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**Visual Photonics Epitaxy Co., Ltd.**

**2023**

**Annual Report**

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Not applicable

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## Chapter I. Letter to Shareholders

Dear Shareholders,

### I. 2023 Business Results

The Company's 2023 net operating revenue was NTD 2.694 billion, an increase by 3.47% from the previous year; net income was NTD 450 million, a decrease by 17.35% from the previous year.

The operating results for 2023 compared with the previous year are as follows:

Unit: NTD thousand

	2023	2022	Increase (decrease)	Increase (decrease) by %
Operating revenue	2,694,104	2,603,629	90,475	3.47%
Operating costs	1,585,190	1,514,622	70,568	4.66%
Gross profit	1,108,914	1,089,007	19,907	1.83%
Operating expenses	566,845	509,057	57,788	11.35%
Operating income	542,069	579,950	(37,881)	-6.53%
Non-operating income and expenses	(347)	87,533	(87,880)	-100.40%
Net income	450,232	544,728	(94,496)	-17.35%

According to a report by the market research firm IDC, the global shipments of smartphones reached 1.17 billion units in 2023, down 3.2% from 2022, to the lowest level in a decade. The slight increase in the Company's revenue is mainly due to the return of mobile phone inventory to normal and the revenue growth of optical communication of data centers due to the AI business opportunity. Looking ahead to 2024, according to the forecasts of several market research institutions, the global mobile phone shipments will recover in 2024, and are expected to reach 1.20 billion to 1.24 billion units, a year-on-year growth of 3% to 6%. In terms of microelectronic products, the Company's operations will benefit from the replacement wave of AI-based mobile phones in the first year, the continuous growth of penetration rate of 5G smart phones and the commercial use of Wifi 7. Optoelectronic products will benefit from the booming data center industry in recent years, which has attracted various industry players to rush to the construction, the continuing introduction of 3D-sensing & TOF smart phones and consumer head-mounted devices (AR and VR), all contributing to the future revenue growth.

### II. Outline of the business plan

#### 1. Marketing plan

- (1) Improve the strength of the Company's products in technology, quality and mass production; increase the existing customers' procurement from the Company and develop potential high-growth markets and customers at the same time; raise the

Company's market share and publicity in the industry by thinking about the market trend, satisfying customers' needs and helping customers with differentiation to improve their competitiveness.

- (2) Participate in the Design-in at the beginning of new product R&D at the customer end pro-actively to become the specifications maker and expand the gap with competitors, strengthen the competitiveness of products with leading technology and thus deepen the relationship with customers.
- (3) Deepen the relationship with customers with technical services; adopt the product differentiated orientation policy based on the customers' need for design and process; help customers improve the product differentiation and process stability to form the sound partnership with the customer end.

## 2. Production and operating plan

### (1) Cost reduction

Execute the plan to reduce the procurement cost subject to the suppliers' characteristics; implement the concept about Lean Production to eliminate the waste potentially arising in the procedure; adjust the optimum production scheduling in response to changes in the order placed by customers; continue to analyze various costs, train colleagues to think about \_how to create the maximum output with limited resources in the routine operating activities to keep improving the work literacy; adjust the factory premises to be the most competitive cost structure transcending competitors, as the threshold that competitors are unlikely to reach.

### (2) Quality improvement

Intensify colleagues' awareness toward quality by virtue of continuing education and training; keep improving the quality level, in order to practice the strategy to develop customers thoroughly with stable quality and build the competitive strengths of products by cutting the costs to be incurred by defective quality.

## 3. R&D plan

- (1) Microelectronics products: Low Knee Voltage HBT/GaAs HBT/InP HBT/GaAs PHEMT/GaN on SiC/GaN on Si/GaN on Sapphire PA, Switch, and LNA for 5G mobile phones, Wifi, and infrastructure (base stations and Small Cells).
- (2) Photoelectronic products:
  - A. PD: 25G APD, 50G PD, 100G PD, 1.9-2.6 $\mu$ m long wavelength PD.
  - B. LD: Application of GaAs and InP FP/DFB LD for High Power, High Speed and LiDAR.
  - C. VCSEL: iTOF/dTOF, Multi-Junction VCSEL, long wavelength VCSEL, backlight VCSEL, high-speed VCSEL, LiDAR application VCSEL, industrial VCSEL.

## 4. Financial Plan

Continue to improve the cost structure and increase the gross margin; cut various operating expenses; assess the foreign exchange risk; increase the turnover of various assets; strictly

assess the effect of fund utilization and control cash outflows; accelerate the cash inflows accumulated from operating activities; improve the cash holdings and efficiency of asset utilization; insofar as the Company's normal operations and stable profit policy remain unaffected, cover the capital requirement with the cash inflow from operating activities as much as possible, in order to cut the funding cost and improve the profitability; make good use of the low-interest financial trend; borrow loans adequately; review the adequacy of capital scale; increase the ROE. Strive for the feasibility of various R&D credits pro-actively to reduce tax and increase EPS.

### III. Future development strategies

The competition is fierce in each industry. Taking the wireless communication industry in which the Company's microelectronic products are sold as an example, whenever a new flagship model is launched, it is the time to re-set the competition trend in this industry. Therefore, the Company has to join the technology R&D of the next generation product specifications together with customers at the very beginning of the R&D, in order to strive for the chance to be the winner of the terminal product specifications, and ensure that the Company's materials may be applied to each best-selling mobile phone, tablet and wearable device series and various innovative devices and infrastructure. Improving the characteristics of materials and yield rate, ensuring the product quality and keeping cutting costs down would be the key to maintain the long-term competitiveness in the industry. Based on the partnership in R&D, the Company helps customers shorten the time spent in R&D and strive for the opportunity to have the customers' products get the Design-Win from mobile phone manufacturers. Only if the Company becomes the first largest supplier, the Company may disperse the operating risk effectively and stand in the invincible position. In the era of 5G, IoT and Internet of Vehicles, the Company will introduce resources, work with customers to layout for the 5G mobile phones, base stations, small cells and Wifi6/Wifi7-related new products and structures.

The Company will expand the width of optical communication customers, accelerate R&D of the new light sensor products and customers' certification as the development strategy for photoelectronic products. The Company will also increase the photoelectronic products and customer portfolio to drive the growth of operating revenue and profit, cause the product portfolio and customer structure to develop toward a stabler orientation, and thus create more diversified business opportunities. Meanwhile, benefiting from AI business opportunities, data centers have flourished in recent years, attracting various industries to rush to build facilities, and the Company will take the opportunity to develop its business when the penetration rate of sensing elements in electronic consumables and LiDAR is increasing significantly, accelerate the R&D of application, certification and mass production of InP and GaAs new products, improve the yield rate and expand the productivity to raise the market share in a timely manner to block the competitors.

The digital transformation is underway. Various forward-looking technologies are emerging and complementing each other. The new high-tech product innovation speed is



beyond the ordinary people's imagination. At this moment, many industrial giants and venture capitalists are focusing on the creation of new products which most of people have not yet found are needed by them. In consideration of the excellent characteristics of compound semiconductors, it will inevitably be applied by specific new high-tech products. The Company, as a compound semiconductor epitaxy fab, will act open-mindedly and introduce resources in a timely manner and closely work with the existing and potential customers for early layout arrangement. Meanwhile, the Company will make good use of its experience in the R&D of various microelectronic and photoelectronic products for over two decades, control the characteristics of compound semiconductor materials, 6-inch epitaxy mass production capacity and also ensure the quality to be outstanding and everlasting and have cost awareness to build a threshold that competitors are not likely to reach.

#### IV. Effect of external competition, laws and regulations and overall business environment

Looking back on 2023, the global economy faces many challenges and changes. With the advent of the post-pandemic era and the relaxation of pandemic control measures in China, the global supply chain is gradually recovering. However, the stalemate of the Russo-Ukrainian war, the escalation of the Israel-Palestinian war, the decision to raise interest rates by various countries to combat inflation, and the AI chip war between the two major powers China and the United States, have caused instability in market supply and demand. In response to the external environment, the Company adheres to the philosophy of enhancing core competitiveness, and will continue to strengthen its advantages in product quality, cost control, delivery efficiency, and new product research and development. Through the continuous cultivation of customer relationships and the R&D strength to enhance the advantages of customer product features, we will become the customer's best partner in the collaborative development of the next generation of products, and by consolidating the position as the customer's preferred supplier, we can then stabilize our No. 1 position among the microwave communication GaAs LED crystal fabs in the world.

During the pandemic, people have developed the habit of using digital tools, which has affected the production and sales activities of enterprises to a certain extent, and the risk of supply chain interruption has increased. The global economy will recover after the pandemic control restrictions are eased. In the process of economic recovery, enterprises will pay more attention to customer needs in order to provide better quality products and services. The Company is located in the upstream of the supply chain, and will pay more attention to supply chain management and take active measures to deal with the new market environment and reduce the risk of supply chain interruption. The Company adheres to the consistent principle of talent retention, and actively operates multiple recruitment channels such as campus recruitment and industry-academia collaboration projects to reduce the impact of talent recruitment difficulty on business development.

With the overwhelming emergence of digital applications such as big data, AI, blockchain and the metaverse, most of the computing, storage and network required are built on the cloud, and the development of data centers has flourished in the past five years. The demand is higher

than the supply, which attracts various industry players to the building rush of data centers. In addition, with the advent of the AI era, the Internet speed is faster and the computing power is improved, coupled with low-latency transmission technology and the development of virtual reality (VR) and augmented reality (augmented reality), the AI can also be used in educational and academic applications, such as gaming, entertainment, shopping, video, social networking, etc. It can also be used in medical science, simulated surgery, experiments, technical hypotheses, learning and art. The Company is a member of the data center, AR and VR supply chain. Given the increasingly improving technologies and the increasing demand in various fields, the related technologies will be applied in more diverse and in-depth manners.

The “Sustainable Development Roadmap” promulgated by FSC in 2022, and the “Sustainable Development Action Plan” and the “Blueprint for Sustainability Disclosure Standards in Line with IFRS” subsequently released in 2023 are primarily prepared in response to the government’s 2050 net-zero target, which sets forth the schedule for disclosure of information about GHG accounting by a TWSE/TPEX-listed company, in order to help enterprises meet and define the carbon reduction targets. Meanwhile, in response to the government’s carbon reduction plan, it links the supply chain through TWSE/TPEX-listed companies, in order to achieve the corporate sustainability. The Company, as the upstream dealer in the international leading brands’ supply chain, has associated the ESG practices with its internal regulations. The Company completed the 2022 Sustainability Report in September 2023 and posted it on the Company’s official website on September 28, 2023.

From different perspectives, 2024 is generally considered to be a turning point in the global economy and emerging technologies, such as AI, 5G and cloud computing, will continue to be the main driving force for the development of the technology industry. The demand for electronics-related products has rebounded and various industries are actively adopting high-tech, such as data analysis and artificial intelligence, to cope with the risks brought about by changes in the overall environment, and high interest rates have limited economic slowdown. The labor market is stable and real income growth is expected. After entering a soft landing, Taiwan's foreign demand and investment are expected to regain their growth momentum, and private consumption will benefit and continue to expand.

Looking forward to the economic prospect in 2024, it seems optimistic, but not without challenges. As an important hub of the global semiconductor industry, Taiwan's economic prospect is closely linked to the global demand for technology. However, in the face of the recent intensification of geopolitical risks, which increase investment volatility and uncertainty, as well as the major challenges such as climate change that cannot be ignored, the Company will closely observe the global situation and market changes, and actively and prudently evaluate such to ensure that it can maintain its competitive advantages and resilience, and become the leader for long-term development and sustainable operation.

## Chapter II. Company Profile

**I. Date of Incorporation:** November 26, 1996.

### **II. Company History**

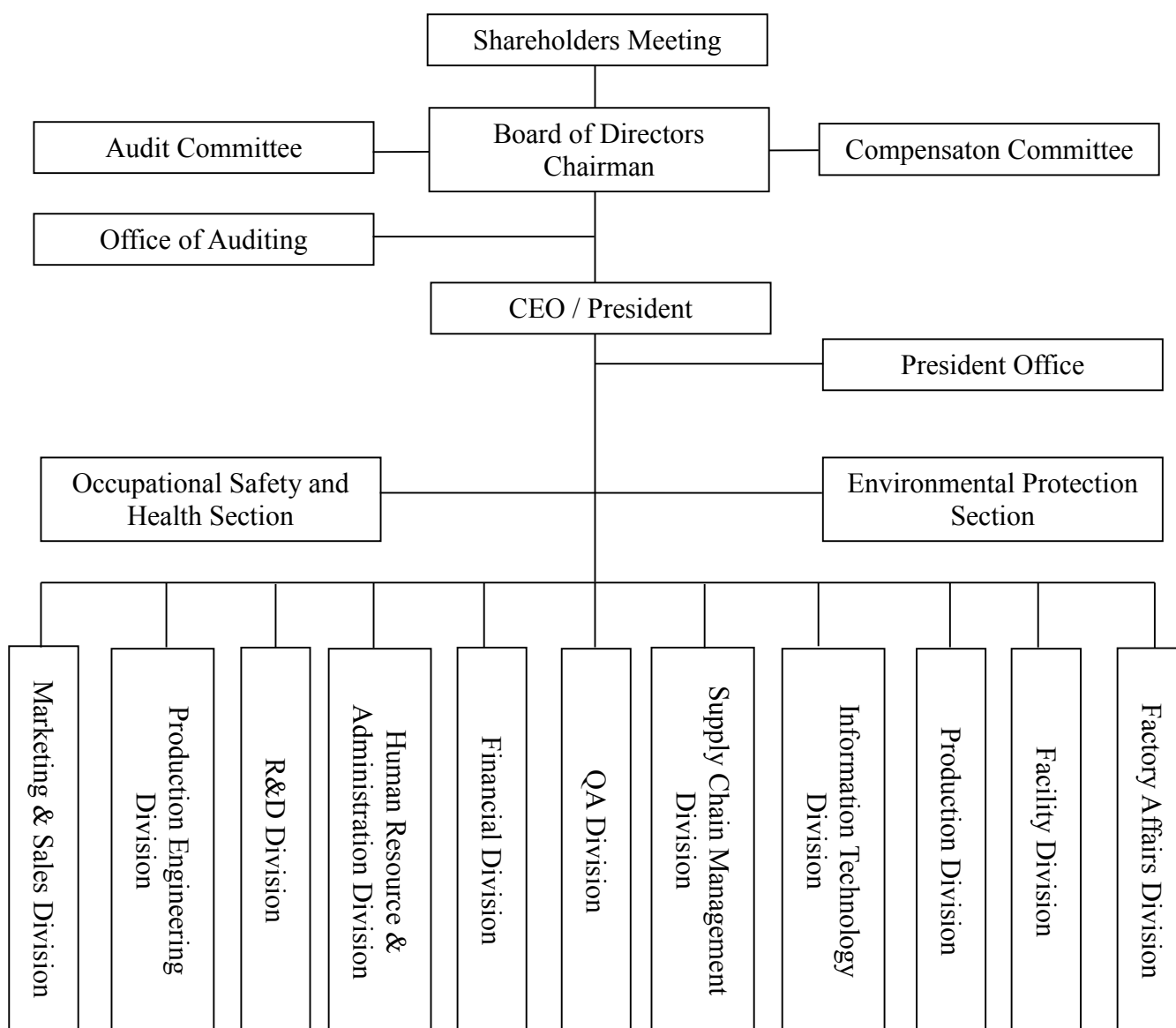
Year	Company History
1996	November Approved for establishment.
	November Purchased production and measurement machinery after completion of the evaluation and analysis.
	December Purchased the plant and the office of the Longtan Plant.
1997	February Moved into the factory and the office of the Longtan Plant.
	June The first epitaxy growth system was delivered to the Company from Germany.
	September Approved as an important technology business by the Industrial Development Bureau (IDB), Ministry of Economic Affairs (MOEA).
	October Completed the acceptance of the first epitaxy growth system and began to grow microelectronic epi-wafer.
	October Grew the first heterojunction bipolar transistor (HBT) epi-wafer.
1998	January LED epi-wafers reached a high brightness level.
	February Successfully developed microelectronic HBT epi-wafers and sent samples to clients for use.
	March Successfully developed LED epi-wafers and sent samples to clients for use.
1999	February The leading new product development program of “indium gallium phosphide/gallium arsenide HBT epi-wafer” was approved as in the IDB’s approval letter Gong-(88)-II No. 007130.
	July Passed ISO9001 certification.
2000	January The industry development program of “850nm AlGaAs surface light-emitting laser epitaxy technology development” was approved as in the IDB’s approval letter Jing-(89) No. 8927704.
	May Completed the construction of the new plant in Pingzhen.
	June HBT was officially certified by the world's largest client.
	October Mass-produced high-power LD epi-wafers officially.
2001	February The IDB reviewed and approved the Company's application for public listing as a technology stock, and issued a written opinion that our products have been successfully developed and were marketable.
	May Obtained a Hazardous Workplace Permit as the first compound semiconductor company in Taiwan to have obtained such a permit.
2002	January The stock was approved for public listing and was officially listed for trading on January 24.
	October InP HBT was certified by clients.
	November Passed ISO 14000 certification.
2003	April Established strategic alliances with major clients.
	October Mass-produced and shipped WB LED officially.
2006	November Issued the first domestic secured convertible corporate bond in the amount of NT\$300 million.
2007	February “High-efficiency concentrated multi-junction solar cell epi-wafers” was approved by the IDB for its leading new product development and counseling program.

Year		Company History
2008	May	Won the bid for the “Multi-junction solar cell” project launched by the Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan.
	September	Passed TS16949 certification.
2009	January	Sold part of our LED process facilities and patents, with a strategic focus on microelectronics and solar energy products.
	August	Named the 2008 Best Supplier by our largest U.S. client.
	August	Passed and obtained the certification of the occupational safety and health management systems (OHSAS and TOSHS).
	November	Awarded the “Safety and Health Role Model” by the IDB.
2010	September	Won the “2010 Technology Innovation Award” from the Department of Technology, MOEA.
2011	March	Obtained the three-year recognition of our performance in the Taiwan Occupational Safety and Health Management System (TOSHMS).
2013	October	Received the excellent safety and health personnel award upon participation in the Safety Partnerships Program of Ministry of Labor.
	November	Conducted the greenhouse gas inventory and obtained the ISO-14064-1 verification statement.
	December	Completed the construction of Pingzhen Plant II.
2014	October	Obtained the five-year recognition of our performance in the Taiwan Occupational Safety and Health Management System (TOSHMS).
2016	October	Implemented a cash capital reduction of 25% and the paid-in capital after the capital reduction was NTD 1,849,059 thousand.
2018	January	Pingzhen Plant II received the factory registration certificate.
	September	Pingzhen Plant II passed the Hazardous Work Place Review and Inspection by Occupational Safety and Health Administration and held qualified.
2021	February	Passed the VAP of RBA, and free from any priority defects in labor, safety & health, environment and ethics.
	November	Received an excellent company award from the Manufactures United General Association Of Industrial Park of R.O.C.
2022	February	Received the excellent company award for the Regional Joint Defense Drill from Pingzhen Industrial Park Service Center.
	July	In 2021, Pingzhen Plant and Pingzhen Plant II have completed the inspection related to GHG emission directly and indirectly, and obtained the declaration of inspection.
	November	Received the excellent staff award upon participation in the Manufactures United General Association Of Industrial Park Of R.O.C.
2023	January	Completion of the Sustainability Report and its disclosure for the first time.
	February	Passed the Responsible Business Alliance’s (RBA) validation (VAP) for no major defects (over 180 points) in terms of labor, safety and health, the environment, and ethics.
	October	Pingzhen Plant and Pingzhen Plant No. 2 completed the 2022 direct and indirect greenhouse gas emission inventory, and obtained the verification certificate (Covering Scope 1-3/Category 1-6).

## Chapter III. Corporate Governance Report

### I. Organizational System

#### (I) Organizational Structure



(II) Tasks of each major department

Department	Main duties
Office of Auditing	<ol style="list-style-type: none"> <li>1. Propose and implement the annual audit plan.</li> <li>2. Provide an audit report and carry out improvement follow-up.</li> <li>3. Lead revision of internal control and internal audit.</li> <li>4. Annual self-evaluation.</li> <li>5. Various filing operations in accordance with the laws.</li> <li>6. Carry out project audits assigned by the Board of Directors</li> </ol>
President's Office	<ol style="list-style-type: none"> <li>1. Business strategy management.</li> <li>2. Public relations: media and investor relations, building of corporate image.</li> <li>3. Promotion of matters assigned by the President and results follow-up.</li> <li>4. Legal affairs.</li> </ol>
Occupational Safety and Health Section	<ol style="list-style-type: none"> <li>1. Planning, execution and management of occupational safety and health operations.</li> <li>2. Occupational management system (ISO-45001) operations and maintenance.</li> <li>3. Corporate business continuity and risk management operations.</li> </ol>
Environmental Protection Section	<ol style="list-style-type: none"> <li>1. Planning, execution and management of environmental protection, energy-saving and carbon reduction operations.</li> <li>2. Environmental management system (ISO-14001/14064) operations and maintenance.</li> <li>3. Corporate risk management-related operations.</li> </ol>
Factory Affairs Division	<ol style="list-style-type: none"> <li>1. Planning and implementation of construction of new plants and expansion of plants.</li> <li>2. Facility system operation, maintenance and management.</li> <li>3. Assurance of the supply and quality of electricity, pure water, clean room, gas and chemicals.</li> <li>4. Gas safety monitoring system maintenance and management.</li> <li>5. Planning and implementation of energy conservation.</li> </ol>
Facility Division	<ol style="list-style-type: none"> <li>1. Evaluation and planning of new production and certification equipment.</li> <li>2. Maintenance, care and management of production and certification equipment.</li> <li>3. Improvement and upgrading of production and certification equipment.</li> <li>4. Management of failure in production and certification equipment, and prevention of recurrence of the failure.</li> <li>5. Cleaning and reuse of equipment spare parts.</li> </ol>
Production Division	<ol style="list-style-type: none"> <li>1. Product production, testing and verification management.</li> <li>2. Production capacity planning and improvement.</li> <li>3. Planning and management of operational processes.</li> <li>4. Production efficiency and yield improvement.</li> <li>5. Training and assessment of operators.</li> <li>6. Management of semi-finished products, materials and tools of production line.</li> <li>7. Periodic inspection of production equipment</li> <li>8. Maintenance of site neatness.</li> </ol>
Information Technology Division	<ol style="list-style-type: none"> <li>1. Maintenance of computer systems inside the plant (including network, servers, personal computers and peripherals) to ensure their functionality.</li> <li>2. Planning and performing update and expansion of in-plant computer systems (including network, servers, personal computers and peripherals).</li> <li>3. Application system development and management.</li> <li>4. Planning and execution of backups, redundancies and offsite backups.</li> <li>5. User authority and account management.</li> <li>6. Information security maintenance and management.</li> <li>7. Management of computer assets (including hardware, software and consumables).</li> </ol>

Department	Main duties
Supply Chain Management Division	<ol style="list-style-type: none"> <li>1. Production and sales coordination.</li> <li>2. Production planning and control.</li> <li>3. Shipping arrangement and management.</li> <li>4. Procurement strategies for key materials.</li> <li>5. Raw materials control, procurement, negotiation and delivery confirmation.</li> <li>6. Other procurement (e.g., equipment, systems of plant affairs) negotiation and delivery confirmation.</li> <li>7. Supplier assessment and management.</li> <li>8. Warehousing management for raw materials.</li> <li>9. Import and export management.</li> </ol>
QA Division	<ol style="list-style-type: none"> <li>1. Quality system maintenance and management.</li> <li>2. Calibration system maintenance and management.</li> <li>3. Control of documents, charts, technical data and form records.</li> <li>4. Customer after-sales service.</li> <li>5. Process quality control.</li> <li>6. Finished-product quality control.</li> <li>7. Quality control of outputs.</li> </ol>
Financial Division	<ol style="list-style-type: none"> <li>1. Budget creating, planning, implementing and control.</li> <li>2. Accounting and cashiering, report preparation, cost analysis and taxation operations.</li> <li>3. Cashiering, fund coordination and fundraising operations.</li> <li>4. Management of foreign exchange, interest rates and risks.</li> <li>5. Evaluation, planning and implementation of financing and investing activities.</li> <li>6. Stock operations and operations of Board of Directors and Shareholders' meetings.</li> <li>7. Implementation of corporate governance-related affairs.</li> </ol>
Human Resource & Administration Division	<ol style="list-style-type: none"> <li>1. Compensation Committee operations.</li> <li>2. Recruitment and appointment management.</li> <li>3. Education and training management.</li> <li>4. Management of wages and remuneration operations.</li> <li>5. Performance assessment management.</li> <li>6. Transaction operations management.</li> <li>7. Administrative affairs management.</li> <li>8. Outsourced vendor (security, catering, cleaning, etc.) management.</li> </ol>
R&D Division	<ol style="list-style-type: none"> <li>1. New product and new process development management.</li> <li>2. Patent research management.</li> <li>3. R&amp;D of mass production technology.</li> <li>4. Provide customers with technical services and support.</li> <li>5. Knowledge management.</li> </ol>
Production Engineering Division	<ol style="list-style-type: none"> <li>1. Adjustment of mass production parameters for production machines.</li> <li>2. R&amp;D and improvement of mass production technology.</li> <li>3. Provide customers with technical support.</li> <li>4. Production process improvement.</li> <li>5. Analysis and improvement of defect rate of products.</li> <li>6. Knowledge management of mass production technology.</li> </ol>
Marketing & Sales Division	<ol style="list-style-type: none"> <li>1. Proposals, coordination and implementation of sales plans.</li> <li>2. Customer credit and payment collection.</li> <li>3. Market survey and analysis.</li> <li>4. Development of new customers and new markets.</li> <li>5. Customer services (handling of customer complaints/handling of quality anomalies/other support).</li> </ol>

## II. Information on the Company's Directors, President, Vice Presidents, Associate Managers and the Heads of All the Company's Divisions and Branch Units:

### (I) Information on Directors

April 1, 2024

Title	Nationality or place of registration	Name	Gender Age	Date of election (appointment)	Term of office	Date of first election	Shareholding at the time of election		Current shareholding		Current shareholdings by spouse and minor children		Shareholdings under the name of others		Principal work experience (academic qualifications)	Position(s) concurrently held in this and/or other companies	The person is the spouse of or related within the second degree of kinship to another manager, director, or supervisor			Remark
							No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings			Title	Name	Relationship	
Chairman	Taiwan	Chen Chien-Liang	Male 41~50	2023/6/7	3 years	2011/6/10	2,098,112	1.13%	2,098,112	1.13%	7,268	0.00%	0	0.00%	National Chengchi University MBA	Director, Tainergy Tech. Co., Ltd.	Director	Chen Mao-Chang	Father and son	Chairman
Director	Taiwan	Chen Mao-Chang	Male 71~80	2023/6/7	3 years	1996/11/07	2,066,216	1.12%	2,043,216	1.11%	4,120	0.00%	0	0.00%	Mechanical Engineering, National Hualien Senior High School	Chairman of Strongway United Co., Ltd. Director, Taiwan Carbon Technology	Director	Chen Chien-Liang	Father and son	
Director	Taiwan	Huang Chao-Hsing	Male 51~60	2023/6/7	3 years	2008/6/19	1,406,090	0.76%	1,406,090	0.76%	0	0.00%	0	0.00%	National Taiwan University Doctor in Electrical Engineering	President of the Company	None	None	None	President
Director	Taiwan	Lai-Yu Hsiu-Min	Female 71~80	2023/6/7	3 years	2005/6/10	1,750,000	0.95%	1,652,000	0.89%	0	0.00%	0	0.00%	EMBA, Swiss Business School Department of Accounting, Chinese Culture University CFO, Mender International Co., Ltd.	Note 1	None	None	None	
Director	Taiwan	Ren Tai Investment Co., Ltd.	Not applicable	2023/6/7	3 years	2017/6/8	3,113,000	1.68%	3,104,000	1.68%	0	0.00%	0	0.00%	Not applicable	None	None	None	None	
Director representative	Taiwan	Yeh Sheng-Mao	Male 81~90	2023/6/7	3 years	2020/6/12	0	0.00%	10,000	0.01%	0	0.00%	0	0.00%	National Taiwan Ocean University, Graduate Institute of the Law of the Sea; Director-General of Investigation Bureau, Ministry of Justice	Note 2	None	None	None	
Director	Taiwan	Ren Tai Investment Co., Ltd.	Not applicable	2023/6/7	3 years	2017/6/8	3,113,000	1.68%	3,104,000	1.68%	0	0.00%	0	0.00%	Not applicable	None	None	None	None	
Director representative	Taiwan	Chen Chien-Ting	Male 51~60	2023/6/7	3 years	2022/12/1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	National Taiwan University EMBA	Director, Celxpert Energy Corporation; Corporate director representative, Ascent Development Co., Ltd.	None	None	None	
Director	Taiwan	Ren Tai Investment Co., Ltd.	Not applicable	2023/6/7	3 years	2017/6/8	3,113,000	1.68%	3,104,000	1.68%	0	0.00%	0	0.00%	Not applicable	None	None	None	None	
Director representative	Taiwan	Wan-Chuan Liao	Male 71~80	2023/6/9	3 years	2023/6/9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Marine Navigation, China Maritime College	Chairman, Spring Field Construction Co., Ltd.; Supervisor of Spring Rainbow Construction Co., Ltd.	None	None	None	Newly elected on June 9, 2023



Title	Nationality or place of registration	Name	Gender	Age	Date of election (appointment)	Term of office	Date of first election	Shareholding at the time of election		Current shareholding		Current shareholdings by spouse and minor children		Shareholdings under the name of others		Principal work experience (academic quali-fications)	Position(s) concurrently held in this and/or other companies	The person is the spouse of or related within the second degree of kinship to another manager, director, or supervisor			Remark
								No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings			Title	Name	Relationship	
Director	Taiwan	Shang-Jin Investment Co., Ltd.	Not applicable		2023/6/7	3 years	2014/6/12	800,000	0.43%	800,000	0.43%	0	0.00%	0	0.00%	A supervisor of the Company's 7th term of supervisors	None	None	None	None	
Director representative	Taiwan	Chang Cheng-Liang	Male	41~50	2023/6/7	3 years	2014/6/12	0	0.00%	3,587	0.00%	600	0.00%	0	0.00%	University of Northumbria Master of International Trade	Note 3	None	None	None	
Independent director	Taiwan	Huang Man-Sheng	Male	71~80	2023/6/7	3 years	2017/6/8	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Soochow University; President, Bank of Kaohsiung	Independent Director, Taiwan Wax Company Ltd.	None	None	None	
Independent director	Taiwan	Lin Hao-Hsiung	Male	61~70	2023/6/7	3 years	2017/6/8	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Professor, Graduate Institute of Electronics Engineering, Graduate Institute of Photonics and Optoelectronics, National Taiwan University, College of Electrical Engineering and Information Technology and Department of Electrical Engineering, National Taiwan University	None	None	None	None	
Independent director	Taiwan	Wang Chia-Hsiang	Male	41~50	2023/6/7	3 years	2019/6/12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA of National Chengchi University, Associate of Crowe LLP	Note 4	None	None	None	

Note 1: Director, Mender International Co., Ltd.; Supervisor, Cosmos Cosmetics International Co., Ltd.; Supervisor, Gimyo Foods Co., Ltd

Note 2: Consultant of Chili Investment Co., Ltd.; Director, LAUREL COSMOS CORPORATION; Representative, SHUNE MORE TRADING CO., LTD.

Note 3: Chairman of Shang-Jin Investment Co., Ltd., Director of Plenty Profit Global Asset Management Co., Ltd., Director of San-Jin Investment Co., Ltd., Director of Qian-Jin Investment Co., Ltd., corporate director representative of Remotek Corporation, corporate director representative of GAMONSTERINC Corporation

Note 4: Independent director of Tainergy Tech. Co., Ltd., representative of chairman of Pan-China International Financial Advisory Co., Ltd., corporate director representative of ZAGG Taiwan Co., Ltd.

