.</p>	
IV. Has the Company set up a corporate governance (concurrent) unit or personnel for the matters of corporate governance (including but not limited to providing the information required by Directors and Supervisors to carry out business, handling	✓		The Company resolved at the Board meeting on May 13, 2019 that the Company's Vice President of control center, should hold the position as the Company's Corporate Governance Manager concurrently (who has the experience in the management of finance, shareholders' service and parliamentary procedures for	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
matters related to the Board of Directors and Shareholders' Meeting by the law, processing company registration and changes of registration, and composing meeting minutes for the Board of Directors and Shareholders' Meeting) ?			<p>TWSE/TPEx-listed companies for more than three years), responsible for leading and guiding the President's Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include:</p> <ol style="list-style-type: none"> 1. Handling matters relating to board meetings and shareholders meetings according to laws. 2. Producing minutes of board meetings and shareholders meetings. 3. Assisting in onboarding and continuous development of directors. 4. Furnishing information required for business execution by directors. 5. Assisting directors with legal compliance. 6. Report to the Board on the results of its review of the conformity of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election and the period of their appointment. 7. To handle matters related to the change of directors. 8. Other matters set out in the articles of corporation or contracts <p>The execution status of corporate governance affairs by the Corporate Governance Manager in 2023 is as follows:</p> <ol style="list-style-type: none"> 1. Developing and planning corporate governance-related regulations and procedures, and reviewing and revising them to ensure compliance with legal requirements. 2. Providing the necessary information for directors to carry out their duties and assisting them in 	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>compliance with laws and regulations.</p> <p>3. Assisting newly appointed directors in assuming their roles and providing relevant support.</p> <p>4. Planning for each board meeting and notifying all directors at least 7 days in advance, providing sufficient meeting materials, and sending out the minutes of the board meeting within 20 days after the meeting.</p> <p>5. Handling pre-registration for shareholder meetings in accordance with the law, preparing meeting notices, agendas, annual reports, and minutes of meetings, and processing company registration changes (paid-in capital and changes in chairman or directors).</p> <p>6. In 2023, the company held 11 board meetings, 8 audit committee meetings, and 1 shareholder's annual general meeting.</p> <p>7. All board members completed at least 6 hours of continuing education courses; the total hours of continuing education for corporate governance supervisors was 12 hours. For complete information on continuing education courses, please refer to pages 67-68 of the annual report.</p> <p>8. Purchased liability insurance for directors and reported to the board of directors after renewal.</p> <p>9. Reviewed whether the qualifications of independent directors during their tenure comply with relevant laws and regulations, and reported to the board of directors.</p> <p>10. Conducted performance evaluations for the board of</p>	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			directors, individual directors, and functional committees, all of which exceeded standards.	
V. Has the Company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees, customers and suppliers), and set up a stakeholder section on the Company's website, and appropriately respond to the important corporate social responsibility issues which are essential to stakeholders ?	✓		The Company has spokespersons and acting spokespersons, the website has a special area for interested parties, and a contact person is established for the related parties, and there are special personnel to answer the social responsibility issues of the related parties. The communication situation of all stakeholders in 2023 has been reported to the board of directors on Nov 6, 2023.	No significant difference.
VI. Has the Company commissioned a professional stock affair agency to manage Shareholders' Meetings and other relevant affairs ?	✓		The Company entrusts Grand Fortune Securities Co., Ltd. to act as the Company's shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference.
VII. Information Disclosure (1) Has the Company established a website to disclose information on financial operations and corporate governance?	✓		(1)The Company's website has an investor section and a corporate governance section to disclose financial operations and corporate governance information respectively.	No significant difference.
(2)Has the Company adopted other means of information disclosure(such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website) ?	✓		(2) The Company's website has an investor section and a corporate governance section. The Company's financial, business, and related information can be found on the Market Observation Post System. The Company's dedicated personnel shall be responsible for information on the Company's financial, business, and other relevant information. The dedicated personnel shall disclose information to the Company's shareholders and	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3)Whether the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as the prescribed period ?	✓		<p>stakeholders. A spokesperson and its substitution have been assigned.</p> <p>(3)The 2023 financial report was announced on February 26, 2024. The financial reports for the first, second and third quarters of 2023 were announced on May 5,2023, Aug 4,2023 and Nov 7,2023, all earlier than within the specified period, the monthly revenue will also be announced in advance within the specified period.</p>	No significant difference.
VIII.Has the Company provided other information that is helpful to understand the implementation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, implementation of the Company's policies, and purchase of liability insurance for the Directors and Supervisors) ?	✓		<p>(1)Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees' legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems.</p> <p>(2)Investor relations: Disclose the information sufficiently via the MOPS and the Company's website to enable the investors to understand the Company's overview of operation and communicate with investors via the shareholders' meeting and spokesman.</p> <p>(3)Supplier relations: The Company maintains fair interactive relations with the suppliers and conducts audits from time to time to ensure the suppliers' quality.</p> <p>(4)Stakeholders' interests: The</p>	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company's website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the legal interests and rights deserved by them.</p> <p>(5)Continuing education of directors: All of the Company's directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required. Please refer to pages 67-68 of the annual report for further details of the directors' training.</p> <p>(6)Implementation of risk management policies and risk measurements: The Company is used to managing the risk stably and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time.</p> <p>(7)Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company.</p> <p>(8)Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders' equity,</p>	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			and disclosed the relevant information in the corporate governance section on the MOPS.	
IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies :				
The improvement of the results of the 2023 corporate governance evaluation				
Evaluation index content			Improvement matters	
Does the company report at the shareholder's annual general meeting the remuneration received by directors, including the remuneration policy, individual remuneration details, and amounts?			The company will report on the director remuneration for 2023 at 2024 annual shareholder's meeting.	
Does the company's chairman and chief executive officer or other equivalent rank (top management) serve as the same individual or are they spouses or first-degree relatives?			After the comprehensive director election at the 2024 shareholders' meeting, the company will comply with the provision of Article 4, Section 5 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers," stipulating that the chairman and the chief executive officer or equivalent rank shall not be the same individual or spouses or first-degree relatives.	
Does the company's annual report disclose the linkage between performance evaluation of directors and managers and their remuneration?			The company will outline the remuneration distribution process according to evaluation scoring guidelines, incorporating performance assessments of directors and managers. It will also enumerate relevant outcomes of significant items considered in this process.	
Does the company's annual report voluntarily disclose individual remuneration of directors?			The 2023 annual report voluntarily disclosed individual remuneration of directors.	
Does the company upload an English version of its sustainability report on the MOPS and the company's website?			The English version of the 2023 sustainability report will be uploaded to the MOPS and the company's website.	

4. If the company has a compensation committee or nomination committee in place, the composition and operation of such committee shall be disclosed:

(1) Information on the members of the Remuneration Committee :

Criteria Name/Title		Professional Qualification and Experience	Independent Directors’ Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as the Remuneration Committee Member
Guo-Chao Hong	Remuneration Committee Convenor	The Remuneration Committee is comprised of all three Independent Directors. For members professional qualification and experience, please refer this Annual Report on pages 15-16.	All of the following situations apply to each and every of the Independent Directors: 1.The Independent Directors, their spouses, or relative within the second degree of kinship do not serve as Directors, Supervisors, or employees of the Company or its affiliates. 2.The independent directors, their spouses, and relatives within the second degree of consanguinity (or r held by the person under others' names) do not hold any shares of the Company. 3.The Independent Directors do not serve as Directors, Supervisors or employees of companies with specific relationships with the Company (Note 1). 4.Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service”.	1
Ming-Cheng Liang	Remuneration Committee Member			1
Ling-Shih Meng	Remuneration Committee Member			None.

Note1 : The Directors, Supervisors or employees of the specified affiliated companies are defined in Article 6, Item 1, Paragraphs 5 to 8 of the " Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange ":

- (1) 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.
- (2) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (3) 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: a director (or governor), supervisor, or employee of that other company or institution.
- (4) 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.

(2) Responsibilities of the Remuneration Committee:

The operation of the Remuneration Committee of the Company is based on the "Organizational Regulations of Remuneration Committee", and the responsibilities of this Committee include :

- A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- B. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

(3) Operation of the Remuneration Committee

- A. The Company's Remuneration Committee consists of three members.
- B. The term of the current members is from July 14, 2021 to July 13, 2024. The Remuneration Committee held 6 meetings (A) in 2023, and the qualifications and attendance of the

members are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Guo-Chao Hong	6	0	100.00	-
Committee	Ming-Cheng Liang	6	0	100.00	-
Committee	Ling-Shi Meng	6	0	100.00	-

Other mentionable items :

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee's proposals, it should specify the date of meeting, sessions, content of the motion, resolution by the Board of Directors and the Company's response to the Remuneration Committee's opinion (e.g., theremuneration passed by the board of directors exceeds the recommendation committee, the circumstance and cause for the difference shall be specified): None.

II. Resolutions of the Remuneration Committee objected by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion of the Remuneration Committee, all members' opinions and the response to members' opinion should be specified: None.

III .Operations of Remuneration Committee :

Remuneration Committee of Date	Remuneration Committee of Term	Contents of Motion	Resolution
Jan 12, 2023	4th term 7th Meeting	<ul style="list-style-type: none"> The case of the company's year-end bonus amount for managers in 2022. 	Approved
Feb 23, 2023	4th term 8th Meeting	<ul style="list-style-type: none"> The Company's 2022 employee compensation distribution. The Company's 2022 directors' remuneration distribution. Compensation Proposal for Chairman and President. Gratuity Payment Proposal for Former Chairman Yang 	Approved
May 5, 2023	4th term 9th Meeting	<ul style="list-style-type: none"> The company's 2022 Directors' remuneration distribution. The company's managers' 2022 employee compensation plan. Promotion of Associate CM Ho to Vice President of Operations Resource Center. 	Approved
Aug 03, 2023	4th term 10 th Meeting	<ul style="list-style-type: none"> Compensation Proposal for Accounting Officer 	Approved
Sep 02, 2023	4th term 11 th Meeting	<ul style="list-style-type: none"> 2023 Cash Capital Increase Issuance of New Shares Employee Subscription Allocation Proposal for Managers and Directors Holding Employee Status 	Approved
Nov 06, 2023	4th term 12 th Meeting	<ul style="list-style-type: none"> Compensation Proposal for Financial Officer. 	Approved

The resolution and handling of the Compensation Committee's decisions and the company's response to the Compensation Committee's opinions:

All proposals were unanimously approved by the Compensation Committee members, and the Board of Directors approved all proposals in accordance with the recommendations of the Compensation Committee.

5. The state of the company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	✓		<p>(1) The Board of Directors of the Company approved the establishment of the "Sustainable Development Executive Committee" ("Committee") on December 28, 2022, and authorized the President to serve as the chairman of the Committee. The Chairman is responsible for proposing and implementing sustainable development policies, systems, or related management guidelines, and reporting to the Board of Directors on a regular basis every year.</p> <p>(2) The Committee has established eight subcommittees based on four aspects: environmental protection, social prosperity, governance, and economic benefits, with senior management serving as members of each subcommittee to assist in the promotion of relevant operational activities. The main tasks include identifying sustainable issues that require attention in ESG-related actions, formulating response action plans, allocating budgets related to ESG, and tracking the practical performance of sustainable issues to establish continuous improvement plans. Each subcommittee reports quarterly to the Committee on the progress of implementation, ensuring that sustainable development strategies are integrated into the company's daily operations. In the year 2023, the Committee held 4 meetings to track the implementation situation and reported the execution results in the annual</p>	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps												
	Yes	No	Explanation													
			<p>report, as well as setting goals and plans for the following year.</p> <p>(3) The Committee annually reports to the Board of Directors on the execution results and strategy, and the Board of Directors reviews the strategies proposed by the Company, assesses the probability of their successful execution, and, if necessary, requests adjustments to be made by the operating team. On February 22, 2024, the Committee reported to the Board of Directors the execution results for the year 2023, as well as the work plan and objectives for 2024.</p>													
II.Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		<p>This disclosure covers the period from January 2023 to December 2023, and the risk assessment boundary is based on the Company's location in Taiwan.</p> <p>The Company identifies important topics and evaluates the impact of risks in accordance with the materiality principle of sustainable development › and Proposed related risk management strategies, as follows:</p> <p>Environment Issues</p> <table><tr><th>Material Topics</th><th>Risk Management Strategy</th></tr><tr><td>GHG Management</td><td>Greenhouse gas emission inventories and calculation, and other carbon reduction measures.</td></tr><tr><td>Water Management</td><td>Water analysis and monitoring, improving process water efficiency (water recycling plant), actively reducing wastewater discharges and participating in the CDP Water initiative.</td></tr><tr><td>Energy Management</td><td>Improve resource efficiency from process and equipment, import smart grid, and research and development of renewable energy strategy.</td></tr><tr><td>Waste and Recycling</td><td>Reduce and recycle waste, recycle products, components and original materials, and demonstrate the value of sustainable resources</td></tr><tr><td>Air pollution control</td><td>For volatile organic compounds (VOCs), sulfur oxides SOx, nitrogen oxides NOx and granular pollutants, with different control</td></tr></table>	Material Topics	Risk Management Strategy	GHG Management	Greenhouse gas emission inventories and calculation, and other carbon reduction measures.	Water Management	Water analysis and monitoring, improving process water efficiency (water recycling plant), actively reducing wastewater discharges and participating in the CDP Water initiative.	Energy Management	Improve resource efficiency from process and equipment, import smart grid, and research and development of renewable energy strategy.	Waste and Recycling	Reduce and recycle waste, recycle products, components and original materials, and demonstrate the value of sustainable resources	Air pollution control	For volatile organic compounds (VOCs), sulfur oxides SOx, nitrogen oxides NOx and granular pollutants, with different control	No significant difference
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Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
<p>III. Environment issues</p> <p>(1) Does the company establish an appropriate environmental management system based on industry characteristics?</p>	✓		<p>(1) The company follows the PDCA of the ISO management system, and implements the ISO14001 environmental management system by establishing a complete SOP, independent internal audit and annual external audit by a third-party verification agency. Passed the ISO 14001 Environmental Management System in 2004 and verifies the effectiveness of the continuous system every year. Properly handle the waste, air pollution, wastewater discharge and other pollution generated in the production process in the factory and obtain the approval certificate issued by the competent authority. By establishing an environmental management system and implementing specific action plans, the impact of business operations on the natural environment and human health can be reduced, and the sustainable use of energy resources can be promoted.</p> <p>The company continuously verifies the validity of the ISO 14001 certificate annually. The verification unit is the British Standards Institute (BSI). The last verification date is August 2023, The certificate is valid until October 7, 2025, and will be subject to a three-year renewal check in September 2022.</p>	No significant difference
<p>(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	✓		<p>(2) In terms of energy use, the company implements an energy-saving plan according to the Energy Management Law every year, with an energy-saving efficiency of $\geq 1\%$ or more, and regularly reports the progress of the plan to the company's environmental protection department to the committee. The</p>	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		<p>recycled materials currently used by the company are mainly wafer raw materials, and other materials are involved in product production and customer certification, so no other recycled materials are used.</p> <p>(3) Our company has assessed the potential risks and opportunities of climate change on our business both now and in the future, and has incorporated them into our risk management framework. We actively promote energy conservation and carbon reduction measures. In July 2023, we obtained ISO 14064-1:2018 certification for greenhouse gas inventory. Following the inventory, our Health, Safety, and Environment (HSE) Department regularly tracks and audits the energy-saving and carbon reduction efforts of each department. The results of these efforts are reported in our Sustainability Development Committee reports. We disclose information regarding potential risks, opportunities, and mitigation measures related to climate change on our company website under the sustainability section.</p>	No significant difference
(4) Dose the company counted the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and has it formulated policies for greenhouse gas reduction, water conservation or other waste management?	✓		<p>(4) The company is actively committed to the implementation of energy conservation and carbon reduction, water resource management and proper waste disposal. The statistics of the past two years are as follows:</p> <ol style="list-style-type: none"> 1. Scope : All factories in Taiwan 2. Measurement : converted to 12-inch single-chip products 3. External authentication : The external third party verification is expected to be completed at Q2,2024 	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps															
	Yes	No	Explanation																
IV. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<ul style="list-style-type: none">Greenhouse Gas <div>Unit:ton CO2e</div> <table><tr><th>Scope</th><th>2022</th><th>2023</th></tr><tr><td>—</td><td>5,220.6284</td><td>6,101.3355</td></tr><tr><td>—</td><td>20,005.1079</td><td>25,251.9454</td></tr><tr><td>—</td><td>8,642.4938</td><td>11,046.8645</td></tr><tr><td>total</td><td>33,868.2301</td><td>42,400.1454</td></tr></table>	Scope	2022	2023	—	5,220.6284	6,101.3355	—	20,005.1079	25,251.9454	—	8,642.4938	11,046.8645	total	33,868.2301	42,400.1454	
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(1) In accordance with labor laws and international human rights standards, the Company has established and implemented internal personnel regulations such as the "Human Rights Policy," "Work Rules," and "Personnel Management Rules" to explicitly																			

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(2) Dose the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<p>safeguard the labor rights of employees, including promotion, compensation, working hours, training, and career advancement, without discrimination based on gender, race, age, marital status, religion, political stance, or family status. Any form of forced labor and discrimination is strictly prohibited, and the employment of child labor is comprehensively prohibited, adhering to labor laws. Additionally, online courses on workplace complaints and sexual harassment prevention are conducted to provide employees with a friendly working environment. In the future, the Company will sequentially adhere to the Responsible Business Alliance (RBA), the Universal Declaration of Human Rights (UDHR), and relevant International Labor Organization (ILO) standards to further implement the company's human rights policy. In 2023, a total of 225 individuals participated in new employee education and training. Going forward, we will continue to focus on human rights protection issues, advocate and promote relevant education and training to raise awareness of human rights protection and reduce the likelihood of related risks.</p> <p>(2) The Company regularly participates in industry salary surveys to calibrate salary levels and adjusts annual salaries based on company operations, price indices, and individual performance. Bonuses such as holiday bonuses, year-end bonuses, and employee remuneration are calculated based on the company's operational performance and employees' individual job</p>	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps								
	Yes	No	Explanation									
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>performance. Additionally, the Company provides incentives such as patent bonuses, proposal improvement bonuses, and MVP employee awards to reward outstanding employee performance, while also issuing long-term service bonuses and trophies to senior employees simultaneously. For the Company's employee welfare policies, please refer to pages 100-103 of the annual report.</p> <p>(3) In order to ensure a safe and healthy working environment for employees, the company provides a good working environment, and provides physical examination and safety and health education training for new employees and employees. Every week we implement 6S audit to prevent abnormal situation, we also let our staff accept more education,you can refer to the following list:</p> <table><tr><th>Course</th><th>frequency</th></tr><tr><td>On-the-job safety and Healthy training</td><td rowspan="3">Half-yearly</td></tr><tr><td>Fire tranining</td></tr><tr><td>Chemical hazard training</td></tr><tr><td>Emergency Response</td><td>Quarterly-yearly</td></tr></table> <p>The company has certified ISO 45001 Occupational Safety and Health Management System for employee health and safety. The validity of the certificate is continuously verified every year. The verification unit is the British Standards Institution (BSI). The verification time is August 2023, and the certificate is valid until October 7, 2025. The scope of the certificate is the existing process production area and product category.</p>	Course	frequency	On-the-job safety and Healthy training	Half-yearly	Fire tranining	Chemical hazard training	Emergency Response	Quarterly-yearly	No significant difference
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Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(4) Does the company established an effective career development training program for employees?	✓		<p>In the 2023, the Company experienced no significant accidents or incidents of fire or explosion. There were 13 cases of temporary total disability due to occupational accidents, with 10 resulting from traffic accidents (accounting for 1.17% of the total number of employees) and 3 occurring as workplace injuries in the plant, comprising 2 cases of chemical exposure (0.23%) and 1 case of personnel falling (0.12%). Improvement measures not only involve strengthening the wearing of protective gear but also increasing audit frequency to ensure accurate usage by personnel. Future efforts will focus on enhancing traffic safety promotion.</p> <p>(4) The Company is committed to establishing excellent career development plans for employees and optimizing various cultivation mechanisms. This includes new employee education and training to familiarize employees with the Company's overview, as well as on-the-job training and qualification certification mechanisms tailored to different positions in line with training roadmaps, ensuring that employees' career development aligns closely with the Company's future development. In the fiscal year 2023, internal training was conducted on teaching skills and Mentor coaching guidance. Internal trainers possess practical experience and provide practical training, while the Mentor system facilitates one-on-one guidance, strengthening employees' learning curves and promoting team cooperation. Through the combination</p>	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	✓		<p>of internal trainers and the Mentor system, the Company provides comprehensive and efficient career development training programs, while fostering a culture of mutual growth. This not only attracts talented individuals but also continuously enhances employee job satisfaction and loyalty. The average training hours per person in the fiscal year 2023 were 53.5 hours.</p> <p>(5) The company has established "Customer Complaint Handling Operation standards" and "Customer Feedback Handling procedures", to establish a customer-oriented quality system, and used objective methods to comprehensively evaluate customers' satisfaction with the company's products or services. To understand the gap between customer needs and expectations, as the basis for quality system improvement, to achieve the goal of sustainable enterprise management. The company's marketing and labeling of products and services follows relevant regulations and international standards.</p>	No significant difference
(6) Does the company set supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation status?	✓		<p>(6) The company (hereinafter referred as "Psi") has established supplier management procedure. All suppliers need to sign 「Supplier Commitment」, abide by integrity, intellectual property rights of others and compliance with the duty of confidentiality. Psi stated every supplier has to cooperate "Environmental Safety and Health Policy-cum- energy management", implementation of energy-saving and carbon reducing activities to promote the efficient use of resources in every</p>	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			<p>purchasing order. Suppliers need to promise to abide by contractor environmental safety and health, not able to use hazardous substance and conflict mineral. Also, be adopting the standards within the Responsible Business Alliance (RBA) Code of Conduct.</p> <p>According to new supplier selection and audit improvements, supplier capabilities are enhanced, supply chain resilience is strengthened, and operational risks are reduced.</p> <div> <p>New supplier evaluation: New suppliers are selected after evaluation. Follow the supplier's code of conduct and sign a "Supplier Commitment". Raw material-related suppliers are required to pass the ISO 9001 or IATF16949 quality management system.</p> <p>Supplier audit: Psi formulates a supplier audit plan every year and conducts written, con-call, and on-site audits. PSI attaches great importance to the sustainable management of suppliers and incorporates aspects such as environmental protection, occupational safety and health, and labor rights into evaluation projects for review. In response to supplier deficiencies, suppliers are required to provide improvement plans and measures within a time limit and confirm them.</p> </div>	
V.Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?		✓	The company refers to internationally recognized reporting guidelines or standards to prepare the 2022 sustainability report, which discloses non-financial information about the company. The aforementioned report has not yet obtained the assurance or opinion of a third-party verification unit.	The research and development of obtaining third-party certification or assurance opinions is underway.
<p>VI.If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the prescribed code:</p> <p>The Company's Board of Directors approved the establishment of the "Code of Practice for Corporate Social Responsibility" on October 16, 2017, which was amended to the "Code of Practice for Sustainable Development" by the Board of Directors on February 23, 2023, and the current operation is not materially different from the prescribed Code.</p>				

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
VII. Other important information helpful to understand the implementation of the promotion of sustainable development: The specific implementation results of the company's sustainable development (ESG) in 2022 : 【Environment】 1. Energy saving : Replacement of high energy consumption and integration of lighting equipment and energy-saving equipment. Electricity consumption in 2023 decreased by 3.1% compared to 2022. 2. Greenhouse gas emissions : Replacement of fluorine-containing gases, adjustment of process parameters. The total greenhouse gas emissions in 2023 decreased by 6.4% compared to 2022. 3. Reduce the use intensity of water resources : Improve manufacturing efficiency, reduce tap water consumption, and reduce water dependence. The total consumption of tap water in 2023 decreased by 3% compared to 2022. 4. Optimizing wastewater treatment : Introducing new technologies for wastewater treatment. The wastewater discharge in 2023 decreased by 2.5% compared to 2022. 5. Increase resource reuse Enhance the recycling rate of waste materials. The waste recycling rate in 2023 increased by 5% compared to 2022. 6. The CDP Climate Change project was upgraded from grade D to grade B. 【Social】 1. Diversity and Inclusivity: Increasing diverse workforce recruitment and listening to diverse voices. • Online campus lectures: For the first time, shared semiconductor industry job content with students from nearly twenty universities and opened for Q&A, reaching 260 participants, enhancing students' understanding of SunPower Semiconductor and related positions • Since October 2022, Monthly letter from president to foster team cohesion and align efforts. 2. Talent Selection and Development: Enhancing corporate visibility to attract job seekers, assisting new hires in integration, and providing diverse employee development plans. • Recruitment promotion on official Line/Facebook/Instagram platforms, reaching over a thousand individuals. • New employee education and training, achieving a satisfaction score of 90. • Conducted internal trainer training, certifying 16 trainers. • Conducted Mentor coaching guidance training, training 25 Mentors. 3. Happy Workplace Initiative: Promote employee and their families' sense of belonging to the company, advocate for comprehensive health protection, and disseminate health knowledge. • Dedicated parking spots for expectant mothers - 9 expectant mothers applied. • Promotion of employee welfare stock trusts - 30% of employee joined the Employee Welfare Trust Stock Association. • Single-person dormitories 2.0 - 11 individuals benefited. • Stress-relief massages - 414 sessions. • Spring moss ball DIY - 100 participants. • Mother's Day everlasting wish bottle DIY - 132 participants. • Establishment of activity clubs - Bowling (Zhuke Factory/Zhonggang Factory), Table Tennis, Badminton, among others. • Sports&Family day - 516 participants.				