### Major shareholders of corporate shareholders

April 1, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders	Percentage (%)
Ren Tai Investment Co., Ltd.	Chu Yi-Wen	50%
	Cheng Yu-Che	50%
Shang-Jin Investment Co., Ltd.	Chang Cheng-Liang	30%
	Chang Jung-Chia	30%
	Chang Chuan-Fu	30%

If the major shareholder of corporate shareholder is a an entity, its major shareholder:

April 1, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders	Percentage (%)
No		

- Information disclosure of professional qualifications and independence of independent directors;

Criteria Name	Professional qualifications and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chen Chien-Liang	M.B.A., National Chengchi University. Mr. Chen is the son of the founder of the Company who served as a director from 2011. In 2020, he became the chairman and has corporate governance, business, marketing and industry technology capabilities. He is able to promptly propose relevant corporate governance and operational management opinions and policies to the company's board of directors, to require the management team to formulate operational strategies and implement them accordingly. Current Director of Tainergy Tech. Co., Ltd.	Not applicable	None
Chen Mao-Chang	Mr. Chen is the Company's founder. He has been focusing on business and strategic management in the industry for over 40 years, and has business leadership, operation and management, business judgment, and professional experience in business and sales. Current Chairman of Strongway United Co., Ltd.	Not applicable	None
Huang Chao-Hsing	Doctor in Electrical Engineering, National Taiwan University. He has been the President of the Company since 2004, with over 25 years of service. In the role of a managerial officer, he communicates and interacts in the board of directors regarding the operation and management strategies, and provides relevant operation and management opinions, and has business, marketing, and industrial technology capabilities.	Not applicable	None
Lai-Yu Hsiu-Min	EMBA, Swiss Business School. Ms. Lai-Yu previously served as the CFO of Mender International Co., Ltd. She specializes in finance, accounting, and audit for over 40 years of professional experience, and is equipped with extensive practical experience.	Not applicable	None
Yeh Sheng-Mao, Representative of Ren Tai Investment Co., Ltd.	National Taiwan Ocean University, Graduate Institute of the Law of the Sea. He used to be Director-General of the Investigation Bureau of the Ministry of Justice and has more than 40 years of experience in legal affairs. His legal specialty is leveraged to improve the quality of corporate governance management of the board of directors.	Not applicable	None
Representative of Ren Tai Investment Co., Ltd.: Chen Chien-Ting	Department of Electrical Engineering, National Taiwan University; Business Administration, National Taiwan University; EMBA, National Taiwan University Familiar with the technology development of the semiconductor industry chain, he has the expertise in investment management, with the capabilities of corporate governance, accounting information and financial analysis, as well as the insight to industry development and technology application.	Not applicable	None

Criteria Name	Professional qualifications and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Wan-Chuan Liao, Representative of Ren Tai Investment Co., Ltd.	Department of Marine Navigation, China Maritime College He has been the Chairman of Spring Field Construction Co., Ltd. since 2004 and is capable in finance, accounting, commerce, marketing and related operational planning, operation and management.	Not applicable	None
Representative of Shang-Jin Investment Co., Ltd.: Chang Cheng-Liang,	Mr. Chang is a supervisor of the Company's 7th term of supervisors, who previously served as a director in a number of companies; he possess professional qualifications and experience in decision-making and judgment, operation and management, finance, accounting and auditing, corporate governance, commerce and business.	Not applicable	None
Huang Man-Sheng	Department of Business Administration, Soochow University. Mr. Huang previously served as the President, Bank of Kaohsiung and manager of the Finance Department and Specialized Member and Director of the Regional Center of Land Bank of Taiwan. Possessing over 30 years of professional qualifications and experience in finance, accounting, auditing, and business management. Independent Director, Taiwan Wax Company Ltd..	The three independent directors listed on the left have all met the qualifications specified in Article 14-2 of the Securities and Exchange Act under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the FSC; in addition, the independent directors have been fully empowered to participate in decision-making and to express opinions in accordance with Article 14-3 of the Securities and Exchange Act, so that they can exercise relevant powers independently.	1
Lin Hao-Hsiung	Doctor in Electrical Engineering, National Taiwan University. Professor, Graduate Institute of Electronics Engineering, Graduate Institute of Photonics and Optoelectronics. National Taiwan University, College of Electrical Engineering and Information Technology and Department of Electrical Engineering, National Taiwan University Possessing capability of industrial technology for more than 30 years.		None
Wang Chia-Hsiang	EMBA of National Chengchi University. Associate of Crowe LLP Possessing the CPA license of the U.S., with abundant professional qualifications, knowledge and skills in accounting and finance. He possess professional qualifications and experience in decision-making and judgment, operation and management, finance, accounting and auditing, corporate governance, commerce and business. Independent Director of Tainergy Tech. Co., Ltd.		1

Note: None of directors of the Company is in any circumstance specified in Article 30 of the Company Act.

● Board diversity and independence:

1. Diversity of the Board of Directors:

(1).Diversity policy for board members:

Pursuant to Article 20 of the Company's "Corporate Governance Best Practice Principles," the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers 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:

- I. Basic requirements and values: gender, age, nationality and culture, and the percentage of female directors preferably attaining one-third of the directors.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills and industry experience.

All members of the Board of Directors shall have the knowledge, skills and experience

necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- (I) Ability to make operational judgments.
- (II) Ability to perform accounting and financial analysis.
- (III) Ability to conduct management administration.
- (IV) Ability to conduct crisis management.
- (V) Knowledge of the industry.
- (VI) An international market perspective.
- (VII) Ability to lead.
- (VIII) Ability to make policy decisions.

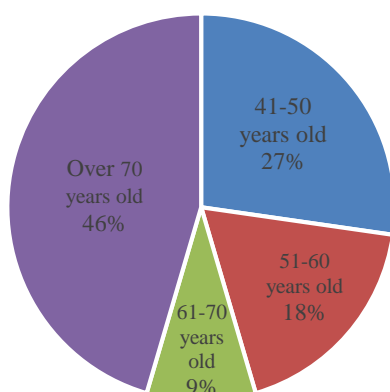
(2).The specific management objectives of the diversity of the Board of Directors and the achievements:

The Company's Board of Directors is made up of eleven directors, including eight general directors and three directors. All Board members come from different backgrounds, including business management and industry knowledge, enabling them to provide professional advice from different angles. This poses benefits to the Company's business performance and management efficiency.

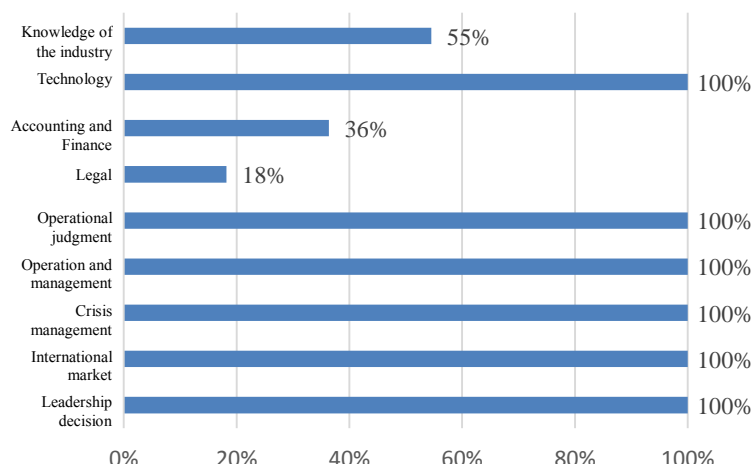
Directors who are also employees of the Company account for 18%, independent directors accounted for 27%, and female directors accounted for 9%. The seniority of all three independent directors are 7-9 years. The Company values gender equality in the composition of the Board of Directors, and aims to increase the number of female directors to more than one-third. In the future, the Company will try its best to increase the number of female directors to achieve this goal.

Title	Name of director	Nationality	Gender	Part-time employee of the Company	Age	Years of service of independent directors	Professional background				Professional knowledge and skills				
							Industry knowledge	Technology	Accounting and Finance	Legal	Operational judgment	Operational and management	Crisis management	International market perspective	Leadership decision
Chairman	Chen Chien-Liang	Republic of China	Male	V	41-50		V	V			V	V	V	V	V
Director	Chen Mao-Chang	Republic of China	Male		Over 70 years old		V	V			V	V	V	V	V
Director	Huang Chao-Hsing	Republic of China	Male	V	51-60		V	V			V	V	V	V	V
Director	Lai-Yu Hsiu-Min	Republic of China	Female		Over 70 years old			V	V		V	V	V	V	V
Director	Ren Tai Investment Co., Ltd. Representative: Yeh Sheng-Mao	Republic of China	Male		Over 70 years old			V		V	V	V	V	V	V
Director	Ren Tai Investment Co., Ltd. Representative: Chen Chien-Ting	Republic of China	Male		51-60		V	V	V		V	V	V	V	V
Director	Ren Tai Investment Co., Ltd. Representative: Wan-Chuan Liao	Republic of China	Male		Over 70 years old			V			V	V	V	V	V
Director	Shang-Jin Investment Co., Ltd. Representative: Chang Cheng-Liang	Republic of China	Male		41-50		V	V			V	V	V	V	V
Independent director	Huang Man-Sheng	Republic of China	Male		Over 70 years old	7 to 9		V	V		V	V	V	V	V
Independent director	Lin Hao-Hsiung	Republic of China	Male		61-70	7 to 9	V	V			V	V	V	V	V
Independent director	Wang Chia-Hsiang	Republic of China	Male		41-50	7 to 9		V	V	V	V	V	V	V	V

Age distribution of directors



Achievement rate



2. Board independence: The Company has 11 directors, among them 3 are independent directors, accounting for 27.27% of total directors. We have established an Audit Committee to replace supervisors. Amongst the directors, Chairman Chen Chien-Liang and Director Chen Mao-Chang are father and son (two seats); other (nine seats) are not in the circumstance specified in Article 26-3 of the Securities and Exchange Act (not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship) In addition, as of the end of 2023, independent directors have all complied with the requirements of the Securities and Futures Bureau, Financial Supervisory Commission on independent directors, and among directors and independent directors, not in the circumstance specified in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act (among supervisors, or between a supervisor and a director, shall not be a spouse, a relative within the second degree of kinship).

(II) Information on the Company's President, Vice Presidents, Associate Managers and the Heads of All the Company's Divisions and Branch Units:

April 1, 2024

Title	Nationality	Name	Gender	Date of election (appointment)	the time of election		Shareholdings by spouse and minor children		Shareholdings under the name of others		Principal work experience (academic qualifications)	Any position(s) concurrently held in other companies	Managerial officer is the spouse of or related within the second degree of kinship			Remark
					No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings			Title	Name	Relationship	
President	Taiwan	Huang Chao-Hsing	Male	2004.09	1,406,090	0.76%	0	0.00%	0	0.00%	PhD, Institute of Electrical Engineering, National Taiwan University	None	None	None	None	
Senior Vice President	Taiwan	Chen Hsien-Chung	Male	2004.09	104,187	0.06%	0	0.00%	0	0.00%	1. Plant Director of Rising Sun Technology Co., Ltd. 2. Director of Coretronic Corporation 3. Plant Director of MAG Mexico	None	None	None	None	
Senior Vice President	Taiwan	Chin Yu-Chung	Male	2014.01	80,500	0.04%	125	0.00%	0	0.00%	Doctor in Graduate Institute of Electronics, National Taiwan University	None	None	None	None	
Senior Vice President	Taiwan	Hsieh Chin-Lung	Male	2014.01	0	0.00%	0	0.00%	25,000	0.01%	Institute of Electrical Engineering, National Taiwan Ocean University Institute of Business Administration, Chung Yuan Christian University	None	None	None	None	
Vice President	Taiwan	Chung Chin-Ling	Female	2021.09	10,000	0.01%	0	0.00%	0	0.00%	Institute of Accounting, Chung Yuan Christian University	None	None	None	None	
Financial Accounting Manager	Taiwan	Chiang Chih-Ching	Male	2020.07	95,000	0.05%	0	0.00%	0	0.00%	Institute of Accounting, Chung Yuan Christian University	None	None	None	None	

(III) If the Chairman and President or equivalent (the supreme management) are the same person, spouses, or relatives within the first degree of kinship, please disclose the reason, rationality, necessity and responsive measures: None.

### III. Remuneration Paid to Directors, President and Vice Presidents During the Most Recent Fiscal Year

#### (1) Remuneration to general directors and independent directors

As of December 31, 2023 Unit: NT\$ thousand; thousand shares

Title	Name	Remuneration to directors								The sum of A, B, C and D as a percentage of net income (Note 10)		Remuneration as company employee								The sum of A, B, C, D, E, F and G as a percentage of net income (Note 10)		Remuneration from investees other than subsidiaries (Note 11)	
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses and special allowances (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)							
		The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company	All companies included in the financial report (Note 7)	The Company		All companies included in the financial report (Note 7)		The Company	All companies included in the financial report (Note 7)		
																Cash amount	Stock amount	Cash amount	Stock amount				
Chairman	Chen Chien-Liang	2,880	Not applicable	0	Not applicable	18,260	Not applicable	94	Not applicable	4.72%	Not applicable	15,030	Not applicable	108	Not applicable	5,800	0	Not applicable	Not applicable	9.37%	Not applicable	None	
Director	Chen Mao-Chang																						
Director	Huang Chao-Hsing																						
Director	Lai-Yu Hsiu-Min																						
Director	Yeh Sheng-Mao, Representative of Ren Tai Investment Co., Ltd.																						
Director	Representative of Ren Tai Investment Co., Ltd.: Chen Chien-Ting																						
Director	Liao, Wan-chuan, representative of Ren Tai Investment Co., Ltd., was newly appointed on June 9, 2023.																						
Director	Shih, Chih-Hsun representative of Ren Tai Investment Co., Ltd., was discharged on June 9, 2023.	2,093	Not applicable	0	Not applicable	0	Not applicable	44	Not applicable	0.47%	Not applicable	0	Not applicable	0	Not applicable	0	0	Not applicable	Not applicable	0.47%	Not applicable	None	
Director	Representative of Shang-Jin Investment Co., Ltd.: Chang Cheng-Liang,																						
Independent director	Huang Man-Sheng																						
Independent director	Lin Hao-Hsiung																						
Independent director	Wang Chia-Hsiang																						

1. Please provide in detail the policy, system, standards and structure of remuneration to independent directors and describe the relevance to the amount of compensation according to the responsibilities, risks, time invested and other factors: In accordance with the Company's "Regulations for Remuneration to Directors" - each independent director receives a fixed fee of NT\$50,000 each month and does not participate in remuneration distribution; another NT\$5,000 per month is added where an independent director is a member of a functional committee; and an independent director receives NT\$2,000 for transportation per each trip.

2. In addition to what is disclosed in the above table, the remuneration to the Company's directors for providing services (such as assuming a non-employee advising post for the parent company/all the companies included) in the financial statement in the most recent year: None.

1. Please provide in detail the policy, system, standards and structure of remuneration to independent directors and describe the relevance to the amount of compensation according to the responsibilities, risks, time invested and other factors: In accordance with the Company's "Regulations for Remuneration to Directors" - each independent director receives a fixed fee of NT\$50,000 each month and does not participate in remuneration distribution; another NT\$5,000 per month is added where an independent director is a member of a functional committee; and an independent director receives NT\$2,000 for transportation per each trip.

2. In addition to what is disclosed in the above table, the remuneration to the Company's directors for providing services (such as assuming a non-employee advising post for the parent company/all the companies included) in the financial statement in the most recent year: None.

#### Description:

- The Company's net profit after tax for 2023 was NT\$450,232 thousand.
- The Company held a shareholders' meeting on June 7, 2023 and re-elected the directors. The term of office of the latest directors is from June 7, 2023 to June 6, 2026.
- Pension is provision of expenses.

## Range of Remuneration

Range of remuneration to each director	Name of director			
	Total remuneration (A + B + C + D)		Total remuneration (A + B + C + D + E + F + G)	
	The Company (Note 8)	All companies included in the financial report (Note 9) H	The Company (Note 8)	All companies included in the financial report (Note 9) I
Below NT\$1,000,000	Huang Man-Sheng / Lin Hao-Hsiung / Wang Chia-Hsiang / Representative of Ren Tai Investment Co., Ltd. Shih Chih-Hsun	Not applicable	Huang Man-Sheng / Lin Hao-Hsiung / Wang Chia-Hsiang / Representative of Ren Tai Investment Co., Ltd. Shih Chih-Hsun	Not applicable
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	Chen Chien-Liang; Chen Mao-Chang; Huang Chao-Hsing; Lai-Yu Hsiu-Min; Representative of Ren Tai Investment Co., Ltd. Yeh Sheng-Mao; Representative of Ren Tai Investment Co., Ltd.: Chen Chien-Ting; Representative of Ren Tai Investment Co., Ltd.: Liao, Wan-chuan; Representative of Shang-Jin Investment Co., Ltd.: Chang Cheng-Liang.		Chen Mao-Chang; Lai-Yu Hsiu-Min; Representative of Ren Tai Investment Co., Ltd. Yeh Sheng-Mao; Representative of Ren Tai Investment Co., Ltd.: Chen Chien-Ting; Representative of Ren Tai Investment Co., Ltd.: Liao, Wan-chuan; Representative of Shang-Jin Investment Co., Ltd.: Chang Cheng-Liang.	
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)			Chen Chien-Liang	
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)			Huang Chao-Hsing	
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	12 people	Not applicable	12 people	Not applicable



## (2) Remuneration to the President and Vice President

As of December 31, 2023 Unit: NT\$ thousand; thousand shares

As of December 31, 2023 (Unit: NT\$ thousand, thousand shares)														
Title	Name	Salary (A) (Note 2)		Pension (B)		Salaries, bonuses and special allowances (C) (Note 3)		Employee remuneration amount (D) (Note 4)				The sum of A, B, C and D as a percentage of the net income (Note 8)		Remuneration from investees other than subsidiaries (Note 9)
		The Company	All companies included in the financial report (Note 6)	The Company	All companies included in the financial report (Note 6)	The Company	All companies included in the financial report (Note 6)	The Company		All companies included in the financial report (Note 6)		The Company	All companies included in the financial report (Note 6)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Huang Chao-Hsing	26,281	Not applicable	562	Not applicable	2,397	Not applicable	15,013	0	Not applicable	Not applicable	9.83%	Not applicable	None
Senior Vice President	Chen Hsien-Chung													
Senior Vice President	Chin Yu-Chung													
Senior Vice President	Hsieh Chin-Lun													
Vice President	Wu Chang-Ming													
Vice President	Chung Chin-Ling													

Note 1: The Company's net profit after tax for 2023 was NT\$450,232 thousand.

Note 2: Senior Vice President, Wu Chang-Ming, resigned on March 15, 2023.

Note 3: Pension is provision of expenses.

### Range of Remuneration

Range of remuneration for each general manager and vice president of the Company	The names of the president and vice president	
	The Company (Note 6)	All companies included in the financial report (Note 7) E
Below NT\$1,000,000		Not applicable
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	Wu Chang-Ming	
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Chen Hsien Chung; Chung Chin Ling	
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Chin Yu Chung; Hsieh Chin Lung	
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	Huang Chao-Hsing	
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	6 persons	Not applicable

Note 1: The names of the president and vice president are required to be presented separately; the amount of payments made may be presented in aggregate sums. If a director is also a president or vice president, this table and table (1-1), or (1-2-1) and (1-2-2) above shall be filled in.

Note 2: Refers to salaries, allowances and severance pay made to the president and vice president in the last year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, Corporate vehicle or other in-kind benefits made to the president and vice president. Where housing, cars, vehicles or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 – "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration provided for the president and vice president (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Table 1-3 has been prepared in addition to the above details.

Note 5: The disclosure includes all companies covered by the consolidated financial report (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's president and vice president.

Note 6: The amount of remuneration made by the Company to its president and vice president; the names of president and vice president have been disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's president and vice president; the names of president and vice president have been disclosed separately in ranges.

Note 8: The net income after tax refers to the net income after tax of the most recent fiscal year.

Note 9: a. This field represents all forms of remuneration that the president and vice president received from the Company's invested businesses or the parent company other than subsidiaries (if none, please fill in "none").

b. For president and vice president who receive remuneration from invested businesses or the parent company other than subsidiaries, the president and vice president of the company should be transferred. The amount of remuneration from these invested businesses or the parent company have been added to column E of the remuneration brackets table. In which case, Column E will be renamed "parent company and all invested businesses."

c. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's president and vice president received for serving as directors, supervisors or managers in invested businesses or the parent company other than subsidiaries.

\* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence, the above table has been prepared solely for information disclosure and not for tax purposes.

(3) Top 5 executives of TWSE/TPEX companies with the highest remuneration: not applicable

(4) Names of employee remuneration to managers and the distribution status

December 31, 2023 Unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to profit after tax (%)
Managerial Officer	President	Huang Chao-Hsing	0	16,013	16,013	3.56%
	Senior Vice President	Chen Hsien-Chung				
	Senior Vice President	Chin Yu-Chung				
	Senior Vice President	Hsieh Chin-Lung				
	Vice President	Chung Chin-Ling				
	Financial Accounting Manager	Chiang Chih-Ching				

(5) Analysis of remuneration paid to Directors, President and Vice President by the Company and all companies in the consolidated financial statements in the recent two years as a percentage of net income in the parent company only or individual financial statements and explanation on remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

A: Analysis of remuneration paid to Directors, President and Vice President by the Company in the recent two years as a percentage of net income:

Title	Ratio of total remuneration amount to profit after tax, 2023 (%)	Ratio of total remuneration amount to profit after tax, 2022 (%)
Director	9.84%	9.15%
President and vice president	9.83%	9.31%

Description: The Company's remuneration to directors plus remuneration to part-time employees to net income after tax for 2023 and 2022 was 9.84% and 9.15%, respectively. As there is 9.84% and 9.15% no significant difference between two years. The Company does not have consolidated statements.

B. Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

(I) Remuneration policy, standards and composition:

1. The Company's remuneration to directors includes compensation, director's remuneration and other expenses.

(1). Remuneration: In compliance with Article 196 of the Company Act, the Company has established the "Regulations for Remuneration to Directors" as the basis for the payment of remunerations to directors, and proceeded in accordance with the regulations.

(2). Remuneration to directors:

A. The general directors are paid in accordance with the Company's "Regulations for Remuneration to Directors." The remuneration is calculated as a fixed equal payment and a payment at variable rate. The items calculated at the variable rate including attendance rate, average number of shares held, bank guarantee, and performance evaluation. If no director serves as a Bank's guarantor during the year, the said ratio shall be included in the calculation of the average shareholding ratio. The remuneration to independent directors are paid in a fixed month every monthly, but not involving the distribution of directors' remuneration.

B. Pursuant to Article 21 of the Company's Articles of Incorporation, if the

Company makes a profit for the year, it shall allocate no more than 3% as directors' remuneration. However, when the Company still has cumulative deficit, it shall reserve an amount to compensate for it first and then appropriate amounts as directors' remuneration in accordance with the aforementioned percentages. The directors' remuneration will be reported in the shareholders' meeting.

(3). Other expenses: The Company's directors may receive transportation stipend when attending a meeting.

2. The Company's managerial officers' remuneration includes salaries, bonuses and employee compensations.

(1). Salary: The monthly salary is approved based on the managerial officer's education and experience, professional ability, and the position and rank within the Company.

(2). Bonuses and employee remuneration: The performance of managerial officers is evaluated in accordance with the Company's "Employee Performance Appraisal Operating Procedures." The evaluation results are used as a reference for the distribution of managerial officers' bonuses. The evaluation items are divided into financial indicators and non-financial indicators, to calculate their operating performance remuneration. The Company reviews the remuneration system in a timely manner based on the actual operating conditions and relevant laws and regulations. According to Article 21 of the Company's Articles of Incorporation, if the Company makes a profit for the year, it shall allocate 15% of the profit as employee compensation. However, when the Company still has cumulative deficit, it shall reserve an amount to compensate for it first and then appropriate amounts as employees' remuneration in accordance with the aforementioned percentages. The employees' remuneration will be reported in the shareholders' meeting.

3. The composition of remuneration paid by the Company shall comply with the organizational charter of the Compensation Committee, including cash remuneration, stock options, bonus shares, retirement benefits or severance pay, various allowances and other measures with substantial incentives; its scope shall be similar to the scope related to directors' and managerial officers' remunerations specified in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(II) Procedures for determining remuneration:

1. In order to regularly evaluate the remuneration of directors and managerial officers, the evaluation results of the "Self-Evaluation or Peer Evaluation of the Board of Directors" is referred to for the Company's directors, and the "Employee Performance Appraisal Operating Procedures" for managerial officers and employees.

2. In 2023, the performance evaluation results of the Board of Directors, board members, members of various functional committees and all managerial officers have met or exceeded the predetermined target requirements.

3. Regarding the remunerations of the Company's directors and managerial officers, except by referring to individual performance achievement rate and contribution to the Company, as well as the overall operating performance of the Company, future risks and development trends in the industry, the remuneration system is reviewed from time to time depending on the actual operating conditions and relevant laws and regulations. In addition, we also comprehensively consider the current corporate governance trends to provide reasonable remuneration, which are regularly evaluated and reviewed by the Compensation Committee and the Board of Directors every year, to seek a balance between the Company's sustainable operation and risk control.

(III) Correlation with operating performance and future risks:

The review of the payment standards and system related to the Company's remuneration policy mainly takes account of the overall operation of the Company, and the performance achievement rate and contribution are referred to for determining the payment standards, to improve the overall organizational efficiency of the Board of Directors and management team. In addition, reference is made to the remuneration standards in the industry to ensure that the remuneration of the Company's management is competitive in the industry, to retain outstanding management talents.

#### IV. Implementation of Corporate Governance

(I) Information on the operations of the Board of Directors:

In the most recent fiscal year, a total of 7 Board meetings were held (A), the attendance of the directors is as follows:

Title	Name	Actual attendance B	Attendance by proxy	Actual attendance rate % [B/A]	Remark
Chairman	Chen Chien-Liang	7	0	100%	
Director	Chen Mao-Chang	7	0	100%	
Director	Huang Chao-Hsing	7	0	100%	
Director	Lai-Yu Hsiu-Min	7	0	100%	
Director	Sheng-mao Yeh, Representative of Ren Tai Investment Co., Ltd.	7	0	100%	
Director	Chien-Ting Chen, Representative of Ren Tai Investment Co., Ltd.	7	0	100%	
Director	Wan-chuan Liao, Representative of Ren Tai Investment Co., Ltd.	3	0	100%	Newly elected on June 9, 2023
Director	Shih Chih-Hsun, Representative of Ren Tai Investment Co., Ltd.	4	0	100%	Discharged on June 9, 2023
Director	Chang Cheng-Liang, Representative, Shang-Jin Investment Co., Ltd.	6	1	85.7%	
Independent director	Huang Man-Sheng	7	0	100%	
Independent director	Lin Hao-Hsiung	7	0	100%	
Independent director	Wang Chia-Hsiang	7	0	100%	

Other information required:

- For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, opinions of independent director opinions and how the company has responded to such opinions:

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

Date of Board Meeting	Session	Contents of resolution	Opinions of all independent directors	How the company has responded to such opinions
2023/03/16	19th meeting of the 9th board	Motion for change of CPAs	None	Not applicable
		Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2023.	None	Not applicable
		Proposal to pre-approve the external auditors, the auditors' firm, and affiliates of the firm to provide non-certification services to the Company.	None	Not applicable
		Motion for evaluation of the independence and competence of the 2023 CPAs	None	Not applicable
		2022 International Control System Statement	None	Not applicable
2023/04/27	20th Meeting of the 9th Board	Motion for amendments to some provisions of the "Corporate Governance Best-Practice Principle"	None	Not applicable
		Establishment of the "Rules Governing Operations in relation to Finance and Transactions between Related Parties"	None	Not applicable
2023/10/26	4th meeting of the 10th Board	Formulation of the 2024 audit plan	None	Not applicable
		Amendments to certain provisions of "Standard Operating Procedures for Handling Directors' Requests"	None	Not applicable
2024/02/29	6th meeting of the 10th Board	Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2024.	None	Not applicable
		Proposal for evaluation of the independence and competence of the 2024 CPAs	None	Not applicable
		2023 Statement of Internal Control System	None	Not applicable

- (II) Except for the preceding matters, any matter resolved by the Board of Directors with an independent director expressing an objection or reservation that has been included in records or stated in writing: none.
- For the implementation and state of directors' recusal for conflicts of interest, the directors' name, topic discussed, reasons for the required recusal and participation in the voting process: none.
  - Evaluation cycle and period, evaluation scope, method and self-evaluation or peer Evaluation of the Board of Directors: The Self-Evaluation or Peer Evaluation of the Board of Directors was passed by the Board meeting held on June 12, 2019. An internal board performance evaluation is conducted once a year, which is completed before the end of first quarter of the following year. For an external performance evaluation, an external professional independent institution or external experts or scholars shall conduct an evaluation at least once every 3 years. At the end of 2022, the Company commissioned Taiwan Institute of Ethical Business to conduct an evaluation for the performance of the Board of Directors for 2022, and the evaluation report was submitted on December 29, 2022. The Company reported the results in the board meeting on January 18, 2023 and seek improvement.

The Company completed Board of Directors performance evaluation for 2023 in the first quarter of 2024.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once per year	From January 1, 2023 to December 31, 2023	Board of Directors	Internal self-evaluation of the Board of Directors	Including: participation in the operation of the company, quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors and internal controls
		Individual board member	Self-evaluation by directors	Including: alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication the director's professionalism and continuing education and internal control
		Audit Committee	Committee members' self-evaluation	Participation in the operation of the company, enhancement of awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, composition of the functional committee and election of its members, and internal control
		Remuneration Committee	Committee members' self-evaluation	Participation in the operation of the company, enhancement of awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, composition of the functional committee and election of its members

- An evaluation of targets (*e.g.*, establishment of an Audit Committee and enhancement of information transparency) for strengthening of the functions of the Board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof: The Company's Board of Directors is operated in accordance with the laws and regulations, Articles of Incorporation and by resolutions of the shareholders' meeting. We encourage directors to take further education and uphold the philosophy of transparent operations and value the interests of shareholders. After a Board meeting is convened, we publicly announce important resolutions of the meeting and aim to develop a diverse board of directors.

(II) Functionality of the Audit Committee:

The Company's Audit Committee is made up of three independent directors. They are responsible for assisting the Board of Directors in fulfilling its role of supervising the quality and integrity of the Company's implementation of accounting, auditing, financial reporting process and financial controls.

Major matters to be reviewed:

- Financial statements
- Internal control system and related policy and process
- Material assets or derivative transactions

4. Material loaning of funds or endorsements/guarantees
5. Raising or issuing marketable securities
6. Derivative financial instruments and cash investments
7. Regulatory compliance
8. Whether or not managers and directors have related-party transactions and possible conflicts of interest
9. Appointment, dismissal or remuneration of CPAs
10. Appointment and dismissal of finance, accounting or internal audit supervisors
11. Fulfillment of responsibilities of the Audit Committee
12. Audit Committee self-evaluation survey on performance

●Review of financial report

The Board of Directors of the Company sent the 2023 business report, an earnings distribution proposal and the financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flow) audited and certified by Lin, Se-Kai and Lai, Chung-Hsi, CPAs at PwC Taiwan, to the Audit Committee. The committee has completed the review of said documents and found no discrepancies therein.

●Evaluation of the internal control system effectiveness

The Audit Committee evaluates the effectiveness of the policies and procedures (including control measures on finance, operation, risk management, information security, outsourcing and statutory compliance) of the Company's internal control system. It also reviews the periodic reports of the Company's Audit Department and CPAs as well as management, including risk management, and statutory compliance. With reference to the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2023, the Audit Committee believes that the Company's risk management and internal control system is effective and that the Company has adopted the control mechanisms necessary to monitor and correct non-compliance.

In the most recent fiscal year, a total of 4 Audit Committee meetings were held (A), the attendance of the independent directors is as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (%) (B/A)	Remark
Independent director	Huang Man-Sheng	4	0	100.00%	
Independent director	Lin Hao-Hsiung	4	0	100.00%	
Independent director	Wang Chia-Hsiang	4	0	100.00%	

Other information required:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the Audit Committee meeting held, the discussed topics, the content of the objections, reservations or material recommendations on independent directors, the Audit Committee's resolution and how the company has responded to Audit Committee's opinions.

(I) Matters stated in Article 14-5 of the Securities and Exchange Act.

Date	Session	Contents of resolution	Resolution results	How the company has responded to Audit Committee's opinions.
2023/03/16	12th session of the 2nd term	Motion for the 2022 financial statements	Passed by all independent directors	Not applicable
		Motion for change of CPAs	Passed by all independent directors	Not applicable
		Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2023.	Passed by all independent directors	Not applicable
		Proposal to pre-approve the external auditors, the auditors' firm, and affiliates of the firm to provide non-certification services to the Company.	Passed by all independent directors	Not applicable
		2022 International Control System Statement	Passed by all independent directors	Not applicable
2023/04/27	13th session of the 2nd term	Q1 2023 financial report	Passed by all independent directors	Not applicable
2023/07/27	1st meeting of the 3rd Term	Q2 2023 financial report	Passed by all independent directors	Not applicable
2023/10/26	2nd meeting of the 3rd term	Q3 2023 financial report	Passed by all independent directors	Not applicable
		Formulation of the 2024 audit plan	Passed by all independent directors	Not applicable
2024/02/29	3rd meeting of the 3rd term	2023 financial statements	Passed by all independent directors	Not applicable
		Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2024.	Passed by all independent directors	Not applicable
		Proposal for evaluation of the independence and competence of the 2024 CPAs	Passed by all independent directors	Not applicable
		2023 Statement of Internal Control System	Passed by all independent directors	Not applicable

(II) In addition to the aforementioned matters, motions not approved by the Auditing Committee but passed by the Board with the consent of more than 2/3 of the Directors: none.

II. For the implementation and state of independent directors' recusal for conflicts of interest, the directors' name, topic discussed, reasons for the required recusal and participation in the voting process: none.

III. The communication between the independent directors and the chief internal auditor (materiality, means and result of communication on the financial position and operation of the company should be covered):

(I) The independent directors communicates with the chief internal auditor through the Audit Committee and Board of Directors. The chief internal auditor provides a report on internal audit status and internal control operations. The last month's internal audit report is also emailed to independent directors on a monthly basis.

Summary of communication between the independent directors and the chief internal auditor

Date	Communication focus
March 16, 2023 Audit Committee March 16, 2023 Board of Directors	Q4 2022 audit execution report 2022 International Control System Statement
Audit Committee meeting on 04/27/2023 Board meeting on 04/27/2023	Q1 2023 audit execution report
Audit Committee meeting on 07/27/2023 Board meeting on 07/27/2023	2023 Q2 audit execution report
Audit Committee meeting on 2023/10/26 Board meeting on 2023/10/26	2023 Q3 audit execution report For of the 2024 annual audit plan
Audit Committee meeting on 2024/02/29 Board meeting on 2024/02/29	2023 Q4 audit execution report 2023 Statement of Internal Control System

(II) Independent directors communicate with CPAs via through Audit Committee. The CPAs provide an explanation upon issuance of the annual financial report and engage in a full communication and discussion on whether there are major adjustments to the records or amendments to the laws and regulations that affect the accounts.

Summary of communication between the independent directors and CPAs

Date	Communication focus
2024/02/29 Before an Audit Committee meeting	1. The method and scope of the audit. 2. Audit findings. 3. Other communication matters. 4. CPA independence. 5. Firm's AQL.

Summary of communication between the directors and CPAs

Date	Communication focus
2024/02/29 Before the Board of Directors meeting	1. The method and scope of the audit. 2. Audit findings. 3. In-house prepared financial statements. 4. Regulatory Update.



(III) Corporate governance implementation and the deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons:

Evaluation item	State of operation			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has formulated the “Corporate Governance Best-Practice Principle,” which are disclosed on the company website and MOPS.	No difference
II. Equity structure and shareholders’ equity				
(I) Has the company formulated internal procedures regulated to handle shareholders’ proposals, doubts, disputes and litigation matters and have the procedures been implemented accordingly?	V		(I) The Company has established a spokesperson system to properly handle shareholders’ proposals and doubts. In the event of a litigation matter, a legal advisor is engaged to handle such matter. There have not been any disputes or litigation as the Company has maintained a harmonious relationship with shareholders.	No difference
(II) Does the company possess a list of the company’s major shareholders and a list of the ultimate controllers of its major shareholders? ?	V		(II) As we keep a sound relationship with major shareholders, we are able to grasp the names of major shareholders and ultimate controllers who have actual control over the Company. We report the number of shares held by directors and major shareholders on a monthly basis as required by the competent authorities.	
(III) Has the company established and implemented the risk control and firewall mechanisms between the affiliates?	V		(III) We have “Management of Related-Party Transactions” in place in the internal control system which stipulates clear rules for transactions with affiliates. We also have a complete firewall and risk control mechanism.	
(IV) Has the company set up internal regulations to prohibit internal personnel from utilizing the undisclosed information to trade securities?	V		(IV) We have formulated the “Procedures for Handling Material Inside Information” and “Procedures for Prevention of Insider Trading” to regulate the related contents. Meanwhile, we conduct the internal education training and promotion regularly every year.	
III. Composition and duties of the Board of Directors				
(I) Has the Board of Directors formulated a diversity policy and specific management objectives and have them implemented?	V		(I) Please refer to the description on Page P.14 of this annual report.	No significant differences
(II) Apart from the Compensation Committee and Audit Committee, has the company voluntarily established other functional committees?		V	(II) The Company has formed a Compensation Committee in 2011 and Audit Committee in 2017. In the future, other types of functional committees will be set up in accordance with the laws and regulations or the actual needs.	
(III) Has the company established Self-Evaluation or Peer Evaluation of the Board of Directors and its evaluation methods, and does the company conduct a performance evaluation each year and submit the performance evaluation results to the Board of Directors and use them as reference in determining compensation for individual directors and nomination for reappointment?	V		(III) The Company formulated the Self-Evaluation or Peer Evaluation of the Board of Directors and its evaluation methods in June 2019. Since 2020, a self or peer evaluation is conducted on the Board of Directors and individual directors each year. The performance evaluation results for the first quarter of 2023 were reported at the Board meeting held on February 29, 2024. The results of the performance evaluation of the Board of Directors are used as a basis for selection or nomination of directors. The results of the performance evaluation of	

Evaluation item	State of operation			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the company regularly assess the independence of its CPAs?	V		<p>individual directors are executed in accordance with the “Regulations for Remuneration to Directors” amended in March 2021. The performance evaluations are linked with remuneration of directors as they account for 10% of the ratio of remuneration to directors.</p> <p>(IV) The Company’ Audit Committee assesses the independence and competency of the external auditors each year, and demands that the external auditors should provide “Statement of Independence” and “AQIs”, and also conduct the assessment in accordance with the following norms and 13 AQIs. Upon confirmation, it was found that, except the fees for certification and taxation affairs, the CPAs had no financial interests or business relationship with the Company. The CPAs’ family members were also found free from any violations of the independence requirements. Meanwhile, in reference to the AQI indicators, CPAs and their firms were also confirmed to outperform the average level among the peers in the same trade in terms of the experience in audit and training hours. Further, the Company has also continued to implement the digital audit tools in the most recent three years to improve its audit quality. The assessment results for the most recent year have been discussed and approved by the Audit Committee on February 29, 2024, and reported to the Board of Directors on February 29, 2024 for resolution on the assessment on independence and competence of the CPAs. The Company’s standards for assessment on the CPAs’ independence are specified as following:</p> <ol style="list-style-type: none"> <li>1. A CPA shall be clearly aware of the CPA’s responsibility for auditing and certifying financial statements, and plan the certification of, and execute the audit on, financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards of the R.O.C. to provide the reasonable basis for the opinions provided by him during the audit and certification.</li> <li>2. A CPA shall perform the professional services with integrity and objective standpoint and keep independent spirit, and provide opinions impartially.</li> <li>3. The CPAs have no direct or significant indirect financial interests with the Company.</li> <li>4. The CPAs have no financing or guarantee activities with the Company or its directors.</li> <li>5. An audit carried out by the CPAs is not affected due to the consideration of the possibility of loss of the Company's customers.</li> <li>6. The CPAs have no close business relationships or potential employment relationships with the Company.</li> </ol>	

Evaluation item	State of operation			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			<p>7. The CPAs have no contingent fees in relation to audits.</p> <p>8. The members of the audit team of the accounting firm do not currently serve as a director or manager or have significant influence over the audit cases of the Company; nor have they done so in the past two years.</p> <p>9. The non-audit services provided by the accounting firm do not indirectly affect the important items of audit cases.</p> <p>10. The CPAs do not promote or broker any shares issue or other securities by the Company.</p> <p>11. The CPAs do not serve as an advocate for the Company or coordinate conflicts with other third parties on behalf of the Company.</p> <p>12. The CPAs are not relatives with the Company's directors or managers or personnel who have significant influence on audits.</p> <p>13. The CPAs have not retired within one year after serving as a director or manager, or personnel who have significant influence on audits.</p> <p>14. The CPAs have not received any gifts or presents of significant value from the Company's directors or managers.</p> <p>15. The CPAs have not accepted improper choices of accounting policies or improper disclosures in the financial statements by the Company's management.</p> <p>16. The CPAs have not accepted any pressure on the accounting firm from the Company to improperly reduce items that shall be audited.</p>	
IV. Has the Company established a full- or part-time corporate governance unit or personnel to oversee corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters related to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing (or recording) minutes of board meetings and shareholders' meetings)?	V		<p>The Chief of the Finance Division, Chiang Chih-Ching, concurrently serves the corporate governance officer, and is responsible for corporate governance affairs. Mr. Chiang Chih-Ching has more than three years of experience as a supervisor in compliance, finance, shareholder service, or corporate governance-related affairs of a public-listed company. The corporate governance officer is mainly responsible for:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board meetings and shareholders meetings according to laws</li> <li>2. Producing minutes of board meetings and shareholders meetings</li> <li>3. Assisting in onboarding and continuous development of directors</li> <li>4. Furnishing information required for business execution by directors</li> <li>5. Assisting directors with legal compliance</li> <li>6. Report to the board of directors the results of its review on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.</li> <li>7. Handling matters relating to the change of directors</li> <li>8. Other matters set out in the articles of incorporation or contracts</li> </ol>	No difference

Evaluation item	State of operation			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Please refer to the following table for the status of continuing education of the corporate governance officer in 2023.	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), establishment of investors' relations office on websites and proper response to stakeholders' concerns of corporate social responsibility?	V		The Company has a spokesperson in place as an external communication channel. There is also a section dedicated to stakeholders on the company website to provide them with relevant contact means for them to ask questions and express their views. By doing this, we are able to understand the reasonable expectations and needs of stakeholders while also providing timely responses in handling their concerned issues. Please refer to the following table for details.	No difference
VI. Has the company entrusted professional organizations for handling shareholders' meeting matters?	V		The Company has entrusted the Stock Affairs Agency Department of Taishin Securities Co., Ltd. to handle shareholders' affairs.	No difference
VII. Information disclosure (I) Has the company established a website to disclose information concerning financial affairs and corporate governance? (II) Has the Company adopted other means for disclosure, such as setting up an English website, appointing personnel to gather and disclose relevant information, properly implementing the spokesperson system and posting the meetings minutes of investor conference on the company website? (III) Does the company publicly announce and file the annual financial report within two months after the close of the fiscal year and announce and file the financial reports of the first, second and third quarters and the monthly operating status prior to the regulated deadline?	V V V		(I) The Company's financial operations and corporate governance information are disclosed on the Company's website at <a href="http://www.vpec.com.tw">http://www.vpec.com.tw</a> and the MOPS. (II) In addition to disclosing information in Chinese, we also have set up an English website for foreign investors to get to know about the Company. Moreover, we have designated dedicated personnel responsible for the collection and disclosure of information. The spokesperson is implemented according to the requirements. (III) As required by the regulations of the Securities and Exchange Act, currently, the Company publicly announces and files the annual financial report within two months after the close of the fiscal year and announces and files the financial reports of the first, second and third quarters and the monthly operation status prior to the regulated deadline before the 10th of each month. In the future, public announcement will be adjusted accordingly in the future.	No difference
VIII. Is there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education for directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that is helpful in understanding the corporate governance operation of the Company?	V		(I) Interests of employees: we hire employees in accordance with the regulations promulgated by the competent authorities. We place emphasis on employee rights and interests and the communication outlets are smooth, while also providing employees with a sound working environment. The formulation and amendment of the Company's "Work Rules" are approved by the labor-management meeting and set to the Taoyuan City government for approval and are announced to all employees as their work code of conduct. (II) Employee care: the Company provides an array of education and training, as well as reasonable remuneration and welfare measures. (III) Investor relations: we keep an open communication channel and information exchange	No difference

Evaluation item	State of operation			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>with investors and other stakeholders, while also respecting and protecting their rights and interests.</p> <p>(IV) Supply relations: we keep a sound relationship with suppliers and seek a win-win situation through collaboration.</p> <p>(V) Rights of stakeholders: the Company keeps the communication channel open at all times and put into play the spokesperson mechanism. As well as this, we also uphold the principle of integrity in the course of disclosing information in a timely manner to protect investor relations and the rights and interests of stakeholders.</p> <p>(VI) Continuing education of directors: please refer to the following table.</p> <p>(VII) Implementation of risk management policy and risk measurement criteria: based on the risk evaluation results, the internal auditors formulate an annual audit plan to submit to the Board of Directors for approval. In doing this, the effectiveness of the design and implementation of the Company's internal control system is evaluated. Also, the self-evaluation of the internal control system conducted by internal units each year also helps understand the Company's implementation of risk management policy and risk measurement criteria.</p> <p>(VIII) Implementation of customer policy: The Company has established a customer complaint handling process. The interaction and communication between the Company and customer are sound.</p> <p>(IX) Purchase of liability insurance for the Company's directors: The Company has taken out liability insurance for directors.</p>	
<p>IX. Please specify the status of the 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 Company was not required for evaluation)</p> <p>The Company has completed its self-evaluation of the 2023 corporate governance assessment and conducted review according to the results. In the future, the Company will continue to promote related affairs to better meet applicable regulations.</p>				

1. Stakeholders:

- (1) The Company's stakeholders include shareholders, employees, customers and suppliers. The Company always keeps the fair communication with all of them, and report the relevant implementation status regularly at the Board of Directors meeting once per year.
- (2) The communication with various stakeholders in 2023 has been reported to the Board of Directors on January 26, 2024. The communication with various stakeholders and contents of the report in the most recent year are stated as following:

Stakeholder	Issues concerned	Communication channel and response	2023 Stakeholder Communication Performance
Emplooyees	Remuneration and benefits Employees' development and the Company's prospective Work health, safety and sanitation	<ol style="list-style-type: none"> <li>1. Labor-management meetings</li> <li>2. Remuneration Committee</li> <li>3. Employee Welfare Committee</li> <li>4. Publish and provide the Company's important business messages, education &amp; training program information, employee reward and welfare matters and annual performance management operations via the Company's internal email, website and bulletin, from time to time</li> <li>5. Education and training programs</li> <li>6. Provide the employee health checkup service each year and physicians' on-site health consulting service each month</li> <li>7. Convene the occupational safety and health committee meeting (attended by labors' representatives) regularly</li> <li>8. Conduct various occupational safety and health education &amp; training programs pursuant to laws</li> <li>9. Conduct various occupational safety and health internal/external promotional activities</li> <li>10. Set up the complaint channel for employees. <ul style="list-style-type: none"> <li>➤ Contact Person; Human Resource &amp; Administration Division/Ms. Chung Chin-Ling (03) 419-2969, Ext. 222</li> <li>➤ E-MAIL : appeal@vpec.com.tw</li> <li>➤ Mailing address: No. 16, Gongye 1<sup>st</sup> Road, Pingzhen District, Taoyuan City</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Convene 4 labor-management meetings in 2023, in order to maintain the harmonious labor-management relationship.</li> <li>2. Arrange the special health checkup service for employees in August 2023.</li> <li>3. Establish the sound remuneration and welfare system to provide employees with reasonable treatment and incentive</li> <li>4. Uphold the principles of impartiality and no-discrimination to provide employees with equal employment opportunities</li> <li>5. Encourage employees to attend external education &amp; training program to improve their professional skills</li> <li>6. According to the work rules enacted pursuant to labor laws, the Company expressly defines various labor conditions, protects employees' valid interest and right, and sets up the complaint channel via which employees may feed back their opinions and seek fair and reasonable treatment at any time</li> <li>7. Convene a total of 4 quarterly occupational safety and health committee meetings in 2023.</li> <li>8. The environmental protection, occupational safety and fire safety promotion statistics in the factories in 2023 are as follows: Release 5 promotional notices and 3 consulting cases from colleagues internally for occupational safety Release 3 promotional notices and 7 consulting cases from colleagues internally for environmental protection Release 5 promotional notices and 2 consulting cases from colleagues internally for firefighting</li> <li>9. The environmental protection, occupational safety and fire safety trainings statistics in 2023 are as follows: A total of 16 participants and 161 hours for external occupational safety and health training A total of 21 participants and 159 hours for external environmental protection training A total of 4 participants and 38 hours for external firefighting training</li> <li>10. Internal training and promotion, totaling 2,964 hours, participated by 320 people</li> </ol>

Stakeholder	Issues concerned	Communication channel and response	2023 Stakeholder Communication Performance
Shareholders Investors Media Banks	Financial performance Overview of industry Business strategies Corporate governance Risk management	1. Contact person: Financial Division/Mr. Chiang Chih-Ching (03) 419-2969, Ext. 706 President Office/Mr. Su Chan-Lu (03) 419-2969, Ext. 366 2. Response: (1).Real-time announcement of material messages on Market Observation Post System (2).Simultaneous upload of relevant information on the Company's website (3).Regular shareholders' meeting and annual reports (4).Two-way communication between domestic and foreign institutional investors. Invited to attend domestic/foreign forums.	1. Convening one annual general meeting. 2. Release 32 important messages and 13 public notices, totaling 45 pieces of information. 3. Invited to attend 12 investors' conferences, and domestic/foreign forums (4 domestically and 8 overseas). 4. Attend 82 exchange meetings with domestic/foreign institutional investors. 5. Spokesperson replied to shareholders' questions from time to time
Customer	Product quality Product price Performance of corporate social responsibility	1. Customer satisfaction survey 2. In response to the audit on customers' requirements, and adopt prevention actions and continuous improvement measures. 3. Contact person: Marketing & Sales Division/Ms. Hsu Ti-Wei (03) 419-2969, Ext. 886	1. 89 scores for the annual customer satisfaction survey 2. Accept the audit and visit conducted by customers online.

Stakeholder	Issues concerned	Communication channel and response	2023 Stakeholder Communication Performance
Supplier	<p>1. Supplier's Social Responsibility and Ethical Conduct</p> <p>(1). Labor : The Company is committed to protect labor's human rights in accordance with internationally recognized standards</p> <p>(2). Health and safety : The incidence of work-related injuries and illnesses are minimized as possible and a safe and healthy work environment is established</p> <p>(3). Environment: The impact of manufacturing operations on the environment is identified, and the adverse impacts on the community, environment, and natural resources are minimized to ensure public health and safety</p> <p>(4). Code of Conduct: To fulfill social responsibilities, suppliers must adhere to the highest ethical standards</p> <p>(5). Management system: A management system with scopes related to the above shall be adopted or established.</p> <p>2. Supplier's environmental hazardous substance management</p> <p>To protect the environment, and expect the supply chain members to comply with the requirements of the EU directive (RoHS) and REACH.</p> <p>3. Supplier quality system management</p> <p>Members of the supply chain must comply with the ISO9001 and IATF16949 quality system requirements</p>	<p>1. Contact person: Supply Chain Management Division/Mr. Yen Jen-Hung (03)419-2969, Ext. 750 Complaint email address: appeal@vpec.com.tw</p> <p>2. Letter of Undertaking for Social Responsibility and Ethical Conduct executed by the supplier</p> <p>3. Certificate of Non-use for Hazardous Substances executed by the supplier, and supplier assessment on product environmental quality (each year)</p> <p>4. Supplier Assessment Form, Supplier Audit Form (irregular), Supplier Evaluation Report (each year), Supplier RBA Audit Form (every two years)</p>	<p>Main supplier - achievement and implementation status</p> <p>1. 100% execution of the Letter of Undertaking for Social Responsibility and Ethical Conduct</p> <p>2. 100% execution of the Certificate of Non-use for Hazardous Substances</p> <p>3. 100% supplier assessment on product environmental quality</p> <p>4. 100% Supplier Audit Form</p> <p>5. 100% Supplier Evaluation Report</p> <p>6. 100% Supplier RBA Audit Form</p>



Stakeholder	Issues concerned	Communication channel and response	2023 Stakeholder Communication Performance
Government agencies	Legal compliance (environmental protection / labor / occupational safety / fire protection) Performance of obligation to pay tax Policy coordination and promotio	<ol style="list-style-type: none"> <li>1. Contact person: Occupational Safety and Health Section and Environmental Protection Section/Mr. Tsai Yen-Chen (03) 419-2969, Ext. 550 Human Resource &amp; Administration Division/Ms. Chung Chin-Ling (03) 419-2969, Ext. 222</li> <li>2. Attend the programs organized by government or agencies</li> <li>3. Conduct the periodic audit on laws &amp; regulations and the audit by the Office of Auditing on legal compliance voluntarily to ensure the Company's compliance</li> <li>4. Accept the audit, official correspondences and policy promotion by the competent authority involuntarily</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company has paid various taxes and duties pursuant to laws in 2023</li> <li>2. The competent environmental protection authority conducted 3 audits, but no fine was imposed on the Company. The competent occupational safety authority conducted 7 audits, but no fine was imposed on the Company. The competent occupational safety authority conducted 4 audits, but no fine was imposed on the Company</li> <li>3. 7 environmental protection consulting cases for colleagues</li> <li>4. 227 cases for written correspondences and policy promotion from the competent environmental protection authority</li> <li>5. Cooperate with the on-site sampling inspections and meter readings of wastewater from industrial park sewage plants by the Ministry of Economic Affairs three times per month for total 72 times, with no abnormalities</li> <li>6. 33 cases for written correspondences and policy promotion from the competent environmental protection authority</li> <li>7. 5 cases for written correspondences and policy promotion from the competent fire protection authority</li> <li>8. Routine visits by the Ministry of Labor: Youth Education and Employment Saving Accounts Program-Youth Employment Navigation Plan conducted 12 youth on-site visits, but didn't impose any fine.</li> </ol>

Stakeholder	Issues concerned	Communication channel and response	2023 Stakeholder Communication Performance
Community	Community environmental protection Friends and Neighbors	<p>1. Community environmental protection</p> <p>(1). Contact person for environmental protection: Environmental Protection Section/Mr. Tsai Yen-Chen (03) 419-2969, Ext. 550</p> <p>(2). Conduct periodic inspections on emissions of waste gas, waste water, waste goods and peripheral noises voluntarily to ensure compliance with the specific emission limits</p> <p>(3). Conduct the audit on the waste disposal service providers through the tour inspection on various pollution prevention facilities and waste storage areas to ensure the proper operation of various environmental protection operations</p> <p>(4). Conduct the GHG emission inspection and verification pursuant to ISO-14064 to disclose related information</p> <p>(5). Conduct the drills for various incidents and participate in the regional joint-defense team to ensure the staff's safety and protect the communication environment</p> <p>2. Friends and Neighbors</p> <p>(1). Contact person for general affairs: Human Resource &amp; Administration Division/Ms. Liu Yu-Ju (03) 419-2969, Ext. 790</p> <p>(2). Facilitate the construction projects at the factory premises of neighboring manufacturers, as a good friend and neighbor, to maintain the harmonious relationship between both parties</p>	<p>1. Conduct 62 audits on each waste disposal service providers' clearance work at the factory premises, with a 100% achievement rate.</p> <p>2. Conduct the routine on-site audit on the hazardous waste disposal service providers each year for total five providers and keep records, with a 100% achievement rate</p> <p>3. Conduct the ambient noise testing once per six months, all showing compliance with the standards.</p> <p>4. Conduct the organic waste gas emission sampling and testing each year, all showing compliance with the standards</p> <p>5. Conduct the waste (sewage) water sampling testing once per six months, all showing compliance with the standards</p> <p>6. Conduct the hazardous waste testing once per year to ensure that the classification of waste goods satisfies the relevant requirements, with a 100% achievement rate</p> <p>7. Conducted the toxic chemical detection alarm calibration once per year and maintenance work once per month, with a 100% achievement rate</p> <p>8. 100%Conduct GHG inspection/internal audit/external inspection each year, and confirm GHG emissions at the factory premises, with a 100% achievement rate</p> <p>9. Conduct unannounced drills for toxic substance for twice per year and one overall drill, and drill for air pollution contingency once per year, , with a 100% achievement rate</p> <p>10. 31 people assisted the fire department of the industrial park, the Pingjhen Industrial Park Service Center, and the Industrial Development Association, to exchange ideas on the hazard characteristics, safety protection mechanisms, and response coordination matters of the factories.</p> <p>11. Participated in the member meetings of the regional defense organization in the industrial park every six months, and observed the disaster drills in the industrial park every year</p> <p>12. Participate in the industrial zone development activities as a good friend and neighbor, to maintain the harmonious relationship with neighboring manufacturers.</p> <p>13. Participated in the "Pingjhen Industrial Park 2023 Parol Christmas Star Warmth in Winter" event to care for disadvantaged groups and nurseries, and donated necessary materials.</p>

## 2-1. 2023 continuing education of directors

Title	Name	Date of appointment	Date of appointment	Further education date		Organizer	Course name	Hours of Continuing Education	Whether continuing education meets the requirements
				From	End				
Director	Chen Chien-Liang	2023/06/07	2011/06/10	2023/11/03	2023/11/03	Taiwan Corporate Governance Association	Analysis of the Operational Practice of Board of Directors and Shareholders' Meeting from Benchmark Cases	3.0	Yes
Director	Chen Chien-Liang	2023/06/07	2011/06/10	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Director	Chen Chien-Liang	2023/06/07	2011/06/10	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Director	Chen Mao-Chang	2023/06/07	1996/11/07	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Director	Chen Mao-Chang	2023/06/07	1996/11/07	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Director	Huang Chao-Hsing	2023/06/07	2008/06/19	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Director	Huang Chao-Hsing	2023/06/07	2008/06/19	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Director	Lai-Yu Hsiu-Min	2023/06/07	2005/06/10	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Director	Lai-Yu Hsiu-Min	2023/06/07	2005/06/10	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice	3.0	Yes

Title	Name	Date of appointment	Date of appointment	Further education date		Organizer	Course name	Hours of Continuing Education	Whether continuing education meets the requirements
				From	End				
							Principles for TWSE/GTSM Listed Companies		
Corporate director representative	Yeh Sheng-Mao	2023/06/07	2020/06/12	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Corporate director representative	Yeh Sheng-Mao	2023/06/07	2020/06/12	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Corporate director representative	Chen Chien-Ting	2023/06/07	2015/06/24	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Corporate director representative	Chen Chien-Ting	2023/06/07	2015/06/24	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Corporate director representative	Wan-Chuan Liao	2023/06/09	2023/06/09	2023/11/29	2023/11/29	The SFI	2023 Insider Equity Transaction Legal Compliance Education Seminar	3.0	Yes
Corporate director representative	Wan-Chuan Liao	2023/06/09	2023/06/09	2023/11/03	2023/11/03	The SFI	Seminar for TWSE/TPEX Listed Companies - Gaining Insight into Derivative Market and Moving toward Sustainability	3.0	Yes
Corporate director representative	Wan-Chuan Liao	2023/06/09	2023/06/09	2023/10/20	2023/10/20	The SFI	2023 Insider Trading Prevention Conference	3.0	Yes
Corporate director representative	Wan-Chuan Liao	2023/06/09	2023/06/09	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Corporate director representative	Wan-Chuan Liao	2023/06/09	2023/06/09	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Corporate director representative	Chang Cheng-Liang	2023/06/07	2014/06/12	2023/06/29	2023/06/29	Taiwan Corporate Governance	New Trend of Electric Vehicles: Application Opportunities of Radar	3.0	Yes

Title	Name	Date of appointment	Date of appointment	Further education date		Organizer	Course name	Hours of Continuing Education	Whether continuing education meets the requirements
				From	End				
						Association	and LiDAR Sensing Technology for Autonomous Driving		
Corporate director representative	Chang Cheng-Liang	2023/06/07	2014/06/12	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Independent director	Huang Man-Sheng	2023/06/07	2017/06/08	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Independent director	Huang Man-Sheng	2023/06/07	2017/06/08	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Independent director	Lin Hao-Hsiung	2023/06/07	2017/06/08	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
Independent director	Lin Hao-Hsiung	2023/06/07	2017/06/08	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Independent director	Wang Chia-Hsiang	2023/06/07	2013/06/28	2023/11/03	2023/11/03	Taiwan Corporate Governance Association	Analysis of the Operational Practice of Board of Directors and Shareholders' Meeting from Benchmark Cases	3.0	Yes
Independent director	Wang Chia-Hsiang	2023/06/07	2013/06/28	2023/09/21	2023/09/21	Professional Education Committee, NFCPAA	Approach for improving quality from the deficiencies in the preparation of financial reports by educational and medical institutions	3.0	Yes
Independent director	Wang Chia-Hsiang	2023/06/07	2013/06/28	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes

## 2-2. Continuing education of managerial officers in 2023

Title	Name	Date of appointment	Further education date		Organizer	Course name	Hours of Continuing Education	Whether continuing education meets the requirements
			From	End				
President	Huang Chao-Hsing	2008/06/19	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes
President	Huang Chao-Hsing	2008/06/19	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Financial Accounting Manager	Chiang Chih-Ching	2020/07/30	2023/10/23	2023/10/23	The ARDF	Utilize "IP Management" to Improve Corporate Governance and Compliance with Internal Control	6.0	Yes
Financial Accounting Manager	Chiang Chih-Ching	2020/07/30	2023/10/11	2023/10/11	The ARDF	Legal Compliance Practices for the Establishment of the "Corporate Governance Officer" Required by the Competent Authority	6.0	Yes
Financial Accounting Manager	Chiang Chih-Ching	2020/07/30	2023/07/13	2023/07/13	Taiwan Stock Exchange & Taipei Exchange	Promotion Conference of Sustainable Development Action Plan for TWSE/TPEx-listed Companies	3.0	Yes
Financial Accounting Manager	Chiang Chih-Ching	2020/07/30	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Financial Accounting Manager	Chiang Chih-Ching	2020/07/30	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes

### 2-3. Continuing education of corporate governance officer in 2023

Name	Date of appointment	Further education date		Organizer	Course name	No. of hours	Whether continuing education meets the requirements
		From	End				
Chiang Chih-Ching	2023/04/27	2023/10/23	2023/10/23	The ARDF	Utilize "IP Management" to Improve Corporate Governance and Compliance with Internal Control	6.0	Yes
Chiang Chih-Ching	2023/04/27	2023/10/11	2023/10/11	The ARDF	Legal Compliance Practices for the Establishment of the "Corporate Governance Officer" Required by the Competent Authority	6.0	Yes
Chiang Chih-Ching	2023/04/27	2023/07/13	2023/07/13	Taiwan Stock Exchange & Taipei Exchange	Promotion Conference of Sustainable Development Action Plan for TWSE/TPEx-listed Companies	3.0	Yes
Chiang Chih-Ching	2023/04/27	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	Promoting Sustainable Corporate Development through Risk Management - Risk Management Best-Practice Principles for TWSE/GTSM Listed Companies	3.0	Yes
Chiang Chih-Ching	2023/04/27	2023/06/29	2023/06/29	Taiwan Corporate Governance Association	New Trend of Electric Vehicles: Application Opportunities of Radar and LiDAR Sensing Technology for Autonomous Driving	3.0	Yes

(IV) If the Company has established the Compensation Committee, its composition, responsibilities and operations should be disclosed:

1. Information on the members of the Compensation Committee

Capacity	Criteria	Professional qualifications and experience	Independence	Number of serving members of Compensation Committees in other public companies
Independent director	Lin Hao-Hsiung	<p>Doctor in Electrical Engineering, National Taiwan University.</p> <p>Current Professor of Graduate Institute of Electronics Engineering, Graduate Institute of Photonics and Optoelectronics, National Taiwan University, College of Electrical Engineering and Information Technology and Department of Electrical Engineering, National Taiwan University. He has the expertise and work experience required for the Company's business and his expertise is used for supervisory function of the Compensation Committee.</p> <p>Does not meet any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>None of the Company's independent directors, their spouses or relatives to the second degree of kinship are directors, supervisors or employees of the Company or its affiliates. The independent director himself/herself, their spouses or relatives of second degree of kinship (or under the name of others) do not hold company shares. Does not serve as a director, supervisor or employee of a company with which the Company has a specific relationship with.</p> <p>Amount of remuneration received for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years is zero.</p>	None
Independent director	Wang Chia-Hsiang	<p>EMBA of National Chengchi University.</p> <p>He is a current accountant/associate/U.S. accountant at Crowe Global, an independent director and serves as an Audit Committee member and Compensation Committee member of Tainergy Tech. Co., Ltd.</p> <p>He has practical experience in finance, accounting and management and his expertise is used for supervisory function of the Compensation Committee.</p> <p>Does not meet any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>Amount of remuneration received for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years is zero.</p>	1
Others	Hsieh Ming-Kai	<p>Master, Business Administration, National Chengchi University, Master, Nankai Institute Of Economics, China</p> <p>Current corporate director representative of Kenmec Mechanical Engineering Co., Ltd., corporate director representative of Tainergy Technology (Kunshan) Co., LTD., Director of Kentec Inc., Ltd., corporate director representative of Star Solar New Energy Co., Ltd., supervisor of TKT Corporation, Chairman of Taisic Materials Co., Chairman of Jui Hsuan Investment Co., Ltd., Chairman of Chief Global Logistics Co., Ltd., Chairman of Huaxia Construction Co., Ltd., and Chairman of TAI VISION CO., LTD.</p> <p>He has practical experience in business and management and his expertise is used for supervisory function of the Compensation Committee.</p> <p>Does not meet any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	<p>None of the Company's Compensation Committee members, their spouses or relatives of second degree of kinship are directors, supervisors or employees of the Company or its affiliates. The independent director himself/herself, their spouses or relatives of second degree of kinship (or under the name of others) do not hold company shares. Does not serve as a director, supervisor or employee of a company with which the Company has a specific relationship with.</p> <p>Amount of remuneration received for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years is zero.</p>	None



2. Information on the operations of the Compensation Committee

(1) There are 3 members of the Company's Compensation Committee

(3) Term of Office: June 29, 2023 to June 6, 2026. For the most recent fiscal year, 2(A) Compensation Committee meetings were held. Qualifications of the members and the attendance are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Lin Hao-Hsiung	2	0	100.00%	
Member	Wang Chia-Hsiang	2	0	100.00%	
Member	Hsieh Ming-Kai	2	0	100.00%	

Other information required:

1. If the board of directors declines to adopt or modify a recommendation of the Compensation Committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the Compensation Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): none.
2. As to the resolution of the Compensation Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

Date of Compensation Committee meeting	Session	Contents of resolution	Opinions of members	The Company's handling of such opinions
2023/3/16	7th meeting of the 4th Board	Motion for the 2022 distribution of director remuneration	Passed by all members	Not applicable
2023/7/27	1st Meeting of the 5th Board	Motion for the 2022 distribution of employee remuneration	Passed by all members	Not applicable
2024/2/29	2nd meeting of the 5th term	Motion for the 2023 distribution of director remuneration	Passed by all members	Not applicable