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
<ul style="list-style-type: none">• Healthy vegetarian meals - Starting from December, 50 portions of healthy vegetarian meals are offered every Friday.				
4. Social Care Initiatives:Meet customized public welfare needs, promote local agricultural development, and actively adopt environmental protection initiatives.				
<ul style="list-style-type: none">• Huashan Social Welfare Foundation - Raised funds for 186 Lunar New Year meals (58 participants); 60 Mid-Autumn Festival gift boxes (24 participants).• Taiwan Fund for Children and Families - Collected 160 sets of New Year gifts (66 participants).• Old shoe rescue supplies collection - 725 pieces of clothing, 107 pairs of shoes, 36 bags (55 participants).• Yu-Cheng Social Welfare Fundation - Subscribed to 60 Mid-Autumn Festival gift boxes (24 participants).• Four Seasons Fresh fruits - Subscribed to seasonal fruits: 425 catties of oranges, 920 catties of guavas, 428 catties of bananas, 164 catties of apples.• Blood donation - Donated 32,750cc of blood, a 54% increase from 2022 (89 participants).• Plastic reduction campaign - Reduced 3,500 pairs of bamboo chopsticks, 2,000 takeout containers, 20,000 disposable cups.				
5. Educational Support:				
<ul style="list-style-type: none">• Employed 23 interns in 2023 to reduce the gap between academia and industry, with a retention rate of 41% upon completion, increasing the graduation-to-employment ratio.• Donated 15 laptops to rural schools to enhance teaching efficiency.				
6. Social Citizenship:Through external activities and close communication with the industry, promote industry connections and show concern for public issues. In 2023, we were honored to receive the Taiwan Golden Root Award in the General Business Category.				
【Governance】				
1.Strengthen Corporate Governance:Improve the effectiveness of corporate governance. 2023 Corporate governance assessment results for the top 21-35% of all listed companies. According to the market capitalization of \$5 billion to \$10 billion, the ranking increased by one level (from 21% to 40% to 11% to 20%).				
2.Increase the information disclosure transparency:Publishing the first sustainability report, the 2022 Sustainability Report.				
3.Compliance with Laws and Regulations : Establishing a culture of integrity in company operations				
<ul style="list-style-type: none">• In 2023, a series of six courses focusing on integrity management topics were conducted, covering areas such as insider trading prevention, introduction to confidentiality agreements, promotion of trade secret awareness, personal data protection systems, and sexual harassment prevention. These courses were delivered online, and colleagues were assigned to participate and subsequently complete assessments. The total number of course completions reached 1,588 individual.• All suppliers underwent integrity record evaluations and signed contracts that included integrity clauses.• No complaints were received in 2023 and no ethical violations were reported.				
4.Intellectual Property Management : Enhancing the Intellectual Property Management System.				
<ul style="list-style-type: none">• As of the end of 2023, there were a total of 199 intellectual property assets (37 patents and 162 trade secrets), which were regularly inventoried and updated.				

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
<ul style="list-style-type: none">Regularly conduct courses on key points for writing engineer's logbooks, and audit the content of the entries to enhance their quality. Additionally, periodically review the status of engineer's logbook retention. <p>5.Information Security Implementation：Establishing a comprehensive information security management system</p> <ul style="list-style-type: none">Successfully completing information security verification according to the new version of ISO 27001.Managing and controlling the use of mobile devices for entering and exiting factory premises.Achieving the 9 key objectives of information security: enhancing VPN and EDR protection, and conducting a vulnerability scan.				

VIII Climate-Related Information of TWSE/TPEX Listed Company

1 Implementation of Climate-Related Information

Item		Implementation status	
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.		1. The highest-level organizational structure for sustainability management in our company is the "Sustainability Development Executive Committee," chaired by the President, authorized by the Board of Directors. The committee comprises members from senior management, convenes quarterly to track implementation progress, and annually reports execution results and objectives to the Board of Directors. 2. On February 22, 2024, the committee reported the status of sustainability execution to the Board of Directors. In line with international trends, the Board instructed the preparation for the publication of a TCFD report in 2024, aiming to facilitate the assessment and management of climate-related risks and opportunities.	
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).			
Type	Related Items	Impact/ strategy	Timeline
Substantive Risk	Changes in Rainfall Patterns	Typhoons, Flooding, and Altered Rainfall Patterns Resulting in Damage to Facilities or Equipment	short, medium term
	Intensifying Extreme Weather Events	Continued Impact of Extreme Weather, Leading to Water Restrictions or Shortages Due to Drought, or Sudden Supply Chain or Operational Disruptions Due to Heavy Rainfall.	long term
	Continued Rise in Average Temperature	Due to the increasing average temperature, energy consumption rises, leading to a	medium, long term

		subsequent rise in sea levels and resulting in asset losses.	
Transition Risk	National Carbon Emission Policies	Probably impacted by the Climate Change Act and expected to be charged the carbon fee.	short term
	Increased demand for sustainable supply chain	Sustainable supply chain has become the mainstream, and the selection criteria for suppliers are no longer limited to the product side, except for the fact that we frequently receive questionnaire surveys and on-site audits of the sustainable supply chain, which even affects the choice of the company by the customers.	short term
Opportunities	Recycling and Reuse	Recycling and reuse of waste materials in the manufacturing process into products, effectively realizing the circular economy.	short term
	Reduction of water availability and consumption	Improvement of water conservation and recycling of wastewater through the manufacturing process, and reduction of the intensity of water use.	short term
	Utilizing Low-Carbon Energy	Evaluating various sources of electricity and implementing energy-saving devices.	medium, long term
	Increasing Risk Awareness	Climate change poses new challenges for organizations; however, it also underscores the importance of comprehensive risk monitoring and control to strengthen risk management capabilities and operational resilience. The company will enhance awareness and risk consciousness among managers, employees, and suppliers by training and advocacy efforts	long term
3. Describe the financial impact of extreme weather events and transformative actions.		<p>(1) Extreme Climate Events:</p> <ul style="list-style-type: none"> • The increase in average temperature leads to higher utilization rates of energy equipment and competing demands on water resources, raising energy costs. Additionally, an increase in the number of extremely hot days may result in material shortages and operational losses. ° • Flood disasters may result in upstream production interruptions and transportation delays, leading to delivery delays and subsequently affecting revenue performance. • The heavy rainfall situation threatens the commuting safety of employees, increasing the cost of personnel safety management for the company. <p>(2) Transformation Actions:</p> <ul style="list-style-type: none"> • Anticipated impacts from the Climate Change 	

	<p>Response Act and the domestic implementation of a carbon fee mechanism are expected to affect operating costs.</p> <ul style="list-style-type: none"> • Annual greenhouse gas inventories and customer on-site audits, as required, will increase operating and human resources costs.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>The Company inventories potential climate risks and evaluates their financial implications. It conducts risk identification and consolidation, engaging in discussions and reviews with senior management. Operation-related climate issues are categorized and consolidated into annual key risk issues, planned for inclusion in the annual risk project management plan. These are then tracked and managed by the Executive Committee on Sustainable Development and reported to the Board of Directors annually.</p>
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Not yet.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Not yet.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Not yet.
8. . If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified	Not yet.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separatel fill out in points 1-1 and 1-2 below).	Please refer to 1-1 and 1-2 below.

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

Information of the Company <input type="checkbox"/> Companies with capital of \$10 billion or more, iron and steel industry, cement industry <input type="checkbox"/> Companies with capital of \$5 billion or more but less than \$10 billion <input checked="" type="checkbox"/> Companies with capital less than \$5 billion	According to the Sustainability Roadmap, at least the following should be disclosed: <input checked="" type="checkbox"/> Individual inventory of the parent company <input checked="" type="checkbox"/> Individual Confirmation of the Parent Company <input type="checkbox"/> Inventory of Consolidated Financial Reporting Subsidiaries <input type="checkbox"/> Confirmation of Consolidated Financial Reporting Subsidiaries
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Year	Indicators (Note 1)	Total Emissions (metric tons CO2e)	Density (Note 2) (metric tons CO2e)/million)	Assurance Institutions	Assured Situation
2022	Scop 1	5,520.6284	1.7593	LRQA	<ul style="list-style-type: none"> • Scop:Fab 1 • Standards:ISO 14064-1:2018 • LRQA's Opinion: The Report has been prepared in conformance with ISO 14064-1:2018.
	Scop 2	20,005.1079	6.3751		
2023	Scop 1	6,101.3355	1.8333	LRQA	<ul style="list-style-type: none"> • Scop:Fab 1 and Fab 3 • Standards:ISO 14064-1:2018 • Verification Timing: Expected to be completed in the second quarter of 2024, with comprehensive verified information disclosed in the sustainability report.
	Scop 2	25,251.9454	7.5877		

Note 1:Direct emissions (Scope 1, meaning emissions directly from sources owned or controlled by the company), Indirect emissions from energy (Scope 2, meaning indirect GHG emissions from imported electricity, heat or steam).

Note 2:The intensity of GHG emissions is calculated based on revenue. The Company's revenue in 2022 and 2023 amounted to NT\$3,138 million and NT\$3,328 million, respectively.

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Describe of the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and progress towards achieving reduction goals.
<ol style="list-style-type: none"> Baseline Year and Data for Greenhouse Gas Reduction: The baseline year for greenhouse gas reduction is 2021, as verified by the certification body (BSI). Scop 1:3917.5251 tonCO2e , Scop 2: 20416.7386 tonCO2e Reduction target: By 2025, greenhouse gas emissions will decrease by over 5%. By 2030, the reduction will exceed 10%, and by 2050, carbon neutrality will be achieved. Reduction strategies: Incorporating energy conservation and carbon reduction into operational management as a crucial agenda item, integrating resources from customers and government, actively participating in multiple energy conservation and carbon reduction initiatives, establishing an environmental committee to regularly review the effectiveness of energy conservation and carbon reduction efforts. Specific Action Plan : <ul style="list-style-type: none"> • Establishment of perfluorocarbon (PFCs) treatment equipment, with a processing efficiency verified to exceed 90% through testing. • Planning to reduce energy consumption in the manufacturing process. ° • Replacement of old equipment with high energy consumption. Achievement of Reduction Targets: In 2023, the target for greenhouse gas emissions (scope 1+2) reduction in Fab 1 was set to exceed 1%, and the actual reduction achieved was 6.4%.

6. The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance.

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) The company has established the "Code of Conduct for Directors and Managers" and the "Integrity Operation Guidelines" approved by the board of directors. The Legal Affairs Office reports on the implementation status to the board of directors at least once a year. These guidelines are implemented in an impartial, fair, and transparent manner in both internal management and external business activities. The company advocates and promotes integrity behavior by continuously providing education and training to all employees and making relevant regulations available on the company's internal network for reference by employees at any time.	No significant difference
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(2) The company manages supplier relationships in accordance with the "Code of Conduct for Directors and Managers," the "Integrity Operation Guidelines," and the "Integrity Operation Procedures and Behavioral Guidelines." It conducts regular audits and reports to the board of directors at least once a year on the execution status. Contracts with suppliers explicitly state that in the event of dishonest behavior, the company reserves the right to terminate or rescind the contract at any time.	No significant difference

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) To prevent any unethical behavior, our company requires employees to proactively disclose any ethical concerns or conflicts of interest they may encounter and to comply with relevant regulations. We have established an employee mailbox for reporting any improper professional conduct by employees or related parties, which is handled directly by management assigned by the company.	No significant difference
II. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) Before conducting transactions with suppliers, all personnel responsible will review past transaction records and search online for information about the company to confirm whether the supplier has a history of dishonest behavior. The contract explicitly states that in the event of dishonest behavior, the contract may be terminated or rescinded at any time.	No significant difference
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(2) It is designated by the company that the legal department as a special unit, responsible for assisting the board of directors and management to formulate and supervise the implementation of the integrity management policy and prevention plan to ensure the implementation of the integrity management code, and regularly check the preceding system for at least one year. The compliance has been reported to the board of directors for the year in November 6, 2023.	No significant difference
(3) Does the company establish policies to prevent conflicts of	✓		(3) To prevent any dishonest behavior, our company requires employees	No significant difference

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
interest and provide appropriate communication channels, and implement it?			to proactively report to the company when encountering moral concerns or conflicts of interest. In the fiscal year 2023, there were no violations of professional ethics among our colleagues.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The company has established effective accounting and internal control systems to ensure integrity in operations. Audit plans are developed for various operational cycles to verify the proper implementation of integrity measures.	No significant difference
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) In the fiscal year 2023, the company organized education and training sessions related to integrity in operations. These included courses on preventing insider trading, introducing confidentiality agreements, advocating for trade secrets protection, personal data protection regulations, and sexual harassment prevention. Employees were assigned to participate in online courses and assessments. The total number of completed courses was 1,588 person-times.	No significant difference
III.Operation of the integrity channel (1)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1)The company has established the "Employee Abnormal Situation Handling and Complaint Reporting Management Measures," "Complaint Reporting Processing Procedures," and "Whistleblower Protection Management Procedures." It has also set up a complaint reporting mailbox, with the Legal Department serving as the dedicated unit to handle related matters. The company	No significant difference

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		handles cases according to the prescribed procedures, and in the fiscal year 2023, no complaints or reports violating the company's integrity management were received. (2) The company has established an integrity management code, providing legitimate whistleblowing channels, and ensuring their effective implementation. It appoints dedicated personnel or units to handle whistleblowing reports, and is responsible for documenting and preserving records of the investigation process, results, and related documents. The company is committed to maintaining the confidentiality of whistleblower information.	No significant difference
(3) Does the company provide proper whistleblower protection?	✓		(3) The company has established an integrity management code to ensure protection for whistleblowers from any retaliation due to their reports.	No significant difference
IV. Enhanced information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(1) In December 2023, the company uploaded integrity management-related regulations and advocacy courses to the digital learning platform, including courses on preventing insider trading, introducing confidentiality agreements, advocating for trade secrets protection, personal data protection regulations, and sexual harassment prevention. Employees were arranged to take online courses and complete tests, with a total of 1,588 completions. (2) The company's "Code of Integrity	No significant difference

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			Management" is disclosed on the company's website and public information platform. The effectiveness of integrity management promotion on the company's website is regularly updated annually, and integrity management goals and performance are disclosed in the sustainability report.	
V. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation: No significant differences.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (under situations such as review and revision of regulations): <ol style="list-style-type: none"> 1. The company consistently operates with integrity, transparency, and accountability, establishing policies based on integrity and fostering good corporate governance and risk management mechanisms to create a sustainable operating environment. Directors, managers, and employees represent the symbol of integrity management for the company in all internal and external business operations. The company discloses its adherence to integrity management guidelines on its external website, annual reports, and public disclosure documents. 2. The Board of Directors of the company effectively implements a system for directors to avoid conflicts of interest. 3. The company continually monitors the development of integrity management regulations domestically and internationally, using them as a basis for reviewing and formulating relevant management policies. 4. The company adheres to the Company Act, Securities and Exchange Act, internationally recognized accounting standards approved by the Financial Supervisory Commission, and other relevant laws and regulations as the foundation for implementing integrity management. 				

7. Corporate Governance Guidelines and Regulations:

Regarding the relevant regulations of the Corporate Governance Code, the Company has formulated the Corporate Governance Practice Code, Shareholder Meeting Rules, Board Meeting Rules, Integrity Management Code, Integrity Management Operation Procedures and Conduct Guidelines, etc. These can be found in the Corporate Governance section of both the MOPS (Market Observation Post System) and our company's website for inquiries into relevant corporate governance regulations.

8. Other Important Information Regarding Corporate Governance:

(1) The company continues to invest resources to strengthen corporate governance operations. At present, there is a salary and compensation committee and an audit committee. The company's webpage also has a corporate governance area to expose

relevant regulations, and to disclose important information in real time, devoted to safeguarding the rights to know of investors and shareholders.

(2) The company's internal major information processing situation

The Company's Board of Directors approved the "Procedures for Handling Material Inside Information" on November 4, 2022, to establish an effective mechanism for the handling and disclosure of material inside information, to avoid improper disclosure of information, and to ensure the consistency and accuracy of information released by the Company to the external parties.

In order to follow the internal major information processing operations, the company has specially formulated "financial and non-financial information management operations" and "prevention of internal transaction management operations" in the internal control system. And announced the disclosure on the company's internal website to enable all colleagues to follow the company's major financial business information processing and control, to avoid the possibility of negligent violations and insider transactions.

(3) Directors of the Company, managers and supervisor of corporate governance training and training situations.

Title	Name	Training date	Institution	Training course	Training hours
Chairman and President	Tony Tsai	Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Director	Wen-Cheng Cheng	Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Corporate Director Representative	Ji-Ceng Ma	Jul 04, 2023	TWSE	2023 Cathay Financial Sustainability and Climate Change Summit	6 hours
Corporate Director Representative	Shin-Chin Huang	Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Corporate Director Representative	Yaw- Zen Chang	Nov 22, 2023	Taiwan Securities and Futures Institute	Sustainable Supply Chain and Circular Economy	3 hours
				Analysis of Common Violations of the Securities Exchange Law	3 hours
Corporate Director Representative	Frank Liang	May 23, 2023	Taiwan Corporate Governance Association	Introduction of Carbon Emissions and the Mechanism of Emission Trading	3 hours
		Sep 19, 2023	Taiwan Securities and Futures Institute	How to Utilize OKR to build up high efficacy by board of directors.	3 hours
Independent Director	Guo-Chao Hong	Nov 01, 2023		Response to the new world situation	3 hours

Title	Name	Training date	Institution	Training course	Training hours
			Taiwan Securities and Futures Institute	Carbon rights trading mechanism and carbon management application	3 hours
Independent Director	Ming-Cheng Liang	Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Independent Director	Ling-Shih Meng	Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Head of Corporate Governance	FN Huang	Oct 24, 2023	Accounting Research and Development Foundation	Common Deficiencies in "Financial Report Review" and Important Internal Control Regulations	6 hours
		Nov 01, 2023	Taiwan Securities and Futures Institute	Response to the new world situation	3 hours
				Carbon rights trading mechanism and carbon management application	3 hours
Accounting supervisor	Megan Yang (Note2)	Nov 16, 2023	PwC Legal	Special Lecture on Must-Know Topics for Finance and Accounting Executives in the Second Half of 2023	3 hours
		Dec 05, 2023	Hsinchu Science Park Bureau, National Science and Technology Council	Seminar on Analysis of Important Domestic Tax Laws and Common Tax Issues and Challenges of Controlled Foreign Corporations (CFCs) System	3 hours
		Mar 18, 2024 | Mar 27, 2024	Accounting Research and Development Foundation	Beginner Development Course of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	30 hours
Financial supervisor	Yun-Jia Shan	Aug 24, 2023	Hsinchu Science Park Bureau, National Science and Technology Council	Analysis of Corporate Regulations and Practices of Company Registration	3 hours
		Nov 16, 2023	PwC Legal	Special Lecture on Must-Know Topics for Finance and Accounting Executives in the Second Half of 2023	3 hours
		Dec 24, 2023	TFB Bank	Forum on Fubon Financial Trends	3 hours
Audit Manager	Agnes Chang	Nov 10, 2023	Computer Audit Association	Practical Application of Digital Forensics in Assisting Fraud Audits	6 hours
		Dec 22, 2023		Personal Data Protection Audit	6 hours

Note1: Information as of the printing date of the annual report.

Note2: Ms. Megan Yang assumed the position of Accounting Supervisor for our company on August 3, 2023.

According to the "Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges", the newly appointed Accounting Supervisor is required to complete a minimum of thirty hours of professional courses within one year of assuming this position.

9. The state of implementation of the Company's internal control system

(1) Statement of Internal Control System

Phoenix Silicon International Corporation Internal Control Disclosure Statement



Date: February 22, 2024

The internal control system from January 1 to December 31, 2023, according to the result of self-assessment is thus stated as follows :

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and the compliance with the governing laws and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring mechanism and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2023 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on February 22, 2024, and those 9 directors (including proxies) in presence all agree at the contents of this statement.

Phoenix Silicon International Corporation

Chairman and President : Tony Tsai



(2) CPA Audit Report Should Be Disclosed If CPA Is Entrusted To Perform Internal Audit: NA

10. Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

11. As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.

(1) Important resolutions and implementation status of the annual Shareholders' Meeting.

Shareholders' Meeting	Resolution	Review of Implementation Status
Gallant Shareholders' General Meeting May 26, 2023	Recognize the 2022 annual business report and financial statements.	Resolution was passed.
	Acknowledgment of the 2022 Earnings Distribution.	Resolution was passed. After the resolution of the shareholders' meeting, the cash dividend distribution operation was completed on July 10, 2023(NTD1.8 per share, totaling NTD 274,730,459).
	Election of one Director.	To complete the by-election of one Director(Gallant Precision Machining Co., Ltd. Representative : Frank Liang) for the period from May 26, 2023 to Jul 04, 2024.
	Discussion to approve the lifting of non-competition restrictions for directors.	Resolution to release directors Representative of Gallant Precision Machining Co., Ltd., Frank Liang from the restriction of competition.

(2) Important resolutions of the Board of Directors

Board of Directors Date	Board of Directors Term	Contents of Motion
Jan 12, 2023	9th term 18th Meeting	1.The case of the company's year-end bonus amount for managers in 2022. 2.The Company's Employee Benefit Stock Ownership Trust Program.
Fab 08, 2023	9th term 19th Meeting	1.Re-election of Chairman ° 2.Change of corporate seal custodian. 3.Gratuity Payment Proposal for Former Chairman Yang.
Fab 23, 2023	9th term 20th Meeting	1. 2022 Financial Report. 2.Assessment the independence and suitability of the Company's CPA. 3.The Company's 2022 employee compensation allocation. 4.The Company's 2022 Directors' remuneration allocation. 5.Remuneration for Chairman and President. 6.The amount of gratitude funds paid to former Chairman Yang. 7.To amend and establish the Company's Management Acts. 8.Amendments the "Accounting System". 9.Amendment the "Internal control system".

Board of Directors Date	Board of Directors Term	Contents of Motion
		10. Effectiveness Assessment of Internal Control System and the "Internal Control System Statement" of 2022.
Mar 09, 2023	9th term 21th Meeting	1. Election of one Director 2. Convene Annual General Shareholders' Meeting of 2023.
Apr 13, 2023	9th term 22th Meeting	1. 2022 Business Report. 2.2022 Earnings Distribution. 3.Nomination of director candidates. 4.Discussion to approve the lifting of non-competition restrictions for the new director 5.Convene Annual General Shareholders' Meeting of 2023. (Additional matters).
Apr 18, 2023	9th term 23th Meeting	1.Disposal of equity shares of Phoenix Battery Corporation.
May 05, 2023	9th term 24th Meeting	1.2023Q1 Financial Report. 2.The Company's 2022 directors' remuneration distribution plan. 3.The company's 2022 manager's portion of employee remuneration distribution plan. 4.Promotion of Associate CM Ho to Vice President of Operations Resource Center.
Aug 03, 2023	9th term 25th Meeting	1.2023Q2 Financial Report. 2.The Company's 2023 Cash Capital Increase Issue of Ordinary Shares. 3.Amendments the "Level Of Authority" 4.The company's application for a financing quota from financial institutions. 5.Appointment of the Accounting Supervisor.
Sep 20, 2023	9th term 26th Meeting	1.Appointment of the financial supervisor. 2.2023 Allotment of New Shares Granted to Managers and Directors with Employee Status by Cash Capital Increase Issue
Nov 06, 2023	9th term 27th Meeting	1.2023Q3 Financial Report. 2.Disposal of equity shares of Phoenix Battery Corporation. 3.Proposed Disposition of Company Machinery and Equipment. 4. 2024 Internal Audit Plan. 5.The company's application for a financing quota from financial institutions. 6. Appointment of the financial Supervisor.
Dec 28, 2023	9th term 28th Meeting	1.Amendments the "Corporate Governance Best Practice Principles". 2.Amendments the "Articles of Incorporation". 3. 2024 Capital Expenditure Program.
Feb 22, 2024	9th term 29th Meeting	1. 2023 Financial Report. 2.Assessment the independence and suitability of the Company's CPA. 3.Appointment and Remuneration of the Company's CPA for the audit of financial Report. 4.Effectiveness Assessment of Internal Control System and the "Internal Control System Statement" of 2023. 5.The Company's 2023 Directors' remuneration allocation.

Board of Directors Date	Board of Directors Term	Contents of Motion
		6.The Company's 2023 employee compensation allocation. 7.The case of the company's year-end bonus amount for managers in 2023. 8.Convene Annual General Shareholders' Meeting of 2024.
April 16, 2024	9th term 30th Meeting	1. 2023 Business Report. 2. 2023 Earnings Distribution. 3. The company's capital surplus distribution in cash. 4. Proposed List of Candidates for Directors 5. Discussion to approve the lifting of non-competition restrictions for the Directors.

12. As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.

13. As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairperson, President, Accounting And Audit Managers):

Position	Name	Appointment Date	Resignation Date	Reason for the change
Chairman	Mike Yang	Feb.. 20, 1997	Fab 08, 2023	Personal career planning and health factors.
Accounting Supervisor	Eunice Tai	Apr. 15,2014	Aug. 03,2023	Retirement
Financial Supervisor	Candy Yeh	Jul. 16,2015	Sep. 20, 2023	position adjustment

(V) Information Regarding Audit Fees

1. Information on CPA Fees

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fees	Non- Audit Fees	Total	Remarks
PwC Taiwan	Chien-Yu Liu	Jan 1, 2023 — Dec 31, 2023	1,830	850	2,680	The non-audit fees were mainly for the service fees for tax audit certificates, certificates for cash capital increase and issuance of new shares, tax reductions of the Statute of Industrial Innovation, and the basis for calculating the management fee of the processing and Export Processing Zones of the Ministry of Economic Affairs of the ROC.
	Chih-Cheng Hsieh					

2.When the company changes its accounting firm and the audit fees paid for the fiscal year in

which such change took place are lower than those for the previous year, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

3. When the audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.
4. The audit fees include fees paid by the Company to the CPA for the audit, review and second review of financial reports, and for financial forecast reviews.

(VI) Information on replacement of Independent Auditors

1. Regarding the former CPA

Date of replacement	Since the financial statements of the first quarter of 2023.		
Replacement reasons and explanations	To accommodate the internal adjustment of PwC Taiwan, the Company's CPA were changed from Chien-Yu Liu and Chih-Cheng Hsieh to Chien-Yu Liu and Tien-yi Li.		
Describe whether the Company is terminated or the CPA did not accept the appointment	Party		
	Condition	CPA	Consignor
	Engagement terminated automatically	Not applicable	Not applicable
	Engagement discontinued	Not applicable	Not applicable
The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion	None.		
Any disagreement in Opinion with the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of auditing
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)	None.		

2. Regarding the successor CPA

Name of the firm	PwC Taiwan
Name of CPA	Chien-Yu Liu and Tien-yi Li.
Date of appointment	Since the financial statements of the first quarter of 2024.
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Internal audit firm adjustment, not applicable.
Written Opinions from the successor CPA that are Different from the Former CPA Opinions	Internal audit firm adjustment, not applicable.

3. The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

(VII)The Chairperson, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

(VIII)Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report:

1.Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	2023		Current year to Mar 30, 2024	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman (Note2)	Mike Yang	-	-	-	-
Director and President(Note2)	Tony Tsai	263,282	-	-	-
Director	Wen-Cheng Cheng	-	-	-	-
Director	Ting Dong Liang Investment Co., Ltd	663,193	-	-	-
	Representative : Shin-Chin Huang	359	-	-	-
Director	An Grace Investment Corporation Ltd.	538,171	-	(70,000)	-
	Representative : Ji-Ceng Ma	-	-	-	-
Director	Min Ho Shuen Investments Inc	214,080	-	-	-
	Representative : Yaw- Zen Chang	175,217	-	-	-
Director(Note3)	Gallant Precision Machining Co., Ltd.	3,754,461	-	1,952,000	-
	Representative : Frank Liang	-	-	-	-
Independent Director	Ming-Cheng Liang	600,000	-	-	-
Independent Director	Guo-Chao Hong	-	-	-	-
Independent Director	Ling-Shih Meng	-	-	-	-
Vice President	Eric Pan	117,778	-	(10,000)	-
Vice President	TK Huang	12,432	-	-	-
Vice President	FN Huang	61,342	-	(70,000)	-
Vice President	Stephen Jiao	8,986	-	-	-
(Note4)	CM Ho	108,378	-	-	-
Accounting Supervisor (Note5)	Eunice Tai	4,494	-	-	-
	Megan Yang	25,000	-	(5,000)	-
Financial Supervisor (Note6)	Candy Yeh	-	-	-	-
	Yun-Jia Shan	20,000	-	-	-
Major shareholder(Note7)	Applied Materials · INC	(5,000,000)	-	-	-

Note 1:The information regarding changes in shareholding shall disclose their tenure as directors, executives, and major shareholders of the Company.

Note 2:On February 8, 2023, Mike Yang resigned from the positions of Chairman and Director. On the same day, the Board of Directors elected Tony Tsai as the Chairman.

Note 3:The company held Shareholders' General Meeting on May 26, 2023, to elect directors, and Frank Liang, representing

Gallant Precision Machining Co., Ltd., was elected.

Note 4: CM Ho was appointed as Vice President on May 5, 2023; Stephen Liao retired as Vice President on November 1, 2023.

Note 5: Accounting Supervisor Euce Tai retired on August 3, 2023, and was succeeded by Megan Yang on the same day.

Note 6: Financial Supervisor Candy Yeh retired on September 20, 2023, and was succeeded by Yun-Jia Shan on November 06, 2023.

Note 7: In September 2023, American company Applied Materials, Inc. transferred its shares, reducing its shareholding to below 10%, thereby relinquishing its status as a major shareholder.

2. Shares Trading with Related Parties: None.

3. Shares Pledge with Related Parties: None.

(IX) Relationship Information of the Top 10 Shareholders among who are Related Parties

Mar 30, 2024 : Unit: Shares : %

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Among who are related parties		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Gallant Precision Machining Co., Ltd. Chairman: Jason Chen	8,286,461	4.80	-	-	-	-	None	None	-
	11,048	0.01	-	-	-	-	None	None	-
Acter Group Co., Ltd. Chairman: Chin-li Liang	5,247,490	3.04	-	-	-	-	None	None	-
	0	0	-	-	-	-	None	None	-
HSBC (Taiwan) in custody for Goldman Sachs Inv.	5,205,911	3.02	-	-	-	-	-	-	-
Wen- Cheng Cheng	2,828,277	1.64	-	-	-	-	None	None	-
Min Ho Shuen Investments Co., Ltd Chairman: Yaw- Zen Chang	2,256,245	1.31	-	-	-	-	None	None	-
	1,846,662	1.07	524,302	0.30	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Po-Tsung Ting	2,089,564	1.21	18,332	0.01	-	-	None	None	-
Yaw- Zen Chang	1,846,662	1.07	524,302	0.30	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Yaw-Sheng Chang	1,846,659	1.07	511,515	0.30	-	-	Yaw-Zen Chang	Second-degree relatives	-
Ting Dong Liang Investment Co., Ltd. Chairman: Po -Tsung Ting	1,742,972	1.01	-	-	-	-	None	None	-
	2,089,564	1.21	-	-	-	-	None	None	-
First Life Insurance Co., Ltd.	1,261,000	0.73	-	-	-	-	-	-	-

(X) Total Numbers and Equity of Shares Held in any Single Enterprise by the Company,

Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company: None.

IV. Capital Overview

(I) Capital and Shares

1. Source of capital

Units: NT\$ thousand; thousand shares

Year/ month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousands)	Shares (thousand shares)	Amount (NT\$ thousands)	Source of capital	Capital Increased by Assets Other than Cash	Other
Mar 1987	10	66,000	660,000	16,500	165,000	Established	None.	Note 1
Jun 1987	10	66,000	660,000	66,000	660,000	Capital increase by cash of NT\$495,000 thousand	None.	Note 2
Mar 1988	12	110,000	1,100,000	88,000	880,000	Capital increase by cash of NT\$220,000 thousands	None.	Note 3 Note 4
Oct 2002	—	110,000	1,100,000	74,800	748,000	Reduce capital NT\$132,000 thousand	None.	Note 5
Nov 2004	11	110,000	1,100,000	92,400	924,000	Capital increase by cash of NT\$176,000 thousands	None.	Note 6
Jun 2013	10	110,000	1,100,000	93,452	934,520	Employee stock option certificate conversion NT\$10,520 thousand	None.	Note 7
Aug 2013	11	200,000	2,000,000	111,452	1,114,520	Capital increase by cash of NT\$180,000 thousand	None.	Note 8 Note 9
Dec 2013	10	200,000	2,000,000	112,828	1,128,280	Employee stock option certificate conversion NT\$13,760 thousand	None.	Note 10
Oct 2014	51	200,000	2,000,000	116,828	1,168,280	Capital increase by cash of NT\$40,000 thousand	None.	Note 11
Jul 2018	24.6	200,000	2,000,000	132,408	1,324,080	Capital increase by cash of NT\$155,800 thousand	None.	Note 12
Sep 2021	10	200,000	2,000,000	140,352	1,403,525	Capital increase by capital surplus of NT\$79,445 thousand	None.	Note 13
Nov 2021	10	400,000	4,000,000	140,352	1,403,525	Increase authorized capital	None.	Note 14
Aug 2022	10	400,000	4,000,000	148,773	1,487,736	Capital increase by capital surplus of NT\$84,211 thousand	None	Note 15
Dec 2022	10	400,000	4,000,000	152,628	1,526,280	Conversion of bonds to shares NT\$38,544 thousand	None	Note 16
Dec 2023	10	400,000	4,000,000	172,628	1,726,280	Capital increase by cash of NT\$200,000 thousand	None	Note 17

Note1: Approval Document No. The 3 March 1997 Letter No. Science-Park-Listed-Company -03691 of Science Park Administration.

Note2: Approval Document No. The 25 June 1997 Letter No. Science-Park-Listed-Company -12733 of Science Park Administration.

Note3: Approval Document No. The 8 January 1998 Letter No. Science-Park-Listed-Company -00764 of Science Park Administration, and increase its capital by NTD 440,000 thousand dollar.

Note4: Approval Document No. The 12 March 1998 Letter No. Science-Park-Listed-Company -05498 of Science Park Administration.

Note5: Approval Document No. The 17 July 2002 Letter No. Taiwan Finance Securities -I-0910139697 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 October 2002 Letter No. Science-Park-Listed-Company -250718 of Science Park Administration.)

Note6: Approval Document No. The 15 June 2004 Letter No. Taiwan Finance Securities -I-0930126884 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 November 2004 Letter No. Science-Park-Listed-Company -0930032881 of Science Park Administration.)

Note7: Approval Document No. The 17 June 2013 Letter No. Science-Park-Listed-Company -1020017445 of Science Park Administration.

Note8: Approval Document No. The 21 May 2013 Letter No. Science-Park-Listed-Company -1020014869 of Science Park Administration, and increase its capital by NTD 900,000 thousand dollar.

Note9: Approval Document No. The 6 August 2013 Letter No. Science-Park-Listed-Company -1020023675 of Science Park Administration.

Note10:Approval Document No. The 9 December 2013 Letter No. Science-Park-Listed-Company -1020037416 of Science Park Administration.
Note11:Approval Document No. The 27 October 2014 Letter No. Science-Park-Listed-Company -1030031283 of Science Park Administration.
Note12:Approval Document No. The 20 July 2018 Letter No. Science-Park-Listed-Company -1070021327 of Science Park Administration.
Note13:Approval Document No. The17 Sep 2021 Letter No. Science-Park-Listed-Company -1100027115 of Science Park Administration.
Note14:Approval Document No. The 9 Nov 2021 Letter No. Science-Park-Listed-Company -1100032613 of Science Park Administration.
Note15:Approval Document No. The 10 Aug 2022 Letter No. Science-Park-Listed-Company -1110025443 of Science Park Administration.
Note16:Approval Document No. The 05 Dec 2022 Letter No. Science-Park-Listed-Company -1110038627 of Science Park Administration.
Note17:Approval Document No. The 07 Dec 2023 Letter No. Science-Park-Listed-Company -1120039887 of Science Park Administration.

Units: Shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	172,628,033	227,371,967	400,000,000	The stock is an TSE stock

Shelf Registration: Not applicable.

2. Shareholder structure

Mar 30, 2024 : Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Foreign institutions and foreigners	Individuals	Total
Number of Shareholders	1	5	226	76	49,400	49,708
Number of shares held	388,900	1,527,124	24,715,667	9,680,923	136,315,419	172,628,033
Holding Percentage (%)	0.23	0.88	14.32	5.61	78.96	100.00

3.Diffusion of ownership

(1) Common Shares

Mar 30, 2024 : Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~ 999	25,574	1,234,856	0.72
1,000~ 5,000	19,482	37,361,658	21.64
5,001~ 10,000	2,456	18,255,254	10.57
10,001~ 15,000	899	10,869,743	6.30
15,001~ 20,000	370	6,664,088	3.86
20,001~ 30,000	348	8,652,043	5.01
30,001~ 40,000	171	5,979,351	3.46
40,001~ 50,000	105	4,797,460	2.78
50,001~ 100,000	157	10,782,445	6.25
100,001~ 200,000	85	11,883,251	6.88
200,001~ 400,000	24	6,950,942	4.03
400,001~ 600,000	19	9,212,972	5.34
600,001~ 800,000	4	2,879,013	1.66
800,001~1,000,000	0	0	0.00
1,000,001and above	14	37,104,957	21.49
total	49,708	172,628,033	100.00

(3) Preferred Shares: The Company does not issue preferred shares

4. Major Shareholders (Top ten shareholders)

Mar 30, 2024 ; Unit: Person; Share; %

Name of Major Shareholders	Shares	Number of shares held	Percentage (%)
Gallant Precision Machining Co., Ltd.		8,286,461	4.80
Acter Group Co., Ltd.		5,247,490	3.04
HSBC (Taiwan) in custody for Goldman Sachs Inv		5,205,911	3.02
Wen- Cheng Cheng		2,828,277	1.64
Min Ho Shuen Investments Co., Ltd.		2,256,245	1.31
Po-Tsung Ting		2,089,564	1.21
Yaw- Zen Chang		1,846,662	1.07
Yaw-Sheng Chang		1,846,659	1.07
Ting Dong Liang Investment Co., Ltd		1,742,972	1.01
First Life Insurance Co., Ltd.		1,261,000	0.73

5. Fair market value, net worth, profit, dividend per share and other relevant information for the most recent two fiscal years:

Unit: NT\$; thousand shares

Item		Year	2022	2023	Current Year till March 31, 2024
Market price per share	Maximum		77.90	65.60	55.50
	Minimum		45.80	48.65	49.05
	Average(Note1)		62.84	59.25	51.61
Net worth per share	Before distribution		19.60	22.8	-
	After distribution		17.80	(Note3)	-
Earnings per share (Note3)	Weighted average shares		150,180	154,765	172,628
	Original EPS		2.17	2.02	-
	Adjusted EPS		2.06	2.00	-
Dividend per share (Note2)	Cash dividends		1.8	1.8	-
	Issuance of stock dividends	Distribution from earnings	-	-	-
		Distribution from capital reserve	-	-	-
	Accumulated unpaid dividends		-	-	-
Return on investment	Price-to-earning (P/E) ratio		26.84	28.03	-
	Price-to-dividend (P/D) ratio		32.36	31.46	-
Analysis (Note4)	Cash dividend yield		3.09%	3.18%	-

Note1 : Calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note2 : The cash dividends of 2023 as resolved by the Board of Directors on April 16, 2024.

Note3 : The distribution of 2023 retained earnings not yet approved by Shareholders' Meeting.

Note4 : P/E ratio = average closing price per share in the current year/earnings per share;P/L ratio = average closing price per share in the current year/cash dividend per share;Cash dividend yield rate = cash dividend per share/average closing price per share in the current year. The average closing prices for 2022 and 2023 were NT\$58.24 and NT\$56.62, respectively.

6. Dividend Policy and Execution Status

(1) Dividend Policy

If there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Company shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Company's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal and submit the proposal to the shareholders' meeting for resolution.

If the Company distributes dividends and bonuses or statutory surplus reserve and capital reserve, if it is paid in cash, the board of directors is authorized to attend with more than two-thirds of the directors, and more than half of the Directors present agree to do so, and report to the shareholders meeting. The provisions of the preceding paragraph shall be subject to the resolution of the shareholders meeting.

When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 % of the total dividends.

(2) Proposed dividend distribution of shareholders' meeting

The proposed dividend distribution on the year 2023 as below :

Unit: NT\$

Item	Amount
Unappropriated retained earnings at beginning of year	248,317,627
Actuarial (loss) gain included retained earning	1,851,680
2023 net income after tax	311,993,890
Legal reserve	(31,384,557)
Earnings available for distribution	530,778,640
Common shares cash dividends(per share NT\$1.4)	(241,679,246)
Unappropriated retained earnings at end of year	289,099,394

Note1 : The distribution of 2023 retained earnings not yet approved by Shareholders' Meeting.

Note2 : According to the Ministry of Finance letter No. 871941343, dated April 30, 2008, the principle of distributing the Company's earnings is to distribute the 2023 year's earnings first. If there is a shortfall, it will be distributed in the order of first-in, first-out, in the year in which the surplus is generated.

(2) On April 16, 2024, the Board of Directors resolved to distribute cash to

shareholders in the amount of NT\$69,051,213, representing NT\$0.4 per share, from the capital surplus from the issuance of common stock in excess of par value.

- (3)The Company will distribute cash dividends of NT\$1.4 per share to shareholders from the 2023 earnings and cash of NT\$0.4 per share from capital surplus. The total cash allotment was NT\$1.8 per share, and the total amount of the distribution was NT\$310,730,459.

7.Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share: None.

8. Employee Bonus and Directors' Remuneration:

- (1)Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:

The Company makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for directors according to the profit status of the current year.

The employee compensation could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions.

The current year's profit situation referred to in the first item refers to the current year's pre-tax benefits minus the distribution of employee's compensation and directors' remuneration.

- (2)Accounting treatment for the difference between the estimated remuneration to employees, directors and supervisors and the actual amount distributed:

The company provides remuneration to employees and directors in proportion to the company's articles of association. Under the current expenses, the amount of remuneration for employees is 48,842 thousand and the amount of directors' remuneration is 8,140 thousand. There is no difference between the allotment amount and the annual estimated amount of the recognized expense, so there is no need to disclose the difference, the reason and the handling situation.

- (3)Information on the amount of compensation for distribution as approved by the Board of Directors:

A.The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed:

2023 remuneration for employees and directors was approved by the Board of Directors on February 22, 2024 as follows:

Unit: NT\$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for difference
Employee cash dividends	48,842	48,842	0	-
Employee stock dividends	-	-	-	-
Remuneration of directors	8,140	8,140	0	-

B.The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or standalone financial report for the current period: None.

(4)The actual distributed compensation to employees and remuneration to directors and supervisors in the previous year:

Unit: NT\$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for difference
Employee cash dividends	67,348	67,348	0	-
Employee stock dividends	-	-	-	-
Remuneration of directors	8,980	8,980	0	-

On February 23, 2023, the Board resolved to appropriate compensation to employees for 2022 in the amount of NT\$67,348 thousand and remuneration to directors of NT\$8,980 thousand. There is no difference between the actual number of distributions and the number of recognitions.

9. Repurchase by the Company of its own shares : None.

(II)Issuance of Corporate Bonds: None.

(III)Status of Preferred Stocks: None.

(IV)GDR Issuance: None

(V)Employee Stock Options: None.

(VI)Status of New Shares Issuance of Limited Stocks for Employees: None.

(VII)Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

(VIII)Financing Plans and Implementation :

Cash Capital Increase Plan Executed in the Year 2023

1. Plan Content and Expected Benefits

A. Date and Reference Number of Approval by Regulatory Authority: The FSC's Letter No. 1120354293 dated September 06, 2023

B. Total Funding Required for the Plan: NT\$1,033,332 thousand.

C.Sources of Funding : Conducting a cash capital increase by issuing 20,000 thousand shares of common stock, with a par value of NT\$10 per share and an issue price of NT\$45 per share, raising a total of NT\$900,000 thousand. Additionally, NT\$133,332 thousand will be provided from internal funds.

D.Project Items and Progress of Implementation

Unit: NT\$ thousand

Program	Estimated Completion Date	Total Funds Required	Estimated Fund Using Schedule					
			2023	2024				2025
			Q4	Q1	Q2	Q3	Q4	Q1
Purchase of machinery and equipment	Q1 of 2025	1,033,332	163,978	612,160	135,818	63,505	29,264	28,607

E. The proceeds from this cash capital increase through the issuance of new shares will be used to purchase machinery and equipment to expand production capacity in order to support the future production and operational needs of the company. This includes Auto stripper, CMP tool, RPW measure Tool, Polisher tool, Final cleaner, Surface scan, and their related ancillary equipment.

F. The project has been entered into the Market Observation Post System on September 6, 2023.

G.Details of the change plan, reasons for the change, and benefits before and after the change: None.

2. Execution Status

Unit: NT\$ thousand

Program	Implementation Status of Program		As of Q1 2024	Reasons for Ahead or Behind Schedule and Improvement Plans
	Amount	Estimated		
Purchase of machinery and equipment	Utilized	Actual	776,138	The schedule is expected to be delayed to Q2 and Q4 of 2024 due to changes in demand for some of the plant's capacity and production plans.
		Actual	106,069	
	Progress Rate	Estimated	75.11%	
		Actual	10.26%	

3. The machine equipment required for the expansion of production capacity this time will be gradually put into production. As of Q1 2024, the company has purchased machine equipment totaling NT\$106,069 thousand. Due to the incomplete purchase of machine equipment, the added operating income, operating gross profit, and operating profit have not yet generated benefits.

V. Operational Highlights

(I) Business Activities

1.Business Scope

(1) Business scope

The main business of the company is research and development, manufacturing, and sales of semiconductor wafer processing services, including providing wafer reclaim and wafer thinning process services. The end products are mainly used in semiconductor wafer processing service, consumer electronics, industrial electronics, and automotive electronic components.

(2)Business proportion

unit : NTD thousand ; %

Item \ Year	2022		2023	
	Net operating revenue	Proportion %	Net operating revenue	Proportion %
Semiconductor wafer service	3,138,053	100.00	3,327,700	100.00
Total	3,138,053	100.00	3,327,700	100.00

(3)Current Products and Service

Item	product name		Main purpose or function
semiconductor wafer service	Wafer reclaim	6", 8", 12" wafer reclaim	Used by IC manufacturers for machine testing and process data validation.
		8", 12" test wafer	Used by IC manufacturers for quality verification of thin films for various processes.
	Wafer thinning	6", 8" wafer thinning	Consumer and industrial electronics, power management for automotive and aerospace applications, medical and optoelectronics-related optoelectronic semiconductor components.
		Wafer Frontside and backside metal process	

(4) Future New Products and Services

- A. 12-inch, 15/17nm recycled wafer technology development.
- B. 12-inch, advanced technology development of recycled wafer with low copper content (grinding, polishing and cleaning process).
- C. 12-inch, high flatness test wafer development.
- D. 12-inch, silicon carrier wafer development.
- E. Grinding, etching and metal sputter processes development for 6 / 8-inch Wide Band Gap device wafers (GaN, SiC, etc.).
- F. 1.5 mil ultra-thin wafer.
- G. Point of care diagnosis chip: The lung cancer tracking chip.

- H. Point of care diagnosis chip: Multiple in one liquid biopsy chip for heart failure.
- I. The customized biochip service for academic research institutions.
- J. 12" MOSFET wafer BGBM process development.

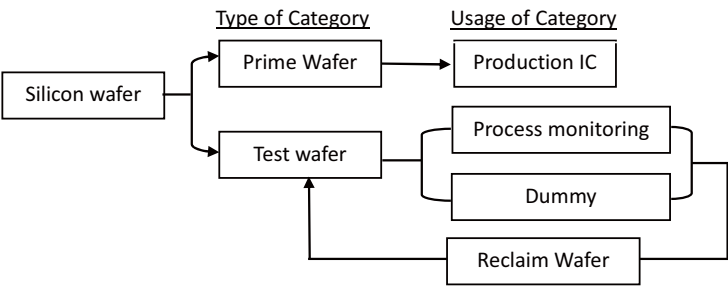
2 Industry Overview

(1) Current status and development of the industry

The company belongs to the semiconductor industry, and semiconductor wafer processing services include wafer reclaim and wafer thinning process services. The following are the main service items for regenerated wafers and product wafer thinning process services.

A. Wafer reclaim contract manufacturing service

In the classification of silicon wafers, there are different ways to distinguish them according to their size or usage characteristics. In response to the trend of larger size, 12-inch silicon wafers are currently the mainstream product, which can be divided into two categories based on their properties, namely product wafers and test wafers.



【Source:Psi】

Test wafer is used to monitor the stability of the manufacturing process. There are two types of test wafers: process monitors and dummy wafers. One of our company's main businesses is to provide semiconductor wafer reclaim services. The growth of the wafer reclaim market is closely related to wafer start and the capacity utilization rate of semiconductor foundries. According to the Semiconductor Industry Association (SIA) of America, the global semiconductor market declined by 8.2% in 2023, but conditions improved in the second half, easing the overall downturn. It forecasts a 13% annual growth in 2024. Taiwan serves as the primary production base for the global semiconductor manufacturing industry, boasting the most competitive 12-inch wafer fabs. Taiwan's semiconductor industry saw a 12% decrease in output in 2023 due to the deteriorating economy and weak consumer demand. However, in the second half of the year, customer destocking and market stabilization occurred. The Taiwan Semiconductor Industry Association (TSIA) forecasts a 12% annual growth in Taiwan's semiconductor industry output in 2024,

indicating a return to sustained growth in demand.

Taiwan leads the way in advanced foundry processes. As demand from advanced foundries grows, our business grows in tandem with our customers' demand for recycled wafers.

B. Wafer Thinning Processing Outsourcing Services

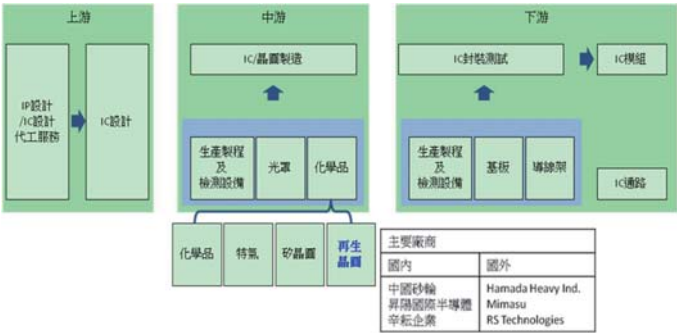
Wafer thinning film processing is a new technology that emerges in the middle section of the semiconductor manufacturing process, between the front-side and back-side processes. It includes various techniques such as wafer bumping, WLP (such as Fan out WLP, WLCSP, 3D WLP, WL optics), using processes like photolithography, wafer thinning, backside polishing, and backside metal coating. Looking at the entire IC supply chain, including IDM production value and outsourcing production value, IC design plus wafer production generates more than \$500 billion in revenue, accounting for about 90% of the entire supply chain, with the back-end process accounting for about 9% and the middle process accounting for more than 1%. In terms of market trends for the middle process service, with the significant growth of the consumer electronics market and the update of operating systems driving computer system upgrades, the demand for power management ICs and discrete components has significantly increased. The related outsourcing production capacity demand has also increased significantly. As large IDM manufacturers such as NXP, Nexperia, Ampleon, Infineon, TI, and On-Semi release production capacity to OEM manufacturing, most design companies are concentrated in Taiwan and mainland China. Therefore, the demand for analog component wafer fabs and outsourcing factories on both sides of the Taiwan Strait has also increased significantly. Due to the product's characteristics, such consumer products' backsides also require thinning and metal coating and other outsourcing services, which have given rise to many middle and back-end process outsourcing factories.

Power semiconductor components are a critical component in achieving optimal control and energy transmission and conversion. They not only improve industrial production efficiency, product quality, and performance but also significantly save energy and reduce raw material consumption. Faced with the increasing demand for energy, power semiconductor components strengthen the energy efficiency of electronic device power supplies. Regarding the application of renewable energy, power semiconductor components can help to fully utilize electricity and minimize energy loss during transmission. Therefore, energy-saving and carbon-reducing policies worldwide are promoting the continuous growth of the power semiconductor component market. According to a survey by Yano Economic Research Institute, the global power semiconductor market (based on manufacturer shipments) will be dominated by demand from home appliances, next-generation vehicles (electric vehicles, hybrid energy vehicles), new energy industry machinery, and factory equipment in the future.

(2) Interrelationship between upstream, midstream, and downstream in the industry

The IC manufacturing process includes design, manufacturing, packaging, and testing. It mainly involves converting the designed circuit layout into a

photomask, which is then used to mass-produce ICs. The silicon wafers produced by the wafer fab are inspected for defects, and the good dies are cut from the wafers and then packaged and tested. International companies mostly operate in a vertically integrated manner, from design, manufacturing, packaging, testing, and even system products (IDM; Integrated Device Manufacturer). Taiwanese companies adopt a more efficient and specialized vertical division of labor system, divided into upstream IC design, midstream IC photomask, manufacturing, and downstream IC packaging and testing industries, emphasizing professional division of labor. Our company mainly engages in wafer reclaim and wafer thinning process services. The recycled wafers are processed using special chemicals to acid wash, polish, and clean the customer's wafers in sequence, and then provide the IC manufacturing industry with regenerated wafers with high cleanliness for monitoring the process quality. The wafer thinning process is used to reduce the thickness of the wafers after manufacturing, deposit metal on the front and back, and test before packaging. Therefore, the semiconductor services provided by our company are wafer manufacturing services in the semiconductor manufacturing industry, belonging to the midstream of the entire industry supply chain. The interrelationships between upstream, midstream, and downstream are listed as follows:



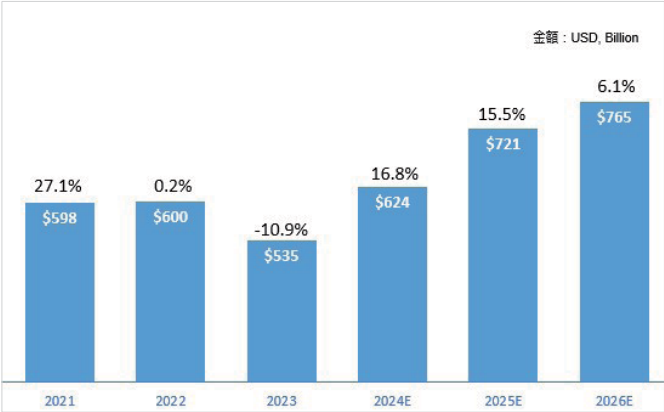
【Source:OTC，Introduction to Semiconductor Industry Chain and Psi】

3. Product Development Trend

(1) Wafer reclaim Contract Manufacturing Services

Taiwan currently has the highest density of 12-inch semiconductor fabs in the world, making it the most competitive semiconductor production center. It is evident that, for the domestic market alone, as semiconductor fabs continue to develop advanced processes, the business volume of 12-inch regenerated wafers has consistently and substantially grown. So far, Taiwan semiconductor companies that have invested in 12-inch wafer production include TSMC, UMC, Powerchip, Micron, Nanya Technology, Winbond Electronics, and MediaTek, among others, all of which have a significant demand for regenerated wafers for process control purposes.