(V) Implementation of sustainable development promotion and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company constructed a governance structure to promote sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development, which is managed by senior management by authorization of the board of directors and is supervised by the board of directors? <b>(TWSE/TPEX listed company must specify the implementation status, instead of compliance or interpretation.)</b>	V		<p>1. Describe the Company's governance structure to promote sustainable development</p> <p>2. Describe the implementation of all organizations, including but not limited to:</p> <p>(1) Name of the dedicated (concurrent) unit that promotes sustainable development, timing and authorization of the Board of Directors.</p> <p>(2) The composition, operation and implementation (e.g., work plans and tasks) of the current year of the promotion unit members</p> <p>(3) The frequency (at least once a year) of the report to the Board of Directors or the date of the report to the Board of Directors.</p>	<p>1. In order to practice corporate social responsibility, promote economic, environmental and social progress, and achieve the goal of sustainable development, the Company's Board of Directors passed the adoption of the Company's "Sustainable Development Best Practice Principles" on April 28, 2022, aiming to manage Its economic, environmental and social risks and impacts.</p> <p>2. The Company's sustainability organization and implementation status are specified as following:</p> <p>(1) Since April 28, 2022, the Company's Board of Directors has authorized the Occupational Safety and Health Section and Environmental Protection Section serve as the dedicated (concurrent) unit that promotes the sustainable development.</p> <p>(2) In addition to the Occupational Safety and Health Section and Environmental Protection Section, the ESG taskforce consists of President Office, Human Resource &amp; Administration Division, Financial Division, Supply Chain Management Division, Facility Division, Marketing &amp; Sales Division, QA Division and Information Division, dedicated to promoting the ESG (environmental protection, social responsibility and corporate governance)-related business and plan, including preparation of annual sustainability report, inventory of GHS emission and reduction planning, assessment of climate change risks and preparation for adaptation and response.</p> <p>(3) The concurrent unit of environment, safety and sustainability convenes task force quarterly meetings to report to the Chairman, President and other management on the progress of sustainable business and issues of concern to stakeholders, and follow the instructions opinions, or suggestions of the Chairman/President on the sustainable development, to adjust the goal, direction, and implementation focus of the Company's sustainable development. Every quarter (January/April/July/October), the Board of Directors reports the implementation results and future work plans, for the directors to review the progress of the plan, and evaluate various opportunities</p>

			<p>3. Describe the Board of Directors' supervision on sustainable development, including but not limited to: management policy, strategy and objective setting, review measures, etc.</p>	<p>and risks of the Company's sustainable development.</p> <p>3. The supervision of the Board of Directors to the sustainable development: the sustainability issues are reported to the Chairman and President by the task force on the quarterly basis for their information, and the representative of the task force reports the implementation results and future work plan to the Board of Directors, so that the directors may review the progress of the plan, and evaluate the Company's ESG opportunities and risks. The taskforce will adjust the Company's ESG targets, orientation and focus per the Board of Directors and executives' instruction, opinion or suggestion on the Company's sustainable development.</p> <p>The task force reports to the Board of Directors on a quarterly basis, including:</p> <p>(1) Completion of the Sustainability Report preparation and its disclosure</p> <p>(2) GHG emission and verification progress.</p> <p>(3) Targets and action programs of each year.</p> <p>(4) Other reports.</p>
<p>II. Has the Company implemented the risk assessment of environmental, social, and governance issues related to corporate operation and established relevant risk management policies or strategies based on the principle of materiality?</p> <p><b>(TWSE/TPEX listed company must specify the implementation status, instead of compliance or interpretation.)</b></p>	V		<p>1. Describe risk evaluation boundary (covering the scope of the subsidiary) The risk evaluation boundary disclosed here shall be the same as the boundaries of subsequent environmental and social issues of this table. If there are any differences, the boundary of each issue should be specified.</p> <p>2. Identify risk evaluation criteria, processes, results and risk management policies or strategies that identify the importance of environmental, social, corporate governance issues.</p>	<p>1. The Company retains PwC Taiwan to identify the environment, society and corporate governance issues critical to the Company's operations in accordance with the principles of materiality. The boundary was set as the scope exercisable, controllable or affected by the Company's organization, including foreign labors' dormitory and suppliers, in addition to the Company's production process, Pingzhen factory premises, and the community where it is located.</p> <p>2. The Company prepares the annual sustainability report and analyzes (including the level of concern of stakeholders, positive and negative impacts) and screens the impact of material issues and strategies based on the principle of materiality. For the specific descriptions of the risk assessment of relevant material issues, please refer to the descriptions in Note 1 below.</p>

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>III. Environmental issues</p> <p>(I) Has the Company implemented environmental policies suitable for the Company's industry characteristics?</p>	V		<p>1. Describe how to carry out an effective environmental management system and the regulations that it is based on.</p> <p>2. Describe the international certification standards (which should be valid as of the publication date of the annual report) passed by the Company and the scopes they cover.</p>	<p>1. The Company is engaged in the photoelectric component manufacturing industry with high energy consumption and pollution, and delegates the personnel dedicated to environmental management of air pollution, waste water, waste goods and toxic substance. Environmental Protection Section and Factory Division, as the units dedicated to environmental management, handle various operations prescribed under the environmental protection laws.</p> <p>2. The Company also implemented the ISO14001:2015 environmental management system and passed the third-party certification in 2002. Then, the Company continues its business until now, including the headquarters and Pingzhen Factory 1 and 2. (for the certificates, please refer to the brand new homepage/EHS section/EHS management system).</p>
<p>(II) Is the Company committed to enhancing the efficiency of energy consumption and use recycled materials that pose low impact on the environment?</p>	V		Describe the company's policy to enhance the efficiency of energy consumption, including but not limited to: base year data, promotion measures, objectives and achievements.	Based on the environmental policy, the Company has set various environmental objectives and measures such as resource recycling, waste reduction, water and energy conservation and carbon reduction. As well as this, the consumption of water, power and raw materials used per unit of product will be continuously followed up. In terms of energy consumption and greenhouse gas emissions per unit of product, the reduction target is 15,000 metric tons of carbon equivalent by 2030, and net zero emissions by 2050. Comparing to the base year 2012, the energy consumption and carbon emission per unit of product have been reduced by about 10%, and the water consumption per unit of product has been reduced by about 1%. (Comparing to the base year 2022, the energy consumption and carbon emission per unit of product were reduced by about 1%, and the water consumption per unit of product was reduced by about 5%). In addition, for energy saving, the Company has set up dedicated energy management personnel and introduced external consultants to evaluate various energy saving plans, including adjusting the temperature of the chiller main unit, replacing LED lights, reducing air conditioner, and total electricity consumption is reduced by approximately 1% every year.
<p>(III) Does the Company assess the present and future potential risk and opportunities of climate change and</p>	V		Describe how the Company assesses the present and future potential risk and opportunities of climate change, its assessment results, and its	Based on the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework, the Company identifies and implements he impacts and effects of climate-related risks and opportunities; we

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
adopt countermeasures related to climate issues?			adoption of countermeasures related to climate issues.	formulate strategies and actions in response to climate change based on the four aspects, namely "governance," "strategy," "risk management," and "indicators and targets," and review targets and performance indicators on a regular basis. Please refer to the descriptions in Note 2 below.
(IV) Does the Company gather statistics of the greenhouse gas emission, water consumption and the gross weight of waste in the past two years and establish policies for reduction of greenhouse gas emission and water consumption or other waste management?	V		<p>1. Describe the statistics, intensity (e.g., per unit of product, service or turnover calculation) data coverage (including all plants and subsidiaries) for the past 2 years for the following items:</p> <p>(1) GHG: Including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, nitrogen trifluoride and others announced by the central authority, distinguished as direct emissions (Scope 1: directly from sources owned or controlled by the Company), energy indirect emissions (Scope 2: indirect GHG emissions from input power, heat or steam) and other indirect emissions (Scope 3: emissions from the Company's activities and not from energy indirect emissions, but sources owned or controlled by other companies);</p>	<p>1. The Company does not consume a large amount of energy (with annual GHG emissions of approximately 15,000 tons). We will continue to keep a close eye on carbon tax and total GHG weight control and their possible impact on our operating activities. Meanwhile, we also revise the Company's strategies for energy saving, carbon reduction and GHG reduction in a timely manner.</p> <p>(1) Since 2012, inventories (covering Scope 1 and Scope 2) on GHG emissions have been conducted in our Pingzhen Plant according to ISO-14064-1. Comparing to 2012, the base year, the energy consumption and carbon emissions per unit of production in 2023 were reduced by approximately 10% (comparing to 2022, the energy consumption and carbon emission per unit of product is 1% less). The relevant information is disclosed and surveys provided for customers and suppliers for reference. Furthermore, the GHG emissions inventory conducted in 2021 covered the Company's 2 plants (Scope 1 and Scope 2). In 2022, the GHG emissions inventory will not only cover the 2 plants but part of the GHG emissions in Scope 3 will also be included. (For GHG emission inventory results for past years, please refer to the brand new homepage/EHS section/EHS management system.)</p>
			<p>(2) Water consumption;</p> <p>(3) Waste: distinguished between the total weight of hazardous waste and non-hazardous waste. If a company is in a non-manufacturing industry, there is no need for a distinction; however the total weight of waste shall be disclosed according to the characteristics of the industry.</p>	<p>(2) The Company's total consumption of water was 77199CM in 2022 and 77374CM in 2023. The unit wafer consumption was approximately 1.9 metric tons/m<sup>2</sup> in 2023.</p> <p>(3) In terms of waste output, the combined waste generated was approximately 280 tons in 2022; among this, hazardous waste accounted for 85%, non-hazardous waste 15%. The combined waste generated was approximately 231 tons in 2023; among this, hazardous waste accounted for 84%, non-hazardous waste 16%. In 2023, a sludge dryer has been added to reduce the water content of sludge from 60% to 40% after passing through the dryer, and reduce sludge volume by about 17%.</p>

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>2. Describe the policy for GHG reduction, water consumption or other waste management, including but not limited to: base year data, reduction target, promotion measures and achievement status, etc.</p> <p>3. Describe various information verification (which should be valid as of the publication date of the annual report) passed by the Company and the scopes that they cover.</p>	<p>2. The Company continues to promote energy-saving and waste-reduction policies each year, and set energy-saving targets. The average annual saving rate was 1% from 2019 to 2024. In 2023, the Company promoted the temperature adjustment of chiller main unit, replacement of LED lights, and lower of air conditioner blowers, the saving rate achieved 1%. In 2023, the treatment vendors for energy and resource recycle were selected, and the contract signing and energy and resource recycle were completed in 2023. The Company continued to recycle and reuse 41.1 tons of waste in 2023, a 25% increase from 2022.</p> <p>3. The greenhouse gas emission inventory has been verified by a third party and covers two factory areas (scope 1, scope 2 and scope 3) of the Company.</p>
<p>IV. Social issues</p> <p>(I) Has the Company formulated management policies and procedures in accordance with the applicable laws and regulations and international conventions on human rights?</p>	V		Describe the human rights policies and specific management plans (e.g., human rights evaluation, mitigation measures for human rights risks, related education and training) and the applicable laws and regulations and international conventions on human rights that the policies and plans were based on.	<p>The Company is committed to maintaining its staff's human rights, providing employees with a friendly workplace and adopting the principles and requirements in line with the RBA Code of Conduct. Meanwhile, the Company strictly complies with the laws and regulations applicable in the countries/territories where the Company's factory premises are operating, and treats and respects all staff with dignity. In order to perform the corporate social responsibility, the Company adopts the "Corporate Social Responsibility Management Handbook (M0133)" internally, and also reviews and evaluates related systems and practices regularly for continuous improvement. The Chairman executes the "Social Responsibility Policy," which is also posted on the Company's website.</p> <p>The Company improves the promotion of the "Social Responsibility Policy" via the annual training plan. The two-way communication channel is made available to employees for feedback and raising of complaints. The Company strictly complies with related laws and convenes the labor-management meeting regularly to promote and communicate related issues.</p>
(II) Has the Company established and implemented reasonable employee welfare measures (including	V		1. Describe employee welfare measures, including but not limited to: employee remuneration, diverse and equal workplace (including but not	1. Aside from labor insurance, employment insurance, labor occupational accident insurance, national health insurance, pension allocation and unpaid parental leave provided to employees as

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
compensation, holidays, and other benefits) and reflect the corporate business performance or achievements in the employee remuneration?			<p>limited to: percentage of female employees and senior executives), holidays, various allowances, gifts and subsidies.</p> <p>2. Describe how operating performance or results are reflected in employee compensation policy and how it is implemented.</p>	<p>required by law, we also organize regular employee health examinations and provide a variety of benefits including gifts/money for 3 major festivals, allowances for weddings and funerals, as well as employee group insurances and domestic or international trips.</p> <p>2. According to the Company's Articles of Incorporation, if the Company makes a profit for the year, it shall allocate 5% to 15% of the profit as employee compensation. However, when the Company still has accumulated losses, an amount should be retained to cover the losses and then employee remuneration should be allocated in accordance with the aforementioned percentages.</p> <p>The Company established the "Visual Photonics Epitaxy Co., Ltd. Employee Stock Ownership Trust Committee," and organized the employee stock ownership trust in August 2015, for which the Company and employees could allocate the equivalent amount on a monthly basis to hold the Company's stocks under the systematic investment policy for a long term, in order to help the employees deposit savings permanently and accumulate wealth and to make their retirement life secured.</p>
(III) Does the Company provide employees with a safe and healthy work environment and provide safety and health education to employees regularly?	V		1. Describe the measures for a safe and healthy workplace and education policy for employees and how they are implemented.	<p>1. The specific measures for the Company's working environment and health protection of employees are as follows:</p> <ul style="list-style-type: none"> <li>●Carry out periodic regulatory audit (monthly), risk assessment and internal audit (annually) to ensure legal compliance and that there are no concerns of safety and health in the workplace.</li> <li>●Carry out periodic operating environment inspection (every 6 months) and various equipment automation inspection (monthly).</li> <li>●Regular fire equipment inspection and maintenance (annually), gas detector calibration (annually) and fire and emergency drills (per six months).</li> <li>●Employee physical examination, regular general health examination, special health examination.</li> <li>●Equipment, machine and chemical safety evaluation and activation inspection.</li> <li>●Labor safety and health education and training. (including new employee training, on-the-job training, case promotion)</li> <li>●Control of high-risk operations and informing of hazards to vendors upon entry of the plant</li> </ul>

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>2. Describe certification (which should be valid as of the publication date of the annual report) attained by the company and the scopes that they cover.</p> <p>3. Describe the number of employee disasters, the number of employees and the ratio to the total number of employees in the current year and improvement measures.</p> <p>4. Describe the number of fires, the number of employees injured or dead, and the ratio of the injured or dead employees to the total number of employees in the current year, and improvement measures.</p>	<ul style="list-style-type: none"> <li>● In-plant PPE and education and education and training are provided.</li> <li>● Occupational health and health promotion services are provided by occupational medicine specialists.</li> <li>● With respect to major risks and improvement opportunities, we set targets and management plans each year for control and continuous improvement. Each quarter, the Chairman attends the safety committee meeting (with labor representatives account for 1/3 of the committee) to participate in various environmental safety and health issues.</li> <li>● Participate in environmental autonomous management activities, support for toxic disaster response drills and share practical experience.</li> </ul> <p>2. At the initial stage of establishment in 2001, our Pingzhen Plant passed the hazardous workplace inspection, while the Pingzhen Plant II passed the hazardous workplace inspection in 2018. As required by law, the Company has set up a dedicated first-level management unit and personnel to implement occupational safety and health. Moreover, we have also constructed a management system in accordance with the occupational and health management systems (ISO-45001:2018/CNS-45001:2018) and attained third-party certifications (for certifications, please see the brand new homepage/EHS section/EHS management system on the company website).</p> <p>3. There were 2 non-traffic commuting accidents in the Company in 2023, resulting in disabling injuries to 2 employees (accounting for 0.67% of employees); the improvement measures are to provide appropriate personal protective equipment and education and training.</p> <p>4. The number of fire in the Company in 2023 was 0, resulting in 0 employee casualties (0% of total employees)</p>
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		Describe the aspects covered in the training program (e.g., new employee training, professional further education, supervisor training), the scope (e.g., managers of all levels, employees) and how it is implemented.	<p>To establish an effective career capacity development training program for the employees:</p> <ol style="list-style-type: none"> <li>1. Orientation training: Arrange the general education training program within three months after new employees report on for duty.</li> <li>2. Professional skill training: Subject to the organizational operations</li> </ol>



Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
				<p>and functions, each department head proposes qualification requirements, and education and training items for the personnel whose work affects the conformity of product requirements and process requirements. Provide the subsidy for employees' education and training with respect to the job promotion and professional certificate/license programs attended by employees. Where an opportunity arises for other duties, we consult with the employee regarding transferring him/her to another department. In doing this, we are able to increase their work experience to facilitate future promotion.</p> <p>3. Annual education &amp; training: The Company surveys the annual training needs each year, and compiles each department's training needs into the "Annual Training Plan &amp; Implementation Schedule (FORM M0061-04)." The plan will be implemented upon approval.</p>
(V) Does the Company comply with relevant laws and international standards with regard to issues of customer health and safety, privacy, marketing and labeling in relation to the products and services and establish relevant policies and complaint procedure to protect the rights of the consumers or customers?	V		Describe regulatory compliance and international standards and describe the name, contents and grievance process of the consumer or customer protection policy.	<p>With respect to the issues of customer health and safety, privacy, marketing and labeling in relation to the products and services, we abide by the RBA (Responsible Business Alliance) Code of Conduct and Taiwan's labor laws. Additionally, we have formulated the "Corporate Social Responsibility Management Handbook (M0133)" as ethics compliance guidelines in the workplace for the Company and all its employees to follow.</p> <p>Suppliers of the Company's products and raw materials are required to sign a pledge to forbid the use of environmentally hazardous substances, guaranteeing that products provided are on par with RoHS and other environmental directives. Furthermore, we strictly follow environmental protection laws and regulations and applicable norms in the course of manufacturing and relevant operating activities.</p> <p>The information about related complaint channels and contact information are posted on the Company's homepage. Please refer to the brand new homepage/EHS section/EHS management system on the company website.</p>
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work	V		1. Describe supplier management policy and applicable regulatory compliance and its contents of specific requirements on suppliers regarding environmental protection, occupational safety and health or labor human	1. The Company's Supply Chain Management Division has adopted the "Operating Procedure for Suppliers Management (M0047)." The Company conducts the supplier evaluation in accordance with the Code-of-Conduct RBA7.0. The evaluation indicators include the supplier's labor conditions, environmental management, occupational

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
rights/human rights issues and does the Company track suppliers' performance on a regular basis?			rights  2. Describe supplier management policy and applicable regulatory compliance implementation (e.g., implementation of self-evaluation of suppliers, coaching or education, performance evaluation).	safety and health, corporate ethics and supply chain management. The relevant unit will evaluate the compliance and implementation status. 2. According to the RBA regulation and other international regulations, the Company demands that the supplier should comply with the Code with respect to the business conduct in labor, health and safety, environment, corporate ethics and management system, and also the laws and regulations applicable in the countries/territories where the Company is operating business. Meanwhile, periodic audit plans are also applied in order to evaluate the supply chain suppliers' implementation status and risk.
V. Has the Company prepared a sustainability report or a report on non-financial information with reference to generally accepted international standards or guidelines? Are these reports supported by the assurance or opinion of a third-party verification entity?		V	1. Describe the international standards or guidelines which the CSR report or a report on non-financial information was prepared with reference to it. 2. Those with assurance or opinion of a third-party verification entity should specify the name, verification items or scope and the standards to which the assurance or opinion was based on.	1. The Company prepares the Sustainability Report in accordance with the international standards (GRI/SASB) and plans to disclose the Company's 2023 Sustainability Report on August 2024.  2. The content and data of the Sustainability Report can be confirmed against the internal records, but the Report has not obtained confirmation or assurance from a third-party verification agency .
VI. If the Company has established its own Sustainable Development Best-Practice Principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancies between the principles and their implementation: The Company’s Board of Directors meeting held in April 2022 passed the formulation of “Sustainable Development Best-Practice Principles” to reinforce the implementation of corporate social responsibility. The Company reviews its corporate social responsibility in accordance with these Principles and make improvements and there is no discrepancy.				
VII. Any other important information that may help in understanding the performance of sustainable development better: 1. The Company complies with the RBA’s Code of Conduct and domestic labor laws to prepare the “Corporate Social Responsibility Management Handbook (M0133)” as the professional ethical guidelines to be followed by the Company and all of its employees. A third party organization contracted by the RBA will conduct the audit on effectiveness of the Company’s labor conditions, environmental management, occupational safety and health, corporate ethics and supply chain management(Validated Assessment Program, VAP) once per two years. 2. We conduct surveys on employee opinions from time to time and have set up an opinion box aiming to make improvements targeting matters that require to be addressed. 3. We hold a labor-management meetings on a regular basis. By taking this approach, we strengthen employee communication and promote a harmonious labor-management relationship. 4. We provide an employee health examination, analyze and track their health information to further promote their health.				

Promotion	Improvement implementation status			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>5. Emergency assistance is set up to help employees better respond to emergencies and we provide good physiological counseling to employees.</p> <p>6. In order to provide customers with the best service quality, we promote green products and operating continuity management programs.</p> <p>7. Participate in environmental autonomous management activities, support for toxic disaster response drills and prepare the equipment for response to incidents at the factory premises of neighboring manufacturers.</p> <p>8. We have introduced the OHSAS-18001/TOSHMS occupational safety and health management system and obtained five years of recognition for occupational safety and health performance from the Council of Labor Affairs.</p> <p>9. We provide coaching of a variety of professional institutions to continue to promote pollution prevention, energy conservation and carbon reduction and hazards prevention measures.</p> <p>10. Various environmental and safety operations in the plant are implemented and internal and external professional training/drills arranged.</p> <p>11. We promote environmental protection in the office and implement the resource recycling and classification, and properly handled to avoid pollution to the environment.</p> <p>12. Moreover, we carry out audits on environmentally sensitive vendors to ensure their compliance, while conveying the Company dedication on the implementation of corporate social responsibility.</p> <p>13. We have signed a greenery adoption agreement and green management plan with Pingzhen Industrial Park to jointly build a quality production environment.</p> <p>14. To fulfill the Company’s “corporate social responsibility,” the Company encourages all colleagues to take part in blood donation organized by public institutions, private entities or blood-donation buses. By doing this, the Company promotes the idea of “give blood, save lives.”</p> <p>15. In a bid to implement in-plant risk management, we invite external experts to provide guidance to improve the organization’s risk management and response capability. We also work with universities to conduct exposure evaluation to lower employee health risks.</p> <p>16. In 2023, we donated the materials required for the event, the "Pingjhen Industrial Park 2023 Parol Christmas Star Warmth in Winter" to care for disadvantaged groups and nurseries.</p> <p>17. We accepted the RBA (Responsible Business Alliance) Code of Conduct, to conduct validated audit process (VAP) labor, safety and health, environment, ethics and systems</p> <p>18. Received five years of recognition for Taiwan Occupational Safety and Health Management System from the Council of Labor Affairs, Ministry of Labor and Badge Accredited Healthy Workplace by Health Promotion Administration, Ministry of Health and Welfare in 2014.</p> <p>19. Received a Certificate of Appreciation from the Industrial Park in 2015.</p> <p>20. Received an excellent company award from the the Manufactures United General Association Of Industrial Park of R.O.C. in 2016.</p> <p>21. Received an excellent company award from the he Manufactures United General Association of Industrial Parks of R.O.C. and in 2021 and excellent manufacturer award for regional joint defense exercise from Pingzhen Industrial Park.</p> <p>22. In 2022, the National Industrial Park Occupational Safety and Health Outstanding Personnel Award was granted.</p> <p>23. 2024/1/17 - 2024/4/17 made a NT\$30 Millon Green / Sustainable Time Deposit with Bank of Kaohsiung.</p>				

#### 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. Please refer to the descriptions in Note 2 below.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2. Please refer to the descriptions in Note 2 below.
3. Describe the financial impact of extreme weather events and transformative actions.	3. Please refer to the descriptions in Note 2 below.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4. Please refer to the descriptions in Note 2 below.

Item	Implementation status
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.	5. Please refer to the descriptions in Note 2 below.
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.	6. Please refer to the descriptions in Note 2 below.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	7. Please refer to the descriptions in Note 2 below. Currently, an internal cost (the shadow price) of NT\$300 per ton is used for evaluation and planning. Subsequent adjustments will be made based on the carbon price announced by the Ministry of Environment on a rolling basis.
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.	8. Please refer to the descriptions in 1-2 below.
9. Greenhouse gas inventory and assurance status <u>and reduction targets, strategy, and concrete action plan</u> (separately fill out in points 1-1 and 1-2 below).	9. Please refer to the descriptions in 1-1 and 1-2 below.

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

##### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
The inventory of greenhouse gas emissions completely covers the two factory areas of the Company, and the greenhouse gas emission scopes 1 to 3 have also been included in the inventory. In 2022, the scope 1-2 greenhouse gas emission volume was 15,147.89 tons of CO <sub>2</sub> e (scope 3 was 2,655.69 tons of CO <sub>2</sub> e), and the scope 1-2 intensity was 5.82 tons of CO <sub>2</sub> e/NT\$ million; the 2023 greenhouse gas emissions for scopes 1 and 2 were 15,537.33 tons CO <sub>2</sub> e Tons of CO <sub>2</sub> e (Scope 3 is 2680.76 tons of CO <sub>2</sub> e), and Scope 1-2 intensity is 5.77 tons of CO <sub>2</sub> e/NT\$ million.

##### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
The assurance of the greenhouse gas emission inventory for 2022 and 2023 was conducted by SGS, and the assurance scope covers greenhouse gas emission scopes 1 - 3. The inspection was completed according to ISO14064-3 and complies with the ISO14064-1:2018 standards. However, the verification has not been completed for 2023, and the complete assurance and information will be disclosed in the Sustainability Report.

##### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.
1. The Company started to conduct voluntary inventory in 2012 (there was only Pingzhen Plant at the time). The inventory in 2021 covered both factories of the Company. In 2022, as required by the latest version of ISO14064-1: 2018, Scopes 1 - 3 were included, and for the purpose of the inventory completeness, 2022 is determined as the base year. In 2022, the scope of Scope 1-2 greenhouse gas emission was 15,147.89 tons CO <sub>2</sub> e (scope 3 was 2,655.69 tons CO <sub>2</sub> e). 2. The reduction targets and strategies are divided into three phases: short, medium and long-term. The objectives and implementation methods of each phase are adjusted on a rolling basis depending on government policies, stakeholder requirements and expectations, prices and volume of supply and demand in renewable energy and carbon market, and internal cost-benefit assessments:

For the long-term, it is benchmarking of government policies to achieve net zero emissions by 2050 through renewable energy (RE100), carbon rights and supply chain management.

For the medium-term, the Company is benchmarking the Science-Based Reduction Targets Initiative (SBTi). Through the introduction of renewable energy (RE50) and energy storage facilities, the Company aims to control the Company's carbon emissions (scopes 1 and 2) at 8,000 metric tons in 2040.

For the short term, through improving energy efficiency, replacing old equipment and introducing renewable energy (RE10-30), the goal is to continuously increase production value but maintain no significant increase in carbon emissions or emission intensity by 2030 (the sum of Scope 1 and Scope 2 under 16,000 tons).

3. Specific action plans and achievement of reduction targets

The Company continues to promote energy-saving and waste-reduction policies each year, and set energy-saving targets. The average annual saving rate is 1% in average as the target for 2019 to 2024. In 2023, the Company promoted the temperature adjustment of chiller main unit, replacement of LED lights, and lower of air conditioner blowers, the saving rate achieved 1%.

Note 1. Specific description of risk assessment of material issues

Material Topic	Risk Assessment Items	Importance	Management Guidelines and Strategy
Corporate governance	Regulatory compliance	Compliance with securities, environmental protection, labor, export control and other applicable laws and regulations to maintain corporate image and reputation, avoid operational risks and managerial officers' responsibilities, and maintain the Company's stability and sustainable development	<ul style="list-style-type: none"> <li>The Board of Directors regularly reviews the status of compliance with laws and regulations internally</li> <li>The Audit Office conducts internal audits according to the annual plan to confirm the compliance status of each unit</li> <li>Compliance with environmental, occupational safety and fire safety regulations is reviewed by the Safety Committee on a quarterly basis</li> <li>Labor human rights and corporate social responsibility are handled in accordance with the "Responsible Business Alliance (RBA) Code of Conduct"</li> </ul>
	Ethical Corporate Management	Ethics is the top priority for business operations. Visual Photonics Epitaxy adheres to the business philosophy of "innovation, excellence, sharing, teamwork, and ethics," and prohibits any unethical conducts, to achieve the goal of sustainable operation.	<ul style="list-style-type: none"> <li>On March 10, 2022, the Board of Directors approved the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" for compliance.</li> <li>Internal advocacy is held once a year to convey the importance of ethics to directors, employees and appointees</li> <li>The policies of ethical corporate management are incorporated into the employee performance appraisal system and human resource policies to establish a reward and discipline system.</li> </ul>
	Business performance	With the goal of maintaining a leading position in the market, Visual Photonics Epitaxy continues to deepen investment in product development and process technology, to reduce production and operation costs, and maximize operating benefits.	<ul style="list-style-type: none"> <li>Visual Photonics Epitaxy actively implements the transparent corporate governance mechanism, to ensure the rights and interests of shareholders, and protect the rights and interests of all stakeholders. Through the complete operation of the board of directors and corporate management mechanism, we control and reduce the Company's operational risks, increase corporate profits and operating efficiency, achieve business goals sustainability and fulfill our social responsibilities</li> </ul>

Material Topic	Risk Assessment Items	Importance	Management Guidelines and Strategy
	Innovation and R&D	In response to changing market demands and industry trends, enterprises shall continue to take advantage of new technologies and new technologies to explore new business opportunities and maintain long-term competitiveness.	<ul style="list-style-type: none"> <li>• Innovative application development</li> <li>• Industry-academia collaboration program</li> <li>• Intellectual property rights management</li> <li>• Trade secrets</li> <li>• Patent infringement protection mechanism</li> </ul>
Environment	Climate change	Formulate climate change mitigation and adaptation strategies to respond to the impact of global climate change, fulfill the responsibility to protect the global environment, and ensure the sustainable development of the enterprise	<ul style="list-style-type: none"> <li>• Established a greenhouse gas promotion team to implement the greenhouse gas inventory policy, and promote the smooth implementation of greenhouse gas inventory related works</li> <li>• Adjust energy saving, carbon reduction and net zero path strategies on a rolling basis based on government policies, stakeholder requirements, and market conditions</li> <li>• Based on the assessment of climate-related financial risks and opportunities, the Company formulates the mitigation and adaptation strategies and makes the adjustments on a rolling basis</li> </ul>
	Energy and resource management	Stakeholders concern about the utilization of energy resources, risk management and control, and the countermeasures in the event of a shortage of energy resources	<ul style="list-style-type: none"> <li>• Energy management, energy saving measures and introduction of green energy</li> <li>• Water recycling and water resource risk management</li> <li>• Encourage and promote the recycling and reuse of resources</li> </ul>
	Pollution prevention	The utilization of hazardous substances such as organics, acids, alkalis and special gases during the production process requires compliance with relevant environmental protection laws and regulations, obtaining various government permits, and carrying out pollution preventive operation and maintenance operations to avoid environmental pollution	<ul style="list-style-type: none"> <li>• Introduction of environmental management system</li> <li>• Environmental regulation compliance</li> <li>• Air pollution prevention and pollution emission reduction</li> <li>• Water pollution prevention</li> <li>• Legal disposal, reduction, recycling of waste</li> <li>• Toxic and concerned chemical substances management</li> </ul>
Society	Employee diversity and gender equality	<p>The employee diversity is valued, the gender equality is safeguarded, to build a friendly workplace, and implement the concepts of inclusion, equality, and inclusiveness, to create an environment for talent retention</p> <p>A friendly working environment will increase employees' sense of identity and belonging to the Company, and is helpful to attract and retain talents, reduce employee turnover, and enable the Company's culture to be demonstrated in diverse manner, and enable all employees to exert their strengths and create a win-win situation</p>	<ul style="list-style-type: none"> <li>• For employment, no discriminatory treatment due to gender, race, religion, political stance, marital status, among other things, exists. Accept and respect the differences between different groups</li> <li>• The Company promotes various measures and policies for gender equality, and conducts annual education and training on "Regulations for Sexual Harassment in the Workplace Prevention Measures, Appeal and Disciplinary," and the "Promotion for Unlawful Infringement and Stalking in the Performance of Duty" to provide employees with an employment environment free from sexual harassment.</li> <li>• Ensuring employment opportunities for the mentally and physically challenged by providing fixed head count employment</li> <li>• Employees who apply for parental leave in accordance with the law, may retain their jobs, and fulfill their childcare responsibilities</li> </ul>