As domestic semiconductor fabs continue to develop advanced processes, there is a high demand for testing wafers. Due to the cost advantage of regenerated wafers over testing wafers, customers are gradually increasing their requirements for the cleanliness of regenerated wafers, in order to replace testing wafers. With the growth of the semiconductor industry, demand for regenerated wafers is bound to increase significantly.



【Source: Gartner, Nov. 2023, Semiconductor Sales Forecasts】

(2) Wafer Thinning Processing Outsourcing Services

With the trend towards lighter, thinner, shorter, smaller, and more energy-efficient 3C products, the electronics industry continues to shrink the size of integrated circuits. However, the degree to which the transistor, the basic building block of ICs, can be miniaturized is limited by existing physical constraints. As a result, effective wafer thinning is necessary to reduce the TSV channel width in 3D ICs, further shrinking the footprint of ICs, and the design of silicon wafer thinning is essential for controlling the thickness of the final product in chip design (SoC). The demand for thinning processes has evolved from the initial 260um to the current 50um (2 mil) technology.

Furthermore, since wafers are prone to breakage during transport after thinning, customers prefer suppliers who can provide a Total Solution, meaning completing multiple processes within a single outsourcing factory to reduce transportation costs. Thus, intermediate manufacturers are actively expanding their processes and offering subsequent wafer front and backside metallization, as well as pre-packaging testing, to expand their service offerings and business scope.

Our company has accumulated more than a decade of experience in wafer reclaim outsourcing and has established excellent wafer thinning and etching technology. We have also introduced electron gun deposition and sputtering technology and established a complete process for grinding backside gold. We are actively expanding our SBR (Schottky Barrier Diode), TMBS (Trench MOS Barrier Schottky), Power Driver IC, and general silicon wafer thinning and film coating services. In addition, we have completed wafer

front metallization film coating and wafer electrical characteristics testing, enabling us to provide comprehensive semiconductor wafer process establishment and expand our service offerings and business scope.

4. Market competition

(1) Reclaim Business Unit v.s. major competition comparison

A. Wafer reclaim

Company	Country	Product Dimension	Main Product	Strength / Weakness
Sciencetech Corporation	Taiwan	12 inch	Wet bench 、reclaim wafer	The Company keeps improving the manufacturing process with cost competitiveness and focuses on reclaimed wafers and customers' advanced process demands.
Kinik Company	Taiwan	8 &12 inch	Grinding wheel, Precision tool, reclaim wafer	

B. Thinning Business Unit v.s. major competition comparison

Company	Country	Product Dimension	Main Product	Strength / Weakness
Chipbond Technology Corporation	Taiwan	6 &8 inch	Wafer Thinning Gold ball Bumping	Provide customers with more flexible process services
Micro Metal Electronics Co.,Ltd	Taiwan	6 &8 inch	Wafer thinning	The Company has the technology and experience of mass production below 2mil
Mosel Vitelic Inc.	Taiwan	6 inch	Foundry, wafer thinning	
ProPowerTek INC.	Taiwan	8 inch	Wafer thinning, CP test	
AVIC (Chongqing) Microelectronics Co., Ltd.	China	8 inch	Foundry, wafer thinning	a.Company has the technology and experience of mass production below 2mil b.Company has complete Taiwan semiconductor industry chain support
PacTech Corp.	Malaysia	8 inch	Foundry, wafer thinning	

C. Possible future competitors in the market

(A) Wafer reclaim foundry services

Japanese reclaim wafer suppliers such as RS Tech and HAMADA, which have been affected by the transformation of the Japanese semiconductor

industry, are actively expanding into the Taiwanese and Chinese markets, thereby forming a competitive relationship with our company. However, after continuously improving the quality, widening the gap between us and our competitors, and effectively controlling costs, our company has become the main supplier of regenerated wafers for semiconductor foundries, and can provide high-specification products for customers to use in the most advanced processes. Among many competitors, we still have a clear advantage.

(B) Wafer thinning foundry services

Various wafer fabs may invest in this foundry process, such as Taiwan Semiconductor Manufacturing Company (TSMC), United Microelectronics Corporation (UMC), Vanguard International Semiconductor Corporation (VIS), and Hua Hong Semiconductor Ltd., among others. These companies have already actively developed an 8-inch grinding-back thinning process. Although our company has already established an 8-inch thinning process, in order to maintain a competitive advantage, we are striving for even thinner thickness, better quality, and yield to attract customers.

3. Technology and R&D Overview

(1) R&D expenses for the year 2023 and up to the issuance date of this annual report

Unit: NT\$ thousand

Item/Year	2023	2024 First Quarter(Note)
R&D expenses	128,948	12,560
Operating revenue	3,327,700	735,445
R&D expenses of operating revenue (%)	3.87	1.71

Note: The Financial Report for the first quarter of 2024 have not yet been reviewed by the CPA.

(2) Newly Developed Technology and Products in Recent Years

Year	Product Category	R & D results	Benefits
2023	Wafer reclaim foundry service	19nm reclaim wafer product	Provide high-standard products to reduce customer production costs.
		Technology to reduce copper content in bulk	Meet customer demand for high-standard products, increase wafer regeneration rate, and reduce customer production costs.
		12" flat & low trace metal test wafer process technology	Expand business scope, ramp up revenue, and improve technical level
2023	Mid-end process foundry services	6"/8" wafer carrier bonding process technology development	Improve existing process yield and increase customer satisfaction.
		6"/8" GaN wafer thinning process development	Expand research and development field to hard and brittle materials, increasing service items, raising technical thresholds, and increasing revenue
		6" /8" SiC wafer thinning process development	Expand research and development field to hard and brittle materials, increasing service items, raising technical thresholds, and increasing

Year	Product Category	R & D results	Benefits
			revenue.
2023	Mid-end process foundry services	12" MOSFET wafer BGBM process technology development	Increase next-generation manufacturing technology and service capabilities.
2023	Point of care diagnosis chip	The lung cancer tracking chip	The chip prototype freeze and going to DV&V testing.
		Multiple in one liquid biopsy chip for heart failure	4 biomarkers were integrated into one chip. The 44 serum samples tests showed that sensitivity, specificity, and accuracy >95%.
		The customized biochip service for academic research institutions	Provide customized service to expand chip application filed and media exposure.

4. Long and Short-Term Business Development Plan

1. Short-term Plan

(1) Marketing Strategy

- A. Our company's top priority in management is customer satisfaction, improving quality rate, short and stable product delivery, and prompt handling of customer complaints, all following QS9000 operation processes, to comprehensively enhance competitiveness.
- B. We are committed to meeting the increasing demands of our business and actively seeking various production possibilities based on different customer usage characteristics, formulating marketing strategies, actively developing domestic and foreign markets, and meeting customer needs.

(2) Production Strategy

- A. In line with market strategy, fully utilize machine capacity, improve yield, shorten delivery time, meet different product demands in the market, and develop unique products based on core technologies to differentiate ourselves from competitors.
- B. Implement quality management systems to further enhance our company's quality image, and improve competitiveness.

(3) R&D Strategy

Our company's research and development focus will be on "developing higher value-added products" for existing products, using innovation to increase added value, create higher profits, and establish leadership in the market.

2. Long-term Plan

(1) Marketing Strategy

- A. In addition to existing domestic and foreign customers, actively develop customers in the Asia-Pacific and Europe and America regions to diversify the product marketing areas. At the same time, strengthen the international

marketing capabilities of sales personnel through training to provide customers with more comprehensive services..

- B. Through the established domestic customer base, actively introduce new processes and machinery and promote them to top international factories to establish a dual barrier of technology and marketing.

(2) Production Strategy

Establish long-term partnerships with major domestic and international wafer fabs, major customers, and agents to stabilize wafer source quality and sales channels for mutual benefits. Actively promote various quality certifications such as IATF16949 (automotive product certification) and ISO13485 (medical equipment quality certification) to comprehensively improve quality and quantity and aim to become a world-class scale contract manufacturer.

To support meeting customer demands, the company has increased production capacity and has become the largest wafer reclaim contract manufacturer in Taiwan in 2021. The Zhonggang plant in Taichung was also launched in June 2022, using automated high-altitude autonomous guided vehicles (AGVs) for production to continue injecting output, production output to 510,000 wafers in 2023 and Expect to be the world's No. 1.

(3) R&D Strategy

- A. Create more core technologies to develop high-value-added products in line with the improvement of production processes and continue to research related technologies..

- B. Seek cooperation with academic research institutions or wafer manufacturing peers at home and abroad to obtain key technologies to enhance product levels and accelerate product development.

(II)Markets and Sales Overview

1. Market analysis

(1) Sales Area

Unit: NT\$ thousand ; %

Area \ Year		2022		2023	
		Amount	%	Amount	%
Domestic sales		2,731,736	87.05	3,045,416	91.52
Export	Asia	375,754	11.97	265,997	7.99
	Americas	22,243	0.71	9,089	0.27
	Europe	8,320	0.27	7,198	0.22
	Sub-total	406,317	12.95	282,284	8.48
Total		3,138,053	100.00	3,327,700	100.00

(2) Market share

The company's main products are wafer reclaim and wafer thinning.

Wafer reclaim focuses on regional services. According to statistical data, the total monthly production capacity of the major wafer reclaim contractors in Taiwan, including Kinik, Scientech, and Psi, is about 950,000 pieces at the end of

2023. Our company's monthly production capacity of 12-inch reclaim wafers is about 510,000 pieces, giving us a market share of approximately 53% in Taiwan.

There is no publicly available research on the market share of wafer thinning. The company's monthly production capacity of thinning wafers is about 50,000 pieces, giving us a market share of approximately 20% in Taiwan. Our wafer thinning customers include well-known vertical integrated manufacturers (IDMs) and IC design companies domestically and internationally. Our company's operating scale and corporate position are significantly ahead of our peers, making us the target of imitators.

(3) Future market supply and demand and growth prospects:

A. Wafer reclaim foundry services

Wafer reclaim foundry services focus on regional services, and customers are mainly local wafer foundry industry players. As the wafer size increases, product cleanliness requirements increase, and machine equipment capital expenditures are high, forming high entry barriers. In addition to Japanese semiconductor companies doing wafer reclaim foundry services due to industry transformation and becoming the main new competitors in the market, the entry barriers formed by industry characteristics make it difficult for competitors to enter, and Taiwan's wafer reclaim industry has formed an oligopoly market. Large professional IC foundries in Taiwan have an absolute leading position in advanced processes below 5 nanometers and continue to expand advanced process capacity. Looking ahead, the market and customer demand will be strong, and we will timely plan capital expenditures to meet customer quality and quantity requirements.

B. Wafer Thinning Foundry Services

The global market for power semiconductors is expected to be dominated by demand from household appliances, next-generation automobiles (electric vehicles, hybrid energy vehicles), new energy industry machinery, factory equipment, and other industries. The trend towards thinner products is increasing the demand for wafer thinning processes. As international semiconductor IDM giants outsource their processes, a new emerging mid-stream process market has been created. The majority of wafer thinning foundry service providers in the market are wafer foundries with thinning technology. However, the wafer thinning foundry process requires flexible service and creates a technological barrier to entry for standardization and mass production wafer fabs.

According to the latest research report from Evolve Business Intelligence, the global market value of Metal-Oxide-Semiconductor Field-Effect Transistors (MOSFET) is estimated to be \$7.55 billion in 2022 and is expected to reach \$11.53 billion in 2029, with a CAGR of approximately 6.34% from 2022 to 2029. The increasing demand for energy-saving and miniaturization has led to a high replacement rate of electronic products, driven by the strong demand for smartphones and portable electronic products. This has also led to the development of high-performance new products and market demand. The rise of medical/health electronic devices, the increasing penetration rate of LED (Light

Emitting Diode) lighting systems, and the extensive application of green energy management systems (including lighting, temperature, and security) in smart homes, smart buildings, and smart cities, all contribute to the relative strong growth momentum. Our company not only continues to strive for power device customers but also strengthens contacts with separated component customers to overcome the exclusion effect caused by wafer fabs' strategic integration foundry model. We also actively promote the use of thinning technology as the core of our business, expanding the scope of our services to various types of semiconductor components. This will be a key focus of our strategy, and it is particularly advantageous for our business in the area of wafer thinning foundry services.

(4) Competitive advantage

A. High production technology content

Our company has professional technical personnel and continuously improved professional technology, providing semiconductor manufacturers with highly efficient technical services. Our performance in terms of removal rate, flatness, and cleanliness can meet the strict quality control requirements of our customers, not only meeting their quality and production capacity needs but also providing them with cost-saving solutions. Our thinning process technology and high yield in the production process have achieved a production record equivalent to more than 6.5 million 8-inch wafers.

B. Our customers are mostly international well-known semiconductor giants, which enhances market competitiveness.

Our company is located in a highly competitive production center with a high density of 12-inch semiconductor factories, close to the semiconductor industry chain. Our process capabilities have been certified by end customers, and we maintain a close relationship with our customers in both business and production personnel who actively cooperate with customer needs. Our research and development personnel plan ahead for new product applications and establish a new type of supply chain and value chain services for our customers. We are committed to improving product yield and reducing unnecessary costs, successfully surpassing foreign competitors in terms of delivery time, flexibility, and cost advantages. We have gained recognition from international well-known semiconductor customers and have been awarded the Outstanding Supplier Award. Our technical capabilities are highly recognized by international giants, which is one of our company's advantages for future market competition.

C. Multiple patent layout

In addition to continuously enhancing process capabilities and exploring new product applications, our company also maintains a focus on reclaiming wafer processes and patents related to wafer thinning. We have obtained several invention patents and utility model patents, with several invention patents awaiting approval. The strategic deployment of these patents and trade secrets will be key to differentiating our company from competitors and

standing out in the industry..

D. Production line automation

In addition to process technology, our company has also introduced a fully automated production line. In addition to maintaining high-quality production, this production line can further improve production efficiency and reduce labor costs. Under mass production, customers will have more competitive space, and it will also be helpful for business expansion.

(5) Favorable and unfavorable factors for future development and response strategies

A.Favorable factors

a.Complete professional division of labor in the domestic semiconductor industry

The Taiwanese semiconductor industry has the advantage of a complete upstream and downstream industry chain, high degree of professional division of labor, significant industry cluster effect, and perfect peripheral support industry. The foundries, packaging, and testing factories all have economies of scale, specialized manufacturing capabilities, flexible production scheduling, world-class service quality, and quick response capabilities, which can provide high-quality and internationally competitive products. This will be a major foundation for future development.

b. The industry and end-market applications to which the products belong will continue to grow in the future

The products served by the company are used in consumer electronics, smart cars, and the Internet of Things (IoT) products. The main product in the consumer electronics market is smartphones, although the growth rate of the smartphone market has slowed down, demand remains high. Handheld mobile devices and other consumer electronics products continue to pursue the characteristics of being light, thin, short, small, and low power consumption, which requires increasingly specialized processes for wafers and sensors. Smart cars will replace traditional cars and become mainstream, and the widespread use of sensors is critical for achieving smart cars. The demand for sensors in the IoT is particularly high, and it is expected that the application areas of the process services provided by the company will become more extensive in the future, and demand will continue to grow.

c. Customers are mostly internationally renowned companies

Most of our customers are globally renowned semiconductor giants. By obtaining ISO9001 and IEQC certifications as guarantees of production quality, we also assist our customers in establishing related product information and providing real-time technical support. We engage in long-term and continuous cooperation with our customers to develop new applications for products, such as the development of new materials, front-end metal processing, and wafer testing. We aim to establish new types of supply chain and value chain services for our customers and maintain a close cooperative relationship with them. We have been awarded the Annual

Outstanding Supplier Award by our customers and expect to continue our close cooperation with them, leading to stable business growth.

B. Adverse Factors and Response Strategies

- a. The market changes rapidly, and the life cycle of end-use products is short, and competition is fierce.

Semiconductor technology is constantly evolving, and product functionality and specifications are constantly being updated. Rapid market demand changes require the midstream semiconductor manufacturing industry to constantly improve R&D and manufacturing processes to keep up with upstream IC design companies and wafer foundries' new product development process applications and meet the trend of lighter, thinner, shorter, and smaller end products.

Response strategies:

In response to the constantly changing semiconductor industry market and its technology, the company's competitive advantage lies in continuing to develop advanced processes and new technologies, strengthening cooperation with major customers, integrating upstream and downstream industry technologies, providing customers with high-value-added foundry services, and supporting international leading factory customers to seize the market. As the automotive electronics, the Internet of Things, and artificial intelligence markets gradually ferment, the company's main customers have already laid out in various product areas to reduce the operational risks brought about by the weakening demand for mature products. In the future, the company will continue to cooperate with international leading factory customers to apply the company's various foundry processes and MEMS technology to expand the scope of the provided foundry services in response to rapid market changes and industry competition.

- b. Risk of R&D talent loss

With the continuous development of the semiconductor industry, the demand for R&D talent from domestic and foreign semiconductor companies has increased, making R&D talent gradually scarce. Experienced R&D personnel often become targets for recruitment by competitors, creating a risk of talent loss.

Response strategy:

The company establishes a mechanism for cultivating technical personnel through the transfer of knowledge from senior technical personnel, sharing of practical experience, case studies, and internal education and training to reduce the impact of personnel turnover. At the same time, the company actively recruits outstanding talent to build a strong R&D team. In addition, the company provides a good working environment and establishes a systematized employee benefit and reward system to enhance employee morale. For R&D personnel, the company requires them to sign confidentiality agreements and appropriately save data related to the technologies they have developed to prevent the risk of technology loss due

to personnel turnover. Furthermore, In addition, the Company completed its IPO in 2018, in order to increase the Company's visibility and attract outstanding talent, to promote the key talent long term stock option in 2021 and the company-wide employee stock option system in 2023, and in the future, we can share the Company's operating results with our employees through the issuance of employee stock option certificates, new shares with restricted employee rights, and employee compensation and other tools, in order to increase the centripetal force of our employees.

- c. Companies with wafer production experience entering the competitive foundry services market

The emerging mid-end industry that our company belongs to is a focus of attention in the semiconductor upstream and downstream industry chains. These emerging technology methods were originally part of various industry supply chains, resulting in an industry gray area. Both front-end and back-end semiconductor manufacturers want to enter the mid-end process. Back-end testing and packaging companies and printed circuit board manufacturers have also become potential competitors in the emerging embedded die and interposer markets.

Response strategies:

Our company's customers are globally renowned Total Solution semiconductor manufacturers. Through joint development with customers, we establish cooperative tacit understanding and can understand end-market demand to adjust process technology in advance. Our company also collaborates with globally renowned wafer foundries to solidify order sources and grasp end demand, leading to the launch of high-quality power components and establishing a benchmark image in the market. Our company has accumulated years of foundry experience and provides Total Turnkey Solutions. In the future, we will strengthen customer relationships and assist customers in solving process and technology problems.

2. Important Uses and Manufacturing Processes of Main Products

(1) Important Uses of Main Products

A Reclaimed Wafer Foundry Services

Reclaimed wafer foundry services and thin dummy wafer foundry services are provided to semiconductor manufacturers for use in testing equipment cleanliness, adjusting and optimizing process parameters, and monitoring processes before large-scale production of IC products. In terms of chemical deposition processes, various thin films (such as oxide films, polysilicon films, and silicon nitride films) are deposited. The electrical and physical properties of these thin films on the test wafers are then measured, and the measurement results are used to adjust and optimize important process parameters for controlling thickness and uniformity. Monitoring the processes of important equipment in the furnace tube area, photoresist area, and metal film area is also crucial. Clearly, control wafers are necessary consumables in the mass manufacturing process to maintain optimal process

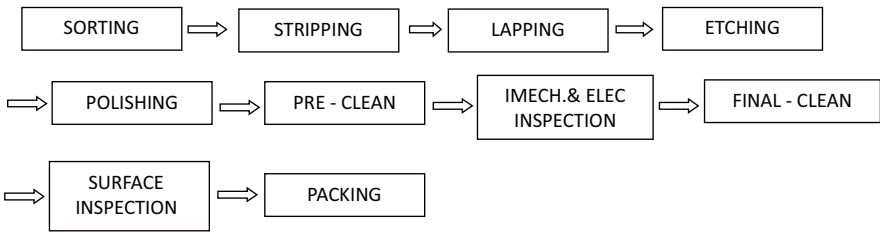
yield. Using reclaimed wafers can save a lot of wafer material operating costs compared to new test wafers (virgin test wafers).

B. Wafer Thinning Foundry Services

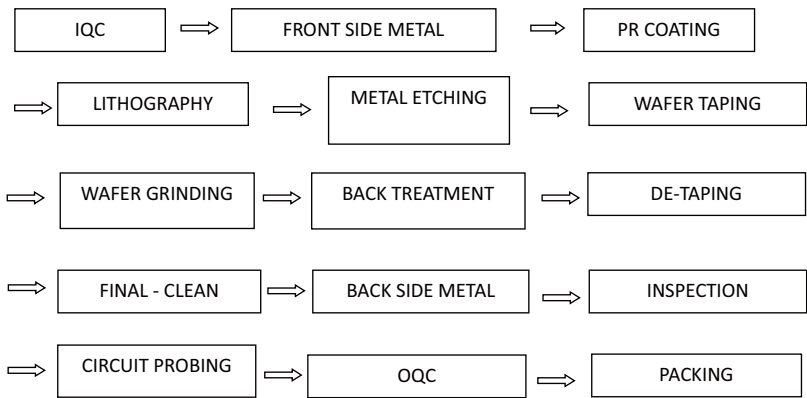
The semiconductor midstream process includes many processes, among which wafer thinning is mainly used for reducing the thickness of analog power semiconductor wafers and backside processing, enabling these power devices to meet performance requirements and packaging specifications. Wafer thinning is an essential process for power semiconductor devices. In addition, wafer thinning, together with related processes such as front-side metal secondary processing, wafer testing, and cutting, are integrated into a turn-key foundry mode. This not only enhances customer service and business depth and breadth, but also simplifies the customer's product processing supply chain, improves customer product quality and delivery time, and ultimately achieves customer satisfaction.

(2) Process Flow

A. Wafer Reclaim Process



B. Wafer Thinning Process



3.The Supply Status of the Main Raw Materials

The main raw materials of the products of the Company is slurry, wheel, 12” PAD and 8” Tape etc. Purchasing policy is a comprehensive evaluation of factors such as supplier quality, price, delivery and coordination. In addition to continuing to establish good

relationships with existing suppliers, and in the meantime, actively seek other excellent suppliers. Among the procurement targets of the Company, there is no large-scale purchase from a single supplier, and its proportion is still scattered. Therefore, there is no risk of concentrated purchases or unstable sources of supply.

Main materials	Supplier name	Supply situation
Slurry	A Company	good
Slurry	B Company	good
Wheel	C Company	good
12" PAD	D Company	good
8" Tape	E Company	good

4. Name of clients who have accounted for 10% or more of the annual purchase (sales) in either of the last two years; the amount and ratio of such purchase (sales); the reason for changes

(1) Net purchase accounted for 10% or more of the annual purchase

Unit: NT\$ thousand ; %

Item	2022				2023			
	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer
1	AA Company	76,113	8.27	None	AA Company	79,063	10.48	None
2	Others	844,774	91.73	-	Others	675,215	89.52	-
	Net purchase	920,887	100.00		Net purchase	754,278	100.00	
Reasons for changes : The changes in procurement are primarily influenced by variations in market conditions and differences in customer product demands.								

(2) Net sales accounted for 10% or more of the annual sales

Unit: NT\$ thousand ; %

Item	2022				2023			
	Company	Amount	Ratio to net annual sales(%)	Relationship with the Issuer	Company	Amount	Ratio to net annual sales(%)	Relationship with the Issuer
1	AA Company	1,896,427	60.43	None	AA Company	2,295,638	68.99	None
3	Others	1,241,626	39.57	-	Others	1,032,062	31.01	-
	Net sales	3,138,053	100.00		Net sales	3,327,700	100.00	
Reasons for changes : The changes in sales are primarily driven by variations in market conditions and the individual business needs and performance of specific customers.								

1. Table of production volume and value for the last two years

Unit: thousand pieces; NT\$ thousand

Production volume	Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main Product							
semiconductor wafer service		6,942	6,480	2,250,587	7,900	6,760	2,531,341
Total				2,250,587			2,531,341

2. Table of Sales volume and value for the last two years

Unit: thousand pieces; NT\$ thousand

Sales volume	Year	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
	Main Product	Volume	Value	Volume	Value	Volume	Value	Volume	Value
	semiconductor wafer service	5,970	2,731,736	407	406,317	6,364	3,045,416	316	282,284
	Total	5,970	2,731,736	407	406,317	6,364	3,045,416	316	282,284

(III) Human Resources

Unit: person

Year		2022	2023	2024 as of March 31
Number of employees (persons)	Direct Staff	522	450	442
	Indirect Staff	497	412	392
	Total	1,019	862	834
Average Age		36.03	36.95	37.01
Average Seniority (years)		3.99	4.87	5.10
Education %	Doctors	1.18	1.04	1.08
	Masters	12.66	11.83	11.87
	Bachelor's Degree	69.48	62.30	69.78
	Senior high schools and below	16.68	24.83	17.27
	Total	100.00	100.00	100.00

(IV) Environmental Protection Expenditures

1. The loss (including indemnity) caused by pollution to the environment, the total amount of penalty in the last years to the day this report was printed, and disclose the policy in response (including corrective action plan) to the situation and possible spending (including the loss deriving from the failure to take action in response to the situation, penalty, and the estimated amount of indemnity. If it is not possible to make reasonable estimation, explain with evidence):

Company Name	Incident	Countermeasures and improvements
Phoenix Silicon International Corporation	1. Disposition date : March 13, 2023 2. Disposition reference number: No.1120005451 3. Violated clauses: Paragraph 2, Article 28 of the Waste Disposal Act & Paragraph 2, Article 2 of the Waste professionals for special business 4. Contents of violated clauses: The Waste professionals concurrently Occupational health management specialist by finding on March 4, 2022 & April 29, 2022. 5. Content of disposition: Fine of NT\$6,000 and environmental training.	To comply with regulations stipulating that environmental officers may not concurrently serve as officers in non-environmental areas, our company completed registration with the Environmental Protection Bureau in March 2022. Employees from Section Two of the Safety Department were appointed as waste management officers, while employees from Section One of the Safety

(V)Labor Relations

1.Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

(1) Employee Welfare Policies:

1. The company provides stable and growing salary packages, promotion procedures, and employee reward systems to recognize the contributions and efforts of all colleagues. In addition to standard benefits such as labor insurance, health insurance, group insurance, and retirement benefits, the company offers various additional benefits, including year-end bonuses, birthday and holiday gifts, annual parties, support for weddings and funerals, scholarships, childbirth subsidies, free indoor parking, provision of Chinese meals, dinner, and late-night snacks in the staff cafeteria, meal subsidies, free self-service beverage machines, and employee dormitories. In 2023, a Family Day event was held with 516 participants, and initiatives such as flexible working hours/lunch break systems, departmental meal arrangements, and deferred annual leave were promoted to enhance the provision of diverse voluntary benefits to employees.

(2) Employee Education and Training:

The company provides diverse training courses, professional on-the-job education, including new employee training, on-the-job training, labor safety and health education, internal trainer training, Mentor training, and various training courses related to job duties to cultivate skilled and challenging talents.

(3) Retirement System and Implementation:

The company has a defined benefit retirement plan in accordance with labor regulations and contributes 4% of the total salary amount monthly to the retirement fund, which is held in a special account in the name of the Labor Retirement Preparation Fund Supervisory Committee at Taiwan Bank. After the implementation of the new labor retirement system, new employees follow the new scheme (employers contribute 6% of monthly salary to individuals' retirement accounts).

(4) Labor-Management coordination

The rules and regulations of the Company were instituted in accordance with the Labor Standard Act. Labor-Management conference is held at regular intervals under the Regulations Governing Labor-Management Conferences. The Labor-Management relation of the Company has long been harmonious with through channels for communications. Discussion would be held in the Labor-Management Conference and the Employee Welfare Committee on matters related to the benefits on both sides. Communication of this kind helps to improve mutual understanding of the needs and expectation. All of the Company share the common value of coexistence and mutual prosperity and create a better future of the Company in joint effort.

(5) Employee Rights Protection Measures:

The company has established a comprehensive management system that specifies the rights, obligations, and welfare benefits of employees and periodically

reviews and revises welfare contents to protect the rights and interests of all employees.

(6) Work environment and employee personal safety protection measures

A. In view of the importance of the work environment and the personal safety protection measures of the company, the company has introduced the ISO 14001 environmental management system and ISO 45001 occupational safety and health management system, which complies with the requirements of ISO provisions and relevant requirements of government agencies. It is controlled by operating control methods. Obtained obvious results and control. The main goals and management plans are summarized as follows :

Item	Target	Program	Presentation	Implementation situation
1	Pass fire safety inspection	According to fire inspection related measures	Fire facilities, fire lines and regular safety inspections.	Equipped with qualified fire protection facilities, making signs and advocacy
2	Installation of leakage protection devices to protect electrical pipelines.	Power safety management program	According to the OPSE-014 power safety management program.	1. No personal electrical appliances are allowed in the factory. 2. It is prohibited to connect extension cables in the factory.
3	The product properties are in compliance with environmental protection specifications, ensuring that no impurities such as organic solvents and non-environmental materials are added during the test	Product property control	During the test, it is not allowed to change raw materials, auxiliary materials, tools or equipment, and it is forbidden to add impurities such as organic solvents. The components that the maintenance personnel need to replace must meet the same suppliers used in the environmental protection materials regulations, and the product names and specifications of the same batch must be replaced or replaced by non-environment materials for private use.	Compliant with ISO 9001.
4	Bright working environment and fire safety inspection facilities	Control of the work environment	Lighting equipment and fire extinguishers should be sufficient. If they are inadequate or damaged, they should be replaced immediately. Regular	It complies with the ISO 45001 standard and passed the audit of the fire control authority.

Item	Target	Program	Presentation	Implementation situation
			inspections should be performed once a month	
5	Environmental permit	Pollution projects have obtained environmental permits	The plant has a fixed pollution source prevention permit, a water pollution prevention permit, and a letter of approval for the waste cleaning plan.	Meets ISO 14001 specifications
6	Operating environment meets regulatory standards	Working environment detection	Every 6 months, the operation environment monitoring is performed to ensure that the operation environment control factors meet regulatory standards	Comply with Occupational Safety and Health Law
7	Implement prevention of fires, earthquakes and other disasters to protect human lives and reduce the chance of disasters in an all-round way	Fire protection plan	According to the fire protection law, the necessary matters of fire prevention shall be implemented, and the purpose of preventing fire, earthquake and other disasters shall be implemented.	Hsinchu City Fire Bureau inspection and approval.
8	Business Continuity Plan	establish business continuity plan	Establish BCP based on risk indicators in the factory	Meets RBA specifications
9	Contractor's operation is harmless	Contracted Safety Management	Operate according to the OPSE-005 safety and health management procedures for contractors to effectively manage contracting operations and ensure operational safety.	Comply with Occupational Safety and Health Law.
10	Proper use of protective gear	establish protective gear using SOP	Operate according to the OPSE-003 protective gear management program in the factory to provide operator safety protection	Comply with ISO 45001 and Occupational Safety and Health Law.

B. Safety environment

The company factory building performs fixed fire safety inspections every year, it conducts building security inspections every two years, and the inspection records are reported. The system engineer in the plant also performs an independent fire inspection every month. The employees also cooperate in participating in the plant fire training and emergency response drills to understand the escape line and increase the ability to respond. The company also performs an operating environment test every 6 months to Ensure that the pollution factor of the working environment meets the permitted concentration of regulations.

C. Comprehensive security guarantee

The company's operating environment planning and design take safety as the first consideration and comply with relevant laws and regulations to protect the personal safety of employees. Regular fire safety inspections and a "fire manager" to plan the fire safety operations of our factory. Our insurance covers "fire and public accident insurance" to protect company property and equipment; employees participate in "group insurance" to provide life protection and Medical quality, including medical insurance such as life insurance, accident insurance, and hospitalization insurance; resident security personnel regularly inspect the perimeter environment of the factory area; infrared sensors are set on the perimeter of the factory area, which will be triggered when outsiders enter the factory through abnormal channels. Alarm, security personnel will immediately track to ensure the safety of plant personnel.

(7) Employee Code of Conduct:

To ensure that employees at all levels understand ethical concepts, rights, obligations, and behavioral guidelines, the company has developed related regulations and provisions for employees to follow. Relevant regulations are summarized as follows:

A. Authority delegation and hierarchical responsibility rules:

To improve work efficiency, strengthen hierarchical responsibility management, and effectively regulate the powers of employees at all levels in their work.

B. Departmental organizational structure and job responsibilities:

Clearly define the organizational functions of each unit and the scope of responsibilities of each job.

C. Compilation of employee manuals to assist all colleagues in understanding relevant regulations and provisions

(A) New employee training courses: To help new colleagues eliminate unfamiliarity with the new environment after joining, become familiar with the company's organization, culture, working environment, and personnel, and arrange their physical and mental readiness, enhance productivity, and reduce the turnover rate of new colleagues

(B) Code of Ethics: To enhance the behavioral literacy, professional ethics, and professional capabilities of all employees and pursue the interests of the company within the legal scope. Each employee has the responsibility to prevent the reduction or loss of company interests and has an obligation to maintain the company's reputation to ensure the sustainable growth and development of the company..

(C) Work Rules: Clearly define various labor conditions, personnel management regulations, etc., for employees to follow.

(D) Employee attendance and leave management methods: Improve attendance and leave systems to establish good work discipline among employees..

(E)Reward and punishment regulations:Provide rewards or penalties for employee behaviors or actions that result in gains or losses to the company's operations.

(F)Employee performance appraisal: Annual assessment of employee work results and performance as the basis for salary adjustments, promotions, bonus payments, and education and training course arrangements.

2.List the losses suffered due to labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results that violate the Labor Standards Act, and the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), And disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained:

Company Name	Incident	Countermeasures and improvements
Phoenix Silicon International Corporation	1. Disposition date:April 27, 2023 2. Disposition reference number:Chu-Huan-Zi No. 1120013883 3. Violated clauses: Article 30, Paragraph 6 of the Labor Standards Act 4. Contents of violated clauses:Attendance records should be recorded daily and accurately to the minute. 5. Content of disposition: Fine of NT\$20,000.	Improve the method of recording attendance to the minute.
Phoenix Silicon International Corp. Chungkang Branch	1. Disposition date:November 30, 2023 2. Disposition reference number: Jing-Yuan-Chung-Huan-Zi No. 1120102141 3. Violated clauses: Article 24 and Article 32, Paragraph 2 of the Labor Standards Act 4. Contents of violated clauses: Failure to pay overtime wages as required by law; exceeding the legal limit for extended working hours. 5. Content of disposition: Fine of NT\$100,00.	Improve the reporting method for reasons behind extended working hours; enhance promotion of the overtime application process.

(VI) Information and Communications Security Management

1. Information and Communications Security Risk Management Framework

The company has established an Information Security Committee and appointed an Information Security Officer and Information Security Manager responsible for planning, monitoring, and managing information security policies and regulations. They collaborate with the company's information technology and related departments to strengthen information security protection and management mechanisms. The Information Security Officer reports to the Information Security Committee every six months on information security risk management, company information security policies, plans, and execution effectiveness. Additionally, the company reports annually to the board of directors on the effectiveness of information security supervision and risk control measures.

2. Information and Communications Security Policy

Information security and the protection of confidential information are commitments made by our company to customers, shareholders, and partners. To strengthen information and communication security protection and management mechanisms, our company has established the position of Information Security Officer and a dedicated information security organization, equipped with professional manpower and resources. We have clearly defined information security policies, management procedures, and regulations, and issued an "Information Security Declaration" to demonstrate our determination to defend information security and promote the goal of information security - maintaining our company's market competitiveness and safeguarding the interests of customers and partners

3. Specific Management Plan for Information and Communication Security

(1) Computer Information Security Management

Management controls are implemented for system development, acquisition and maintenance, information system processing, computer equipment and system software, network system security, etc., to ensure that all operations comply with information security and regulatory requirements.

(2) Personal Information and Confidential Information Management

A. Strict control measures are implemented for the storage, transmission, and maintenance of personal information and confidential information in accordance with the company's "Personal Information Protection Management Regulations" and "Confidential Information Management Regulations" to safeguard the company's operational security and interests, and strengthen the control of the company's competitive advantages, core technologies, and operational information.

B. Enhanced advocacy and explanation are provided to employees during new employee education and training or management regulation briefings.

(3) The overall planning of information systems, the establishment and maintenance of hardware and software, database backup and restoration drills, as well as security protection and control of systems are well controlled. Server virtualization has been implemented to reduce the number of physical servers, achieving environmental protection and energy saving, and reducing maintenance costs. It also strengthens disaster prevention, information security, monitoring, notification mechanisms, anomaly management, and backup.

(4) Implement cybersecurity education and training and conduct disaster recovery drills regularly.

(5) The company has joined the Taiwan Computer Emergency Response Team Coordination Center (TWCERT/CC) and the Taiwan Chief Information Security Officer (CISO) Alliance to obtain real-time cybersecurity information and respond promptly.

(6) In October 2023, the company obtained ISO 27001:2022 international information security management certification. The scope of certification covers information security management activities related to IT operations, MES, SAP, and BPM information systems, and data centers (including HSINCHU & CHUNGKANG site).

4. Investment in Information and Communication Security Resources

(1) Endpoint protection

- A. Control employees from sending confidential company information via email content or attaching confidential electronic documents to inappropriate external parties.
 - B. Control employees from transmitting confidential electronic documents through internet behavior, file transfer software, or instant messaging software.
 - C. Control employees from copying confidential documents using personal computer peripherals (USB, Bluetooth, etc.).
 - D. Control employees from printing confidential documents using printers/office equipment input/output devices .
 - E. Control third-party confidential data and strictly prohibit the use of unauthorized software (including intellectual property rights), and conduct comprehensive promotion and verification.
 - F. Keep complete records of operations (including reading, storing, retrieving, and printing) to protect the company's rights.
- (2) Print Protection
- A. Control the confidentiality of printing, copying, scanning, faxing, and other operations: An information security system has been introduced for office equipment. All printing, copying, scanning, faxing, and other operations must be controlled by colleagues swiping their identification cards to confirm their qualifications before execution. This has solved the problem of confidential documents being mistakenly taken or read by others.
 - B. Centrally control the confidentiality of printing, copying, scanning, faxing, and other operations and remove all printers and fax machines owned by each department to address the loophole of difficult tracking of confidential information.
 - C. Prevent printing waste: Reduce resource consumption caused by misprints and errors.
 - D. Control the printing volume: Manage the number of printed pages and print details.
- (3) Policy Advocacy
- A. Regularly review the information security policy to comply with the reasonable confidentiality measures required by the Trade Secrets Act.
 - B. Regularly disseminate information security examples and importance through current events news on the company's intranet portal and bulletin boards.
- (4) Implementation of Two-Factor Authentication
- Implement two-factor authentication for VPN connections to reduce the risk of social engineering attacks.
- (5) Implementation of Device Compliance Checks
- Conduct proactive checks to ensure that computers boot with antivirus software enabled and virus definitions updated, as well as vulnerabilities patched, to enhance device information security.
- (6) Installation of Electronic Fence Software
- Implement employee-owned mobile phone camera control using electronic fence software to enforce information security management systems and reduce security risks.

(7)Permission Control

Developed permission control procedures for controlling abnormal personnel to manage access privileges.

5. For the current and previous fiscal year up to the date of printing of this annual report, if there were any significant losses, potential impacts, and corresponding measures due to major cybersecurity incidents that cannot be reasonably estimated, it should be stated that such inability to make reasonable estimates exists: None.

(VII)Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2019/08/01~ 2036/11/30	Land lease contract No. 6,8, Li-Hsin Road	Limited to purpose use
Land Lease Agreement	Hsinchu Science Park Administration	2020/01/21~ 2027/12/31	Land lease contract No. 12-2, Creation 4th Road	Limited to purpose use
Land Lease Agreement	Chungkang Branch, Export Processing Zone Administration, MOEA	2021/11/01~ 2031/10/30	Land lease contract No. 2, Jianqi Road, Wuchi District, Taichung, Taiwan	Limited to purpose use
Syndicated Credit Agreement	Land Bank and another 6 banks	2022/03/02~ 2028/03/01	Credit line for the purchase of plant, machinery and equipment and working capital totaling NT\$3 billion	Financial ratios, etc.
Plant Lease Agreement	Phoenix Battery Corporation	2022/07/01~2025/06/30	Plant Lease contract of 3rd floor of No. 8, Li-Hsin Road	Early termination of contract

VI. Financial Information

(I) Five Years Financial Summary

1. Brief financial statements and consolidated income statement

(1) Consolidated Condensed Balance Sheet (Based on IFRS)

A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousand

Item \ Year		Financial data for the most recent five years(Note 1)				
		2019	2020	2021(Note2)	2022	2023(Note2)
Current assets		2,626,523	1,901,432	1,827,286	2,051,142	2,768,419
Property, plant and equipment		2,388,908	2,819,389	3,635,757	5,611,342	5,849,745
Intangible assets		33,238	29,506	30,184	22,687	30,468
Other assets		358,504	373,002	834,752	913,783	535,370
Total assets		5,407,173	5,123,329	6,327,979	8,598,954	9,184,002
Current liabilities	Before distribution	1,053,046	1,746,790	1,709,160	1,254,390	1,167,499
	After distribution	1,317,862	1,826,235	1,821,442	1,529,120	Not assigned
Non-current liabilities		1,881,531	1,052,643	2,101,763	4,353,256	4,081,069
Total liabilities	Before distribution	2,934,577	2,799,433	3,810,923	5,607,646	5,248,568
	After distribution	3,199,393	2,878,878	3,923,205	5,882,376	Not assigned
Equity attributable to owners of the parent company		2,437,270	2,307,565	2,517,056	2,991,308	3,935,434
Share capital	Before distribution	1,324,080	1,324,080	1,403,525	1,526,280	1,726,280
	After distribution	1,324,080	1,403,525	1,487,736	1,526,280	Not assigned
Capital reserve	Before distribution	634,768	634,768	610,258	744,225	1,449,236
	After distribution	634,768	555,323	526,047	744,225	Not assigned
Retained earnings	Before distribution	478,422	348,717	503,273	720,803	759,918
	After distribution	213,606	269,272	390,991	446,073	Not assigned
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		35,326	16,331	-	-	-
Total equity	Before distribution	2,472,596	2,323,896	2,517,056	2,991,308	3,935,434
	After distribution	2,207,780	2,244,451	2,404,774	2,716,578	Not assigned

Note 1: The last five years financial information had been audited by CPA.

Note 2: In December 2021, Phoenix Battery Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate. On February 1, 2023, PBC converted all of its convertible bonds into common stock, resulting in our ownership ratio decreasing to 18.07%, and our relationship with PBC changed to that of a non-affiliate company.

B.Parent Company only Balance Sheet (Based on IFRS)

Unit: NT\$ thousand

Year		Financial data for the most recent five years(Note1)				
		2019	2020	2021(Note2)	2022	2023(Note2)
Current assets		2,437,139	1,747,562	1,827,286	2,051,142	2,768,419
Property, plant and equipment		2,259,018	2,718,023	3,635,757	5,611,342	5,849,745
Intangible assets		32,397	29,327	30,184	22,687	30,468
Other assets		423,464	392,737	834,752	913,783	535,370
Total assets		5,152,018	4,887,649	6,327,979	8,598,954	9,184,002
Current liabilities	Before distribution	923,458	1,591,772	1,709,160	1,254,390	1,167,499
	After distribution	1,188,274	1,671,217	1,821,442	1,529,120	Not assigned
Non-current liabilities		1,791,290	988,312	2,101,763	4,353,256	4,081,069
Total liabilities	Before distribution	2,714,748	2,580,084	3,810,923	5,607,646	5,248,568
	After distribution	2,979,564	2,659,529	3,923,205	5,882,376	Not assigned
Equity attributable to owners of the parent company		-	-	-	-	-
Share capital	Before distribution	1,324,080	1,324,080	1,403,525	1,526,280	1,726,280
	After distribution	1,324,080	1,403,525	1,487,736	1,526,280	Not assigned
Capital reserve	Before distribution	634,768	634,768	610,258	744,225	1,449,236
	After distribution	634,768	555,323	526,047	744,225	Not assigned
Retained earnings	Before distribution	478,422	348,717	503,273	720,803	759,918
	After distribution	213,606	269,272	390,991	446,073	Not assigned
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,437,270	2,307,565	2,517,056	2,991,308	3,935,434
	After distribution	2,172,454	2,228,120	2,404,774	2,716,578	Not assigned

Note 1: The last five years financial information had been audited by CPA.

Note 2: In December 2021, Phoenix Battery Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate. On February 1, 2023, PBC converted all of its convertible bonds into common stock, resulting in our ownership ratio decreasing to 18.07%, and our relationship with PBC changed to that of a non-affiliate company.

(2) Consolidated statement of Comprehensive Income (Based on IFRS)

A. Consolidated statement of Comprehensive Income

Unit: NT\$ thousand, (except for earnings (loss) per share (EPS) expressed in NT\$)

Item \ Year	Financial data for the most recent five years(Note1)				
	2019	2020	2021(Note2)	2022	2023(Note2)
Operating revenue	2,649,059	2,267,585	2,651,386	3,138,053	3,327,700
Gross profit	889,440	535,203	666,642	831,790	756,516
Operating profit and loss	430,868	147,514	232,554	307,991	229,421
Non-operating income and expenses	(14,608)	9,141	29,815	64,668	120,616
Income before tax	416,260	156,655	262,369	372,659	350,037
Net income from continuing operation	317,028	178,038	255,174	325,251	311,994
Loss from discontinued operation	-	(62,480)	(37,711)	-	-
Net income (loss)	317,028	115,558	217,463	325,251	311,994
Other comprehensive income (net after tax) for the current period	(3,688)	558	(1,653)	4,561	1,851
Total comprehensive income for the current period	313,340	116,116	215,810	329,812	313,845
Net income (loss) attributed to owners of the parent company	332,095	134,553	235,654	325,251	311,994
Net income (loss) attributable to non-controlling interests	(15,067)	(18,995)	(18,191)	-	-
Total comprehensive income attributable to owners of the parent company	328,407	135,111	234,001	329,812	313,845
Total comprehensive income attributable to non-controlling interests	(15,067)	(18,995)	(18,191)	-	-
Earnings per share	2.51	0.96	1.58	2.17	2.02

Note 1: The last five years financial information had been audited by CPA.

Note 2: In December 2021, Phoenix Battery Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate. On February 1, 2023, PBC converted all of its convertible bonds into common stock, resulting in our ownership ratio decreasing to 18.07%, and our relationship with PBC changed to that of a non-affiliate company.

B. Parent Company only Statement of Comprehensive Income (Based on IFRS)

Unit: NT\$ thousand, (except for earnings (loss) per share (EPS) expressed in NT\$)

Item \ Year	Financial data for the most recent five years(Note1)				
	2019	2020	2021(Note2)	2022	2023(Note2)
Operating revenue	2,465,694	2,272,675	2,656,741	3,138,053	3,327,700
Gross profit	881,372	535,203	666,642	831,790	756,516
Operating profit and loss	484,909	147,320	232,329	307,991	229,421
Non-operating income and expenses	(53,582)	(34,150)	10,520	64,668	120,616
Income before tax	431,327	113,170	242,849	372,659	350,037
Net income from continuing operation	332,095	134,553	235,654	325,251	311,994
Loss from discontinued operation	-	-	-	-	-
Net income (loss)	332,095	134,553	235,654	325,251	311,994
Other comprehensive income (net after tax) for the current period	(3,688)	558	(1,653)	4,561	1,851
Total comprehensive income for the current period	328,407	135,111	234,001	329,812	313,845
Net income (loss) attributed to owners of the parent company	332,095	134,553	235,654	325,251	311,994
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	328,407	135,111	234,001	329,812	313,845
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	2.51	0.96	1.58	2.17	2.02

Note 1: The last five years financial information had been audited by CPA.

Note 2: In December 2021, Phoenix Battery Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate. On February 1, 2023, PBC converted all of its convertible bonds into common stock, resulting in our ownership ratio decreasing to 18.07%, and our relationship with PBC changed to that of a non-affiliate company.

2. The Names of CPAs and Their Audit Opinions for the Most Recent Five Years

Year	Name of the accounting firm	Name of CPA	Audit Opinion
2019	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2020	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2021	PwC Taiwan	Chien-Yu Liu, Chih-Cheng Hsieh	Unqualified opinion
2022	PwC Taiwan	Chien-Yu Liu, Chih-Cheng Hsieh	Unqualified opinion
2023	PwC Taiwan	Chien-Yu Liu, Chih-Cheng Hsieh	Unqualified opinion

(II) Five Years Financial Analysis

1.Financial analysis - under IFRS

(1)Financial analysis (consolidated under IFRS)

Item		Year	Financial Analysis for the Last Five Years				
			2019	2020	2021	2022	2023
Financial structure	Liabilities to asset ratio (%)		54.27	54.64	60.22	65.21	57.15
	Ratio of long-term funds to fixed assets (%)		182.26	119.76	127.04	130.89	137.04
Solvency	Current ratio (%)		249.42	108.85	106.91	163.52	237.12
	Quick ratio (%)		224.86	93.87	96.25	141.75	217.35
	Interest coverage ratio		21.41	6.24	13.54	13.17	6.71
Operating performance analysis	Accounts receivable operating revenue ratio (times)		7.08	6.34	5.73	7.15	8.39
	Average collection days		52	58	64	51	44
	Inventory turnover ratio (times)		5.57	4.94	7.00	8.73	8.37
	Payables turnover ratio (times)		13.17	11.86	13.11	11.89	13.75
	Average inventory turnover days		66	74	52	42	44
	Property, plant, and equipment (PP&E) operating revenue ratio (times)		1.35	0.87	0.82	0.68	0.58
	Total asset operating revenue ratio (times)		0.61	0.43	0.46	0.42	0.37
Profitability	Return on assets (%)		7.99	4.52	4.81	4.72	4.12
	Shareholder's equity return ratio (%)		13.46	7.42	10.54	11.81	9.01
	Pre-tax income to paid-in capital ratio (%)		32.54	11.83	18.69	24.42	20.28
	Net profit ratio (%)		11.97	7.85	9.62	10.36	9.38
	Earnings per share (NT\$)		2.51	0.96	1.58	2.17	2.02
Cash flow	Cash flow ratio (%)		64.55	31.85	39.67	61.79	58.81
	Cash flow adequacy ratio (%)		66.95	68.26	55.09	41.83	40.85
	Cash flow reinvestment ratio (%)		7.14	5.08	6.10	6.60	3.70
Leverage	Operating revenue leverage		4.20	10.71	8.00	6.98	10.42
	Financial leverage		1.05	1.25	1.10	1.11	1.36
Analysis of deviation for the last two years over 20% :							
1. Current ratio: The increase of 45.01% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in current assets.							
2. Quick ratio: The increase of 53.33% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in current assets.							
3. Interest coverage ratio: The decrease of 49.05% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in interest expenses.							
4. Return on Equity (ROE): The decrease of 23.71% in fiscal 2023 compared to fiscal 2022 was mainly due to the cash capital increase, resulting in an increase in average shareholders' equity, leading to a decrease in the return rate.							
5. Cash flow re-investment ratio: The decrease of 43.94% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in working capital.							
6. Operating leverage: The increase of 49.28% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in net operating income.							
7. Financial leverage: The increase of 22.52% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in interest expenses.							

Note1: The last five years financial information had been audited by CPA.

(2)Parent Company Only Financial Statements

Item		Year				
		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure	Liabilities to asset ratio (%)	52.69	52.79	60.22	65.21	57.15
	Ratio of long-term funds to fixed assets (%)	187.19	121.26	127.04	130.89	137.04
Solvency	Current ratio (%)	263.91	109.79	106.91	163.52	237.12
	Quick ratio (%)	248.31	100.14	96.25	141.75	217.35
	Interest coverage ratio	27.01	4.78	12.61	13.17	6.71
Operating performance analysis	Accounts receivable operating revenue ratio (times)	6.86	6.66	5.74	7.15	8.39
	Average collection days	53	55	64	51	44
	Inventory turnover ratio (times)	10.50	9.93	10.18	8.73	8.37
	Payables turnover ratio (times)	13.84	13.57	14.08	11.89	13.75
	Average inventory turnover days	35	37	36	42	44
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.33	0.91	0.84	0.68	0.58
	Total asset operating revenue ratio (times)	0.60	0.45	0.47	0.42	0.37
Profitability	Return on assets (%)	8.67	3.87	4.56	4.72	4.12
	Shareholder's equity return ratio (%)	14.36	5.67	9.77	11.81	9.01
	Pre-tax income to paid-in capital ratio (%)	32.58	8.55	17.30	24.42	20.28
	Net profit ratio (%)	13.47	5.92	8.87	10.36	9.38
	Earnings per share (NT\$)	2.51	0.96	1.58	2.17	2.02
Cash flow	Cash flow ratio (%)	77.16	34.29	39.13	61.79	58.81
	Cash flow adequacy ratio (%)	71.59	72.25	57.66	44.32	42.23
	Cash flow reinvestment ratio (%)	8.03	5.12	6.08	6.60	3.70
Leverage	Operating revenue leverage	3.47	10.76	8.06	6.98	10.42
	Financial leverage	1.04	1.25	1.10	1.11	1.36
Analysis of deviation for the last two years over 20% :						
1. Current ratio: The increase of 45.01% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in current assets.						
2. Quick ratio: The increase of 53.33% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in current assets.						
3. Interest coverage ratio: The decrease of 49.05% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in interest expenses.						
4. Return on Equity (ROE): The decrease of 23.71% in fiscal 2023 compared to fiscal 2022 was mainly due to the cash capital increase, resulting in an increase in average shareholders' equity, leading to a decrease in the return rate.						
5. Cash flow re-investment ratio: The decrease of 43.94% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in working capital.						
6. Operating leverage: The increase of 49.28% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in net operating income.						
7. Financial leverage: The increase of 22.52% in fiscal 2023 compared to fiscal 2022 was mainly due to the increase in interest expenses.						