Material Topic	Risk Assessment Items	Importance	Management Guidelines and Strategy
	Human Rights	Human rights are based on the principle of respect for individuals. Everyone is ethical and rational, and should be treated with dignity Comply with international labor standards and protect labor rights and interests; commit to comply with national labor laws and regulations, internationally recognized labor standards and other international human rights protection spirits and basic principles; fully reflect the responsibility to respect and protect human rights; treat everyone with dignity and respect	<ul style="list-style-type: none"> <li>Committed to safeguard employees' human rights, provide a friendly workplace for employees, actively fulfill the "Visual Photonics Epitaxy CSR Policy," and implement the regulations with suppliers jointly</li> <li>Conduct annual education and training on "Corporate Social Responsibility Policy Promotion" and "Employee Code of Conduct"</li> <li>Through the establishment of employee suggestion boxes, internal information announcements and regular labor-management meetings, along with other diversified two-way communication channels, we enhance and optimize workplace harmony and ensure employees' rights and interests</li> </ul>
	Occupational health and safety	The production process uses a large amount of chemicals and high-risk machines. The safety and health of employees and contractors is the Company's top priority. The Company needs to identify potential hazards, prevent accidents, and protect the physical and mental health of workers. Only then the Company's sustainable operation is secured.	<ul style="list-style-type: none"> <li>Occupational health and safety management system introduced</li> <li>Process safety management and prevention of fire/chemical disasters</li> <li>Control of high-risk operations, prevention of work injuries (physical/chemical/ergonomic) and chemical exposure health risks</li> <li>Strengthening of active safety and health management and seizing opportunities for development and improvement</li> </ul>
	Firefighting management and emergency response	Major incidents in recent years have resulted in casualties and social unrest. The competent authority pays attention to factory responsiveness and firefighting management. Business units must be ready for relevant preparations and respond to the aftermath on a daily basis, to ensure the safety of employees and maintain the sustainable operation of the Company	<ul style="list-style-type: none"> <li>Fire protection and disaster prevention plan</li> <li>Management of public hazardous substances</li> <li>Internal contingency training and drills</li> <li>Regional joint defense and hazard notification to fire department</li> </ul>

Note 2. Assess the present and future potential risk and opportunities of climate change, its assessment results, and its adoption of countermeasures related to climate issues (based on TCFD)

Description of implementation in 2023:

<p><b>Governance</b></p> <p>a. Supervision by the Board of Directors The Board of Directors is the Company's highest governance body for climate issues. The Board of Directors is responsible for supervising, assessing and approving budgets related to climate change, energy saving and carbon reduction. The Sustainability Task Force reports to the Board of Directors on issues related to greenhouse gas inventory and climate change on a quarterly basis</p> <p>b. Management evaluation and management The Greenhouse Gas Promotion Team consists of environment and safety, materials, plant affairs, human resources and administration, and finance units. The team is mainly responsible for issues of climate change, energy saving and carbon reduction. The President serves as the convener and reports to the Board of Directors on responding strategies for climate change, energy saving and carbon reduction on a regular basis. For reduction targets, net zero path planning, and climate change-related issues, the Sustainability Task Force reports the implementation status and progress to the Chairman and the President on a quarterly basis, and adjusts the direction and target progress according to the management's instructions.</p>	<p><b>Strategy</b></p> <p>a. Short-, medium- and long-term climate-related risks and opportunities It is defined that short-term climate-related risks as 1-3 years, medium-term as 3-5 years, and long-term as 5-10 years. After discussion by the Sustainability Task Force, a total of five climate change risks and four climate change opportunities were identified for the short, medium and long term.</p> <p>b. Impacts of climate-related risks and opportunities on operations, strategies and financial planning The Company's Greenhouse Gas Promotion Team analyzes the operational and financial impacts in accordance with the TCFD identification framework. Financial impact refers to the potential impact on the Company's revenue or assets when the scenario occurs (under NT\$20 million is low, between NT\$20 million and NT\$50 million is medium, and the impact level over NT\$50 million is high; within three years is short-term, three to eight years is medium term, and the long term is over eight years) Transition risks impacting financial risks include the risk and impact of costs and expenditures derived from laws and regulations, adverse reputation, or market loss of customer orders; physical risks include changes in rainfall patterns, typhoon intensity or frequency, and other disasters, which will affect the maintenance of production line equipment and assets losses.</p> <p>c. Organizational and strategic resilience under different climate scenarios The transition risks and opportunities are analyzed and evaluated based on different carbon pricing and climate scenarios. For the physical risk opportunities, it refers to the governmental analyses and evaluations based on RCP2.6, RCP4.5, RCP6.0 and RCP8.5 and the 3D disaster potential map of the National Science and Technology Center for Disaster Reduction.</p>
<p><b>Risk management</b></p> <p>a. Climate-related risk identification and assessment process. The Company's Sustainability Task Force, through cross-departmental discussions and with reference to the CDP/ MSCI questionnaires, as well as peers' climate change risk items, jointly identify and conduct assessments of climate-related risks and opportunities.</p> <p>b. Climate-related risk management process. Based on the identification and evaluation process, the results of the identification of risks and opportunities are summarized, and the relevant strategies and action plans are formulated with attention to risks and opportunities. The quarterly task force meeting reports the implementation of the management and continues the tracking.</p>	<p><b>Indicators and Targets</b></p> <p>a. Indicators used to assess climate-related risks and opportunities. Covering indicators such as energy consumption, greenhouse gas emissions, water consumption and waste output per unit of product, and the implementation of energy efficiency improvement plans and renewable energy purchases are assessed.</p> <p>b. Disclosure of Scope 1, Scope 2 and Scope 3 (if applicable) greenhouse gas emissions and related risks. According to the ISO 14064:2018 standards, Scope 1, Scope 2 and Scope 3 greenhouse gas inventories are conducted every year, and external verification is conducted by a third-party verification company to examine the Company's greenhouse gas emission status in various areas and as the verification of the reduction effectiveness. The relevant information is disclosed in the Company's annual report, sustainability report and the Company's website.</p>



<p>c. How to integrate the identification, assessment and management process of climate-related risks into the overall risk management system of the organization. Opportunities and risks in terms of operations, such as heavy rain/flooding and water/power shortage scenarios caused by climate change, are incorporated into the operation continuity risk assessment and formulation of relevant preparation and recovery plans.</p> <p>In terms of strategic opportunities and risks, the management will continue to monitor the needs and expectations of stakeholders and market changes, and adjust strategy and product planning.</p> <p>Financial opportunities and risks are regularly reported to the management by the Finance Division based on the annual budget and cost-effectiveness assessment.</p>	<p>c. Targets adopted for managing climate-related risks and opportunities, and performance in implementing such targets.</p> <p>In addition to reviewing the energy consumption, greenhouse gas emissions, water consumption and waste output per unit of product, the average annual energy saving target of 1% between 2019 and 2024 was set in 2018. Depending on government policies, stakeholder requirements and expectations, prices and volume of supply and demand in renewable energy and carbon market, and internal cost-benefit assessments, the objectives and implementation methods of each phase are adjusted on a rolling basis to respond to the national policy of 2050 net zero carbon emissions.</p>
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The Company monitors the financial impact and management practices of climate-related risks

Category	capital	Period of influence (Short, medium and long)	Description of potential financial impact	Financial impact (Low, medium, and high)	Management countermeasures
Transition risks	Carbon fee	Short-medium	The Company's total greenhouse gas emission in 2022 is about 15,000 tons (excluding categories 3 - 6). Currently, it is not subject to the government's first wave of carbon fees and caps. Assuming the carbon fee is estimated at NT\$300/ton (the actual price of carbon fee will be announced by the Ministry of Environment), the potential cost derived from carbon emissions is about NT\$4.5 million.	Low-Medium	<ol style="list-style-type: none"> <li>1. The Company will continue to pay attention to the possible impact and impact of the "Climate Change Response Act" and the government's carbon fee and caps on greenhouse gases, to adjust the Company's response strategies on a rolling basis.</li> <li>2. Continue to evaluate and replace outdated equipment, evaluate energy-saving and carbon reduction solutions such as cold energy recovery, hydrogen power generation and purchase of renewable energy.</li> </ol>
	Renewable energy	Medium	We have not yet received any requests or requirements for the use of renewable energy (e.g., RE100) from customers. Furthermore, the domestic renewable energy market is currently in short supply and the price is much higher than the industrial electricity price. For example, based on NT\$4/kWh of industrial power and NT\$6/kWh of renewable energy, the additional cost of purchasing renewable energy is estimated to be NT\$60 million.	High	<ol style="list-style-type: none"> <li>1. Continue to monitor the renewable energy (green power) market supply and electricity price movement, and conduct internal cost-benefit assessment and electricity composition reliability analysis.</li> <li>2. Continue to monitor the progress of changes in domestic and foreign policies, and and the reflection by Industrial Development Bureau of the corporate green power procurement needs, to respond to the impact and influence of the carbon fee specified in the "Climate Change Response Act" in Taiwan and the EU carbon tariff on the Company's operation.</li> </ol>

Category	capital	Period of influence (Short, medium and long)	Description of potential financial impact	Financial impact (Low, medium, and high)	Management countermeasures
	Changes in customer behavior in the market	Medium-long	Some customers and peers have declared the goal of net zero and RE100. If they are unable to meet the needs of customers or stakeholders, their willingness to place orders will be affected, resulting in a drop of revenue by more than 10%. Institutional investors and banks are concerned about operational and sustainability risks, and the results of the evaluation affect willingness to invest and even interest rates of lending.	High	<ol style="list-style-type: none"> <li>1. Annual sustainability reports are regularly released every year, to keep stakeholders informed of the Company's energy saving and carbon reduction efforts and direction</li> <li>2. Regularly track relevant market information, compare the progress of sustainability, energy saving and carbon reduction against domestic and foreign peer factories and customers as a reference for internal response</li> <li>3. Set a net zero blueprint for carbon reduction, and make rolling adjustments by phases based on the annual status</li> </ol>
Physical risk	Water shortage and power shortage	Medium	Climate change has aggravated droughts and floods in Taiwan. Droughts have caused water shortages, and rising temperatures have led to increased power consumption throughout Taiwan and insufficient backup capacity, resulting in a risk of power tripping/blackout The one-day interruption of the Company's operations resulted in a loss of turnover of about NT\$10 million.	Low	In response to water and power shortage scenarios, preparation and response measures are formulated in accordance with the operation continuity management procedure. In the event of a power outage, emergency generators and diesel reserves are available. In the event of a water outage, a water storage tank is installed.
	Heavy rain and flooding	Short	Climate change has aggravated droughts and floods in Taiwan. The heavy rains may cause flooding of the factory area or interruption of surrounding roads and traffic, resulting in risk scenario of interruption of the Company's operations. The one-day interruption of the Company's operations resulted in a loss of turnover of about NT\$10 million.	Low	In 2020, an external consultant was commissioned to conduct a simulation study on the risk of various natural disasters at the factory, showing that the risk of flooding was not high. In addition, the Company's Pingzhen factories are located in Shanzaiding area. According to the 3D disaster potential map of the National Science and Technology Center for Disaster Reduction, it shows that there is no concern of direct flooding under various rainfall scenarios.
Transformation opportunities	Corporate reputation	Medium	Stakeholders are concerned about the Company's potential climate risks and opportunities. Through the disclosure in the sustainability report, requesting suppliers to fulfill corporate social responsibilities, or participating in RE100 and net zero emission initiatives, it is helpful to improve the Company's image and obtain orders,	Low	<ol style="list-style-type: none"> <li>1. Annual sustainability reports are regularly released every year, to keep stakeholders informed of the Company's energy saving and carbon reduction efforts and direction</li> <li>2. Relevant actions and progress are disclosed on the Company's website for the reference of stakeholders</li> <li>3. Responding to the governmental 2050 net zero policy, the net zero blueprint for carbon reduction is set for the</li> </ol>

Category	capital	Period of influence (Short, medium and long)	Description of potential financial impact	Financial impact (Low, medium, and high)	Management countermeasures
			investment opportunities and preferential interest rate.		short, medium and long-term, and make rolling adjustments by phases based on the annual status
	Renewable energy	Medium-long	As the majority (90%) of the Company's carbon emissions comes from the purchased electricity in Scope 2, if the renewable energy is introduced, it can reduce the issues of carbon emissions and carbon fee, and echo the national and international 2050 net zero emission policies.	Medium	<ol style="list-style-type: none"> <li>1. Continue to track the supply and price changes in the renewable energy (green power) market, stakeholders' needs and expectations, and internal discussions, to adjust the Company's renewable energy introduction method and schedule on a rolling basis.</li> <li>2. In addition to renewable energies, the Company will continue to monitor domestic and international carbon trading mechanisms and market prices as the options for the Company's long-term net zero carbon emissions.</li> </ol>
Physical opportunity	Energy efficiency	Medium	In line with the replacement of outdated equipment in factories, high-energy-efficiency equipment is gradually introduced, and the integration of various systems and related energy-saving projects are evaluated.	Low	<ol style="list-style-type: none"> <li>1. Continue to evaluate equipment replacement and introduce various energy-saving and carbon-reduction projects; new equipment will help to improve operation reliability and avoid the risk of operation interruption</li> <li>2. Continue to introduce external technical resources to improve the Company's energy management efficiency.</li> </ol>
	Disaster resilience	Short	By assessing various possible impacts and formulating corresponding recovery plans, the Company may reduce the risk of business interruption and improve the resilience of the supply chain.	Low	<ol style="list-style-type: none"> <li>1. Based on the Operational Continuity Management Procedures, various preparations and countermeasures are formulated and the regular audits and inspections on the recovery plans are conducted.</li> <li>2. Continue to introduce various risk assessment, as well as management technical specifications and resources, to improve the Company's disaster prevention resilience.</li> </ol>

(VI) Implementation of ethical corporate management and deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation item	State of operation			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Formulation of ethical management policies and programs				No difference
(I) Has the company established an ethical corporate management policy approved by the board of directors? Does the policy clearly specify in its rules and external documents the ethical corporate management policies, and the commitment of the board of directors and the senior management to pro-actively implement the management policy?	V		(I) The Company's Board of Directors has approved the establishment of the "Ethical Corporate Management Best-Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct" and "Guidelines for the Adoption of Codes of Ethical Conduct," and actively promotes such in employee education and training. The Company also arranges ethical management-related training courses for employees and senior supervisors.	
(II) Has the company established a risk assessment mechanism against unethical acts, analyzed and assessed business activities within their business scope regularly that are at a higher risk of being involved in unethical act, and established prevention programs covering at least the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The Company has established preventive measures in the "Procedures for Ethical Management and Guidelines for Conduct" and the "Employee Code of Conduct." New employees are informed of these requirements upon training and if there are any violations, employees will be disciplined by the Company. For serious incidents, the Company may terminate the employment contract. Meanwhile, possible non-ethical risks are reviewed at all times to enhance the effectiveness of the Company's ethical management.	
(III) Has the company clearly provided the operating procedures, conduct guidelines, disciplinary measures for violations and a grievance system in its program to prevent unethical acts and are these implemented and whether or not the formally disclosed program has been regularly reviewed and amended?	V		(III) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct," which include the prohibition of unethical conduct, reporting system and punishment for violations. Each year, these Procedures are reviewed for revision or whether or not supplementary policies and operating procedures are required.	
II. Implementation of ethical management				
(I) Has the company evaluated the records for ethical management of all counterparties it has business relationships with? Are there any clauses with respect to ethical management in the agreements entered into with business partners?	V		(I) The Company adheres to the principle of fair treatment of customers and suppliers. Prior to entering into a contract, a supplier should follow the "Supplier Code of Conduct" covering labor, health and safety, environmental, integrity and ethical management standards.	No difference
(II) Has the Company set up a dedicated unit to promote ethical corporate management under the board of directors and has such unit reported	V		(II) The President Office is appointed as the dedicated unit to promote corporate ethical management. Financial Division and Human Resource & Administration Division	

Evaluation item	State of operation			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>to the Board of Directors its execution in terms of ethical management policy and preventive programs against unethical conducts and the supervision status on a regular basis?</p> <p>(III) Has the company formulated a policy that prevents conflicts of interest and a channel that facilitates the reporting of conflicting interests?</p> <p>(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management and proposed relevant audit plans according to the assessment results of the risks of unethical conducts and reviewed the compliance of the prevention of unethical conducts or entrusted an accountant to carry out the review?</p>	V		<p>work together to promote the ethical management practices. President Huang Chao-Hsing is responsible for supervising and executing the work, and assisting the Board of Directors and management establish and supervise the ethical management policy and prevention program, subject to each unit's functions and operations, in order to ensure the implementation of the Ethical Corporate Management Best-Practice Principles. Meanwhile, it is necessary to report the implementation status to the Board of Directors each year. The latest report was submitted on January 26, 2024.</p> <p>(III) The Company's "Ethical Corporate Management Best-Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Code of Ethical Conduct for Directors and Managers" and "Employee Code of Conduct" set forth that direct or indirect offering, promising, demanding or accepting any improper benefits or engaging in any other unethical conducts in violation of integrity, wrongfulness or breach of fiduciary duty. The Company encourages any whistleblowing report on illegal acts or misconduct. The Board of Directors approved the adoption of the "Handling Measures for Reporting of Illegal, Unethical or Dishonest Conduct." In 2023, the Company didn't receive any report on violation of finance or accounting requirement, violations of the customer data protection or loss, or any material violations (fined more than NT\$1 million).</p> <p>(IV) The Company has established effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, to ensure that the design and enforcement of the systems are showing results. Its compliance is regularly checked by internal auditors and reported to the Board of Directors.</p>	

Evaluation item	State of operation			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TP Ex Listed Companies and reasons
	Yes	No	Summary	
(V) Has the company organized internal or external training on a regular basis to maintain ethical management?	V		(V)The Company has Financial Division and Human Resource & Administration Division work together to promote the education to the directors and all colleagues. From October 24 to 27, 2023 and November 1 to 3, 2023, the key provisions of the “Employee Code of Conduct,” “Procedures for Handling Material Inside Information,” “Prevention of Insider Trading,” “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” were compiled, and translated such information into Vietnamese, to be promoted as the matters to be paid attention when conducting business. The brief presentation files were also sent to all directors, managers and employees for reference. A total of 597 directors and employees completed their trainings, with a total of 597 hours and a completion rate of 99.3%.	
III. Whistleblowing system				No difference
(I) Has the company set up a specific reporting and incentive system and established a channel to facilitate reporting and assigned dedicated personnel to receive reports?	V		(I) The Board of Directors approved the Company’s formulation of the “Handling Measures for Reporting of Illegal, Unethical or Dishonest Conduct” and the “Handling Measures for Staff Grievance (M0135).” For anyone who has been reported, the Company assigns appropriate staff to handle such matter.	
(II) Has the company implemented any standard operating procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconducts?	V		(II) The handling process and handling methods for the Company’s “Handling Measures for Reporting of Illegal, Unethical or Dishonest Conduct” and the “Handling Measures for Staff Grievance (M0135)” regulate standard operating procedures, measures to be taken after an investigation and related confidentiality mechanism of the grievance raised.	
(III) Has the company taken appropriate measures to protect the whistleblower from improper treatment as a result of whistleblowing?	V		(III) The Company handles a grievance in a confidential manner and performs verification through independent channels to do its utmost to protect the whistleblower. The identity of the whistleblower is kept strictly confidential.	
IV. Strengthen information disclosure				No difference
Has the company disclosed the content of its Ethical Corporate	V		The Company has formulated the “Ethical Corporate Management Best-Practice	

Evaluation item	State of operation		Summary	Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No		
Management Best-Practice Principles and the results of implementation on its official website and MOPS?			Principles” and “Procedures for Ethical Management and Guidelines for Conduct,” disclosed on the company website and MOPS.	
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies,” please describe the current practice and any deviations from the code of conduct: The Company has formulated the “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” and there are no significant differences.				
VI. Any other important information that may help understanding the performance of ethical corporate management better: (e.g., review or revise its Ethical Corporate Management Best-Practice Principles): none.				

(VII) If the Company has established the Corporate Governance Best Practice Principles and related regulations, the inquiry method:

1. The Company has established the following regulations and measures:

- |   |   |
|---|---|
| (1) Operating Procedure for Acquisition or Disposal of Assets               | (11) Compensation Committee Charter   |
| (2) Handling Procedures for Derivatives Trading                             | (12) Audit Committee Charter  |
| (3) Procedures for Lending Funds to Others                                  | (13) Method for Election of Directors   |
| (4) Procedures for Endorsements/Guarantees                                  | (14) Standard Operating Procedures for Handling Directors' Requests                                   |
| (5) Parliamentary Rules for Shareholders' Meetings                          | (15) Handling Measures for Reporting of Illegal, Unethical or Dishonest Conduct                       |
| (6) Parliamentary Rules for Board of Directors Meetings                     | (16) Self-Evaluation or Peer Evaluation of the Board of Directors                                     |
| (7) Procedures for Handling Material Inside Information Technology Division | (17) Ethical Corporate Management Best-Practice Principles  |
| (8) Procedures for Prevention of Insider Trading                            | (18) Procedures for Ethical Management and Guidelines for Conduct                                     |
| (9) Corporate Governance Best-Practice Principle                            | (19) Sustainable Development Best Practice Principles   |
| (10) Rules Governing the Scope of Powers of Independent Directors           | (20) The "Rules Governing Operations in relation to Finance and Transactions between Related Parties" |
| (11) Guidelines for the Adoption of Codes of Ethical Conduct                |   |

2. Inquiry method: The Investors section on the Company's website at

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

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance:

1. To establish a sound mechanism for handling material information, we have established the "Procedures for Handling Material Inside Information Technology Division." All directors, managers and employees are made aware of these Procedures to avoid any violation or occurrence of insider trading.
2. The Company's newly appointed insiders including directors and managers are given the latest version of "Compliance Brochure for Directors and Supervisors" compiled by the competent authorities to facilitate their compliance.
3. Licenses obtained by the Company's financial information transparency-related personnel: 1 internal auditor, ISO9001-led auditor, and 2 persons passed professional competency tests for stock affairs specialists organized by the Securities and Futures Commission.
4. Employee code of conduct and ethics: The Company has formulated the "Employee Code of Conduct" as a basis for employee work and conduct.



(IX) Implementation of the internal control system

1. Statement on Internal Control

Visual Photonics Epitaxy Co., Ltd.  
Statement on Internal Control System

Date: February 29, 2024

The following statement has been made based on the 2023 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of the Directors and managers and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance and asset security) and reliable financial reporting and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. Therefore, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether or not the existing system continues to be effective. Criteria introduced by "The Governing Principles" consists of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the aforementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2023. This system (including the supervision and management of subsidiaries) has provided assurance with regard to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information and its compliance with relevant laws.
- VI. This Statement constitutes part of the Company's Annual Report and prospectus and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed unanimously without objections by all 11 directors present at the Board of Directors meeting held on February 29, 2024.

Visual Photonics Epitaxy Co., Ltd.

Chairman: Chen Chien-Liang

President: Huang Chao-Hsing



2. If an accountant is entrusted to perform a special audit on the internal control system, the audit report shall be disclosed: none.

(X) If there has been any legal penalty against the company or its internal personnel or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the results of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders' meeting or a board of directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Material resolutions of a shareholders' meeting and their implementation

Date	Material resolutions and their implementation
2023/06/07	<p>1. Approved the re-election of the whole directors  <b>List of elected directors:</b> Chen Chien-Liang; Chen Mao-Chang; Huang Chao-Hsing; Lai-Yu Hsiu-Min; Representative of Ren Tai Investment Co., Ltd. Yeh Sheng-Mao; Representative of Ren Tai Investment Co., Ltd.: Chen Chien-Ting; Representative of Ren Tai Investment Co., Ltd.: Shih Chih-Hsun; Representative of Shang-Jin Investment Co., Ltd.: Chang Cheng-Liang.  <b>List of elected independent directors:</b> Huang Man-Sheng; Lin Hao-Hsiung; Wang Chia-Hsiang</p> <p>2. Ratification of the 2022 Business Report and Financial Statements</p> <p>3. Ratification of the 2022 earnings distribution plan  Implementation: July 2, 2023 has been set as the base date for cash dividends for payment of NT\$2.30 per share. The distribution date was July 14, 2023.</p> <p>4. Approved the removal of non-competition restrictions for new directors and their representatives</p>

2. Important resolutions of Board of Directors

Date	Important resolutions
2023/01/18	1. Motion for formulating the 2023 operating plan
2023/03/16	<p>1. Motion for the 2022 Business Report and Financial Statements</p> <p>2. Motion for the 2022 remuneration to employees and directors</p> <p>3. Motion for the 2022 earnings distribution</p> <p>4. Motion for change of CPAs</p> <p>5. Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2023.</p> <p>6. Proposal to pre-approve the external auditors, the auditors' firm, and affiliates of the firm to provide non-certification services to the Company.</p> <p>7. Motion for evaluation of the independence and competence of the 2023 CPAs</p> <p>8. 2022 International Control System Statement</p> <p>9. Re-election of the whole directors</p> <p>10. Motion for the convening of the 2023 annual general meetings of shareholders</p> <p>11. Proposal for the Company's reorganization</p>
2023/04/27	<p>1. Q1 2023 financial report</p> <p>2. Nomination of candidates for directors and independent directors</p> <p>3. Removal of non-competition restrictions for new directors and their representatives</p> <p>4. Motion for amendments to some provisions of the "Corporate Governance Best-Practice Principle"</p>

Date	Important resolutions
	5. Establishment of the "Rules Governing Operations in relation to Finance and Transactions between Related Parties" 6. Appointment of "Corporate Governance Officer"
2023/06/07	1. Election of the Chairman
2023/06/29	1. Appointment of the 5th remuneration committee members
2023/07/27	1. Resolutions of the 1st meeting of the 5th Compensation Committee 2. Q2 2023 financial report
2023/10/26	1. Q3 2023 financial report 2. Formulation of the 2024 audit plan 3. Amendments to certain provisions of "Standard Operating Procedures for Handling Directors' Requests"
2024/01/26	1. Motion for formulating the 2024 operating plan
2024/02/29	1. Motion for the 2023 Business Report and Financial Statements 2. Motion for the 2023 remuneration to employees and directors 3. Resolutions of the 2nd meeting of the 5th Compensation Committee 4. Motion for the 2023 earnings distribution 5. Motion for appointing CPAs Lin Se-Kai and Lai Tsung-Hsi of PwC Taiwan to audit the Company's various financial reports and tax income on profit-making businesses for 2024. 6. Proposal for evaluation of the independence and competence of the 2024 CPAs 7. 2023 Statement of Internal Control System 8. Motion for the convening of the 2024 annual general meetings of shareholders

(XII) Any other documented objections or qualified opinions raised by directors against Board of Directors' resolutions during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report: None.

(XIII) Resignation or discharge of anyone related to the financial report (including chairman, president and accounting officer, financial officer, internal auditing officer and research and development officer) during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report: None.

## V. Information on CPA Professional Fees:

Unit of amount: NT\$ thousand

Name of accounting firm	Name of CPA	Audit period by CPAs	Audit fee	Non-audit fee	Total	Remark
PwC Taiwan	Lin Se-Kai	2023.01~2023.12	1,340	540	1,880	Non-audit fees; tax certification English translation of financial statements
	Lai, Chung-Hsi					

- (1) When the company changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: none.
- (2) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: none.

## VI. Information on Replacement of CPAs

### (I) Regarding the former CPAs

Date of replacement	Passed by resolution of the Board of Directors on March 16, 2023		
Reason and explanation for change	Internal duty rotation of the accounting firm		
Has the company or the CPA terminated or discontinued the engagement	Contracting parties		
	Situation	CPA	The Company
	Voluntarily terminated the engagement	Not applicable	Not applicable
	Discontinued the engagement	Not applicable	Not applicable
An audit report issued during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason.	No		
Different opinions from the issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Audit scope or steps
			Others
	None	V	
	Explanation: not applicable		
Other matters for disclosure (Matters covered in items 1-4 to 1-7, subparagraph 6, Article 10 of these Regulations should be disclosed.)	None		

(II) Regarding the successor CPA

CPA firm	PwC Taiwan
Name of CPA	Lin Se-Kai, CPA Lai Chung-Hsi, CPA
Date of engagement	Passed by resolution of the Board of Directors on March 16, 2023
If prior to the formal engagement of the successor CPA, the company consulted the new CPA regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the company's financial report	No
Written views of the former CPA on which the successor disagreed with the former CPA	No

(III) Reply letter from the former CPA regarding matters covered in items 1 and 2-3, subparagraph 6, Article 10 of these Regulations: Not applicable.

**VII. Where Company Chairman, President or any Manager in Charge of Finances or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm, the Name, Job Title, and Period of Tenure at Such Shall be Disclosed. The Term "Affiliated Enterprise of CPA Accounting Firm" Refers to an Enterprise Where CPA at the CPA Accounting Firm Holds At least 50% of the Shares in the Firm or Has Acquired More Than Half of the Seats of Directors or a Company or Institution Listed in the Materials Disclosed or Published by the CPA's CPA Accounting Firm as an Affiliated Enterprise: none.**

**VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Manager, or Shareholder with a Stake of More than 10 Percent:**

Unit: Share

Title	Name	2023		Current year up to April 1	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Chen Chien-Liang	0	(315,000)	0	310,000
Director	Chen Mao-Chang	(23,000)	(550,000)	0	(100,000)
Director/ President	Huang Chao-Hsing	0	(100,000)	0	0
Director	Lai-Yu Hsiu-Min	(21,000)	0	(77,000)	0
Director	Ren Tai Investment Co., Ltd.	(9,000)	(300,000)	0	0
Director representative	Yeh Sheng-Mao	0	0	0	0
Director	Ren Tai Investment Co., Ltd.	(9,000)	(300,000)	0	0
Director representative	Chen Chien-Ting	0	0	0	0
Director	Ren Tai Investment Co., Ltd.	(9,000)	(300,000)	0	0
Director representative	Wan-Chuan Liao (new on June 9, 2023)	0	0	0	0
Director representative	Shih Chih-Hsun (discharged on June 9, 2023)	0	0	Not applicable	Not applicable
Director	Shang-Jin Investment Co., Ltd.	0	0	0	0
Director representative	Chang Cheng-Liang	0	0	0	0
Independent director	Huang Man-Sheng	0	0	0	0
Independent director	Lin Hao-Hsiung	0	0	0	0
Independent director	Wang Chia-Hsiang	0	0	0	0
Senior Vice President	Chen Hsien-Chung	(50,000)	0	0	0
Senior Vice President	Chin Yu-Chung	(16,000)	0	(5,000)	0
Senior Vice President	Hsieh Chin-Lung	(76,500)	0	0	0
Vice President	Wu Chang-Ming (discharged on March 15, 2023)	0	0	Not applicable	Not applicable
Vice President	Chung Chin-Ling	(10,000)	0	0	0
Financial Accounting Manager	Chiang Chih-Ching	0	0	0	0

During the transfer of shares in which the counterparty is a related party: none.

During the pledge of shares in which the counterparty is a related party: none.