Note1: The last five years financial information had been audited by CPA.

Note 2: The calculation formula is as follows:

1. Financial structure

- (1) Debt to asset ratio = total debts / total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Liquidity

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current asset - inventories) / Current liabilities
- (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period

3. Operating ability

- (1) Receivables operating revenue ratio (including accounts receivables and notes receivables resulting from business operations) = Net sales / Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations).
- (2) Average collection days = 365 / Receivables turnover ratio.
- (3) Inventory turnover ratio = Cost to sales / Average inventory value
- (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = Costs to sales / Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations).
- (5) Average inventory turnover days = 365 / Inventory turnover ratio.
- (6) Property, plant, and equipment (PP&E) operating revenue ratio = Net sales / Average value of PP&E
- (7) Total asset operating revenue ratio = Net sales / Average total asset value.

4. Profitability

- (1) Return on assets (ROA) = [Post-tax profit or loss + Interest expenses x (1 - interest rates)] / Average total asset value.
- (2) Return on Equity (ROE) = Post-tax profit or loss / Average total equity value.
- (3) Net profit ratio = Post-tax profit and loss / Net sales.
- (4) Earnings per share = (Income or loss attributable to owners of parent company – Dividends on preferred shares) / Weighted average number of issued shares.

5. Cash flow

- (1) Cash flow ratio = Net operating cash flow / Current liabilities.
- (2) Net cash flow adequacy ratio = Net operating cash flow in the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) in the most recent five years.
- (3) Cash flow re-investment ratio = (Net operating cash flow – Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income.
- (2) Financial leverage = Operating income / (Operating income – Interest expenses).

2. Financial analysis - R.O.C. Financial Accounting Standards: The Company has adopted International Financial Reporting Standards (IFRSs) and is therefore not applicable.

(III) Audit Committee's Report in the Most Recent Year :

Phoenix Silicon International Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements, 2023 Business Report and proposal for distribution of 2023 earnings. Of which, the Financial Statements have been audited by Liu, Chien-Yu and Hsieh, Chih-Cheng, Certified Public Accountants of PricewaterhouseCoopers Taiwan. The Financial Statements, 2023 Business Report and proposal for distribution of 2023 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

Phoenix Silicon International Corporation

Chairman of the Audit Committee : Ming-Cheng Liang



On the date of April 16, 2024

(IV) Financial Statements : Please refer to pages 127-206.

(V) The Company should disclose the financial impact on the Company if the Company and its affiliated companies have incurred any financial difficulties in a recent year and as of the date of this Annual Report : None.

VII. Review and analysis of financial conditions and performance and risk issues

(I) Analysis of Financial Status

Unit: NT\$ thousand ; %

Item \ Year	2023	2022	Different		
			Amount	%	Remark
Current assets	2,768,419	2,051,142	717,277	34.97	(1)
Property, plant, and equipment	5,849,745	5,611,342	238,403	4.25	
Intangible assets	30,468	22,687	7,781	34.30	
Other assets	535,370	913,783	(378,413)	(41.41)	(2)
Total assets	9,184,002	8,598,954	585,048	6.80	
Current liabilities	1,167,499	1,254,390	(86,891)	(6.93)	
Non-current liabilities	4,081,069	4,353,256	(272,187)	(6.25)	
Total liabilities	5,248,568	5,607,646	(359,078)	(6.40)	
Share capital	1,726,280	1,526,280	200,000	13.10	
Capital reserve	1,449,236	744,225	705,011	94.73	(3)
Retained earnings	759,918	720,803	39,115	5.43	
Equity attributable to owners of the parent company	3,935,434	2,991,308	944,126	31.56	(4)
Non-controlling interest	0	0	0	0	
Total equity	3,935,434	2,991,308	944,126	31.56	
1. Explanation of significant change of items (The amount changed by more than 20%, and the amount more than 10 million) :					
(1) Increase in current assets: Due to the increase in cash and cash equivalents resulting from the issuance of new shares.					
(2) Decrease in other assets: Due to the reduction in prepaid equipment expenses.					
(3) Increase in capital surplus: Due to the issuance of new shares at a premium during the cash capital increase.					
(4) Equity attributable to owners of the parent company: Due to the cash capital increase resulting in simultaneous increase in share capital and capital surplus.					
2. Significant influence and the plan for response: None.					

(II)Analysis of Operating Results

1. Comparative analysis of financial performance

Unit: NT\$ thousand ; %

Item \ Year	2023	2022	Increased (decreased) amount	Change ratio (%)	Remark
Operating revenue	3,327,700	3,138,053	189,647	6.04	
Operating cost	2,571,184	2,306,263	264,921	11.49	
Gross profit	756,516	831,790	(75,274)	(9.05)	
Operating expenses	527,095	523,799	3,296	0.63	
Operating income	229,421	307,991	(78,570)	(25.51)	(1)
Non-operating income and expenses	120,616	64,668	55,948	86.52	(2)
Income before tax	350,037	372,659	(22,622)	(6.07)	
Income tax expense	(38,043)	(47,408)	9,365	(19.75)	
Net income	311,994	325,251	(13,257)	(4.08)	
Loss from discontinued operations	0	0	0	0	
Other comprehensive income	1,851	4,561	(2,710)	(59.42)	(3)
Total comprehensive income	313,845	329,812	(15,967)	(4.84)	
Explanation of significant change of item (The amount changed by more than 20%, and the amount more than 10 million) : (1) Decrease in operating income: Due to adjustments in product mix and production volume to meet market demands, resulting in an increase in production unit costs, leading to a decrease in operating income. (2) Increase in non-operating income and expenses: Due to the increase in gains on financial assets measured at fair value through profit or loss. (3) Decrease in other comprehensive income: Due to a decrease in the remeasurement adjustments of defined benefit plans.					

2. The analysis of operating gross profit changes

Unit: NT\$ thousand

	The increased/decreased number of change of the initial and later period	Reason for difference			
		Price difference	Cost difference	Sales difference	Quantity difference
Gross profit	(75,274)	47,303	(154,937)	(4,810)	37,170
Remark	1.Favorable variance of price difference: Adjust product portfolio and price for market demand 2.UnFavorable variance of cost difference: Due to adjustments in product mix and production volume to meet market demand, resulting in an increase in production unit costs. 3.Favorable variance of quantity difference: Due to an increase in sales volume in response to customer demand.				

3. Major Capital Expenditure Items influence on Financial Business:

The Company's operating scales continue to grow, and its financial structure is sound to meet the needs of future operation growth.

(III) Analysis of Cash Flow:

1.Analysis of cash flow changes for the most two year

Unit: %

Item \ Year	2023	2022	Increased (decreased) ratio (%)
Cash flow ratio	58.81	61.79	(4.82)
Cash flow adequacy Ratio	40.85	41.83	(2.34)
Cash reinvestment ratio	3.70	6.60	(43.94)
Reason for increased or decreased: Decrease in cash reinvestment ratio: Due to the increase in operating funds in 2023.			

2. Analysis of cash flow for the coming year

Unit: NT\$ thousand

Cash Balance at the period beginning	Net Cash Provided by Operating Activities in the period	Net Cash Used in Financing Activities in the Period	Cash Balance at the Period end	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,551,126	1,059,693	(2,028,104)	582,715	-	-
(1) Analysis of changes in cash flow this year: A. Inflow of operating activities: Mainly derived from operating profit after excluding depreciation and amortization expenses. B. Outflows from investment and financing activities: The increase in cash outflows was due to the purchase of additional equipment and order to expand the scale of operations, the distribution of cash dividends to shareholders and the repayment of medium and long-term borrowings. (2) Remedial measures and liquidity analysis for estimated cash shortage: The absence of a cash shortage situation.					

(IV) Major Capital Expenditure Items influence on Financial Business

1. Utilization of major capital expenditures and sources of funds

The company's major capital expenditure for the year 2023 is to expand the manufacturing processes of reclaim wafer and the productivities of thinning the wafer led to purchase machineries and equipments. The amount of equipments purchased is NT\$ 890,863 thousand dollars. The source of funds is mainly from its own funds and bank loans. These capital expenditures are aiming to increase the productions of reclaim wafers. So that the annual production in 2023 increased by 4.3% compared with 2022. In addition, if the company has a capital expenditure plan, it will consider the current financial situation and the expected return status in future. Therefore, it will not have adversely affect the company's financial condition.

2.The anticipated benefits: expanding business in domestic and overseas markets, increasing productivity and product quality, and enhancing the future competitiveness of the Company.

(V)Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year.

1.Reinvestment policy:

In consideration of the Company's overall competitiveness and the improvement of operating performance, on May 25, 2017, the shareholders' meeting decided to reorganize the Company's structure and on July 1, 2017, transfer the related businesses (including assets and liabilities) of its energy business unit to another subsidiary, Phoenix Battery Co., Ltd. (hereinafter referred to as Phoenix Battery) , which is a 100% owned by the Company. Phoenix Battery issued new shares as the consideration for the transferred business. The capital increase case was completed in January 2018. The Company's shareholding in Phoenix Battery was therefore dropped from 100% to 71.51%.

Phoenix Battery Corporation increased its capital by issuing new shares in November 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date, and the relationship with the Group was changed from a subsidiary to an associate and the company was no longer included in the Group's consolidated financial statements.

On February 1, 2023, the company converted all of its convertible bonds into common stock, resulting in a decrease in our ownership ratio to 18.07%. Our company no longer holds significant influence over the company, and as of that date, our relationship changed from an affiliated company to a non-affiliated company. In the same year, our company sold all of its shares in Phoenix Battery Corporation that it held.

2.Major reasons for reinvestment profits or losses, improvement plans and investment

plan for the following year:

In 2023, the Company recorded an investment loss of NT\$3,415 thousand for Phoenix Battery Corp, decreasing NT\$20,385 thousand from the investment loss of NT\$23,800 thousand recorded in 2022. The main reason for the loss is that the operation of the reinvested company has not reached the economic scale, and the revenue is still insufficient to cover the costs and expenses. The Company sold all of its shares in Phoenix Battery Corp in 2022 to concentrate on its core business, aiming to reduce losses and enhance overall profitability.

3. Investment plan in the year ahead: None.

(VI) Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report.

1. Effect of interest Rate, exchange rate changes and inflation on the Company's profit / losses and countermeasures:

(1) Effect of interest rate changes on the Company's profit and loss and future countermeasures.

The interest expenses of The Company and its subsidiaries in the year 2022 and 2023 were NT\$12,734 thousand dollars and NT\$55,988 thousand dollars respectively, accounting for 3.42% and 15.99% of the net profit before tax. The primary reason for this is the borrowing from banks for operational needs, and the fluctuation in interest rates has a certain impact on the Company's profit and loss. In the fiscal year 2023, due to interest rate hikes and an increase in total bank borrowings, the ratio of interest expenses to pre-tax net profit increased.

The Company regularly evaluates the bank borrowing rate and maintains good relationships with banks in order to obtain a more favorable borrowing rate to reduce interest expenses. In addition, we have been able to obtain interest subsidies from the government to effectively reduce borrowing costs.

The Company also observes the impact of changes in financial market interest rates on the company's funds at any time, with a view to take any required measure. All correspondent financial institutions with the Company are institutions with certain appraisal and scale at home and abroad in order to obtain stable and safe capital investment returns.

(2) Effect of exchange rate changes on the Company's profit and loss and future countermeasures

The company's main sales are denominated in U.S. dollars, and purchases are mainly denominated in New Taiwan dollars. The Company's net exchange loss for 2022 and 2023 were NT\$42,720 thousand dollars and NT\$1,528 thousand dollars, accounted for operating profit were 13.87% and 0.67% respectively. It shows that the changes of exchange rate has a certain impact on the company's profit and loss, Due to the significant devaluation of the New Taiwan Dollar in 2022, the exchange loss decrease compared to 2022.

The company regularly evaluates exchange rate fluctuations in accordance with its "Procedures for acquiring or disposing of assets" and "Procedures for dealing with derivative commodities." It utilizes spot and forward foreign exchange transactions at

appropriate times to hedge against risks, aiming to minimize the impact of exchange rate changes on the company's profit. Additionally, the company maintains close relationships with financial institutions, continuously monitors exchange rate fluctuations, fully understands international exchange rate trends and changes, and proactively responds to the effects of exchange rate fluctuations. Furthermore, the company adjusts its foreign currency positions based on actual capital needs, pays accounts payable with sales income in the same currency whenever possible, and utilizes automatic hedging features to mitigate exchange rate risks.

(3) Effect of inflation on the Company's profit and loss and future countermeasures

According to the Consumer Price Index for 2023 published by the Accounting Office of the Executive Yuan, the annual growth rate is 2.5%, it is the second-highest increase in 15 years, as of the date of the Annual Report, the Company's profit and loss has not had a significant impact due to inflation.

The company and its subsidiaries keep track of any price fluctuation at upstream material market and keep good relationships with suppliers. In the future, we will continue to closely observe the changes in the price index, study the impact of inflation on the Company, and adjust the raw materials inventory in a timely manner to respond to any pressure caused by inflation. In addition, according to the changes in the market price of materials. When the preset tolerance range is exceeded, the Company will actively request suppliers to adjust to avoid a major impact on the Company due to inflation.

2. Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

- (1) The Company has always insisted on the principle of focusing on the industry and pragmatic operation. The financial policy is based on the principle of conservatism, and does not engage in high-risk, high-leverage investment businesses. If the derivative commodity exchanges are engaged, it is mainly to adhere to the principle of conservatism and stability, and to avoid the risk of real foreign exchange fluctuations. Due to it mainly belongs to the nature of risk aversion, the related risks are still limited
- (2) The Company has established the operation procedures such as "Management of Loans to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Financial Derivatives Transactions". As the basis for the company to engage in related operations.
- (3) As of the date of publication of the annual report of the Company, there is no endorsement or guarantee for others. In addition, due to the necessity of short-term financing, the Company has a loan to the affiliated Company Phoenix Battery. The loan is processed in accordance with the "Management of Loans to Others" established by the Company.

3. Future Research & Development Projects and Corresponding Budget:

(1) Future R & D plan

The Company's product and technology development has always been matching

with customers and market needs, and pay close attention to future industry trends and development. To develop products and technologies will have market growth and future potential. The future product development plans are listed as follows :

- A. 12-inch, 15/17nm recycled wafer technology development
- B. 12-inch, advanced technology development of recycled wafer with low copper content (grinding, polishing and cleaning process)
- C. 12-inch, high flatness test wafer development
- D. 12-inch, silicon carrier wafer development
- E. Grinding, etching and metal sputter processes development for 6 / 8-inch Wide Band Gap device wafers (GaN, SiC, etc.).
- F. 1.5 mil ultra-thin wafer
- G. Point of care diagnosis chip: The lung cancer tracking chip
- H. Point of care diagnosis chip: Multiple in one liquid biopsy chip for heart failure
- I. The customized biochip service for academic research institutions
- J. 12" MOSFET wafer BGBM process development

(2) Expected R & D expenses

The Company's estimated expenses for R & D is gradually invested according to the progress of new product and new technology development, and continues to invest in research and development funds depending on market changes and R & D progress of new products. With the growth of turnover in the future, the annual investment will be approximately 5% ~ 10% is used as research and development funds to expand the Company's operating scale and increase its competitiveness.

4.Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The company and its subsidiaries attach importance to important domestic and foreign policy and legal changes, consult with lawyers, accountants and other units, and plan appropriate response measures to comply with the law and reduce the impact on the company. Therefore, policy and legal changes are not significant to the company's finances and business.

5.Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

The semiconductor industry is affected by the economic cycle and rapid changes in product demand. In addition to continuously investing in research and development funds each year to develop advanced processes and new technologies, the company also reduces costs and develops application markets to respond to technological changes and industrial changes.

Risk assessment and response measures for information security:

(1) Information technology security risks and management measures

The Company has established comprehensive network and computer-related security measures, but cannot guarantee that its computer systems, which are essential for the operation and accounting functions of the Company, can completely avoid network attacks from any third parties. These network attacks illegally invade the Company's internal network system and carry out

activities that damage the Company's operations and reputation, among other things. In the event of a serious network attack, the Company's system may lose important data and the production line may come to a halt. The Company ensures the appropriateness and effectiveness of its information security regulations and procedures through continuous review and assessment, but cannot guarantee that the Company will not be affected by new risks and attacks in the ever-changing information security threats. Network attacks may also attempt to steal the Company's trade secrets and other confidential information, such as proprietary information of customers or other stakeholders and personal information of the Company's employees.

Malicious hackers may attempt to infiltrate the company's network system with computer viruses, destructive software, or ransomware in order to disrupt the company's operations, extort or ransom the company, gain control of the computer system, or spy on confidential information. These attacks could result in the company having to compensate customers for losses due to delayed or interrupted orders, incurring substantial costs to implement remediation and improvement measures to strengthen the company's network security system, or becoming involved in legal cases or regulatory investigations resulting from the leakage of confidential information from the company's employees, customers, or third parties with confidentiality obligations.

To prevent and reduce the damage caused by the aforementioned malicious cyber attacks, our company will implement relevant improvement measures and continuously update them. For example, we will establish a mechanism to scan machines for viruses upon entry to prevent machines containing malicious software from entering the company; strengthen network firewalls and network controls to prevent computer viruses from spreading across machines and factory areas; establish endpoint antivirus measures based on the computer type; and strengthen the detection of phishing emails. Although our company continues to strengthen its information security protection measures, we cannot guarantee that we will be immune to malware and hacker attacks. However, we will do our utmost to defend all rights and interests.

(2) Significant Information Security Incidents

Please indicate the losses and potential impacts suffered due to significant information security incidents in the current fiscal year and up to the date of printing of the annual report: None.

6. Impact of Changes in Company Image on Crisis Management and Countermeasures

The Company insists on the enterprise spirit of stable operation and maintains a consistent excellent corporate image, and through strict internal control and crisis management mechanisms, effectively takes precautionary measures and ensures the sustainable operation of the enterprise.

7.Expected Benefits and Possible Risks Associated With any Merger and Acquisitions

The company has no merger or acquisition plans in the most recent fiscal year up to the date of the annual report printing. However, should there be any such plans in the future, they will be handled in accordance with relevant laws and regulations, as well as

the company's established management procedures, to ensure the protection of the company's interests and shareholders' rights.

8.Expected Benefits and Possible Risks Associated with any Plant Expansion:

In order to meet future operational needs and long-term development and planning, the company purchased a factory in the Taichung Port Technology Industrial Park in 2021 for the expansion of production capacity. The first phase of production lines was fully operational in 2023, achieving a monthly capacity of 120,000 pieces. To enhance operational performance, achieve sustainable development, and continuously strengthen the company, plans for the expansion of production capacity with the second phase of production lines are scheduled by the end of 2024, depending on actual circumstances, to meet the growing market demand each year. The investment risk of this expansion project for the company's financial operations remains limited.

9.Risks Associated with any Consolidation of Sales or Purchasing Operations:

(1) Purchase

The main raw materials of the products of the Company is slurry, wheel, 12" PAD and 8" Tape etc. Purchasing policy is a comprehensive evaluation of factors such as supplier quality, price, delivery and coordination. In addition to continuing to establish good relationships with existing suppliers, and in the meantime, actively seek other excellent suppliers. Among the procurement targets of the Company, there is no large-scale purchase from a single supplier, and its proportion is still scattered. Therefore, there is no risk of concentrated purchases or unstable sources of supply.

(2) Sales

The Company is mainly engaged in the wafer foundry manufacturing process. Therefore, customers are mainly semiconductor manufacturers. Due to the domestic wafer foundry is an oligopolistic market, so the Company has a situation of concentration of sales. In 2022 and 2023 the ratio of sales to the largest sales customer to net revenue was 60.43% and 68.99%, respectively. In addition, the Company is committed to improving its process capabilities, assisting customers in developing new products, and actively engaging with other semiconductor customers to expand its business scope.

10. Effect and Risk of Significant Share Transfers or Changes in Ownership, Including Key Contractual Agreements, by Directors, Supervisors, or Top Ten Shareholders, and Countermeasures:

Major shareholder, Applied Materials, Inc., an American company, started transferring 5 million shares from September 2023 onwards due to capital allocation considerations. As a result, its shareholding percentage decreased to 7.93%, and it was no longer considered one of the Company's shareholders holding more than ten percent of the shares. This transfer did not result in any shareholder holding more than ten percent of the shares, and it did not have a significant impact on the Company's operations, finances, or shareholder equity.

11.Impact of Change in Management and its Potential Risks: None.

12.Litigation or Non-litigation Matters :

(1)Ming-che Li (李明澈) reproduced and utilized PSI's trade secrets without PSI's authorization, it's enough to enable IST to shorten their time in researching and developing BGBM process, reduce manpower and material resources ,and seize the product market to engage in unfair competition, thus gaining benefits. Therefore, The Taiwan Hsinchu District Prosecutors Office had rendered an Indictment to above persons in accordance with Article 13-1(1)(2) and Article 13-4 of the Trade Secrets Act. It's now on trial by Taiwan Hsinchu District Court.

(2)For the above persons' infringement of PSI's trade secrets , resulting in PSI's damages, PSI filed an Ancillary Civil Action with the Taiwan Hsinchu District Court, claiming compensation for our loss in the amount of NT\$5,636,098,000 against the above persons, Kuo-chu Liu (劉國儒) and the related person.

13.Other major risks and countermeasures:None.

VII.Other Major Events: None.

VIII. Special Disclosure

(I) Profiles of the affiliates : None.

(II) Private Placement Securities in the Most Recent Years: None.

(III) The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

(IV) Other Necessary Supplement: : None.

IX 、 Any Events that Had Significant Impacts

Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23003533

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation

Opinion

We have audited the accompanying balance sheets of Phoenix Silicon International Corporation and subsidiaries (the “Company”) as at December 31, 2023 and 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended 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.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of 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 judgment, were of most significance in our audit of the Company's 2023 financial statements. These matters were addressed in the context of our audit of the 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 2023 financial statements are stated as follows:

Accuracy of revenue recognition

Description

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(22) for details of operating revenue account.

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. Service revenue was derived from the transfer of services over time and satisfied performance obligation. The Company measured the completion degree of performance obligation based on the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation as the basic determination. Considering that the estimates of expected total cost were uncertain and will affect the accuracy of revenue recognition based on the completion degree of performance obligation of unfinished orders, thus, we consider the accuracy of revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Obtained an understanding and assessed the accounting policy of revenue recognition and tested the effectiveness of related internal control's design and execution. Checked the related evidence and calculation of the completion degree measurement of performance obligation.

Audit of capitalisation of property, plant and equipment

Description

Please refer to Note 4(15) for accounting policies on property, plant and equipment and Note 6(7) for details of property, plant and equipment.

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. In order to continuously develop advanced technical capacity to satisfy customers' demand, the Company has to increase its capital expenditure. Considering the amount of capital expenditure of current year was material, thus, we consider the capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Evaluated and tested the effectiveness of related internal control of the timing of additions and recognition of depreciation of property, plant and equipment. Sampled and verified related purchase orders, invoices and others to confirm that the transaction has been adequately approved and the accuracy of accounted amount is correct. Sampled the acceptance report to confirm that the assets have reached usable state and whether the

timing of listing into general inventory and recognising depreciation were accurate.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Phoenix Silicon International Corporation as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the 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 control as management determines is necessary to enable the preparation of 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, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 control.
2. Obtain an understanding of internal control 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 control.
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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the 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 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 control 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Liu, Chien-Yu

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

The accompanying 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 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 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.

PHOENIX SILICON INTERNATIONAL CORPORATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,551,126	17	\$ 1,070,340	13
1110	Current financial assets at fair value through profit or loss	6(2)	1,321	-	-	-
1140	Current contract assets	6(22)	497,682	6	266,439	3
1150	Notes receivable, net	6(4)	-	-	86	-
1170	Accounts receivable, net	6(4)	379,363	4	414,091	5
1200	Other receivables		3,005	-	26,034	-
1210	Other receivables due from related parties	7	-	-	16	-
130X	Inventories	6(5)	211,588	2	258,799	3
1410	Prepayments		19,259	-	14,201	-
1460	Non-current assets or disposal groups classified as held for sale, net	6(11)	102,822	1	-	-
1470	Other current assets		2,253	-	1,136	-
11XX	Current Assets		2,768,419	30	2,051,142	24
Non-current assets						
1535	Non-current financial assets at amortised cost	6(3) and 9	13,555	-	13,055	-
1550	Investments accounted for using equity method	6(6)	-	-	82,341	1
1600	Property, plant and equipment	6(7) and 9	5,849,745	64	5,611,342	65
1755	Right-of-use assets	6(8)	325,694	4	336,331	4
1780	Intangible assets		30,468	-	22,687	-
1840	Deferred income tax assets	6(29)	27,568	-	26,162	1
1900	Other non-current assets	6(10)	168,553	2	455,894	5
15XX	Non-current assets		6,415,583	70	6,547,812	76
1XXX	Total assets		\$ 9,184,002	100	\$ 8,598,954	100

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities	6(22)	\$ 79	-	\$ 140	-
2170	Accounts payable		139,525	2	234,513	3
2200	Other payables	6(13)	368,542	4	465,019	5
2220	Other payables to related parties	6(13) and 7	-	-	1,253	
2230	Current income tax liabilities		25,011	-	34,307	-
2280	Current lease liabilities		14,251	-	14,881	-
2320	Long-term liabilities, current portion	6(15) and 9	619,925	7	503,910	6
2399	Other current liabilities, others	7	166	-	367	-
21XX	Current Liabilities		1,167,499	13	1,254,390	14
Non-current liabilities						
2540	Long-term borrowings	6(15) and 9	3,722,784	41	3,985,557	47
2550	Provisions for liabilities - non-current	6(17)	21,472	-	17,417	-
2570	Deferred tax liabilities	6(29)	1,278	-	-	-
2580	Non-current lease liabilities		310,883	3	324,604	4
2600	Other non-current liabilities		24,652	-	25,678	-
25XX	Non-current liabilities		4,081,069	44	4,353,256	51
2XXX	Total Liabilities		5,248,568	57	5,607,646	65
Equity						
	Share capital	6(19)				
3110	Share capital - common stock		1,726,280	19	1,526,280	18
	Capital surplus	6(20)				
3200	Capital surplus		1,449,236	16	744,225	8
	Retained earnings	6(21)				
3310	Legal reserve		197,755	2	164,774	2
3350	Unappropriated retained earnings		562,163	6	556,029	7
3XXX	Total equity		3,935,434	43	2,991,308	35
	Significant Contingent Liabilities and	9				
	Unrecognised Contract Commitments					
	Significant Events After the Balance	11				
	Sheet Date					
3X2X	Total liabilities and equity		\$ 9,184,002	100	\$ 8,598,954	100

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Year ended December 31			
		2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(22)	\$ 3,327,700	100	\$ 3,138,053	100
5000 Operating costs	6(5)(27)(28)	(2,571,184)	(77)	(2,306,263)	(73)
5950 Gross profit from operating		<u>756,516</u>	<u>23</u>	<u>831,790</u>	<u>27</u>
Operating expenses	6(27)(28)				
6100 Selling expenses		(42,712)	(1)	(40,262)	(1)
6200 Administrative expenses		(355,435)	(11)	(340,213)	(11)
6300 Research and development expenses		(128,948)	(4)	(143,324)	(5)
6000 Total operating expenses		(527,095)	(16)	(523,799)	(17)
6900 Operating profit		<u>229,421</u>	<u>7</u>	<u>307,991</u>	<u>10</u>
Non-operating income and expenses					
7100 Interest income	6(23) and 7	8,621	-	2,939	-
7010 Other income	6(24) and 7	7,968	-	9,355	-
7020 Other gains and losses	6(6)(25)	168,783	5	106,800	4
7050 Finance costs	6(26)	(61,341)	(2)	(30,626)	(1)
7060 Share of loss of associates and joint ventures accounted for using equity method	6(6)	(3,415)	-	(23,800)	(1)
7000 Total non-operating income and expenses		<u>120,616</u>	<u>3</u>	<u>64,668</u>	<u>2</u>
7900 Profit before income tax		<u>350,037</u>	<u>10</u>	<u>372,659</u>	<u>12</u>
7950 Income tax expense	6(29)	(38,043)	(1)	(47,408)	(1)
8200 Profit for the year		<u>\$ 311,994</u>	<u>9</u>	<u>\$ 325,251</u>	<u>11</u>
8311 Gain on remeasurements of defined benefit plan	6(16)	\$ 2,314	-	\$ 5,701	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(463)	-	(1,140)	-
8300 Total other comprehensive income for the year		<u>\$ 1,851</u>	<u>-</u>	<u>\$ 4,561</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 313,845</u>	<u>9</u>	<u>\$ 329,812</u>	<u>11</u>
Basic earnings per share	6(30)				
9750 Total basic earnings per share		<u>\$ 2.02</u>		<u>\$ 2.17</u>	
Diluted earnings per share	6(30)				
9850 Total diluted earnings per share		<u>\$ 2.00</u>		<u>\$ 2.06</u>	

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid- in capital	Retained earnings	
				Legal reserve	Unappropriated retained earnings
Year 2022					
Balance at January 1, 2022		\$ 1,403,525	\$ 610,258	\$ 141,374	\$ 361,899
Profit for the year		-	-	-	325,251
Other comprehensive income for the year		-	-	-	4,561
Total comprehensive income		-	-	-	329,812
Distribution of 2021 earnings:	6(21)	-	-	-	-
Legal reserve		-	-	23,400	(23,400)
Cash dividends		-	-	-	(112,282)
Stock dividends from capital surplus		84,211	(84,211)	-	-
Conversion of convertible bonds		38,544	208,709	-	-
Changes in equity of associate accounted for using equity method	6(20)	-	9,469	-	-
Balance at December 31, 2022		<u>\$ 1,526,280</u>	<u>\$ 744,225</u>	<u>\$ 164,774</u>	<u>\$ 556,029</u>
Year 2023					
Balance at January 1, 2023		\$ 1,526,280	\$ 744,225	\$ 164,774	\$ 556,029
Profit for the year		-	-	-	311,994
Other comprehensive income for the year		-	-	-	1,851
Total comprehensive income		-	-	-	313,845
Distribution of 2022 earnings:	6(21)	-	-	-	-
Legal reserve		-	-	32,981	(32,981)
Cash dividends		-	-	-	(274,730)
Changes in equity of associate accounted for using equity method	6(6)(20)	-	102	-	-
Loss of significant influence over investments accounted for using equity method	6(6)(20)	-	(9,571)	-	-
Cash capital increase	6(19)	200,000	700,000	-	-
Share-based payments	6(18)(20)	-	14,480	-	-
Balance at December 31, 2023		<u>\$ 1,726,280</u>	<u>\$ 1,449,236</u>	<u>\$ 197,755</u>	<u>\$ 562,163</u>
					<u>\$ 2,517,056</u>
					<u>325,251</u>
					<u>4,561</u>
					<u>329,812</u>
					<u>(23,400)</u>
					<u>(112,282)</u>
					<u>-</u>
					<u>247,253</u>
					<u>9,469</u>
					<u>\$ 2,991,308</u>
					<u>\$ 2,991,308</u>
					<u>311,994</u>
					<u>1,851</u>
					<u>313,845</u>
					<u>(32,981)</u>
					<u>(274,730)</u>
					<u>102</u>
					<u>(9,571)</u>
					<u>900,000</u>
					<u>14,480</u>
					<u>\$ 3,935,434</u>

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 350,037	\$ 372,659
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	798,281	587,136
Amortization	6(27)	14,871	15,880
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(25)	(137,416)	3,127
Interest expense	6(26)	61,341	30,626
Interest income	6(23)	(8,621)	(2,939)
Share of loss of associates accounted for using equity method	6(6)	3,415	23,800
Gain on disposals of property, plant and equipment	6(25)	(229)	(5,740)
Gain on disposal of investments	6(6)(25)	(29,605)	(61,467)
Share-based payment	6(18)	14,480	-
Profit from lease modification		(5)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial asset at fair value through profit or loss, mandatorily measured at fair value		2,495	(1,061)
Contract assets		(231,243)	(188,848)
Notes receivable		86	99
Accounts receivable		34,728	48,859
Accounts receivable due from related parties		-	331
Other receivables		23,108	(23,242)
Other receivables due from related parties		-	(16)
Inventories		47,211	(93,140)
Prepayments		(5,058)	2,309
Other current assets		(1,405)	1,578
Other non-current assets		(442)	(271)
Changes in operating liabilities			
Financial liabilities held for trading		(8,444)	-
Contract liabilities		(61)	(17)
Accounts payable		(94,988)	81,072
Other payables		(56,338)	53,627
Other payables to related parties		-	(5)
Other current liabilities		(202)	(1,494)
Net defined benefit liability		(1,484)	(1,225)
Long-term payables		2,380	(774)
Cash inflow generated from operations		776,892	840,864
Interest received		8,559	2,880
Interest paid		(51,336)	(20,523)
Income taxes paid		(47,466)	(23,003)
Net cash flows from operating activities		686,649	800,218

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through profit or loss		\$ 241,106	\$ 15,683
Acquisition of financial assets at amortized cost		(500)	(9,432)
Proceeds from disposal of financial assets at amortized cost		-	8,794
Proceeds from disposal of investments accounted for using equity method	6(6)	-	90,298
Acquisition of property, plant and equipment	6(31)	(890,863)	(2,601,324)
Capitalisation of interest paid	6(7)(31)	(23,546)	(25,162)
Proceeds from disposal of property, plant and equipment		14,192	8,839
Acquisition of intangible assets	6(31)	(9,527)	(11,878)
Increase in refundable deposits		(1,756)	(43,487)
Decrease in refundable deposits		2,044	42,279
Net cash flows used in investing activities		(668,850)	(2,525,390)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Redemption of convertible bonds	6(32)	-	(753,926)
Increase in long-term borrowings	6(32)	400,000	3,068,910
Repayment of long-term borrowings	6(32)	(547,760)	(475,622)
Increase in guarantee deposits received	6(32)	162	396
Decrease in guarantee deposits received	6(32)	(231)	(338)
Repayment of principal portion of lease liabilities	6(32)	(14,454)	(13,625)
Cash dividends paid	6(21)	(274,730)	(112,282)
Proceeds from issuing shares	6(19)	900,000	-
Net cash flows from financing activities		462,987	1,713,513
Net increase (decrease) in cash and cash equivalents		480,786	(11,659)
Cash and cash equivalents at beginning of year	6(1)	1,070,340	1,081,999
Cash and cash equivalents at end of year	6(1)	\$ 1,551,126	\$ 1,070,340

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

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and Organisation

Phoenix Silicon International Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C) in March 1997 and has begun operations in June 1998. The Company is primarily engaged in the research, development, manufacture and sale of regenerative wafers, test wafers, product wafers, solar cells, energy storage lithium batteries and the import and export trade related to the Company's business.

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

These financial statements were authorised for issuance by the Board of Directors on February 22, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

The above standards and interpretations have no significant impact to the Company's financial condition 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 Accounting Standards as endorsed by the FSC are as follows:

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

The above standards and interpretations have no significant impact to the Company's financial condition 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 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 financial statements have been prepared under the historical cost convention:

- Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- 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

The financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency.

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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognised in profit or loss.
- C. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(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 arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets arising 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) Liabilities arising mainly for trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 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 profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (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 amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) 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.

(9) Impairment of financial assets

For debt instruments measured at fair value through financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, 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.

(10) 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; however, the Company 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 (allocated based on normal operating capacity). 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) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Company's share of its associates' 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 an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive

income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) 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 apply cost model and are depreciated using the straight-line method to allocate their cost 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 ~ 51 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	2 ~ 6 years
Office equipment	2 ~ 7 years
Leased assets	6 years
Other equipment	3 ~ 10 years

(16) 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 consists 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 initial direct costs incurred by the lessee; and
- (c) 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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other intangible assets are line subsidies and other expenses are amortised using the straight-line method over 3 years.

(18) Impairment of non-financial assets

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. When the circumstances or reasons for recognizing 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.

(19) 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.

(20) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Convertible bonds payable

Convertible 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), call options and put options. The Company classifies

the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.
- B. 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.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. 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.
- E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or liabilities at fair value through profit or loss’) 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 - share options’.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently

from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(25) Provisions

Provisions—decommissioning liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For 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 plans

- 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 with the Company 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 government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plan are recognized 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. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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.

(27) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 by 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 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.

(28) 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.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(30) Revenue recognition

A. Sales revenue

- (a) The Company provides manufacturing and sales of semiconductor wafers and energy storage lithium batteries. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (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.

B. Sales of services

The Company provides semiconductor subcontracting services and other related businesses. In the process of providing subcontracting services, the Company considers that :

- (a) Customers control the raw materials they provided and the Company accepts instructions from customers for subcontracting services for the formerly disclosed assets.
- (b) The Company may only use assets provided by customers and controlled by customers for subcontracting services to create or enhance such assets and may not convert such assets to other uses.

Since the customer owns the asset, assumes the significant risks and rewards of ownership and has the right to decide the disposal of the asset, the Company recognises revenue for subcontracting services based on the degree of completion of performance obligations during the service period.

The degree of completion of the Company's subcontracting services is determined based on the service costs actually incurred as a percentage of the estimated total service costs. The Company

provides subcontracting services according to the specifications required by the customers and therefore the service costs incurred are not averaged over the period of service provision. The Company believes that the aforementioned approach is appropriate to measure the degree of completion of performance obligations to customers. The customer pays the price of the subcontracting service according to the agreed payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Financing components

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.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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 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

Measurement of the completion degree of performance obligation

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services and recognises revenue by measuring the completion degree of performance obligation in the period in which the services are rendered. For the completion degree of semiconductor wafers professional processing services, the management recognises revenue on the basis of the invested cost which is for satisfying the performance obligation relative to the

expected total cost for satisfying the performance obligation. As the estimates of total expected cost were uncertain and require the management to apply critical estimates in making the determination, there might be material changes to the estimates. As of December 31, 2023, the contract assets recognised for the Company's unfinished orders according to the completion degree of performance obligation amounted to \$497,682.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 218	\$ 310
Demand deposits	610,908	830,030
Time deposits	940,000	240,000
Total	<u>\$ 1,551,126</u>	<u>\$ 1,070,340</u>

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. The Company has no cash and cash equivalents pledged to others. For pledged time deposits that were accounted as financial assets at amortised cost, please refer to Note 8.

(2) Financial assets at fair value through profit or loss

<u>items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Derivative instruments	<u>\$ 1,321</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	(\$ 1,417)
Unlisted stocks	142,044	-
Derivative instruments	<u>3,816</u>	<u>107</u>
Total	<u>\$ 145,860</u>	<u>(\$ 1,310)</u>

B. On February 1, 2023, the convertible bonds which were issued by Phoenix Battery Corporation were all converted into common stocks. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 25.28% to 18.07%. Thus, starting from the date, the Company did not have significant influence on Phoenix Battery Corporation. The Company recognised current financial assets at fair value through profit or loss on the ownership investment of 18.07% according to the fair value at that date in the amount of \$96,072, reclassified all of the amounts previously recognised in capital surplus from equity to profit or loss in the amount of \$9,571 due to changes in ownership interests in the associate, and then recognised gains on disposal of

investments in the amount of \$26,615.

- C. The Company gradually disposed all the shares of Phoenix Battery Corporation from July 2023 to December 2023, for proceeds of \$241,106, and the gain on disposal amounted to \$142,044.
- D. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2023	
	Contract amount (notional principal)	Contract period
Non-hedging derivative financial assets		
Current items:		
Forward foreign exchange contracts	USD 2,000	2023.12.13~2024.01.05

On December 31, 2022: None.

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Non-current items :		
Pledged time deposits	\$ 13,555	\$ 13,055

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Years ended December 31,	
	2023	2022
Interest income	\$ 114	\$ 124

- B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 86
Accounts receivable	\$ 379,363	\$ 414,091
Less: Allowance for uncollectible accounts	-	-
	\$ 379,363	\$ 414,091

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 378,689	\$ -	\$ 409,898	\$ 86
Up to 30 days	534	-	3,767	-
31 to 90 days	140	-	426	-
	<u>\$ 379,363</u>	<u>\$ -</u>	<u>\$ 414,091</u>	<u>\$ 86</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$463,466.

C. The Company has no notes and accounts receivable pledged to others as collateral.

D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$0 and \$86; \$379,363 and \$414,091, respectively.

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

(5) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 280,837	(\$ 85,143)	\$ 195,694
Work in progress	1,847	(85)	1,762
Finished goods	14,397	(265)	14,132
Total	<u>\$ 297,081</u>	<u>(\$ 85,493)</u>	<u>\$ 211,588</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 299,044	(\$ 58,553)	\$ 240,491
Work in progress	4,218	(37)	4,181
Finished goods	14,363	(236)	14,127
Total	<u>\$ 317,625</u>	<u>(\$ 58,826)</u>	<u>\$ 258,799</u>

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2023	2022
Cost of goods sold	\$ 2,555,378	\$ 2,305,338
Loss on decline in market value	26,667	14,033
Revenue from sales of scraps	(118)	(87)
Others	(10,743)	(13,021)
	<u>\$ 2,571,184</u>	<u>\$ 2,306,263</u>

(6) Investments accounted for using equity method

	2023	2022
At January 1	\$ 82,341	\$ 125,503
Disposal of investments accounted for using equity method	(79,028)	(28,831)
Share of profit or loss of investments accounted for using the equity method	(3,415)	(23,800)
Changes in equity of associates	102	9,469
At December 31	<u>\$ -</u>	<u>\$ 82,341</u>

- A. For the year ended December 31, 2022, the Company disposed some equity interests at a disposal price of \$90,298 with a gain on disposal of \$61,467 and the ownership was decreased to 25.28%.
- B. On February 1, 2023, the convertible bonds which were issued by Phoenix Battery Corporation were all converted into common stocks. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 25.28% to 18.07%. Thus, starting from the date, the Company did not have significant influence on Phoenix Battery Corporation. The Company recognised current financial assets at fair value through profit or loss on the ownership investment of 18.07% according to the fair value at that date in the amount of \$96,072, reclassified all of the amounts previously recognised in capital surplus from equity to profit or loss in the amount of \$9,571 due to changes in ownership interests in the associate, and then recognised gains on disposal of investments in the amount of \$26,615.
- C. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:
- As of December 31, 2023 and 2022, the carrying amount of the Company's individually immaterial associates amounted to \$0 and \$82,341, respectively.

	Years ended December 31,	
	2023	2022
Loss for the period from continuing operations	(\$ 13,509)	(\$ 86,843)
Total comprehensive loss	<u>(\$ 13,509)</u>	<u>(\$ 86,843)</u>

Note: Phoenix Battery Corporation was no longer an associate since February 1, 2023, and accordingly, it only disclosed the operating result from January 1, 2023 to January 31, 2023.

(7) Property, plant and equipment

	2023						
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1							
Cost	\$ 2,292,667	\$ 4,280,007	\$ 11,380	\$ 25,393	\$ 87,149	\$ 2,015,824	\$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	(52,412)	-	(3,101,078)
	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>
At January 1	\$ 1,641,339	\$ 1,909,201	\$ 3,535	\$ 6,706	\$ 34,737	\$ 2,015,824	\$ 5,611,342
Additions	186,603	512,407	-	11,385	7,061	428,921	1,146,377
Disposals	-	(13,963)	-	-	-	-	(13,963)
Reclassifications (transfers) (Note)	176,435	1,380,285	-	13,140	(1,333)	(1,678,542)	(110,015)
Depreciation charge	(212,419)	(552,364)	(1,263)	(5,751)	(12,199)	-	(783,996)
At December 31	<u>\$ 1,791,958</u>	<u>\$ 3,235,566</u>	<u>\$ 2,272</u>	<u>\$ 25,480</u>	<u>\$ 28,266</u>	<u>\$ 766,203</u>	<u>\$ 5,849,745</u>
At December 31							
Cost	\$ 2,519,688	\$ 5,966,522	\$ 6,363	\$ 37,274	\$ 68,523	\$ 766,203	\$ 9,364,573
Accumulated depreciation	(727,730)	(2,730,956)	(4,091)	(11,794)	(40,257)	-	(3,514,828)
	<u>\$ 1,791,958</u>	<u>\$ 3,235,566</u>	<u>\$ 2,272</u>	<u>\$ 25,480</u>	<u>\$ 28,266</u>	<u>\$ 766,203</u>	<u>\$ 5,849,745</u>

Note: Refers to the transfer to Non-current assets (or disposal groups) held for sale amounting to \$102,822, transfer to intangible assets amounting to \$6,669 and transfer to Right-of-use assets amounting to \$524.

2022

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
Cost	\$ 2,012,590	\$ 3,371,258	\$ 9,172	\$ 21,760	\$ 110	\$ 72,997	\$ 694,787	\$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	(110)	(39,898)	-	(2,546,917)
	<u>\$ 1,524,529</u>	<u>\$ 1,374,583</u>	<u>\$ 2,372</u>	<u>\$ 6,387</u>	<u>\$ -</u>	<u>\$ 33,099</u>	<u>\$ 694,787</u>	<u>\$ 3,635,757</u>
At January 1	\$ 1,524,529	\$ 1,374,583	\$ 2,372	\$ 6,387	\$ -	\$ 33,099	\$ 694,787	\$ 3,635,757
Additions	151,916	450,538	2,208	3,633	-	14,382	1,930,187	2,552,864
Disposals	-	(3,099)	-	-	-	-	-	(3,099)
Reclassifications (transfers) (Note)	128,161	480,353	-	-	-	-	609,150	(636)
Depreciation charge	(163,267)	(393,174)	(1,045)	(3,314)	-	(12,744)	-	(573,544)
At December 31	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ -</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>

At December 31

Cost	\$ 2,292,667	\$ 4,280,007	\$ 11,380	\$ 25,393	\$ -	\$ 87,149	\$ 2,015,824	\$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	-	(52,412)	-	(3,101,078)
	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ -</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2023	2022
Amount capitalised	\$ 23,546	\$ 25,162
Range of the interest rates for capitalisation	1.51%-1.83%	1.04%-1.84%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements—lessee

- A. The Company leases various assets including land and business vehicles. Rental contracts are typically made for periods of 2 to 20 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 employees' dorms, parking lots and warehouse. Low-value assets comprise of furniture and fixtures and other equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 316,543	\$ 324,422
Buildings	8,932	10,155
Transportation equipment (Business vehicles)	219	1,754
	<u>\$ 325,694</u>	<u>\$ 336,331</u>

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 11,420	\$ 11,286
Buildings	2,266	1,328
Transportation equipment (Business vehicles)	600	978
	<u>\$ 14,286</u>	<u>\$ 13,592</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$1,043 and \$25,611, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,313	\$ 4,522
Expense on short-term lease contracts	9,319	9,041
Expense on leases of low-value assets	856	836
Profit from lease modification	5	-

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$28,942 and \$28,024, respectively.
- G. 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.

(9) Leasing arrangements—lessor

- A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 3 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- B. For the years ended December 31, 2023 and 2022, the Company recognised rent income in the amounts of \$1,547 and \$3,339, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2023			December 31, 2022	
2024	\$	1,547	2023	\$	1,547
2025		597	2024		1,547
2026		150	2025		597
2027		150	2026		150
After 2028		2,175	After 2027		2,325
Total	\$	4,619	Total	\$	6,166

(10) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 163,840	\$ 444,506
Prepayments for intangible assets	1,620	8,077
Guarantee deposits paid	3,040	3,040
Others	53	271
Total	\$ 168,553	\$ 455,894

(11) Non-current assets (or disposal groups) held for sale

The assets related to machinery equipment and other equipment have been reclassified as disposal groups held for sale following the approval of the Company's Board of Directors on November 6, 2023 to sell machinery equipment and other equipment. The assets of the disposal groups held for sale as at December 31, 2023 amounted to \$102,822.

Assets of disposal company held for sale:

	December 31, 2023	December 31, 2022
Machinery and equipment	\$ 101,489	\$ -
Other facilities	1,333	-
Total	\$ 102,822	\$ -

(12) Financial liabilities at fair value through profit or loss

Items	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities held for trading		
Derivative instruments	\$ -	\$ -
Convertible bonds Call/put options	-	-
Valuation adjustment	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial liabilities at fair value through profit or loss are listed below:

	Years ended December 31,	
	2023	2022
Net losses recognised in profit or loss		
Financial liabilities held for trading		
Derivative instruments	(\$ 8,444)	(\$ 1,717)
Convertible bonds Call/put options	-	(100)
Total	<u>(\$ 8,444)</u>	<u>(\$ 1,817)</u>

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

There were no such transactions on December 31, 2022 and 2023.

The Company entered into forward foreign exchange contracts to buy to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(13) Other payables

	December 31, 2023	December 31, 2022
Wages and salaries payable	\$ 116,053	\$ 139,912
Employees' compensation and		
directors' remuneration payable	71,622	88,053
Payable on machinery and equipment	80,847	129,545
Payable on repair expenses	31,338	28,075
Other accrued expenses	68,682	80,687
Total	<u>\$ 368,542</u>	<u>\$ 466,272</u>

(14) Bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bonds payable	\$ -	\$ -
Less: Discount on bonds payable	-	-
	-	-
Less: Current portion or exercise of put options	-	-
	\$ -	\$ -

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the first domestics unsecured convertible bonds issued by the Company are as follows:

The Company issued \$1,000,000, 0% first domestic unsecured convertible bonds, as approved by regulatory authority. The bonds mature 3 years from the issued date (November 13, 2019 ~ November 13, 2022) and will be redeemed in cash value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

- i. 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 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.
- ii. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. As of November 13, 2022, the last conversion application date, the conversion price was adjusted to NTD 63.90 (in dollars) per share.
- iii. The convertible bonds will be redeemed in cash at 100.7519% of face value at the maturity date.
- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 30 days before the maturity date.
- v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is less than the conversion price by 10% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 30 days before the maturity date.

- vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of November 13, 2022, the last conversion application date, the bonds totaling \$246,300 (face value) had been converted into 3,854,404 shares of common stock. The remaining unconverted bonds amounting to \$748,300 (face value) had been redeemed in cash at 100.7519% of face value at the maturity date according to Article 6 of the regulations governing the issuance and conversion of the Company's first domestic unsecured convertible bonds.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$132,294 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation was 1.56%.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2023
Plant syndicated loan (Note 1)	2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	\$ 385,600
Plant loan	2020.07.24~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	156,544
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,887,400
Mid-term secured loan	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,387,715
Unsecured borrowings	2021.12.28~2025.08.25 Repayment by installments and installments over the agreed period	Floating rate	None	380,000
Unsecured borrowings (Note 2)	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	50,000
Unsecured borrowings (Note 1)	2023.02.07~2026.02.07 Repayment by installments and installments over the agreed period	Floating rate	None	100,000
				<hr/> 4,347,259
Less: Current portion				(619,925)
Less: Arrangement fee for the syndicated loan				(4,550)
				<hr/> \$ 3,722,784
Annual interest rate range				<hr/> <hr/> 1.30%~2.21%

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Plant syndicated loan (Note 1)	2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	\$ 385,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	193,918
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
Mid-term secured loan (Note 2)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	17,500
Mid-term secured loan	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2025.08.25 Repayment by installments and installments over the agreed period	Floating rate	None	625,000
Unsecured borrowings (Note 2)	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
				4,495,018
Less: Current portion				(503,910)
Less: Arrangement fee for the syndicated loan				(5,551)
				<u>\$ 3,985,557</u>
Annual interest rate range				<u>1.18%~1.99%</u>

A. As of December 31, 2023, the Company's unamortised arrangement fee for the syndicated loan amounting to \$4,550 was recorded as a deduction amount of initial measurement of long-term secured borrowings and amortised as interest expense over the borrowing period.

B. Details of the collateral for long-term borrowings are provided in Note 8.

Note 1: According to the agreement, the Company should maintain a specific current ratio, debt ratio, interest coverage ratio and shareholders' equity amount every year during the loan period.

Note 2: According to loan the agreement, the Company should maintain a specific net liabilities ratio and ability of interest repayment every six months during the loan period.

(16) 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 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement 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 be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 31,642	\$ 36,773
Fair value of plan assets	(22,040)	(23,834)
Net defined benefit liability	<u>\$ 9,602</u>	<u>\$ 12,939</u>

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 35,973	(\$ 23,034)	\$ 12,939
Current service cost	85	-	85
Interest (expense) income	<u>526</u>	<u>(353)</u>	<u>173</u>
	<u>36,584</u>	<u>(23,387)</u>	<u>13,197</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(205)	(205)
Change in demographic assumptions	-	-	-
Change in financial assumptions	449	-	449
Experience adjustments	<u>(2,558)</u>	<u>-</u>	<u>(2,558)</u>
	<u>(2,109)</u>	<u>(205)</u>	<u>(2,314)</u>
Pension fund contribution	-	(1,280)	(1,280)
Paid pension	<u>(2,832)</u>	<u>2,832</u>	<u>-</u>
At December 31	<u>\$ 31,643</u>	<u>(\$ 22,040)</u>	<u>\$ 9,603</u>

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 42,165	(\$ 22,300)	\$ 19,865
Current service cost	86	-	86
Interest (expense) income	211	(118)	93
	<u>42,462</u>	<u>(22,418)</u>	<u>20,044</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,658)	(1,658)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(4,758)	-	(4,758)
Experience adjustments	715	-	715
	<u>(4,043)</u>	<u>(1,658)</u>	<u>(5,701)</u>
Pension fund contribution	-	(1,404)	(1,404)
Paid pension	(2,446)	2,446	-
At December 31	<u>\$ 35,973</u>	<u>(\$ 23,034)</u>	<u>\$ 12,939</u>

(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 hence, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2023	2022
Discount rate	1.375%	1.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 889)	\$ 928	\$ 892	(\$ 860)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,066)	\$ 1,113	\$ 1,072	(\$ 1,032)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$1,157.

- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 11.4 years.