**IX. Relationship among the Company's 10 Largest Shareholders as a Related Party, a Spouse or a Relative Within the Second Degree of Kinship:**

April 1, 2024; Unit: Share

Name	Shares held by the shareholder		Shareholdings by spouse and minor children		Shareholdings under the name of others		Names and relationship of top 10 shareholders who are related parties, spouses or within second-degree of kinship to each other under Statements of Financial Accounting Standards		Remark
	No. of shares	Shareholdings	No. of shares	Shareholdings	No. of shares	Shareholdings	Name	Relationship	
Labor Pension Fund, New system	13,476,800	7.29%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Labor Pension Fund, Old system	5,338,900	2.89%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Standard Chartered Bank (Taiwan) Limited Banking Department is entrusted with custody of AIM Investment Fund (Invesco Investment Funds ) of Invesco EQV Emerging Markets All Cap Fund	5,282,000	2.86%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Trust Department of Hua Nan Commercial Bank is entrusted with custody of Allianz Taiwan Technology Securities Investment Trust Fund Account	4,844,000	2.62%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Public Service Pension Fund Management Board	4,332,000	2.34%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
HSBC Bank (Taiwan) Commercial Bank Co., Ltd. is entrusted for custody to Mitsubishi UFJ Morgan Stanley Securities - a proprietary platform for securities trading of three-way SBL trading investment account	4,006,000	2.17%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Standard Chartered International Commercial Bank is entrusted for custody to Mizuho Securities Investment Account	3,244,000	1.75%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Citibank (Taiwan) is entrusted for custody to UBS Europe SE Investment Account	3,133,454	1.69%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Ren Tai Investment Co., Ltd.	3,104,000	1.68%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
Ren Tai Investment Co., Ltd. Representative : Chu Yi-Wen	733	0.00%	0	0.00%	0	0.00%	Not applicable	Not applicable	None
JPMorgan Chase Bank Taipei Branch is entrusted for custody to JPMorgan Securities Investment Account	3,084,749	1.67%	0	0.00%	0	0.00%	Not applicable	Not applicable	None

**X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company**

Unit: Share; %

Reinvestee	The Company's investment		Invested by the Company, its directors, supervisors, managers and any companies controlled either directly or indirectly by the Company		Comprehensive investment	
	No. of shares	Percentage (%)	No. of shares	Percentage (%)	No. of shares	Percentage (%)
TAISIC MATERIALS CORP.	500,000	1.00%	0	0.00%	500,000	1.00%



## Chapter IV. Capital Overview

### I. Capital and Shares

#### (1) Sources of capital

April 1, 2024 Unit: NT\$1,000; thousand shares

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares (shares)	Amount (NTD)	Shares (shares)	Amount (NTD)	Sources of capital	Capital increase by assets other than cash	Other
Nov. 1996	10	36,000	360,000	23,000	230,000	Funding upon incorporation	—	Approved by Letter (85)-Shang No. 120384 dated Nov. 26, 1996.
Jun. 1998	10	36,000	360,000	36,000	360,000	Capital increase in cash by NT\$130,000,000	—	Approved by Letter (87)-Tai-Cai-Cheng-(I) No. 48087 dated Jun. 8, 1998.
Mar. 1999	20	60,000	600,000	50,400	504,000	Capital increase in cash by NT\$144,000,000	—	Approved by Letter (88)-Tai-Cai-Cheng-(I) No. 23291 dated Mar. 4, 1999.
Mar. 2000	40	100,000	1,000,000	70,000	700,000	Capital increase in cash by NT\$196,000,000	—	Approved by Letter (88)-Tai-Cai-Cheng-(I) No. 21449 dated Mar. 1, 2000.
Apr. 2001	10	100,000	1,000,000	77,900	779,000	Capitalization of earnings and employee bonuses in the amount of NT\$46,800,000 and capitalization of capital surplus in the amount of NT\$32,200,000.	—	Approved by Letter (90)-Tai-Cai-Cheng-(I) No. 117356 dated Apr. 4, 2001.
Sept. 2004	10	130,000	1,300,000	81,300	813,000	Capital increase through private placement by NT\$34,000,000	—	Approved by Letter Shou-Shang No. 09301184700 dated Sept. 29, 2004.
Mar. 2005	8	130,000	1,300,000	89,550	895,500	Capital increase through private placement by NT\$82,500,000	—	Approved by Letter Shou-Shang No. 09401035630 dated Mar. 10, 2005.
Jul. 2005	5	160,000	1,600,000	97,900	979,000	Capital increase through private placement by NT\$83,500,000	—	Approved by Letter Shou-Shang No. 09401119360 dated Jul. 5, 2005.
Aug. 2006	15.8 - 18.8	160,000	1,600,000	100,095	1,000,950	Conversion of stock options in the amount of NT\$21,950,000		Approved by Letter Shou-Shang No. 09501187760 dated Aug. 24, 2006.
Nov. 2006	15.8 - 18.8	160,000	1,600,000	100,624	1,006,240	Conversion of stock options in the amount of NT\$5,290,000		Approved by Letter Shou-Shang No. 09501269090 dated Nov. 30, 2006.
Mar. 2007	15.8 - 47.79	160,000	1,600,000	100,978	1,009,782	Conversion of corporate bonds into shares in the amount of NT\$272,000 and conversion of stock options in the amount of NT\$3,270,000.	—	Approved by Letter Shou-Shang No. 09601041660 dated Mar. 7, 2007.

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares (shares)	Amount (NTD)	Shares (shares)	Amount (NTD)	Sources of capital	Capital increase by assets other than cash	Other
Jul. 2007	8.8 - 47.79	160,000	1,600,000	102,189	1,021,890	Conversion of corporate bonds into shares in the amount of NT\$628,000 and conversion of stock options in the amount of NT\$11,480,000.	—	Approved by Letter Shou-Shang No. 09601169190 dated Jul. 18, 2007.
Aug. 2007	8.8 - 47.79	160,000	1,600,000	102,711	1,027,110	Conversion of corporate bonds into shares in the amount of NT\$1,360,000 and conversion of stock options in the amount of NT\$3,860,000.	—	Approved by Letter Shou-Shang No. 09601197290 dated Aug. 28, 2007.
Oct. 2007	60.4	160,000	1,600,000	110,711	1,107,110	Capital increase in cash by NT\$80,000,000	—	Approved by Letter Jin-Guan-Cheng-I No. 0960045977 dated Sept. 4, 2007.
Nov. 2007	8.8 - 47.79	160,000	1,600,000	113,339	1,133,390	Conversion of corporate bonds into shares in the amount of NT\$23,770,000 and conversion of stock options in the amount of NT\$2,510,000.	—	Approved by Letter Shou-Shang No. 09601284190 dated Nov. 20, 2007.
Feb. 2008	15.8 - 47.79	160,000	1,600,000	114,126	1,141,257	Conversion of corporate bonds into shares in the amount of NT\$3,327,000 and conversion of stock options in the amount of NT\$4,540,000.	—	Approved by Letter Shou-Shang No. 09701047380 dated Feb. 27, 2008.
May 2008	8.8 - 38.23	160,000	1,600,000	114,754	1,147,544	Conversion of corporate bonds into shares in the amount of NT\$2,066,000 and conversion of stock options in the amount of NT\$4,220,000.	—	Approved by Letter Shou-Shang No. 09701117840 dated May 27, 2008.
Jul. 2008	8.8 - 38.23	160,000	1,600,000	115,228	1,152,276	Conversion of corporate bonds into shares in the amount of NT\$2,773,000 and conversion of stock options in the amount of NT\$1,960,000.	—	Approved by Letter Shou-Shang No. 09701190840 dated Jul. 31, 2008.
Sept. 2008	10	160,000	1,600,000	126,640	1,266,402	Capitalization of capital surplus in the amount of NT\$114,126,000.	—	Approved by Letter Shou-Shang No. 09701239430 dated Sept. 23, 2008.

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares (shares)	Amount (NTD)	Shares (shares)	Amount (NTD)	Sources of capital	Capital increase by assets other than cash	Other
Nov. 2008	7.9 - 15.8	160,000	1,600,000	127,163	1,271,633	Conversion of corporate bonds into shares in the amount of NT\$3,871,000 and conversion of stock options in the amount of NT\$1,360,000.	—	Approved by Letter Shou-Shang No. 09701286020 dated Nov. 7, 2008.
May 2009	7.9	160,000	1,600,000	127,193	1,271,933	Conversion of stock options in the amount of NT\$300,000	—	Approved by Letter Shou-Shang No. 09801104360 dated May 27, 2009.
Nov. 2009	7.9 - 37.3	160,000	1,600,000	127,676	1,276,763	Conversion of stock options in the amount of NT\$4,830,000	—	Approved by Letter Shou-Shang No. 09801269440 dated Nov. 20, 2009.
Dec. 2009	58	160,000	1,600,000	137,676	1,376,763	Capital increase in cash by NT\$100,000,000	—	Approved by Letter Shou-Shang No. 09801296340 dated Dec. 28, 2009.
Feb. 2010	37.3 - 42.2	160,000	1,600,000	137,769	1,377,693	Conversion of stock options in the amount of NT\$930,000	—	Approved by Letter Shou-Shang No. 09901033230 dated Feb. 12, 2010.
May 2010	37.3 - 42.2	160,000	1,600,000	139,300	1,393,003	Conversion of stock options in the amount of NT\$15,310,000	—	Approved by Letter Shou-Shang No. 09901098690 dated May 14, 2010.
Aug. 2010	37.3 - 42.2	160,000	1,600,000	139,904	1,399,043	Conversion of stock options in the amount of NT\$6,040,000	—	Approved by Letter Shou-Shang No. 09901187730 dated Aug. 17, 2010.
Sept. 2010	10 - 42.2	260,000	2,600,000	175,094	1,750,937	Capitalization of earnings in the amount of NT\$209,612,000, capitalization of capital surplus in the amount of NT\$139,741,000 and conversion of stock options into shares in the amount of NT\$2,540,000.	—	Approved by Letter Shou-Shang No. 09901203130 dated Sept. 7, 2010.
Nov. 2010	29.5 - 33.7	260,000	2,600,000	175,396	1,753,957	Conversion of stock options in the amount of NT\$3,020,000	—	Approved by Letter Shou-Shang No. 09901259200 dated Nov. 26, 2010.
Mar. 2011	29.5 - 33.7	260,000	2,600,000	175,588	1,755,877	Conversion of stock options in the amount of NT\$1,920,000	—	Approved by Letter Shou-Shang No. 10001036510 dated Mar. 7, 2011.
May 2011	29.5 - 33.7	260,000	2,600,000	177,190	1,771,897	Conversion of stock options in the amount of NT\$16,020,000	—	Approved by Letter Shou-Shang No. 10001105480 dated May 24, 2011.
Jul. 2011	29.5 - 33.7	260,000	2,600,000	178,076	1,780,757	Conversion of stock options in the amount of NT\$8,860,000	—	Approved by Letter Shou-Shang No. 10001160040 dated Jul. 19, 2011.

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares (shares)	Amount (NTD)	Shares (shares)	Amount (NTD)	Sources of capital	Capital increase by assets other than cash	Other
Aug. 2011	10	260,000	2,600,000	222,595	2,225,946	Capitalization of earnings in the amount of NT\$267,113,000 and capitalization of capital surplus in the amount of NT\$178,076,000.	—	Approved by Letter Shou-Shang No. 10001180530 dated Aug. 8, 2011.
Nov. 2011	26.9	260,000	2,600,000	222,604	2,226,036	Conversion of stock options in the amount of NT\$90,000	—	Approved by Letter Shou-Shang No. 10001271100 dated Nov. 28, 2011.
May 2012	24.5 - 26.9	260,000	2,600,000	222,925	2,229,246	Conversion of stock options in the amount of NT\$3,210,000	—	Approved by Letter Shou-Shang No. 10101087470 dated May 17, 2012.
Jul. 2012	24.5 - 26.9	300,000	3,000,000	223,427	2,234,266	Conversion of stock options in the amount of NT\$5,020,000	—	Approved by Letter Shou-Shang No. 10101138410 dated Jul. 13, 2012.
Aug. 2012	10	300,000	3,000,000	245,769	2,457,692	Capitalization of capital surplus in the amount of NT\$223,427,000.	—	Approved by Letter Shou-Shang No. 10101161930 dated Aug. 9, 2012.
Nov. 2012	20.5 - 23.4	300,000	3,000,000	245,874	2,458,742	Conversion of stock options in the amount of NT\$1,050,000	—	Approved by Letter Shou-Shang No. 10101230800 dated Nov. 7, 2012.
Feb. 2013	20.5 - 23.4	300,000	3,000,000	246,541	2,465,412	Conversion of stock options in the amount of NT\$6,670,000	—	Approved by Letter Shou-Shang No. 10201028180 dated Feb. 8, 2013.
Aug. 2016	10	300,000	3,000,000	184,906	1,849,059	Refund of payment of shares in the amount of NT\$616,353,000 due to capital reduction in cash.	—	Approved by Letter Shou-Shang No. 10501198760 Aug. 24, 2016.

April 1, 2024; Unit: Shares

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total	
Ordinary shares	184,905,918	115,094,082	300,000,000	Shares of publicly listed company

Relevant information on shelf registration: None.

(2) Shareholder structure:

April 1, 2024

Shareholder structure Item	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and natural persons	Total
Number of shareholders	5	68	249	33,164	257	33,743
Shareholding (shares)	23,619,954	24,178,949	8,285,916	49,482,113	79,338,986	184,905,918
Percentage (%)	12.77%	13.08%	4.48%	26.76%	42.91%	100.00%

Note: The ownership of the Company's shares by Chinese-funded entities is 0%.

## (3) Shareholding distribution status:

NT\$10 per share April 1, 2024

Scale of shareholdings	Number of shareholders	Shareholding (shares)	Percentage (%)
1 to 999	25,564	1,124,048	0.61%
1000 to 5,000	6,941	11,908,414	6.44%
5,001 to 10,000	553	4,275,448	2.31%
10,001 to 15,000	152	1,879,972	1.02%
15,001 to 20,000	94	1,676,583	0.91%
20,001 to 30,000	81	2,040,814	1.10%
30,001 to 40,000	39	1,371,377	0.74%
40,001 to 50,000	36	1,643,416	0.89%
50,001 to 100,000	84	6,140,037	3.32%
100,001 to 200,000	65	9,349,782	5.06%
200,001 to 400,000	47	13,378,044	7.23%
400,001 to 600,000	30	15,228,513	8.24%
600,001 to 800,000	14	9,656,188	5.22%
800,001 to 1,000,000	4	3,476,850	1.88%
1,000,001 to 999,999,999	39	101,756,432	55.03%
1,000,000,000 or more	0	0	0.00%
Total	33,743	184,905,918	100.00%

## (4) List of major shareholders:

April 1, 2024

Shareholder's name	Shareholding (shares)	Percentage (%)
Labor Pension Fund, New system	13,476,800	7.29%
Labor Pension Fund, Old system	5,338,900	2.89%
Standard Chartered Bank (Taiwan) Limited Banking Department is entrusted with custody of AIM Investment Fund (Invesco Investment Funds ) of Invesco EQV Emerging Markets All Cap Fund	5,282,000	2.86%
Trust Department of Hua Nan Commercial Bank is entrusted with custody of Allianz Taiwan Technology Securities Investment Trust Fund Account	4,844,000	2.62%
Public Service Pension Fund Management Board	4,332,000	2.34%
HSBC Bank (Taiwan) Commercial Bank Co., Ltd. is entrusted for custody to Mitsubishi UFJ Morgan Stanley Securities - a proprietary platform for securities trading of three-way SBL trading investment account	4,006,000	2.17%
Standard Chartered International Commercial Bank is entrusted for custody to Mizuho Securities Investment Account	3,244,000	1.75%
Citibank (Taiwan) is entrusted for custody to UBS Europe SE Investment Account	3,133,454	1.69%
Ren Tai Investment Co., Ltd.	3,104,000	1.68%
JPMorgan Chase Bank Taipei Branch is entrusted for custody to JPMorgan Securities Investment Account	3,084,749	1.67%

- (5) Share prices for the past two fiscal years, with market price per share, company net worth per share, earnings per share and dividends per share.

Unit: NT\$

Item		Year	2022	2023
Market price per share (Note 1)	Highest		146.50	183.00
	Lowest		52.80	68.10
	Average		85.61	120.83
Net worth per share (Note 2)	Before distribution		16.67	16.60
	After distribution		14.37	-
Market price per share	Weighted average shares (thousand shares) (before distribution)		184,905	184,906
	Weighted average shares (thousand shares) (after distribution)		186,029	185,355
	Earnings per share (before distribution) (Note 3)		2.95	2.43
	Earnings per share (after distribution)		2.93	2.43
Market price per share	Cash dividends		2.30	2.20
	Stock dividends	Dividends from retained earnings	0.00	0.00
		Dividends from capital surplus (thousand shares)	0.00	0.00
	Accumulated undistributed dividends (Note 4)		0.00	0.00
Return on investment	Price/earnings ratio (Note 5)		29.02	49.72
	Price/dividends ratio (Note 6)		37.22	54.92
	Cash dividends yield rate (Note 7)		0.03	0.02

Note 1: The highest and lowest market prices of ordinary shares in each year are listed and the average market price in each year is calculated based on the transaction value and volume in each year.

Note 2: The number of issued shares at the end of the year shall prevail and fill in the data according to the resolution adopted by the Board of Directors or the shareholders' meeting in the following year.

Note 3: If retrospective adjustment is required due to stock dividends, the earnings per share before and after adjustment shall be listed.

Note 4: If the criteria for the issuance of equity securities stipulate that the undistributed dividends in the year may be accumulated and distributed in the year with there is surplus, the cumulative undistributed dividends up to the current year shall be disclosed additionally.

Note 5: Price/earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price/dividend ratio = Average closing price per share for the year/Cash dividend per share.

Note 7: Cash dividends yield = Cash dividends per share/Average closing price per share for the current fiscal year.

Note 8: The net worth per share and earnings per share shall be entered based on the information audited (reviewed) by the CPAs in the most recent quarter up to the publication date of the annual report; other fields shall be entered based on the information in the current year up to the publication date of the annual report.

(6) Company's dividends policy and implementation thereof:

1. Dividend policy

If there is a net income after tax in the current period based on the annual financial statements, the Company shall compensate the cumulative deficit first and then set aside 10% of the balance as a legal reserve in accordance with the law unless the legal reserve has reached the amount of the Company's total paid-in capital. After the Company has appropriated or reversed a special reserve in accordance with the law or the regulations of the competent authority, the Board of Directors shall draw up a distribution proposal based on the balance along with the cumulative undistributed earnings from the previous years and submit it to the shareholders' meeting for resolution.

The Company's current development is in the growth stage in the industry and will have plans to expand production and require funds in the next few years. To stabilize our position in the market, the Company, based on the long-term capital needs and continuous expansion of capital scale, will adjust and distribute dividends according to the profitability, to maintain the steady growth of earnings per share. Cash dividends shall not be less than 10% of the dividends distributed to shareholders in the year. Regarding the actual percentage, the Board of Directors is authorized to draw up a distribution proposal based on the Company's capital condition and capital budget and submit it to the shareholders' meeting for approval.

2. The proposed dividend distribution at this shareholders' meeting: The earnings distribution proposal for 2023 was drawn up by the Board of Directors on February 29, 2024, as shown in the table below. This proposal will proceed per the relevant regulations after the resolution is adopted by the annual general meeting of shareholders on May 30, 2024.

Unit: NT\$	
Item	Amount
Undistributed earnings at the beginning of the period	\$ 96,154,979
Less: Adjustment of retained earnings for 2023	56,577
Undistributed earnings after adjustment	\$ 96,098,402
Plus: Profit and loss for 2023	450,231,889
Less: Provision for legal reserve	45,017,531
Less: Provision for special reserves	38,140,000
Distributable earnings	\$ 463,172,760
Distribution	
Shareholder dividends-cash (NT\$2.20 per share)	\$ 406,793,020
Undistributed earnings at the end of the period	\$ 56,379,740

3. To consider the Company's share capital structure, the Company pays out cash dividends in principle and the amount shall not be lower than 50% of the earnings

after tax in the year. For the actual percentage for distribution, the Board of Directors shall be authorized to draw up a distribution proposal based on the Company's capital and capital budget and submit it to the shareholders' meeting for approval.

(7) The impact of the stock dividends proposed at the shareholders' meeting on the Company's operating performance and earnings per share: Not applicable.

(8) Employee compensation and directors' remuneration:

1. The percentage or scope of employee compensation and directors' remuneration as specified in the Company's Articles of Incorporated:

If the Company makes a profit for the year, it shall allocate 5% to 15% of the profit as employee compensation and no more than 3% as directors' remuneration. However, when the Company still has cumulative deficit, it shall reserve an amount to compensate it first and then appropriate amounts as employee compensation and directors' remuneration in accordance with the aforementioned percentages.

Employee compensation is decided by the Board of Directors to be paid in stock or cash via resolution and the recipients may include employees of subsidiaries who meet certain criteria.

Employee compensation and directors' remuneration distribution proposal shall be submitted to the shareholders' meeting for reporting.

2. The basis for estimating employee compensation and directors' remuneration in the current period, the basis for calculating the number of shares for employee compensation distributed by stock and the accounting treatment when the amount of the actual distribution is different from the estimated amount:

A. The Company estimated the amounts of employee compensation and directors' remuneration in accordance with the dividend policy as specified in the Company's Articles of Incorporation.

B. In 2023, the basis for estimating employee compensation and directors' remuneration is the pre-tax income multiplied by 8% for employee compensation and by 3% for directors' remuneration. In 2023, no employee compensation was distributed in stock.

C. If the amount of the actual distribution approved by the shareholders' meeting is different from the estimated amount, it will be regarded as a change in accounting estimate and accounted for as profit or loss for 2024.

3. Distribution approved by the Board of Directors:

A. The amounts of employee compensation and directors' remuneration distributed in cash or stock: the proposed employee compensation to be distributed is NT\$48,694,123 in cash and NT\$0 in stock and directors' remuneration to be distributed is NT\$18,260,296 in cash.

B. The amount of any employee compensation distributed in stock, and the size of that amount as a percentage of the sum of the net income after tax stated in the parent company only or individual financial reports for the current period and total employee compensation: none.



4. The actual distribution of employee compensation and directors' and supervisors' remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and if there is any discrepancy between the actual distribution and the employee compensation and directors' and supervisors' remuneration recognized, the discrepancy, cause and how it is treated shall be disclosed: The Company distributed employee compensation in cash in the amount of NT\$59,998,386 and directors' remuneration \$22,499,394 for 2022; the amounts are not different from those recognized.

(9) Share Repurchases: None.

**II. Corporate Bonds:** None.

**III. Preferred Shares:** None.

**IV. Global Depository Shares:** None.

**V. Employee Stock Options:** None.

**New Restricted Employee Shares:** None.

**VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies:** None.

**VII. Implementation of the Company's Capital Allocation Plans:** None.

## Chapter V. Operating Highlights

### I. Business Activities

#### (I) Business Scope

##### 1. Main business activities

- (1) CC01080 Electronics Components Manufacturing
- (2) F119010 Wholesale of Electronic Materials
- (3) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval is not allowed.

##### 2. Percentage out of the Company's business lines

Unit: NTD thousand; %

Product lines	2022		2023	
	Operating revenue	Business ratio (%)	Operating revenue	Business ratio (%)
Revenue from homemade products	2,602,963	99.97%	2,692,464	99.94%
Others	666	0.03%	1,640	0.06%
Total	2,603,629	100.00%	2,694,104	100.00%

##### 3. The Company's current products and services

- A. HBT epi wafer
- B. PHEMT epi wafer
- C. InP HBT epi wafer
- D. BiHEMT epi wafer
- E. PD/APD epi wafer (wave length 650nm~1700nm/1900nm~2600nm)
- F. 2.5G FP/DFB LD epi wafer, 10G FP/DFB LD epi wafer
- G. EEL and VCSEL epi wafer
- H. High power FP/DFB LD
- H. Multi-junction solar cell epi wafer

##### 4. New products and services planned to be developed

- (1) Microelectronics products: Low Knee Voltage HBT/GaAs HBT/InP HBT/GaAs PHEMT/GaN on SiC/GaN on Si/GaN on Sapphire PA, Switch, and LNA for 5G mobile phones, Wifi, and infrastructure (base stations and Small Cells).
- (2) Photoelectronic products:
  - A. PD: 25G APD, 50G PD, 100G PD, 1.9-2.6μm long wavelength PD.
  - B. LD: Application of GaAs and InP FP/DFB LD for High Power, High Speed and LiDAR.
  - C. VCSEL: iTOF/dTOF, Multi-Junction VCSEL, long wavelength VCSEL, backlight VCSEL, high-speed VCSEL, LiDAR application VCSEL, industrial

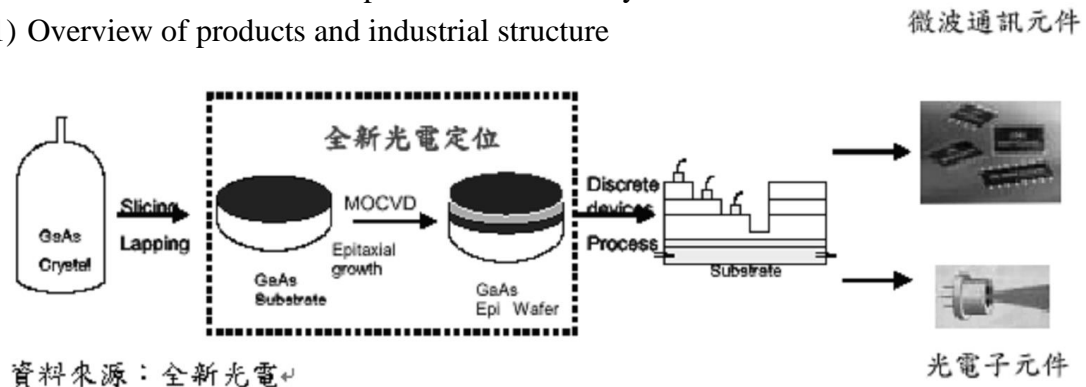
## VCSEL.

- Expenditures expected to be invested in future R&D: the expenditure expected to be invested in the R&D is NT\$375,000 thousand in 2024.

### (2) Overview of the Industry

#### 1. Current condition and development of the industry

##### (1) Overview of products and industrial structure

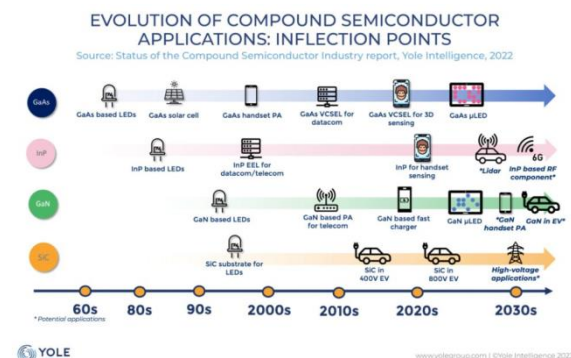
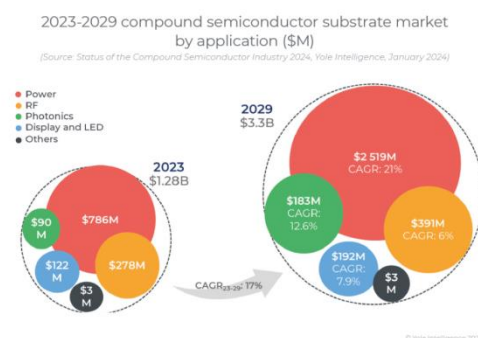


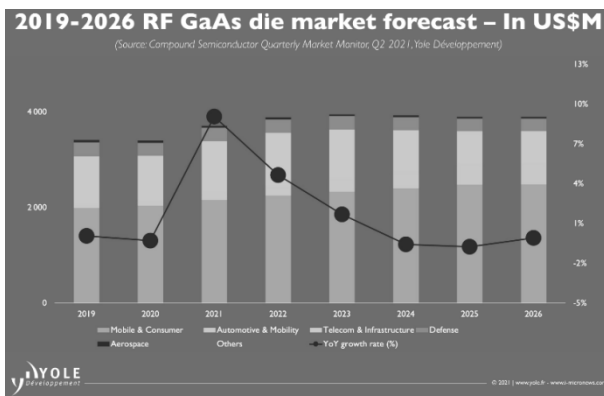
##### ① Overview of products

The Company, VPEC, is the metal organic chemical vapor deposition (MOCVD) technology based company specializing in the production of III-V compound semiconductor wafers. What we called semiconductor is a material with electrical conductivity due to electron flow (as opposed to ionic conductivity) intermediate in magnitude between that of a conductor and an insulator. It is characterized by adding different impurities can be appropriate to change the material properties (what we called doping) and get major changes by applications of heat and light.

Because the III-V compound semiconductor possesses the advantages of high frequency, low noise, natural radiation resistance, good energy efficiency, energy level and electronic movement with adjustable speed, it has been developed as the key component of wireless communications, optical communication, optical sensors, solar cells and light in the recent years. The Company's main products are categorized into Microelectronics and Photonics.

The forecast provided by Yole about the growth of the market scale and the increase in application fields of III-V compound semiconductor is stated in the following Fig. 2.





## Microelectronics:

The Company's microelectronics are primarily applied to the wireless communication RF field to provide GaAs and GaN wafers. Among other things, GaAs is primarily applied to mobile phones, communications and infrastructure, while GaN is primarily applied to communications and infrastructure. The RF market scale applying GaAs is forecast as shown in the following Fig.

### a. HBT (Heterojunction Bipolar Transistors)

Because of the physical characteristics of HBT such as high linearity, good broadband response, high breakdown voltage, high gain, high efficiency, low parasitic effects, design without negative bias and low phase noise, etc., the HBT functions deliver good power magnification, low standby current consumption, small size and other advantages. Therefore, HBT has become the mainstream technology of mobile phones and wireless local area network (WLAN) power amplifier (Power Amplifiers, PA) markets. Above all, 5G PA must satisfy the envelop-tracking mode (ET) Saturated Efficiency and average-power tracking mode (APT) Linearity Efficiency at the same time. The Gain and Power Output may be improved through the HBT structure. Given this, HBT becomes indispensable and irreplaceable in the 5G era.

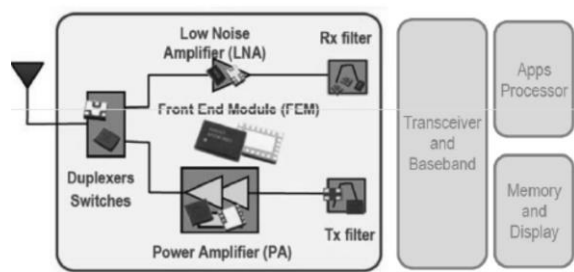
### b. PHEMT (Pseudo-morphic Heterostructure Field Effect Transistors)

Because InGaAs joins PHEMT, it is specially suitable for the application of RF Switch on the computer. Therefore, its application to WLAN between computers, fixed long-distance wireless transmission to WLL and even fiber optic communications, satellite communications, point to point microwave communications, satellite broadcasting, cable TV, digital TV applications, automobile radar and vehicle collision avoidance systems and other applications have been considerable room for growth. Notwithstanding, the application of PHEMT in the RF switch has been affected by the SOI technology increasingly; therefore, it is no longer the only choice for the switch. Mobile phones require higher standards on low noise, in consideration of the LNA (Low Noise Amplifier). Given the higher mobility, PHEMT is more likely to help satisfy the low noise requirements. GaAs PHEMT can better satisfy the Linearity requirements. Meanwhile, in consideration of its small size, it has become an alternate for LNA, in addition to Silicon. If PHEMT is adopted as the material applied to the base station PA and WiFi Switch and LNA, the Company will also work with different customers to plan product development and mass production.

### c. BiHEMT

By virtue of the circuit design and the epitaxial growth and process, the InGaP HBT linear power amplifier, AlGaAs PHEMT high-frequency switching, AlGaAs PHEMT logic control circuit, AlGaAs PHEMT low-noise amplifier, passive components and their connections are integrated into

a single GaAs integrated circuit chip. As chip integration can be improved and thereby reduce the die size, cut packaging costs and reduce the costs of materials significantly. Also, because the internal components are all GaAs-based ones, they can help save some bias and control circuit and save more power. BiHEMT structure may also provide design flexibility for the circuit designers. Each unit of its internal components can choose different structures to deliver better properties.



Source:Yole Fig. 1

2022-2028 customer premise equipment component market forecast  
(Source: RF for Fixed Wireless Access 2023 – Focus RF Front-End, Yole Intelligence, January 2023)

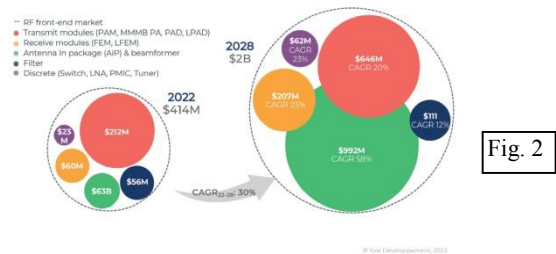
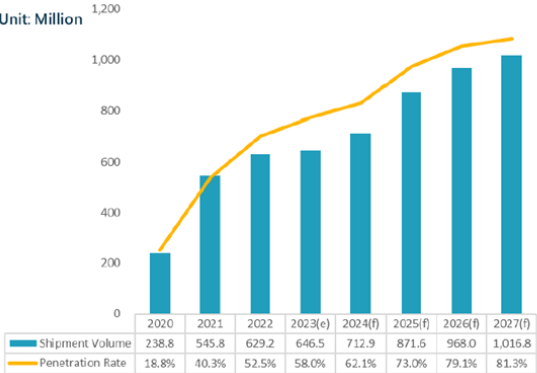


Fig. 2

Said three products refer to the main materials for the PA, Switch and LNARF of the Front-End Module (RF FEM) (see Fig. 1) . According to Yole’s forecast, in the future, the growth of microelectronics will be driven primarily by the increasing penetration rate of 5G mobile phones and WiFi6/7, as shown in Fig. 2. Further, the RF1 (Frequency range 1, Sub-7GHz) of 5G corresponds to n41, n77, n78 and n79 (Ultra High Band, UHB). These new frequency ranges require additional PAs, thus increasing the areas occupied by the GaAs epi wafer more than those for traditional 4G mobile phones by about 20%~30%. Further, 5G and WiFi6/6e result in the high integration of components and frequency ranges in the RF Front-End Module, thereby increasing the complexity of the structure.

Fig. 3



According to the forecast of ResearchAndMarkets.com, the penetration rate of 5G mobile phones will exceed 70% in 2025, as shown in Fig. 3.

IoT will be the application for the largest number of wireless communication modules, including the Internet of Vehicles, smart home, smart medical care, smart city, etc. Whenever the communication method it has adopted requires specific power, distance and higher frequency ranges, it may be equipped with wireless communication modules, rather than SoC integrated with the RF function, achieving seamless connectivity to smart family and smart city.

#### d. GaN

In consideration of the characteristics, such as high frequency and high power, GaN makes GaN PA products outperform the traditional LDMOS or GaAs PA in the characteristics including power density, bandwidth, gains, reliability, small size and high temperature resistance. Therefore, GaN would deliver more advantages when it is applied to the fields of 5G base station antenna array and Small Cell PA. The Company has used its best effort to invest in the R&D of relevant samples.

For the time being, GaN PA is mostly based on GaN on SiC structure and, therefore, is primarily applied to 5G base stations. Notwithstanding, given the higher unit price and limited supplies of SiC substrates, many manufacturers are also engaging in development of the technologies for different substrates, such as GaN on Si and GaN on Sapphire. Therefore, it is easier to acquire substrates at lower price. The target market is related to the application of Small Cell. The Company is also striving to invest in the R&D of relevant samples, develop different GaN PA epitaxial structures to be applied to the GaN epitaxial technology platforms varying based on frequency and power.

Due to the fact that the frequency ranges adopted by the 5G communication technology are becoming higher and higher, the short wavelength causes the distance of signal transmission to become shorter and be disrupted by obstacles more easily. To correct the shortcoming, the Company aims to achieve the integrity of signal transmissions by constructing the Small Cell. GaN PA may support the high transmission capacity and broadband required by 5G mmWave and, therefore, can be applied to 5G base stations and Small Cell.

### **Photonics:**

Photonics applies the characteristics of the exchangeability of semiconductor light energy and electrical energy. For the time being, optical fiber is known as the one with the most rapid speed among the known transmission media, as it has strengths, such as mass communication capacity, long transmission distance, anti-electromagnetic interference, low transmission loss, low signal crosstalk, light weight and better confidentiality. It is the best choice to achieve light-speed transmission. Based on the principles for optical communications, the audiovisual work or data signals go through modulation before they are transmitted and then the electrical signals are converted into optical signals through the Transmitter and transmitted in the optical fiber network, and the optical signals are restored back to the electrical signals through the Receiver, eventually re-presenting the original audiovisual work or data through modulation again and completing the optical communications process. Optical communications are primarily applied to telecommunication base stations, optical fiber networks and data centers.

The Company has engaged in the business of optoelectronics for many years. Many new products of the Company are under mass production after having passed customers' certification. Due to the growing industry and customers' demand, the increase in the percentage of operating revenue from optoelectronics results in the structural adjustment for optimization of product portfolio, thus benefiting mitigation of the business risk, avoidance of excess reliance on the mobile phone market and improvement of earnings.

The Company's photonics primarily comprise of the following items. Meanwhile, the related industrial scale and growth are also stated as following:

#### **a. Photo Detector (PD)**

The Company's PD and APD photodetectors require wavelength ranges that vary depending on the application fields. Optical fiber communications, consumer sensors and LiDAR (Light detection and ranging) apply 650nm~1700nm, while 1900nm~2600nm is applied to the SWIR (short-wave infrared) niche sensors. Based on the basic principles of PD: (1) the light incident to

the semiconductor generates electron holes; (2) the electron holes keep increasing gains and transmissions to generate the current; (3) the inter-operability of the current and internal electronic circuits generates the output signals. Generally, it requires the operating wavelength with high sensitivity, high response speed, high reliability and low noise. APD applies the avalanche multiplication effect based on PIN to amplify the photocurrent received by it and thereby improve the detection sensitivity.

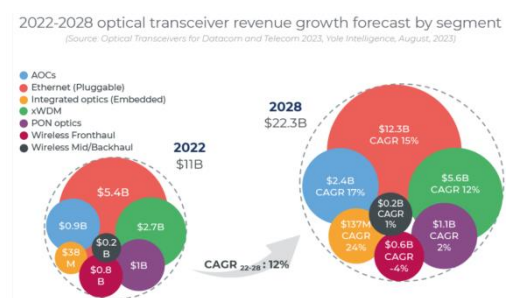
#### b. Laser Diode (LD)

It is primarily applied to the 1270nm, 1310nm & 1550nm Laser Diode at the Transmitter. It adopts the far field angle design to improve power, reduce the lens and packaging costs at the customer end and improve the yield rate.

The FP-type laser adopts the double heterostructure. The active layer thereof forms a waveguide layer automatically. When the electron holes are combined and emit light, resonance will be generated in the mirrors at both sides, thus amplifying the feedback amplification and generating the laser light. Notwithstanding, since the length of the laser resonant cavity is more than the wavelength of light, multiple modes are permitted to exist at the same time finally. Notwithstanding, when the laser is output under multi-modes, the long-distance transmission will cause the signals to be deformed and distorted due to the dispersion effect. Therefore, the application of FP-type laser is limited, as it is applicable to the medium-distance high-speed transmission only. For example, FP-type laser is only applicable to EPON, while the DFB-type laser is only applicable to GPON.

The DFB-type laser is designed in the grating raster area above the gain area of the FP-type laser in order to select a specific wavelength to generate feedback and form a stable single-mode output, thus effectively mitigating the chances of signal deformation caused by the dispersion effect in the process of the high-speed transmission of light, maintaining specific signal-to-noise ratio and providing better optical coupling and lower threshold current density by means of the better grating design.

PD and LD are primarily made of InP materials, applied to Telcom, Datacom, consumer sensors and LiDAR, etc.. According to the forecast by Yole, the output value for various applications from 2022 to 2028 is stated in the right figure.

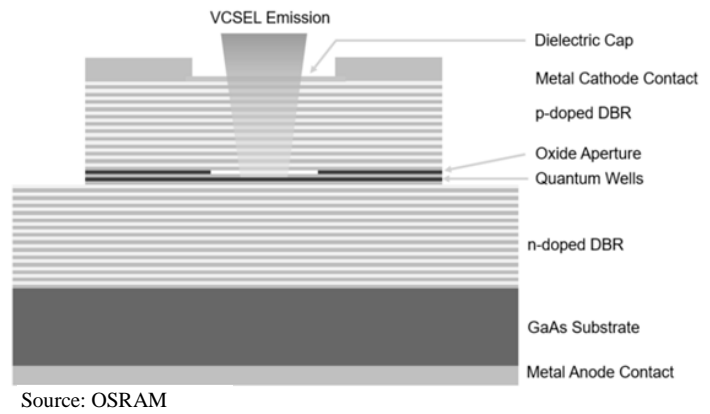


Source: Yole

#### c. VCSEL

VCSEL (Vertical Cavity Surface Emitting Lasers): Due to the improvement of mirror design and crystal growth, gain structure and electric field and trapped light manufacturing technology, the application of VCSEL is expected to be more promising and valuable commercially.

VCSEL is one of the light sources for optical communications and also type of laser. Different from the traditional laser, that emits light from the side face, VCSEL laser resonant cavity is situated between epitaxial layers. The beam is emitted from the vertical side on the epitaxial layer, primarily consisting of the resonant cavity formed by the quantum wells and two sets of high-reflection multilayer films at the

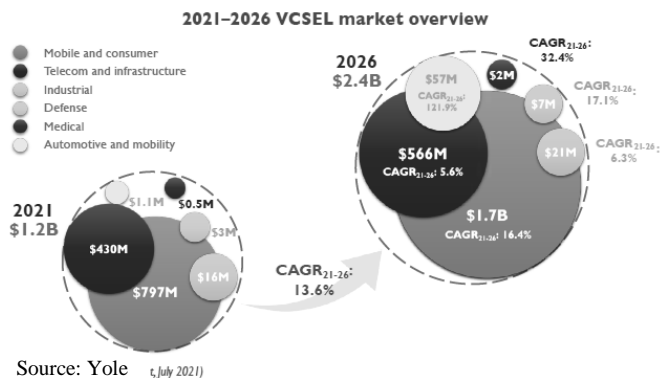


upper and lower sides. The two sets of high-reflection multilayer films refer to the DBR (distributed Bragg reflector). The DBR consists of two materials with different refractive indices that are repeatedly stacked, with the thickness precisely controlled as a quarter of the central wavelength, enabling the light waves to produce constructive interference in the center so as to achieve the maximum reflection coefficient and then emit the single-mode laser light. The structural drawing is shown as above.

VCSEL wafer used to adopt the single-layer structure and a single-hole luminous efficacy was generally 5~10mW. In the recent years, the multi-junction technology has been developed in order to amplify the luminous efficacy and the single-hole luminous efficacy became over 30mW therefor. The epitaxial structure design enables light waves to be reflected and gathered in the multi-layer structure. As a result, under the same input current, it may amplify the luminous efficacy, cut power consumption, reduce the areas occupied by wafer, simplify the optical design and system structure and also facilitate the high-power applications of VCSEL, *e.g.*, LiDAR and industrial machine vision, etc.

Compared to the traditional laser, VCSEL delivers the following strengths:

- Narrow linewidth, easy coupling of conical laser beam with optical fiber
- Fast modulation at a low current level and applicable to the high-speed transmission.
- Single-mode output
- Low driving current
- High output power
- The feature of light emission from the front may be designed as 1D or 2D Arrays.
- The wafer may be tested before packaging to cut the costs significantly.



The applications may be categorized into two major types. The output value of each type is stated in the right figure above:

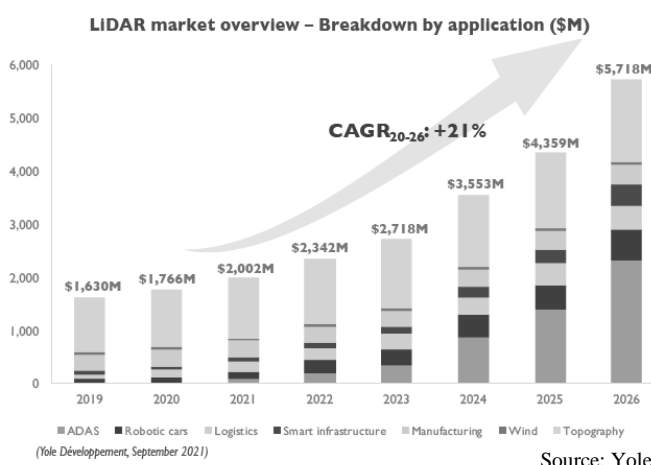
- High Power applications (*e.g.*, consumer electronics 3D Sensing, in-vehicle, safety monitoring and medical beauty care, etc.)



- High Speed applications (25G for Data Center and short-distance optical transceiver module products).

Given the stricter requirements for car safety and automation, the in-vehicle sensors tend to be applied based on diversified and complementary programs. Therefore, cameras, ultrasonic radar, millimeter-wave radar and LiDAR will have the chance to coexist with each other in the advanced driver assistance systems (ADAS) at the same time. Among the other things, LiDAR adopts the Laser and Photo Detector as the sources of light emission and detector components and makes it become the most rapid and precise sensor solution for detection of long-distance objects. However, in consideration of the high cost and stricter memories and computing power specifications, LiDAR is mostly installed in ADAS Level 3 and above and also high unit price car models. Following the increasing penetration rate, the overall demand quantity will increase accordingly, thus helping cut the LiDAR costs step by step and driving more applications (personal cars, self-driving cars and robots in unmanned factories, etc.)

For the time being, multiple car makers, including Audi, Benz, BMW, XPeng Motors and NIO, have launched the car models equipped with LiDAR. The self-driving car makers include Waymo and Cruise, *et al.* The industry covers logistics and taxi business. According to Yole's report (see the right figure), the automotive applications will be the largest source to drive the growth of the LiDAR market in the future, including ADAS and self-driving cars.



## ② Industrial structure

Overview of investments by domestic/foreign manufacturers in the field of compound semiconductor

By industry	Domestic manufacturer	Foreign manufacturer
Epitaxy	VPEC, IQE TAIWAN CORPORATION (IQE), and LandMark Optoelectronics Corporation, etc.	IQE, IntelEpi, Picogiga (Soitec) and Sumika, etc.
Foundry	WIN Semiconductors, Advanced Wireless Semiconductor, and Wavetek Microelectronics Corporation, etc.	GCS, San'an Optoelectronics Co., Ltd. (Xiamen) and Unicompound Semiconduct, etc.
IDM	Transcom	Skyworks, Qorvo and Broadcom, etc.

Among the compound semiconductors, GaAs is the applied to communications products most extensively, especially the RF module on the mobile phone, Wifi and key components of communication base stations. From the upstream Epitaxy, mid-stream Foundry and IDM, considerable capital are attracted and invested. Said table shows the investments by domestic/foreign manufacturers in the field of compound semiconductor.

### 2. Relations with industries upstream, mid-stream and downstream

The production process for a GaAs IC consists of crystal pulling (manufacturing of substrate), epitaxial growth, then production of IC, and finally packaging and testing.

Then, a compound semiconductor IC is completed.

The major difference between compound semiconductors and elemental (silicon) semiconductors resides in that the epitaxial growth of compound semiconductors is more complicated and thereby forms the single epitaxial business, while the epitaxial growth steps for silicon are usually carried out in wafer fabs. During the epitaxial growth, certain materials will be put on the GaAs wafer, such as AlGaAs, InGaP, etc., subject to the different intended uses of the products, in order to meet the requirements for electrical characteristics of components from the customer end through doping and structural adjustment. Considering that the component characteristics are decided the epitaxial growth stage mostly, epitaxy forms a very important part of the supply chain, critical to the yield rate, characteristics and quality of the customers' products.

### 3. Product development trends and competition

#### ① Product development trends

##### Microelectronic epi wafer

In order to deal with the requirements about product reliability and improved component integration functionality, the HBT technology has evolved from AlGaAs HBT to InGaP HBT. Similarly, PHEMT also evolved from PHEMT to E/D Mode PHEMT. For the time being, the new technology, BiFET/BiHEMT, combining HBT and PHEMT emerges in order to improve the integration of GaAs component circuits, reduce the spaces occupied by the circuit, increase functions, and simplify the component items in the customers' BOM to cut the costs of materials, manufacturing and packaging of finished goods, and also provide mobile communication device manufacturers with larger design spaces and flexibility and help save power consumption. The Company outperforms the others in the same industry in the field of such products. So far, the Company has implemented design-win from multiple customers.

In addition to GaAs, the Company is also striving to present the sample of GaN applied to communications products. Per the customers' need, the Company provides the epitaxy designs with different substrates, including GaN on SiC, GaN on Si and GaN on Sapphire, etc, which are under mass products after passing the certification by customers.

##### Optoelectronics epi wafer

In order to deal with the construction of 4G and 5G base stations, optical fiber networks and data centers, the Company's demand for PIN Diode has grown significantly. The PIN Diode refers to the materials for PIN Photo Detector, which is primarily applied to the receiving end in the optical fiber communications, where the received optical signals are restored to the electrical signals to complete the communications after the signals are computed and decoded through the network processor.

The Company continues to launch new products (new Photo Detector & APD) in response to the R&D planning and progress of the major customers' epitaxy structure and material choices, and also expands the optoelectronic product profile by launching the FP-LD and DFB-LD applied to the Transmitter, LD and PD applied to LiDAR sensing components, and VCSEL applied for High Power and High Speed.

## ② Competition status

### Microelectronics

The Company's main product refers to the HBT epi wafer. Its foreign competitors include the UK-based company, IQE (which acquired the MOCVD department of Kopin in January 2013) and the Japan-based company, Hitachi Cable, primarily. Its domestic competitors include IQE TAIWAN CORPORATION (formerly a Taiwan subsidiary of the US-based company, Kopin and then consolidated into IQE Group through the IQE M&A transaction).

### Optoelectronics

The Company's optoelectronic products adopt MOCVD to produce epitaxial layers. The foreign competitors include the UK-based company, IQE, primarily. The domestic competitor is LandMark Optoelectronics Corporation.

## (3) Technology and research and development summary

### (1) Invested research costs each year for the last 5 years

Unit: NTD thousand

Year Item	2019	2020	2021	2022	2023
R&D expenses	256,598	299,346	281,661	358,013	427,489

### (2) Successfully developed technologies or products

- |                                   |  |
|-----------------------------------|--|
| ① 4/5/6-inch AlGaAs HBT epi wafer | ⑥ PIN Diode epi wafer  |
| ② 4/5/6-inch InGaP HBT epi wafer  | ⑦ Low-operating voltage HBT epi wafer                          |
| ③ PHEMT epi wafer                 | ⑧ 6-inch BiHEMT epi wafer                                      |
| ④ VCSEL epi wafer                 | ⑨ 4/6-inch high-efficiency multi-junction solar cell epi wafer |
| ⑤ 780nm LD epi wafer              | ⑩ FP/DFB LD epi wafer  |

## (4) Long-term and short-term business development plans

### (1) Short-term development plans

#### ① Marketing plan

- Improve the strength of the Company's products in quality, cost and deliver period; increase the major customers' procurement from the Company and develop heavy-hitter customers at the same time; raise the Company's market share and publicity in the industry by thinking about provision of services to customers and also the assistance to improvement of customers' product competitiveness.
- Participate in the Design-in at the beginning of new product R&D at the customer end pro-actively to become the specifications maker, expand the gap with competitors, and continue to improve customers' loyalty with leading technology.
- Deepen the relationship with customers with technical services to have in-depth knowledge about the production process at the customer end; help customers improve the yield rate and stability of the process to form a sound partnership with the customer end.

## ② Production and operating plan

### A. Cost reduction

Execute the plan to reduce the procurement cost subject to the suppliers' characteristics; implement the concept about Lean Production to eliminate the waste potentially arising in the procedure; adjust the optimum production scheduling in response to changes in the order placed by customers; continue to analyze various costs, train colleagues to think about \_how to create the maximum output with limited resources in the routine operating activities to keep improving the work literacy; adjust the factory premises to be the most competitive cost structure transcending competitors, as the threshold that competitors are unlikely to reach.

### B. Quality improvement

Intensify colleagues' awareness toward quality by virtue of continuing education and training; keep improving the quality level, in order to practice the strategy to develop customers thoroughly with stable quality and build the competitive strengths of products by cutting the costs to be incurred by defective quality.

## ③ R&D plan

Proactively participate in the R&D projects for improvement of materials and structure initiated at the customer end continuously in order to upgrade the component integration level and characteristics and reduce the costs; help customers shorten the time spent in R&D and strive for the design-win opportunities from the wireless communication industry for the customers' products with the partnership for the joint R&D.

Accelerate the R&D of new photoelectronic products and have them pass the certification by customers; strive for the business opportunities resulting from the booming development of optical communications, optical sensor industries and automotive LiDAR; create the operating revenue from photoelectronic products and growth of earnings; diversify the product portfolio and customer structure to disperse the business risk effectively.

## ④ Financial Plan

Continue to improve the cost structure and increase the gross margin; cut various operating expenses; assess the foreign exchange risk; increase the turnover of various assets; strictly assess the effect of fund utilization and control cash outflows; accelerate the cash inflows accumulated from operating activities; improve the cash holdings and efficiency of asset utilization; insofar as the Company's normal operation and stable profit policy remain unaffected, cover the capital requirement with the cash inflow from operating activities as much as possible, in order to cut the funding cost and improve the profitability; review the adequacy of capital scale; increase the ROE. Strive for the feasibility of various R&D credits pro-actively to reduce tax and increase EPS.

## (2) (2) Long-term development plans

### ① Marketing strategies

#### A. Upgrading of the market share

Upgrade the market share of the main products, such as HBT, with the strengths in the

product technology, quality, service, price and delivery period and in response to the market growth and upgrading of the Company's production capacity.

B. Enhancement of customer services

Interact with customers pro-actively and control the specifications, structure and materials of the customers' next generation products to shorten the time spent in launching new products.

② Production strategies

A. Utilize the sound production and marketing mechanism and production schedule to achieve the target for timely shipment.

B. Improvement of quality: ensure that the customers will be provided with excellent product quality, by keeping improve the production process and operations.

C. Cost reduction: periodic cost down for the raw materials and supplies, continuous streamlining of work flows and improvement of jigs & fixtures, improve the production efficiency and reduce the labor cost; improve the facilities and availability of production equipment, and mitigate the occurrence of extraordinary circumstances and losses.

③ Product development

A. Exercise the sound market and industrial analysis to select the new products with marketability as the ones to be developed.

B. Adequate allocation of resources to accumulate experience, control costs and development schedule effectively.

C. Continue to design and improve functions of MOCVD to satisfy the requirements for the new products' characteristics and mass production.

D. Develop the ability of self-certification to ensure that the quality of the new products satisfies the characteristics and specifications required by customers.

④ Business strategies

Continue to streamline the procedure, improve efficiency and quality/control cost of various operations.

⑤ Financial strategies

Continue to improve the cost structure and increase the gross margin; cut various operating expenses; assess the foreign exchange risk; increase the turnover of various assets; strictly assess the effect of fund utilization and control cash outflows; accelerate the cash inflows accumulated from operating activities; improve the cash holdings and efficiency of asset utilization; insofar as the Company's normal operation and stable profit policy remain unaffected, cover the capital requirement with the cash inflow from operating activities as much as possible, in order to cut the funding cost and improve the profitability; review the adequacy of capital scale; increase the ROE. Strive for the feasibility of various R&D credits proactively to reduce income tax and increase EPS.

⑥ HR Strategies

A. Proactively recruit technical talents and continue to improve colleagues' expertise, awareness of costs, and literacy through education and training.

B. Pro-actively train the middle and senior management in order to find the management

talents required by business growth.

- C. Integrate the Company's strategies and goals, establish the performance-oriented enterprise culture and guide colleagues' engagement in line with the Company's development target.

## II. Market as well as Production and Marketing Situation

### 1. Analysis on market

#### (1) Geographic areas where the main products are sold

Unit: NTD thousand; %

Year Geographic Area	2022		2023	
	Sale amount	Percentage (%)	Sale amount	Percentage (%)
Taiwan	805,926	30.95%	1,060,688	39.37%
the USA	1,298,296	49.87%	1,055,727	39.19%
Others	499,407	19.18%	577,689	21.44%
Total	2,603,629	100.00%	2,694,104	100.00%

#### (2) Market share

The Company generates its operating revenue primarily from the sales of microelectronic products, for which the applicable terminal products refer to wireless communication components, namely the upstream materials of various consumer products. As the Company has strengths, such as outstanding technology, stable quality and competitive price, its market share has been increasing year by year. According to the financial forecast by the industry, the operating revenue generated by it from GaAs epi wafer applied to wireless communications has been ranked the top in 2021.

#### (3) Demand and supply conditions for the market in the future and the market's growth potential

The communication components based on GaAs are mainly applied to the power amplifiers, microwave switches and low noise amplifiers of the mobile communication devices including mobile phones, tablets, PCs and wearable devices. The market size is critical to the sales of wireless communications. The market size is subject to the following two factors at the same time; therefore, the growth trend is clear and definite, as far as the long term is concerned:

- ① Evolving applications to new wireless communications products: The successive development of mobile phones, tablets, PCs, wearable devices, IoT, Internet of Vehicles, small-size base stations and other wireless communications products and applications thereto, makes the overall wireless communications market growth expectable.
- ② Evolution of wireless communications specifications: The wireless communications specifications develop from the lower rank, GSM, to the higher rank, WCDMA, LTE and 5G progressively. The WiFi specifications evolved from WiFi5 to WiFi6/6e and are going to evolve into WiFi7 in the future. The evolution of specifications drives the significant growth of wireless

communication traffic and frequency ranges and thereby increases the complexity of RF and also the overall market size growth.

The applications of GaAs to optical components mean the VCSEL in the application of 3D sensing to consumer products and LiDAR. As driven by the application to IoT, the sensing components becomes more important:

- ① Application of 3D sensing to consumer products: 3D sensing has become one of the important specifications differentiating the high-rank Android mobile phone functions since 3D sensing was imported into Apple iPhoneX. Given the development of more and more AR applications and the enhancement of the mobile phone camera focusing function, the phone's efficiency will become better and better if it is equipped with 3D sensing.
- ② LiDAR: LiDAR has strengths, such as high precision, high readability, long distance and rapid sensing and, therefore, become one of the solutions applicable to multiple in-vehicle sensing methods. The car makers' upgrading of the ADAS and declining selling price of LiDAR year by year will benefit the LiDAR market size growth.

#### (4) Competitive niche

##### ① Self-researched and developed technology

- A. Cost reduction: it is not necessary to pay royalties or technology transfer fees; therefore, the product costs may be reduced effectively.
- B. Shortened schedule for launch of new products: The Company engages in R&D of products based on the technology owned by itself. Therefore, the Company may control the schedule for the launch of new products effectively, without needing to get a license from any other company.

##### ② Ability to research and develop new products

The abilities to research and develop new products and engage in mass production are identified as the two core abilities of the compound semiconductor epitaxy industry, primarily including:

- A. Sound market and industrial analysis: To select the new products with marketability as the ones to be developed.
- B. Adequate allocation of resources: To accumulate experience, control costs and development schedule effectively.
- C. Continue to design and improve functions of MOCVD to satisfy the requirements for the new products and mass production.
- D. Develop new verification abilities

The time spent by the Company in R&D of new products and passing of certification by customers has been shortened much more than the others in the same industry. In 1999, the Company received the R&D fund for new leading products as subsidized by Ministry of Economic Affairs for its InGaP HBT. In 2000, the Company received the fund for Technology Development Program for Enterprise subsidized by Ministry of Economic Affairs for its 850nm VCSEL. It has engaged in the mass production and shipping of its 780nm Laser Diode in 2000. In

2002, it received again the fund for Technology Development Program for Enterprise subsidized by Ministry of Economic Affairs for its “High-efficiency multi-junction InGaP/GaAs/Ge solar cells for stratospheric wireless communications platforms.” In 2007, it received the R&D fund for new leading products as subsidized by Ministry of Economic Affairs for its “High-efficiency concentrated multi-junction solar cell epi wafer.” In 2010, the Company was honored the “2010 Technology Results Innovation Award” by the Department of Industrial Technology, Ministry of Economic Affairs. Apparently, the Company’s ability to research and develop technologies has been well recognized.

③ Ability to engage in mass production

The ability to engage in mass production includes the knowledge about the characteristics of components and epitaxy process, machine parameters, control over operating workers’ stability and rapid verification of epitaxy quality.

The ability to engage in mass production is reflected subject to whether or not the products pass the certification by customers and whether the products are shipped steadily. Since 2000, the Company’s HBT has passed the certification by multiple customers (including the largest customer in the world). Apparently, the Company’s ability to engage in mass production has been well recognized.

④ Despite the high threshold for launch into the industry, the Company has been in the leading position as it already passed the certification by major customers.

The foundry service must be performed subject to the structure designated by customers. Technically, it is very hard to produce the epi wafer with the uniformity, reproducibility and electrical properties in which the concentration of doping satisfied the requirements. Besides, when certifying the potential suppliers, the customers need to invest time and fund and also spare their normal production capacity and bear the risk over disclosure of their confidential structures. Therefore, the cost spent in certifying one single potential supplier is very expensive. Once they decide 2~3 suppliers that may satisfy their requirements about quality, delivery period and ability to engage in mass production, they are not likely to continue investing considerable fund and time to certify any other suppliers manually. In other words, the high transfer costs to be spent by customers form the obstacle for the launch into the industry, and the ones that already launched into the industry successfully would be in the dominant position at first.

⑤ Strength in competitive price

Continue to reduce costs, remove all possible waste in the process of operations, continue to improve the yield rate without limitation without end, ensure the Company’s profitability and long-term competitiveness, and feed back to customers with its strength in costs, improve customers’ strengths in pricing, enter into the partnership that would create the win-win situation for both parties and build customer loyalty.

⑥ Provide customers with fine-quality technical services

Work with customers to research and develop new products, help customers shorten the delivery period for new product development and work with customers



closely to improve the yield rate of the process jointly.

(5) Positive and negative factors for future development

The Company's positive factors include:

- ① The balanced development of product structure helps avoid the business risk over a single product.

The applications of compound semiconductor epitaxy products cover the industries, such as wireless communications, optical fiber communications, optical sensing and optical display, of which the market size and growth rate are promising. The product lines include HBT, PHEMT, BiHEMT, GaN, Laser Diode, PIN Diode and VCSEL, etc.. The Company has its development of product structures oriented toward the three major industries including wireless communications, optical fiber communications and optical sensing to avoid excessive concentration of operating revenue on a single product and also the business risk arising from the impact posed by the economic cycle of a single market.

- ② A wide room for growth of the market

As far as the Company is concerned, the market space is generated from the following two factors:

A. Demand derived from terminal products

The on-going growth of wireless communications, optical fiber communications and optical sensing derives the demand for the Company's HBT, PHEMT, BiHEMT, GaN, Laser Diode, PIN Diode and VCSEL, and other epi wafers. Particularly, following the emerging 5G mobile phones, compound semiconductors, in consideration of their characteristics, such as high frequency, high speed, low noise, better linearity, high efficacy and power and high temperature resistance, have considerable room for growth. Further, more and more the forward-looking applications, such as WiFi devices equipped with AI and 3D Sensing functions to create smart home, smart city and smart medical care, also derive the demand for the Company's products.

B. Formation of professional epitaxy foundry service

So far, the foundries have been formed and possessed specific capacity in Taiwan (*e.g.*, WIN Semiconductors, Advanced Wireless Semiconductor, and Wavetek Microelectronics Corporation, etc.). The Company is the only one GaAs epitaxy company owning its own technologies throughout Taiwan. Geographically, the Company may work with the down-stream foundries conveniently. Therefore, it is expectable that Taiwan will become an important GaAs production base globally in the future.

- ③ Defined strategic orientation to help develop long-term partnership with customers

The compound semiconductor epitaxy manufacturers may access the confidential information about the customers' structures in the process of certification and mass production, in order to output the epi wafer in line with the relevant requirements. Where these manufacturers integrate the downstream business engaged in process out of the strategic factors, the competitive relationship

with customers arising directly therefor will disbenefit both parties' mutual cooperative relationship.

The Company defines itself as a professional epitaxy foundry and thereby help build the long-term reliable and cooperative relationship with customers. Then, it may secure a higher share of customers in the compound semiconductor industry which grows rapidly.

④ Strength in competitive price

For the time being, the Company's primary competitors in microelectronic products come from the UK, USA and Japan. The Company is based in Taiwan. According to the financial forecast published in the same industry, the Company's profitability is in the first place in the industry (in terms of Gross Margin, Operating Margin and Net Income). This helps the Company secure the strength in permanent cost reduction. Meanwhile, in response to the formation of foundries in Taiwan, this will also help transfer of Taiwan into an important global GaAs production base.

⑤ Sufficient production capacity

The Company adopts the business strategies to continue upgrading its market share in the oligopoly industrial competition environment. Ahead of the others in the same industry, the Company has procured multiple MOCVD units in order to reserve the production capacity for customers as early as possible, satisfy the demand from the market and customers and upgrade its market share ahead of the others in the same industry.

⑥ Powerful management team and excellent corporate culture

The Company's management team and technical personnel consist of the elites specialized in compound semiconductors recruited domestically and overseas. Meanwhile, as trained under the corporate culture for "sharing," the team members are willing to learn from each other to speed up their growth, thus accelerating the schedule for R&D and launch of new products.

The Company's negative factors include:

① Insufficient talents

Compared to the silicon semiconductor, the commercial use of compound semiconductor has been developed successively in the recent years. Therefore, the related talents appear to be insufficient.

② Intensified industrial cycle

Due to the impact posed by various international factors recently, e.g. the Russia-Ukraine War, interest escalation by the USA, and the static corporate management in certain territories of the Mainland China as a result of the epidemic, the supply chain and transportation chain have been affected adversely too. As a result, the industrial cycle for terminal products are intensified and volatility expanded accordingly.

(6) Responsive measures

① Recruitment of professional talents

Recruit the related professional talents overseas to have them join the

technology and business teams and also work closely with the related departments/institutes of local universities at the same time.

## ② Build customers' loyalty

Upgrade the percentage of sales of each product to individual customers with the strengths in the product quality, service, price, delivery period and production capacity; interact with customers proactively to control the specifications, structure and materials of the customers' next generation products and thus shorten the time spent in launching new products.

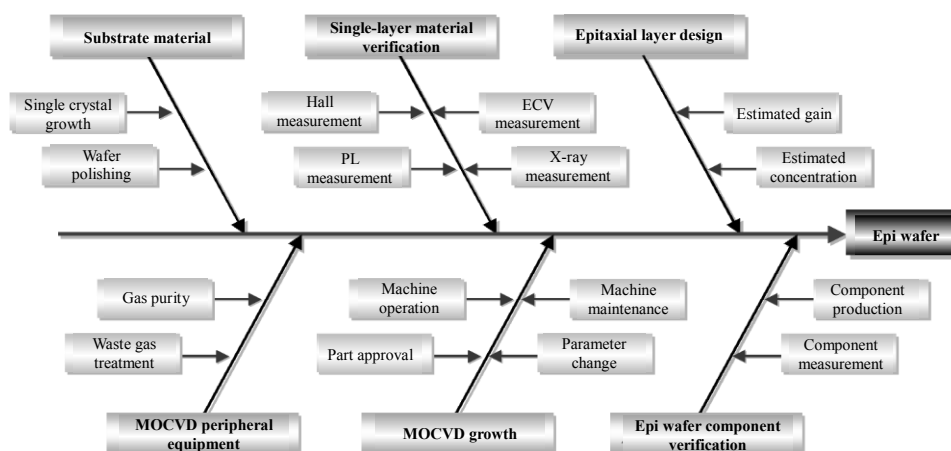
The Company may disperse its business risk effectively, mitigate the business volatility and remain invincible, only if it works with customers to join the technical R&D of the next generation product specifications, strives for the design-win opportunities in the specifications of terminal products, ensures that the Company's materials are applied to each popular mobile phone, tablet, wearable device or evolving mobile device series, adjusts the stable (no concentration of operating revenue on one or two customers only) customer structure and becomes the first largest supplier of various major customers.