The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	\$ 4,475
1-2 year(s)	1,119
2-5 years	2,116
5-10 years	4,872
	<u>\$ 12,582</u>

- 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 defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022, were \$32,472 and \$29,678, respectively.

(17) Provisions

	<u>Decommissioning liabilities</u>
2023	
At January 1	\$ 17,417
Additional provisions	3,016
Unwinding of discount	1,039
At December 31	<u>\$ 21,472</u>

Analysis of total provisions:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current	<u>\$ 21,472</u>	<u>\$ 17,417</u>

Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment and right-of-use assets in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will start to be used within the next 24 to 38 years.

(18) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2023.10.03	2,000,000	NA	Vested immediately

B. The fair value of stock options granted on 2023 is measured using the Black-Scholes- Merton. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2023.10.03	\$ 52.10	\$ 45	24.81%	0.1260year	0.99%	\$ 7.24

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

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Equity-settled	<u>14,480</u>	<u>-</u>

(19) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$4,000,000, consisting of 400,000 thousand shares of ordinary stock (including 40,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,726,280 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:

	2023	Unit: share 2022
At January 1	152,628,033	140,352,480
Cash capital increase	20,000,000	-
Converting capital reserve to capital increase	-	8,421,149
Convertible Corporate Bond Conversion	-	3,854,404
At December 31	172,628,033	152,628,033

B. The stock dividends from capital surplus amounting to \$84,211 was proposed by the Board of Directors on April 14, 2022, resolved by the shareholders on May 27, 2022 and approved by the regulatory authority on June 16, 2022. Its effective date was set on July 29, 2022 as resolved by the Board of Directors on June 24, 2022.

C. For the year ended December 31, 2023, the Company resolved to increase capital by issuing 20,000 thousand shares at NT\$45 per share, totaling \$900,000. The effective date for the capital increase was set on November 23, 2023, and the registration of the capital increase was completed.

(20) 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. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2023					
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates	Options	Total
At January 1	\$ 663,963	\$ 70,793	\$ 9,469	\$ -	\$ 744,225
Changes in equity of associates	-	-	102		102
Loss of significant influence over investments accounted for using equity method	-	-	(9,571)	-	(9,571)
Cash capital increase	700,000	-	-	-	700,000
Share-based payments	-	-	-	14,480	14,480
At December 31	<u>\$ 1,363,963</u>	<u>\$ 70,793</u>	<u>\$ -</u>	<u>\$ 14,480</u>	<u>\$ 1,449,236</u>
2022					
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates	Options	Total
At January 1	\$ 407,885	\$ 70,793	\$ -	\$ 131,580	\$ 610,258
Converting capital reserve to capital increase	(84,211)	-	-	-	(84,211)
Convertible Corporate Bond Conversion	241,293	-	-	(32,584)	208,709
Redemption of convertible bonds at the maturity date	98,996	-	-	(98,996)	-
Changes in equity of associates	-	-	9,469	-	9,469
At December 31	<u>\$ 663,963</u>	<u>\$ 70,793</u>	<u>\$ 9,469</u>	<u>\$ -</u>	<u>\$ 744,225</u>

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after tax, if any, shall first be used to offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve, the remainder along with the beginning unappropriated earnings shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

Dividends and bonuses or legal reserve and capital surplus distributed in the form of cash shall be authorised to be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting and are not subject to the aforementioned regulations of resolutions from the shareholders.

B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year, at least 10% of the Company's distributable earnings shall be appropriated as dividends and bonuses, and cash dividends and bonuses shall account for at least 50% of the total dividends and bonuses distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2022 and 2021 earnings as resolved by the shareholders at their meetings on May 26, 2023 and May 27, 2022 are as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 32,981		\$ 23,400	
Cash dividends	274,730	\$ 1.80	112,282	\$ 0.80
Total	<u>\$ 307,711</u>		<u>\$ 135,682</u>	

(22) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 3,327,700</u>	<u>\$ 3,138,053</u>

A. Disaggregation of revenue from contracts with customers

	Years ended December 31,	
	2023	2022
Revenue from external customer contracts	<u>\$ 3,327,700</u>	<u>\$ 3,138,053</u>
Timing of revenue recognition		
At a point in time	\$ 34,854	\$ 106,868
Over time	3,292,846	3,031,185
	<u>\$ 3,327,700</u>	<u>\$ 3,138,053</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets	<u>\$ 497,682</u>	<u>\$ 266,439</u>	<u>\$ 77,591</u>
Contract liabilities			
- advance sales receipts	<u>\$ 79</u>	<u>\$ 140</u>	<u>\$ 157</u>

	Years ended December 31,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 140	\$ 17

(23) Interest income

	Years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 8,505	\$ 2,815
Interest income from financial assets measured at amortised cost	114	124
Other interest income	2	-
	<u>\$ 8,621</u>	<u>\$ 2,939</u>

(24) Other income

	Years ended December 31,	
	2023	2022
Rent income	\$ 1,547	\$ 3,339
Other income, others	6,421	6,016
	<u>\$ 7,968</u>	<u>\$ 9,355</u>

(25) Other gains and losses

	Years ended December 31,	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 229	\$ 5,740
Gains on disposals of investments	29,605	61,467
Profit from lease modification	5	-
Net foreign exchange gains	1,528	42,720
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	137,416	(3,127)
	<u>\$ 168,783</u>	<u>\$ 106,800</u>

(26) Finance costs

	Years ended December 31,	
	2023	2022
Borrowings from financial institutions	\$ 55,988	\$ 12,734
Bonds payable	-	12,553
Lease liabilities	4,313	4,522
Provisions - unwinding of discount	1,038	817
Other financial cost	2	-
	<u>\$ 61,341</u>	<u>\$ 30,626</u>

(27) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 967,391	\$ 930,486
Depreciation charges	798,281	587,136
Amortisation charges on intangible assets	14,871	15,880

(28) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 804,769	\$ 780,765
Labour and health insurance fees	74,974	68,773
Pension costs	32,730	29,857
Other personnel expenses	54,918	51,091
	<u>\$ 967,391</u>	<u>\$ 930,486</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation were accrued at \$48,842 and \$67,348, respectively; while directors' remuneration were accrued at \$8,140 and \$8,980, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on 12% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration of 2023 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 33,929	\$ 42,312
Prior year income tax underestimation	4,705	2,559
Total current tax	38,634	44,871
Deferred tax:		
Origination and reversal of temporary differences	(591)	2,537
Total deferred tax	(591)	2,537
Income tax expense	<u>\$ 38,043</u>	<u>\$ 47,408</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	\$ 463	\$ 1,140

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 70,007	\$ 74,532
Expenses disallowed by tax regulation	29,917	4,760
Tax exempt income by tax regulation	(63,584)	(13,645)
Prior year income tax underestimation	4,705	2,559
Effect from investment tax credits	(15,915)	(31,316)
Effect from Alternative Minimum Tax	12,913	10,518
Income tax expense	<u>\$ 38,043</u>	<u>\$ 47,408</u>

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

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Loss on slow-moving inventories and valuation loss	\$ 11,765	\$ 5,333	\$ -	\$ 17,098
Seniority bonus	2,334	476	-	2,810
Decommissioning liabilities	3,483	162	-	3,645
Pensions	2,588	(204)	(463)	1,921
Other	892	1,202	-	2,094
Investment tax credits	5,100	(5,100)	-	-
Subtotal	<u>\$ 26,162</u>	<u>\$ 1,869</u>	<u>(\$ 463)</u>	<u>\$ 27,568</u>
Deferred tax liabilities:				
- Temporary differences:				
Depreciation on non-current assets held for sale	\$ -	(\$ 1,014)	\$ -	(\$ 1,014)
Unrealised gain on valuation of financial liabilities	-	(264)	-	(264)
Subtotal	<u>\$ -</u>	<u>(\$ 1,278)</u>	<u>\$ -</u>	<u>(\$ 1,278)</u>
Total	<u>\$ 26,162</u>	<u>\$ 591</u>	<u>(\$ 463)</u>	<u>\$ 26,290</u>

2022

	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Loss on slow-moving inventories and valuation loss	\$ 8,958	\$ 2,807	\$ -	\$ 11,765
Discount on bonds payable	6,492	(6,492)	-	-
Seniority bonus	2,489	(155)	-	2,334
Decommissioning liabilities	3,320	163	-	3,483
Pensions	3,974	(246)	(1,140)	2,588
Other	539	353	-	892
Investment tax credits	5,577	(477)	-	5,100
Subtotal	<u>\$ 31,349</u>	<u>(\$ 4,047)</u>	<u>(\$ 1,140)</u>	<u>\$ 26,162</u>
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	(\$ 1,510)	\$ 1,510	\$ -	\$ -
Total	<u>\$ 29,839</u>	<u>(\$ 2,537)</u>	<u>(\$ 1,140)</u>	<u>\$ 26,162</u>

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

(30) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 311,994</u>	<u>154,765</u>	<u>\$ 2.02</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 311,994	154,765	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,111	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 311,994</u>	<u>155,876</u>	<u>\$ 2.00</u>

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 325,251	150,180	\$ 2.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 325,251	150,180	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	10,124	11,207	
Employees' compensation	-	1,323	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 335,375	\$ 162,710	\$ 2.06

The abovementioned weighted average number of ordinary shares outstanding had been modified retrospectively according to the ratio of stock dividends from capital surplus for the year ended December 31, 2022.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 1,146,377	\$ 2,552,864
Add: Opening balance of payable on machinery and equipment	129,545	92,918
Add: Ending balance of prepayments for business facilities	163,840	444,506
Less: Ending balance of payable on machinery and equipment	(80,847)	(129,545)
Less: Opening balance of prepayments for business facilities	(444,506)	(334,257)
Less: Capitalisation of interest	(23,546)	(25,162)
Cash paid during the period	\$ 890,863	\$ 2,601,324
	Years ended December 31,	
	2023	2022
Purchase of intangible assets	\$ 15,984	\$ 7,747
Add: Ending balance of prepayments	1,620	8,077
Less: Opening balance of prepayments	(8,077)	(3,946)
Cash paid during the period	\$ 9,527	\$ 11,878

(32) Changes in liabilities from financing activities

	2023			
	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 4,489,467	\$ 339,485	\$ 1,068	\$ 4,830,020
Changes in cash flow from financing activities	(147,760)	(14,454)	(69)	(162,283)
Interest paid on lease liabilities	-	(4,313)	-	(4,313)
Amortisation of interest expense on lease liabilities	-	4,313	-	4,313
Increase in lease liabilities	-	1,043	-	1,043
Decrease in lease modification	-	(941)	-	(941)
Payment of arrangement fee for the syndicated loan	(200)	-	-	(200)
Amortisation of arrangement fee for the syndicated loan	1,202	-	-	1,202
At December 31	<u>\$ 4,342,709</u>	<u>\$ 325,133</u>	<u>\$ 999</u>	<u>\$ 4,668,841</u>

	2022				
	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 988,626	\$ 1,901,730	\$ 327,499	\$ 1,010	\$ 3,218,865
Changes in cash flow from financing activities	-	2,593,288	(13,625)	58	2,579,721
Interest paid on lease liabilities	-	-	(4,522)	-	(4,522)
Amortisation of interest expense on lease liabilities	-	-	4,522	-	4,522
Increase in lease liabilities	-	-	25,611	-	25,611
Amortisation of interest expense on bonds payable	12,553	-	-	-	12,553
Convertible corporate bond conversion	(247,253)	-	-	-	(247,253)
Redemption of convertible bonds at the maturity date	(753,926)	-	-	-	(753,926)
Payment of arrangement fee for the syndicated loan	-	(6,779)	-	-	(6,779)
Amortisation of arrangement fee for the syndicated loan	-	1,228	-	-	1,228
At December 31	<u>\$ -</u>	<u>\$ 4,489,467</u>	<u>\$ 339,485</u>	<u>\$ 1,068</u>	<u>\$ 4,830,020</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
All directors, president, vice presidents	Key management compensation
Phoenix Battery Corporation	Associate (Note)

Note: On February 1, 2023, the convertible bonds which were issued by Phoenix Battery Corporation were all converted into common stocks. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 25.28% to 18.07%. Thus, starting from that date, the Company did not have significant effects on Phoenix Battery Corporation which was no longer an associate of the Company.

(2) Significant related party transactions

A. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables:		
Phoenix Battery Corporation	\$ -	\$ 16

The receivables from related parties arise mainly from sale transactions. The receivables are due three months after the date of sales. The receivables are unsecured in nature and bear no interest.

There are no provisions held against receivables from related parties.

B. Payables to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables - acquisition of property, plant and equipment		
Phoenix Battery Corporation	\$ -	\$ 1,253

C. Revenues and expenses

		<u>Years ended December 31,</u>	
		<u>2023</u>	<u>2022</u>
Phoenix Battery Corporation	Rent income	\$ 15	\$ 2,046
Phoenix Battery Corporation	Other income	\$ -	\$ 280
Phoenix Battery Corporation	Other expenses	\$ -	\$ 287

D. Other transactions

	<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Phoenix Battery Corporation	Advance rent receipts	\$ -	\$ 15
Phoenix Battery Corporation	Guarantee deposits received	\$ -	\$ 30

E. Property transactions - acquisition of property, plant and equipment

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Phoenix Battery Corporation	\$ -	\$ 11,930

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 48,391	\$ 50,153
Post-employment benefits	626	589
Total	\$ 49,017	\$ 50,742

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Time deposits (shown as 'non-current financial assets at amortised cost')	\$ 3,000	\$ 2,500	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,555	10,555	Guarantee for land lease in science park
Buildings and structures	1,289,295	1,074,712	Long-term borrowings
Machinery and equipment (including 'equipment pending acceptance')	363,597	438,190	Long-term borrowings
	<u>\$ 1,666,447</u>	<u>\$ 1,525,957</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2023	December 31, 2022
Property, plant and equipment	<u>\$ 1,865,348</u>	<u>\$ 1,809,163</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

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 reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2023, the Company's strategy, which was unchanged from 2022, was to maintain the gearing ratio at a reasonable level of risks and to adjust according to the future operating strategy. The gearing ratios at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	\$ 4,342,709	\$ 4,489,467
Less: Cash and cash equivalents	(1,551,126)	(1,070,340)
Net debt	2,791,583	3,419,127
Total equity	3,935,434	2,991,308
Total capital	<u>\$ 6,727,017</u>	<u>\$ 6,410,435</u>
Gearing ratio	<u>41.50%</u>	<u>53.33%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,321	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,551,126	\$ 1,070,340
Financial assets at amortised cost	13,555	13,055
Notes receivable	-	86
Accounts receivable	379,363	414,091
Other receivables (including related parties)	3,005	26,050
Guarantee deposits paid (including current portion)	3,888	4,176
	<u>\$ 1,950,937</u>	<u>\$ 1,527,798</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Accounts payable	\$ 139,525	\$ 234,513
Other payables (including related parties)	368,542	466,272
Long-term borrowings (including current portion)	4,342,709	4,489,467
Guarantee deposits received	998	1,068
	<u>\$ 4,851,774</u>	<u>\$ 5,191,320</u>
Lease liabilities (including current portion)	<u>\$ 325,134</u>	<u>\$ 339,485</u>

B. Financial risk managements policies

- (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. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (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 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

Foreign exchange risk

- i. Management has set up a policy to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(11).

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

December 31, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,091	30.71	\$ 586,285
<u>Non-monetary items</u> : None			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,762	30.71	\$ 54,096
JPY:NTD	56,371	0.2175	12,258
<u>Non-monetary items</u> : None			
December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,031	30.70	\$ 553,557
<u>Non-monetary items</u> : None			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,642	30.70	\$ 81,107
JPY:NTD	11,002	0.2326	2,559
<u>Non-monetary items</u> : None			

- iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to \$1,528 and \$42,720, respectively.

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

Year ended December 31, 2023				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	5,863	\$ -
<u>Non-monetary items</u> : None				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	541)	\$ -
JPY:NTD	1%	(	123)	-
<u>Non-monetary items</u> : None				

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	5,536	\$ -
<u>Non-monetary items</u> : None				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	811)	\$ -
JPY:NTD	1%	(	26)	-
<u>Non-monetary items</u> : None				

Cash flow and fair value interest rate risk

- The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. For the years ended December 31, 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.
- The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

- iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$10,856 and \$11,223, respectively. The main factor is that changes in interest expense result in 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 and other counterparties 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 and at fair value through profit or loss.
- ii. The Company regularly monitors and reviews its credit limits based on market conditions and the credit status of its counterparties and makes timely adjustments to manage credit risk. The Company only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.
- iii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local unit 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 risk 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.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days
- v. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Company classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Company applies the modified approach using loss rate methodology to estimate the expected credit loss.
- vii. 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 their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.

- viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets.

On December 31, 2023 and 2022, the loss rate methodology is as follows:

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
<u>December 31, 2023</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 877,045	\$ -	\$ -	\$ -	\$ -	\$ 877,045
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 680,616	\$ -	\$ -	\$ -	\$ -	\$ 680,616
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- ix. Movements in relation to the Company applying the modified approach to provide loss allowance for notes receivable, accounts receivable, accounts receivable due from related parties and contract assets are as follows:

	2023	2022
	Accounts receivable	Accounts receivable
At January 1 / December 31	\$ -	\$ -

- x. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2023	December 31, 2022
	12 months	12 months
Financial assets at amortised cost	\$ 13,555	\$ 13,055

(c) Liquidity risk

- i. Cash flow forecasting is performed 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 committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

- ii. Company treasury invests surplus cash held by the Company over and above balance required for working capital management in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Company held money market position of \$1,550,908 and \$1,070,030, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii The Company has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	\$ 1,191,667	\$ 700,000
Expiring beyond one year	965,933	1,362,600
Fixed rate:		
Expiring within one year	-	-
Expiring beyond one year	-	-
	<u>\$ 2,157,600</u>	<u>\$ 2,062,600</u>

- 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
December 31, 2023				
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 139,525	\$ -	\$ -	\$ -
Other payables	179,700	1,167	-	-
Lease liability	9,181	9,181	1,838	347,256
Long-term borrowings	371,280	317,823	1,180,271	2,676,337
(including current portion)				
Guarantee deposits received	-	-	757	242
Derivative financial liabilities: None				

December 31, 2022	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 234,513	\$ -	\$ -	\$ -
Other payables	236,408	1,899	-	-
Lease liability	9,569	9,569	18,820	363,124
Long-term borrowings (including current portion)	124,353	446,471	842,745	3,297,527
Guarantee deposits received	-	-	778	290
Derivative financial liabilities: None				

(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 investment in derivative instrument is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity instrument without active market is included in Level 3.

B. The carrying amounts of the Company's cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, accounts payable, other payables (including related parties), long-term borrowings, lease liabilities and guarantee deposits received are approximate to their fair values.

C. 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 at December 31, 2023 and 2022 are as follows:

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Forward exchange contracts	\$ -	\$ 1,321	\$ -	\$ 1,321
Liabilities : None				

There were no such transactions on December 31, 2022 .

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. The fair value of 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 balance sheet date.
 - ii. Forward exchange contracts are usually valued based on the current forward exchange rate.
- D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	2022
	Equity securities	Convertible bonds
At January 1	\$ -	(\$ 100)
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	-	100
Transfer into for the period	96,072	-
Sold in the period	(96,072)	-
At December 31	<u>\$ -</u>	<u>\$ -</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2023 (Note)	<u>\$ 142,044</u>	<u>\$ 100</u>

Note: Recorded as non-operating income and expenses.

- F. Company treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 by the external valuer, 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.
- G. 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:

There were no such transactions on December 31, 2022 and 2023.

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): None.
- 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 \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$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: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: The Company entered into a forward foreign exchange contract with financial institution for the year ended December 31, 2023 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net loss arising from trading in forward foreign exchange contract for the year ended December 31, 2023 was approximately \$5,948.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 1.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Company was identified as the single reportable segment.

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

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

	Years ended December 31,	
	2023	2022
Total segment revenue	\$ 3,327,700	\$ 3,138,053
Segment income	\$ 311,994	\$ 325,251
Segment assets	\$ 9,184,002	\$ 8,598,954

(3) Reconciliation for segment income (loss), assets and liabilities

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
December 31, 2023

Table 1

Name of major shareholders	Share	
	Name of shares held	Percentage of ownership
Applied Materials, Inc.	12,109,363	7.01%

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and petty - NTD		\$ 70
- Foreign	USD 2,909 , Exchange Rate 30.71	89
Currency	JPY 270,000 , Exchange Rate 0.2175	59
		<u>218</u>
Cash in banks		
Demand deposits - NTD		377,886
- Foreign	USD 7,587,808 , Exchange Rate 30.71	233,022
	Subsequently due before January 29, 2024, interest rate 1.10%~1.28%	940,000
Time deposits - NTD		<u>1,550,908</u>
		<u>\$ 1,551,126</u>

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 2

Customer name	Description	Amount	Note
General customers:			
A		\$ 235,758	
B		22,164	
Others		<u>121,441</u>	Balance of each client has not exceeded 5% of total account balance.
		379,363	Amount of account overdue one year is zero.
Less: Allowance for uncollectible accounts		<u>-</u>	
		<u>\$ 379,363</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Market value	
Raw materials		\$ 280,837	\$ 280,003	Use net realizable value as market price
Work in process		1,847	2,928	"
Finished goods		<u>14,397</u>	<u>18,103</u>	"
		297,081	<u>\$ 301,034</u>	
Less: Allowance for valuation loss		(<u>85,493</u>)		
		<u>\$ 211,588</u>		

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 4

Item	Balance at		Additions	Disposals	Transfers	Balance at		Collateral
	January 1, 2023					December 31, 2023		
Buildings and structures	\$ 2,292,667	\$	186,603	\$ 132,070	\$ 172,488	\$ 2,519,688		Collateral for long-term loan.
Machinery and equipment	4,280,007		512,407	(58,340)	1,232,448	5,966,522		"
Transportation equipment	11,380		-	(5,017)	-	6,363		None
Office equipment	25,393		11,385	(12,644)	13,140	37,274		"
Other equipment	87,149		7,061	(23,187)	(2,500)	68,523		"
Unfinished construction and equipment pending acceptance	2,015,824		428,921	-	(1,678,542)	766,203		Collateral for long-term loan.
	\$ 8,712,420	\$	1,146,377	\$ 231,258	\$ 262,966	\$ 9,364,573		

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Balance at January 1, 2023	Additions	Disposals	Transfers	Balance at December 31, 2023	Note
Buildings and structures	\$ 651,328	\$ 212,419	\$ 132,070	\$ 3,947	\$ 727,730	
Machinery and equipment	2,370,806	552,364	(44,377)	(147,837)	2,730,956	
Transportation equipment	7,845	1,263	(5,017)	-	4,091	
Office equipment	18,687	5,751	(12,644)	-	11,794	
Other equipment	52,412	12,199	(23,187)	(1,167)	40,257	
	\$ 3,101,078	\$ 783,996	\$ 217,295	\$ 152,951	\$ 3,514,828	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General vendor:			
Company E		\$ 14,708	
Company B		13,864	
Company A		11,041	
Company H		10,559	
Company M		8,152	
Company N		8,094	
			None of balances of each remaining items is greater than
Other		<u>73,107</u>	5% of this account.
		<u>\$ 139,525</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Net amount of sales revenue			
Silicon wafer	42 (thousand pieces)	\$ 34,854	
Net amount of labor income			
Silicon wafer	6,638 (thousand pieces)	<u>3,292,846</u>	
Net amount of operating revenue		<u>\$ 3,327,700</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Description	Amount
Beginning raw materials		\$ 299,044
Add: Materials purchased		754,278
Less: Ending raw materials	(	280,837)
Transfers to expenses	(	222,391)
Cost to sell raw materials	(	435)
Cost of consumption raw materials		549,659
Direct labor		369,615
Manufacturing expense		1,638,730
Manufacturing cost		2,558,004
Add: Beginning work in progress		4,218
Less: Ending work in progress	(	1,847)
Cost of finished goods		2,560,375
Add: Beginning finished goods		14,363
Less: Ending finished goods	(	14,397)
Transfers to expenses	(	5,398)
Total cost of goods manufactured		2,554,943
Cost to sell work in progress		435
Loss on decline in market value		26,667
Revenue from sales of scraps	(	118)
Other	(	10,743)
Total operating cost		\$ 2,571,184

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 755,311	
Wages and salaries		244,261	
Repairs and maintenance expense		129,807	
Utility Expenses		166,444	
Other expenditure		<u>342,907</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 1,638,730</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Description	Amount	Note
Freight		\$ 24,448	
Wages and salaries		14,316	None of balances of each remaining items is greater than 5% of this account.
Other expenditure		<u>3,948</u>	
		<u>\$ 42,712</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Description	Amount	Note
Wages and salaries		\$ 172, 110	
Labor expense		21, 854	
Depreciation expense		29, 051	
Other expenditure		<u>132, 420</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 355, 435</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENT OF DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 83,696	
Depreciation expense		13,918	
Research expenses		9,438	
Labour and health insurance fees		6,801	
Other expenditure		<u>15,095</u>	None of balances of each remaining items is greater than 5% of this account.
		<u>\$ 128,948</u>	

PHOENIX SILICON INTERNATIONAL CORPORATION
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Statement 13

	By function	Year ended December 31, 2023			Year ended December 31, 2022		
		Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
By nature							
Employee benefit expense							
Wages and salaries		\$ 534,646	\$ 258,866	\$ 793,512	\$ 511,979	\$ 256,942	\$ 768,921
Labour and health insurance fees		55,268	19,706	74,974	48,768	20,005	68,773
Pension costs		22,408	10,322	32,730	19,782	10,075	29,857
Directors' remuneration		-	11,257	11,257	-	11,844	11,844
Other personnel expenses		45,142	9,776	54,918	41,811	9,280	51,091
Depreciation		755,311	42,970	798,281	551,213	35,923	587,136
Amortisation		1,944	12,927	14,871	1,177	14,703	15,880

Notes:

- 1: For the years ended December 31, 2023 and 2022, the Company had 978 and 921 employees, respectively excluding 8 non-employee directors.
- B (a) The Company has average employee benefit expenses of \$986 and \$1,006 for the years ended December 31, 2023 and 2022, respectively.
- (b) The Company has average employee salary expenses of \$818 and \$842 for the years ended December 31, 2023 and 2022, respectively.
- (c) For the year ended December 31, 2023, adjustments of average employees salary expenses increased 2.85%.
- (d) The Company has no supervisors' emolument as it set up the audit committee.
- (e) The Company has set up the remuneration committee to support the Board of Directors to determine the remuneration of the Company's directors and managers and the Company's salary policies. According to the Company's Articles of Incorporation, operating of the remuneration committee and the Board of Directors, the Company examines the remuneration of directors and managers in adequate time based on their participation degree of operation and contribution value to the Company, and minimise the possibility and relativeness of risk in the future for the going concern and balance of risk management of the Company. Employees' salary and compensation are based on their education background, professional knowledge and skill, professional experience and individual performance, and will not differ from age, gender, race, religion, political affiliation and marital status. With reference to market of salary, price index and organisation structure to determine the salary payment standard and pays reward according to the profit situation of the Company's operation and employees' individual performance.