## (II) Important intended use and manufacturing processes for the main products

### 1. Important intended use of the main products

Product name	Product descriptions
Microelectronic epi wafer	Applicable to wireless communications (power amplifiers, mixers, gain amplifiers, frequency converter), satellite communication system, and GPS.
Optoelectronics epi wafer	Applicable to fiber communication Receiver and Transmitter and sensing components (3D sensing and LiDAR, etc.)

### 2. Manufacturing process



## (III) Supply situation for the Company's major raw materials

Major raw materials	Major suppliers
Substrate	AXT, Freiberger, Sumitomo
Special gas and organic metal	Praxair Chemax Semiconductor Materials, Nippon Sanso Taiwan, Inc. and Cassen Enterprises Co., Ltd.

The major raw materials are supplied in Japan, the USA, Germany and Taiwan. The supply condition is considered fair for the time being.

(IV) A list of any suppliers and clients in the most recent two years

1. Name of the suppliers accounting for 10 percent or more of the Company's total procurement amount in the most recent two years, the amounts bought from each and the percentage of total procurement accounted for by each.

Unit: NTD thousand

Name	2022			2023		
	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Amount	To the annual net procurement amount (%)	Relationship with the issuer
Supplier 1	635,780	52.65%	None	864,445	68.94%	None
Supplier 2	247,823	20.52%	None	90,050	7.18%	None
Supplier 2	143,598	11.89%	None	145,650	11.62%	None
Others	180,297	14.94%	None	153,736	12.26%	None
Net procurement amount	1,207,498	100.00%	-	1,253,881	100.00%	-

The Company's major raw materials include GaAs substrate, organic metal, precious metal and special gas. As the demand for the optical communication of data centers increased, the production volume of the materials increased progressively in 2023. The net procurement increased by 3.84% in 2023 from 2022.

2. Name of the customers accounting for 10 percent or more of the Company's total sales amount in the most recent two years, the amounts sold to each and the percentage of total sales accounted for by each.

Unit: NTD thousand

Name	2022			2023		
	Amount	To the annual net sales amount (%)	Relationship with the issuer	Amount	To the annual net sales amount (%)	Relationship with the issuer
Customer 1	722,360	27.74%	None	648,200	24.06%	None
Customer 2	460,661	17.69%	None	320,346	11.89%	None
Customer 3	393,820	15.13%	None	182,231	6.76%	None
Customer 4	180,015	6.91%	None	620,743	23.04%	None
Others	846,773	32.53%	None	922,584	34.25%	None
Net sales amount	2,603,629	100.00%	-	2,694,104	100.00%	-

The Company identifies MOCVD as its core technology. The main products cover microwave communication products and photoelectronic products. The increase in operating revenue from optical communication of data centers was resulted from the business opportunities related to AI. Therefore, the net sales amount increased by 3.47% in 2023 from 2022.

(V) Production volume/value for the most recent two years

Unit of production volume: pc; Unit of production value: NTD thousand

Year	2022			2023		
Production volume/value Major commodities	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Homemade products	696,000	333,561	1,537,400	696,000	305,774	1,520,661
Foundry products	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	696,000	333,561	1,537,400	696,000	305,774	1,520,661

(VI) Sales volume/value for the most recent two years

Unit of sales volume: pc; Unit of sales value: NTD thousand

Year	2022				2023			
Sales volume/value Major products	Domestic marketing		Export sale		Domestic marketing		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Homemade products	102,504	805,627	225,864	1,797,336	137,145	1,060,519	172,404	1,631,944
Foundry products	-	-	-	-	-	-	-	-
Others	105	299	70	367	24	169	68	1,472
Total	102,609	805,926	225,934	1,797,703	137,169	1,060,688	172,472	1,633,416

### III. Employees

Year		2022	2023	Until the end of March 2024
Number of employees	Indirect	123	125	123
	Direct	180	173	170
	Total	303	298	293
Average age		36.6	37.8	38.0
Average service seniority		8.26	9.22	9.45
Academic background distribution ratio	PhD	1.98%	2.01%	2.05%
	Master	13.20%	13.42%	13.31%
	Bachelor	45.22%	46.65%	48.12%
	Senior high school	39.60%	37.92%	36.52%
	Total	100.00%	100.00%	100.00%

### IV. Disbursements for environmental protection

The total amount of losses and dispositions suffered by the Company in the most recent year and up to the date of publication of the annual report due to environmental pollution incidents and future responsive measures and possible expenditure thereof:

1. The Company has not suffered any losses and expenditures in dispositions due to environmental pollution incidents in the most recent year and up to the date of publication of the annual report.
2. At the very beginning of the factory construction, the Company valued the investment in the establishment of pollution prevention equipment and also delegated the dedicated environmental protection unit and personnel pursuant to laws; applied for the permits for

the establishment of pollution prevention facilities and emissions; emitted waste gas after treating the same through valid prevention equipment at the factory premises; contracted qualified professional service providers to clean and process the waste on behalf of the Company and had its wastewater treatment plant at the factory premises treat waste (polluted) water and then emit the water after fulfilling the Industrial Park Sewage Control Standards of the Ministry of Economic Affairs. The Company has never suffered any dispute over pollution by the date of publication of the annual report.

3. The Company obtained the environmental management system certification (ISO-14001:2002) in 2002, completed the inspection and review of the new version of ISO-14001:2015 in 2017, conducted third-party audits every year, and carried out the renewal review every three years. The latest renewal occurred in 2023 (ISO-14001: 2015), and the certificate remains effective.
4. In 2013, the Company completed the 2012 greenhouse gas verification (ISO-14064-1) and completed the verification each year. The latest certification for the new version of 2022 greenhouse gas verification (ISO-14064-1:2018) was completed in 2023.
5. The Company obtained certificates for the Occupational Safety and Health Management System (OHSAS 18001) and the Taiwan Occupational Safety and Health Management System (TOSHMS) in 2009. In 2014, the Company obtained the five-year performance recognition for the Taiwan Occupational Health and Safety Management System from the Council of Labor Affairs. A third-party audit is conducted every year, and the renewal review is conducted every three years. In 2022, we completed the certification for the new version of the Occupational Health and Safety Management System (converted from the original OHSAS-18001/TOSHMS to ISO-45001:2018/CNS-45001:2018); the latest third-party audit was conducted in 2023, and the certificate remains effective.
6. Starting from April 2006, the Company's products sold to EU countries are compliant with RoHS.
7. Per the need for expansion of factory, the Company established additional facilities to prevent pollution from stationery pollution sources, in order to satisfy the emission standards and reduce the emission of pollutants.
8. In response to the stricter laws and regulations applicable in 2022, the Company installed additional waste (sewage) water control equipment to meet the relevant emission standards and reduce the emission of pollutants.
9. According to the requirements posed by the Bureau of Energy, Ministry of Economic Affairs, the Company has conserved power by more than 1%, on average, from 2016 to 2023; the in-house energy-saving plans are formulated in response to energy conservation.
10. When using toxic and concerned chemical substances, the Company obtained relevant certificates according to the requirements and adopted the protection measures and responsive facilities and also maintained and cared for the facilities periodically pursuant to laws, in order to provide protection in any emergency.
11. Future countermeasures: Continue to promote various pollution prevention, energy conservation, climate change adaptation and continuous improvement measures and improve the performance of various pollution control facilities in accordance with the

requirements of environmental protection regulations and emission standards, and the products and production capacity of the Company (it is expected to invest in the change in fixed pollution source control facilities for VOCs in response to the more stringent emission standards under the Air Pollution Control Act to comply with the emission standards and reduce pollutant emissions in 2024).

## **V. Labor-Management Relations**

(1) List the Company's employee benefit plans, continuing education, training and retirement systems, the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

### **1. Excellent HR strategies**

- (1) Provide competitive pay levels and participate in the market salary survey to verify reasonable pay levels.
- (2) Allocate the performance bonus, issue employee stock warrants, distribute remuneration to employees and implement transfer of treasury shares to employees, subject to the overview of business; place the shares held by employees under trust since August 2015, so that the Company and employees contribute the equivalent amount on a monthly basis, and employees may hold the Company's shares permanently under the systematic investment policy.
- (3) Plan complete training programs and combine them with the promotion system to help employees with their career development.

### **2. Employee benefit policy**

- (1) The sound insurance system providing labor insurance, employment insurance, labor occupational accident insurance, national health insurance, employee group insurance and employer liability insurance programs enable the employees to enjoy more complete protection.
- (2) Provide employees with periodic health checkups and professional Meridian massage service without charge.
- (3) Provide employees with meals and parking lots exclusive for employees.
- (4) Establish the worker welfare committee pursuant to laws; allow the employees to elect the committee members responsible for planning and implementing the employee benefit policies and contribute welfare fund as required.
- (5) Provide the allowances for childbirth, marriage, funeral and other ceremonies and for hospitalization, injury and sickness, in addition to gift money or coupons for three major festivals and birthday; organize domestic and foreign tours and departmental meal parties for employees periodically.
- (6) Provide the on-site physician's clinic service and resident nurse's consulting service and establish the clinic and breastfeeding room.
- (7) Respect employees' freedom of religious belief, provide adequate places of religious worship, and allow employees to perform their religious obligations.
- (8) Plan the group insurance program for employees' dependents, which the employees' parents, spouses or children may enroll as proposers at their own expense.

- (9) Promote health to advocate atmosphere of physical activity, improve physical and mental balance, enhance physical fitness and life quality, promote the philosophy that life is exercise and exercise means health, and encourage colleagues to participate in various sports activities organized by public institutions or private entities, with a view to achieving the effect of exercise and fitness.
- (10) To fulfill the Company's "corporate social responsibility," the Company encourages all colleagues to donate blood for public welfare by taking part in blood donation organized by public institutions, private entities or blood-donation buses so as to jointly respond to the idea of "give blood, save lives."
- 3. Employees' education and training: Plan complete training programs and combine them with the promotion system to help employees with their career development. Establish the competency training system by people manager and individual contributor.
  - (1) A total of 188 sessions of employees' education and training were organized in 2023.
  - (2) There were a total of 2,885 trainees for employees' education & training in 2023.
  - (3) The employees' education & training hours were 14.84 hours per person in 2023.
- 4. Employees' code of conduct/ethics
  - (1) When engaging in any business activities, the Company's employees shall comply with the ethical conduct requirements under the "Employee Code of Conduct," "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," in order to maintain the Company's goodwill and also win the respect and trust from customers, suppliers, and other people from all walks of life.
  - (2) The formulation of and amendments to the Company's "Work Rules" are approved by the labor-management meeting and set to the Taoyuan City Government for approval, and then are announced to all employees as their professional code of conduct.
- 5. 5. Sound retirement planning
  - (1) The Company formulates its "Work Rules" in accordance with the Labor Standards Act, and establishes the "Labor Pension Supervisory Committee" to supervise the contribution of pension reserve periodically and take charge of the review and approval of applications for retirement.
  - (2) The Company contributes the pension reserve for foreign employees in accordance with the Labor Standards Act on a monthly basis, and also appoints the actuary to calculate the employees' benefits and issue the actuarial report therefor. The Company also contributes the fund to the exclusive account of the Labor Pension Supervisory Committee as required on a monthly basis.
  - (3) Since July 1, 2005, in response to the Labor Pension Act implemented by the government (hereinafter referred to as the "new system"), the Company has contributed the required amount to the exclusive retirement account maintained at the Bureau of Labor Insurance on a monthly basis, for the employees who chose to apply the new system.



- (4) The Company applies the following requirements pursuant to the Labor Pension Act:
  - A. Voluntary retirement (according to Article 53 of the Labor Standards Act)
 

An employee may apply for voluntary retirement under any of the following conditions:

    1. Where the employee attains the age of fifty-five and has worked for fifteen years.
    2. Where the employee has worked for more than twenty-five years.
    3. Where the employee attains the age of sixty and has worked for ten years.
  - B. Forced retirement (according to Article 54 of the Labor Standards Act)
 

The Company shall not force an employee to retire unless any of the following situations has occurred:

    1. Where the employee attains the age of sixty-five.
    2. Where the employee is unable to perform his/her duties due to disability.

A business entity may request the central competent authority to adjust the age prescribed in the subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.
  - C. Criteria for payment of pensions
 

The criteria for payment of employee pensions shall be as follows:

    1. For the seniority applicable to the pension system under the Labor Standards Act (old system), the criteria for payment of pensions referred to in Article 55 of the same Act shall apply. Notwithstanding, as set forth in Subparagraph 2 of Paragraph 1 of Article 54, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to the employees forced to retire due to disability incurred from the execution of their duties.
    2. For the employee applicable to the pension system under the Labor Pension Act (new system), the Company contributes 6% of his/her wage to his personal retirement account on a monthly basis.
  - D. Payment of pensions
 

The Company shall pay the employees the pensions specified in the Labor Standards Act within 30 days from the day of the employees' retirement.
- (5) The Company establishes the "Visual Photonics Epitaxy Co., Ltd. Employee Stock Ownership Trust" to seek benefits for the colleagues and help them deposit savings permanently and accumulated wealth, so that their retirement life may be secured. Meanwhile, the Company strengthens the employees' engagement in the Company and allows the employees to hold the Company's stocks to share the Company's business results altogether.
- (2) List any losses suffered by the Company in the most recent year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition

reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken, provided that if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none.

## **VI. Information and Communication Security Management:**

(1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework: The Company establishes the “Information Security Management Team” to promote the information security management operations, distinguish the functions of the “chief information security supervisor, information security management personnel and information security reporting window,” dedicated to setting forth the information security policy and targets, supervise analysis, processing, reporting and record of information security incidents (by type/level), execute the stimulated drill for information security incident regularly each year, test the safety of the “information infrastructure and vulnerability scanning for information security,” and record and report said audit results honestly; reports are made to the Board of Directors regularly each year.
2. Cyber securities policy: Strengthen the information security management to ensure the confidentiality, completeness and availability of information assets, prevent the Company from intentional or accidental threats internally and externally and control the Company’s business secrets and undisclosed confidential information by maintaining the information business continuity environment to ensure the interests of the Company, customers and suppliers.
3. Specific management plans:
  - (1) Establish the internal control mechanism including the multi-layer information security defensive framework (firewall, intrusion detection and anti-virus system) and execute (vulnerability detection and scanning, and information security bug fixing), in accordance with the information security and network risk prevention policies.
  - (2) Utilize social engineering exercises and promote information security regularly (e.g., social attack methods and sharing of guiding cases in the industry), strengthen the employees' awareness toward information security and mitigate the harm caused by information security risks.
  - (3) Preserve the (mails and printouts) track records, maintain the track records, inquiries, reports and warnings about access to files in the key personnel’s computers and provide the routine audit or post-survey on suspicious personnel and incidents.
  - (4) Join the "Information Security Joint Defense Organization" to share real-time information security intelligence. The dedicated unit in charge of information security shall collect, confirm and adjust the setting to improve the overall information security response capacity.

4. Resources invested in cyber security management:

- (1) Established a dedicated information security unit with dedicated information security supervisors and information security personnel to regularly examine whether the information security policies are compliant with the requirements.
- (2) The information security personnel or the external professional supplier engaged regularly executes the system vulnerability screening, social engineering exercises, or penetration tests four times a year.
- (3) Execute the risk assessment for the “upgraded network safety equipment” two times a year to mitigate the infection of malware and attacks.
- (4) Invest corresponding resources each year to maintain the operation continuity plan and exercises of the system to avoid operation interruption caused by external attacks.

- (2) List any losses suffered by the Company in the most recent year and up to the date of publication of the annual report publication due to significant cyber security incidents, the possible impacts therefrom and measures being or to be taken, provided that if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No significant information security incident posing effects to the Company’s operations has arisen in the most recent year and up to the date of publication of the annual report.

**VII. Important contracts: The contracting parties, major content, restrictive clauses and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report or expired in the most recent fiscal year: None.**

## Chapter VI. Financial Information

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

#### (1) Condensed Balance Sheets and Statements of Comprehensive Income Condensed Balance Sheets

Unit: NTD thousand

Year Item		Financial data for the last five years (Note)				
		2019	2020	2021	2022	2023
Current assets		1,785,163	1,972,308	2,302,233	1,620,029	2,045,422
Property, plant and equipment		2,529,540	2,318,762	2,405,171	2,711,998	2,490,113
Intangible assets		2,808	4,110	5,327	6,138	7,387
Other assets		22,078	23,420	137,854	73,803	34,778
Total assets		4,339,589	4,318,600	4,850,585	4,411,968	4,577,700
Current liabilities	Before distribution	1,107,731	1,016,670	1,372,347	732,165	799,180
	After distribution	1,569,996	1,495,576	2,111,971	1,157,449	—
Non-current liabilities		400,979	400,211	200,324	597,213	709,179
Total liabilities	Before distribution	1,508,710	1,416,881	1,572,671	1,329,378	1,508,359
	After distribution	1,970,975	1,895,787	2,312,295	1,754,662	—
Equity attributable to owners of the parent		2,830,879	2,901,719	3,277,914	3,082,590	3,069,341
Share capital		1,849,059	1,849,059	1,849,059	1,849,059	1,849,059
Capital surplus		16,691	16,736	16,736	16,736	16,736
Retained per share	Before distribution	965,129	1,035,924	1,412,119	1,216,795	1,241,686
	After distribution	502,864	557,018	672,495	791,511	—
Other equity interests		0	0	0	0	0
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,830,879	2,901,719	3,277,914	3,082,590	3,069,341
	After distribution	2,368,614	2,422,813	2,538,290	2,657,306	—

Note: The financial data from 2019 to 2023 were already audited and certified by the CPAs.

Condensed Statements of Comprehensive Income

Unit: NTD thousand

Item \ Year	Financial data for the last five years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	2,530,909	2,645,003	3,608,521	2,603,629	2,694,104
Gross profit	1,034,272	1,114,404	1,519,713	1,089,007	1,108,914
Operating profit (loss)	648,983	687,515	1,056,519	579,950	542,069
Non-operating income and expenses	(20,380)	(40,212)	(3,842)	87,533	(347)
Net income before tax	628,603	647,303	1,052,677	667,483	541,722
Net income from Net income	514,325	532,588	855,081	544,728	450,232
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	514,325	532,588	855,081	544,728	450,232
Other comprehensive income for the current period (net of tax)	(466)	471	20	(428)	(38,197)
Total comprehensive income for the current period	513,859	533,059	855,101	544,300	412,035
Net income attributable to owners of the parent	—	—	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of the parent	—	—	—	—	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share	2.79	2.88	4.62	2.95	2.43

Note: The financial data from 2019 to 2023 were already audited and certified by the CPAs.

(2) Name of CPAs and Audit Opinions for the Last Five Years:

Year	CPA firm	CPA	Audit opinion
2019	PwC Taiwan	Chou, Hsiao-Tzu and Lee, Hsiu-Ling	Unqualified opinion
2020	PwC Taiwan	Chou, Hsiao-Tzu and Lee, Hsiu-Ling	Unqualified opinion
2021	PwC Taiwan	Chou, Hsiao-Tzu and Lai, Chung-Hsi	Unqualified opinion
2022	PwC Taiwan	Chou, Hsiao-Tzu and Lai, Chung-Hsi	Unqualified opinion
2023	PwC Taiwan	Lin, Se-Kai and Lai, Chung-Hsi	Unqualified opinion

## II. Financial Analyses for the Past Five Fiscal Years

### Financial Analysis

Item (Note 2) \ Year		Financial data for the last five years (Note 1)				
		2019	2020	2021	2022	2023
Finance and structure (%)	Ratio of liabilities to assets	34.77	32.81	32.42	30.13	32.95
	Ratio of long-term capital to property, plant and equipment	127.76	142.40	144.61	135.69	151.74
Debt service ability (%)	Current ratio	161.15	194.00	167.76	221.27	255.94
	Quick ratio	125.35	150.52	130.80	142.61	181.21
	Times interest earned ratio	76.80	87.46	158.66	101.76	42.23
Operating ability	Accounts receivable turnover rate (times)	6.42	5.40	6.87	5.94	5.89
	Average days for cash receipts	57.00	68.00	53.00	61	61
	Inventory turnover rate (times)	3.71	3.81	4.67	2.98	2.87
	Payables turnover rate (times)	5.58	4.93	6.06	5.52	5.53
	Average days for sale of goods	98.00	96.00	78.00	122	127
	Turnover rate for property, plant and equipment (times)	0.99	1.09	1.53	1.02	1.04
	Total asset turnover rate (times)	0.61	0.61	0.79	0.56	0.60
Profit-ability	Asset return ratio (%)	12.60	12.44	18.77	11.88	10.25
	Equity return ratio (%)	19.17	18.58	27.67	17.13	14.64
	Ratio of income before tax to paid-in capital (%)	34.00	35.01	56.93	36.10	29.30
	Net profit ratio (%)	20.32	20.14	23.70	20.92	16.71
	Earnings per share (NTD)	2.79	2.88	4.62	2.95	2.43
Cash flow	Cash flow ratio (%)	62.76	83.73	85.88	87.89	71.59
	Cash flow sufficiency ratio (%)	84.34	85.60	84.52	77.96	97.39
	Cash re- investment ratio (%)	3.84	6.07	10.21	(1.33)	1.92
Leverage	Operating leverage	1.81	1.81	1.58	2.01	2.20
	Financial leverage	1.01	1.01	1.01	1.01	1.02

Please specify the changes in financial ratios over the past two fiscal years (not required if the difference does not exceed 20%):

- The 27% increase in the quick ratio in 2023 from 2022 is mainly due to the increase in current assets in 2023.
- The 2023 times interest earned decreased by 59% from 2022, mainly due to the increase in 2023 financial costs.
- The 2023 net profit margin decreased by 20% compared with 2022, mainly due to the decrease in the after-tax net profit in 2023.
- The 25% increase in 2023 cash flow adequacy ratio from 2022 is mainly due to the increase in capital expenditures and cash dividends in 2022.
- The cash reinvestment ratio in 2023 increased by 244% from 2022, mainly because the cash dividend in 2022 was higher than the net cash flow from operating activities.

Note 1: The financial data from 2019 to 2023 were already audited and certified by the CPAs.

Note 2: The calculation formula is stated as following:

## 1. Financial structure

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

## 2. Solvency

- (1) Current ratio=current assets/current liabilities.
- (2) Quick ratio=(current assets-inventories-prepaid expenses)/current liabilities.
- (3) Times interest earned ratio=net income before income tax and interest expenses/interest expenditure for the current period.

## 3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation).
- (2) Average days for cash receipts=365/receivables turnover.
- (3) Inventory turnover=cost of goods sold/average inventory.
- (4) Payables (including accounts payable and notes payable due to business operation) turnover = Cost of goods sold/the balance of average payables of different periods (including accounts payable and notes payable due to business operation).
- (5) Average days for sale of goods=365/inventory turnover.
- (6) Property, plant and equipment turnover=net sales/average property, plant and equipment, net.
- (7) Total asset turnover=net sales/average total assets.

## 4. Profitability

- (1) ROA=[Net income + Interest expenses (1 - tax rate)] / Average total assets.
- (2) ROE=Income after tax/Average total equity.
- (3) Net margin = Net income/net sales.
- (4) Earnings per share = (Income attributable to owners of the parent- preferred stock dividend)/weighted average number of shares outstanding.

## 5. Cash flow

- (1) Cash flow ratio=net cash from operating activities/current liabilities.
- (2) Cash flow adequacy ratio=five-year sum of net cash flow from operations/five-year sum of capital expenditures, increase in inventory, and cash dividend.
- (3) Cash flow reinvestment ratio=(cash flow from operating activities-cash dividends)/(gross property, plant and equipment+long-term investments+other non-current assets+working capital).

## 6. Leverage

- (1) Operating leverage=(net operating revenue-variable operating costs and expenses)/operating profit.
- (2) Financial leverage=operating profit/(operating profit-interest expense).

### **III. Audit Committee's Report for the Most Recent Fiscal Year's Financial Statement**

#### **Visual Photonics Epitaxy Co., Ltd.**

##### **Audit Committee's Report**

The Board of Directors of the Company sent the 2023 business report, an earnings distribution proposal and the financial statements (including balance sheets, statements of comprehensive income, statements of changes in equity and statements of cash flow) audited and certified by Chou, Hsiao-Tzu and Lai, Chung-Hsi, CPAs at PwC Taiwan, to the Audit Committee. The committee has completed the review of said documents and found no discrepancies therein and hereby issued a report in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please proceed to review it.

To

The 2024 Annual General Meeting of Visual Photonics Epitaxy Co., Ltd.

Audit Committee of Visual Photonics Epitaxy Co., Ltd.

Convener of the Audit Committee: Huang Man-Sheng

February 29, 2024



#### **IV. Financial Statements for the Most Recent Fiscal Year**

##### **INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE**

To the Board of Directors and Shareholders of VISUAL PHOTONICS EPITAXY CO., LTD.

#### ***Opinion***

We have audited the accompanying balance sheets of Visual Photonics Epitaxy Co., Ltd. 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 Visual Photonics Epitaxy Co., Ltd. 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 Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 generally accepted auditing standards in 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 Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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 Visual Photonics Epitaxy Co., Ltd.'s financial statements of the current period are stated as follows:

#### **Appropriateness of cut-off of warehouse operating revenue**

##### **Description**

For accounting policy of revenue recognition, please refer to Note 4(22).

The types of sale is separated into direct delivery from factory and warehouse operating revenue. The warehouse operating revenue involves shipping the goods to the warehouse in the USA or others first, then customer pick-up the goods. When the control of goods are transferred, and revenue is recognized. Visual Photonics Epitaxy Co., Ltd.'s revenue is recognized in accordance with statements provided by sales customers or online shipping system information.

Due to the multi-location of the warehouses and the different frequency of each custodian providing their statements, the revenue recognition procedure is complex and involves reconciliation of mutual payments. Visual Photonics Epitaxy Co., Ltd.'s daily transaction quantity is voluminous and the transaction amount around the balance sheet date is significant to the financial statements, therefore, we determined that the appropriateness of cut-off of warehouse operating revenue as one of the key audit matters for this fiscal year.

#### How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Obtained an understanding and tested the timing of sales revenue recognition procedures between Visual Photonics Epitaxy Co., Ltd. and the customers to verify the effectiveness of the internal control for warehouse operating revenue recognition.
2. Performed cut-off test on the transactions of warehouse operating revenue around the period of balance sheet date, including verifying the supporting documents of warehouse custodian, the movement of accounted inventory, and related records of cost of goods sold generated to evaluate the timing appropriateness of warehouse operating revenue recognition.
3. Performed confirmation or physical inventory count observation to confirm the inventory quantities and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies or physical inventory count observation and accounting records and tested the reconciling items made by management in order to confirm whether the significant differences have been adjusted.

#### **Valuation of inventory**

##### Description

For description of accounting policy on inventory valuation, please refer to Note 4(10). For accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2). For description of allowance for inventory valuation losses, please refer to Note 6(4).

As of December 31, 2023, Visual Photonics Epitaxy Co., Ltd.'s inventories and allowance for inventory valuation losses amounted to NT \$561,716 thousand and NT \$57,136 thousand, respectively. Visual Photonics Epitaxy Co., Ltd.'s inventories are mainly optoelectronics semiconductor Epi wafer products. Since the industry involves rapidly changing technology and are affected by the communications industry, there is higher risk of incurring inventory valuation losses. Visual Photonics Epitaxy Co., Ltd.'s inventories are measured at the lower of cost and net realisable value, if the price change does not have the expected net realizable value, it may affect the net realizable value estimation result of the inventory evaluation.

Visual Photonics Epitaxy Co., Ltd.'s determination of net realisable value for obsolete or slow-moving inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the inventories and the allowance for inventory valuation losses are material to its financial statements, we determined that the estimates of the allowance for inventory valuation losses as one of the key audit matters for this fiscal year.

#### How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Assessed the reasonableness and the consistency of provision policies on allowance for inventory valuation losses and procedures based on our understanding of Visual Photonics Epitaxy Co., Ltd.'s operation and industry, including the classification of inventory for determining net realizable value.
2. Obtained an understanding of the Visual Photonics Epitaxy Co., Ltd.'s warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Selected samples to check the inventory clearance and historical data of inventory discount in order to evaluate the reasonableness of allowance of inventory valuation losses.
4. Tested the appropriateness of the estimated basis that Visual Photonics Epitaxy Co., Ltd. adopted to evaluate net realizable value, selected a sample of individual inventory data like inventory selling and accuracy of purchase price, and recalculate and evaluate the reasonableness of allowance for inventory valuation losses which were determined by management.

#### ***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 Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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.

### ***Auditor's 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 the generally accepted auditing standards in 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement 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.

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 auditor's 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.

Lin, Se-Kai

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

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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.

VISUAL PHOTONICS EPITAXY CO., LTD.  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 825,831	18	\$ 752,949	17
1150	Notes receivable, net	6(3)	-	-	2,641	
1170	Accounts receivable, net	6(3)	622,328	14	288,539	7
1200	Other receivables		557	-	963	-
130X	Inventories	6(4)	504,580	11	486,607	11
1410	Prepayments		92,126	2	88,330	2
11XX	Current Assets		2,045,422	45	1,620,029	37
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	11,860	-	50,000	1
1600	Property, plant and equipment	6(5) and 8	2,490,113	55	2,711,998	62
1755	Right-of-use assets	6(6)	12,797	-	9,940	-
1780	Intangible assets		7,387	-	6,138	-
1840	Deferred income tax assets		7,627	-	8,424	-
1915	Prepayments for business facilities	6(5)	2,131	-	5,064	-
1920	Guarantee deposits paid		67	-	67	-
1975	Net defined benefit asset, non-current	6(10)	296	-	308	-
15XX	Non-current assets		2,532,278	55	2,791,939	63
1XXX	Total assets		\$ 4,577,700	100	\$ 4,411,968	100

(Continued)

VISUAL PHOTONICS EPITAXY CO., LTD.  
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						
2100	Short-term borrowings	6(7)	\$ 100,000	2	\$ 200,000	5
2130	Current contract liabilities	6(14)	19,671	-	22,696	-
2170	Accounts payable		397,188	9	175,974	4
2200	Other payables	6(8)	233,311	5	291,869	7
2230	Current income tax liabilities		39,034	1	33,086	1
2280	Current lease liabilities		3,755	-	2,814	-
2399	Other current liabilities, others		6,221	-	5,726	-
21XX	Current Liabilities		799,180	17	732,165	17
Non-current liabilities						
2540	Long-term borrowings	6(9) and 8	700,000	16	590,000	13
2570	Deferred income tax liabilities		59	-	62	-
2580	Non-current lease liabilities		9,120	-	7,151	-
25XX	Non-current liabilities		709,179	16	597,213	13
2XXX	Total Liabilities		1,508,359	33	1,329,378	30
Equity attributable to owners of parent						
	Share capital	6(11)				
3110	Ordinary shares		1,849,059	41	1,849,059	42
	Capital surplus	6(12)				
3200	Capital surplus		16,736	-	16,736	-
	Retained earnings	6(13)				
3310	Legal reserve		695,356	15	640,926	15
3350	Unappropriated retained earnings		546,330	12	575,869	13
	Other equity interest					
3400	Other equity interest		( 38,140 )	( 1 )	-	-
3XXX	Total equity		3,069,341	67	3,082,590	70
	Significant commitments and contingent liabilities	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 4,577,700	100	\$ 4,411,968	100

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

**VISUAL PHOTONICS EPITAXY CO., LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(14)	\$ 2,694,104	100	\$ 2,603,629	100
5000	Operating costs	6(4)(17)(18)	( 1,585,190)	( 59)	( 1,514,622)	( 58)
5900	Net operating margin		<u>1,108,914</u>	<u>41</u>	<u>1,089,007</u>	<u>42</u>
	Operating expenses	6(17)(18)				
6100	Selling expenses		( 10,921)	-	( 19,436)	( 1)
6200	General and administrative expenses		( 128,435)	( 5)	( 131,608)	( 5)
6300	Research and development expenses		( 427,489)	( 16)	( 358,013)	( 14)
6000	Total operating expenses		( 566,845)	( 21)	( 509,057)	( 20)
6900	Operating profit		<u>542,069</u>	<u>20</u>	<u>579,950</u>	<u>22</u>
	Non-operating income and expenses					
7100	Interest income		15,576	1	4,503	-
7010	Other income		975	-	6,425	1
7020	Other gains and losses	6(15)	( 3,758)	-	83,230	3
7050	Finance costs	6(16)	( 13,140)	( 1)	( 6,625)	-
7000	Total non-operating income and expenses		( 347)	-	87,533	4
7900	<b>Profit before income tax</b>		<u>541,722</u>	<u>20</u>	<u>667,483</u>	<u>26</u>
7950	Income tax expense	6(19)	( 91,490)	( 3)	( 122,755)	( 5)
8200	<b>Profit for the period</b>		<u>\$ 450,232</u>	<u>17</u>	<u>\$ 544,728</u>	<u>21</u>
8311	(Losses) gains on remeasurements of defined benefit plans	6(10)	( \$ 71)	-	( \$ 535)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		( 38,140)	( 2)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	<u>14</u>	<u>-</u>	<u>107</u>	<u>-</u>
8300	<b>Total other comprehensive loss for the year</b>		( \$ 38,197)	( 2)	( \$ 428)	-
8500	<b>Total comprehensive income for the period</b>		<u>\$ 412,035</u>	<u>15</u>	<u>\$ 544,300</u>	<u>21</u>
9750	Total basic earnings per share	6(20)	<u>\$ 2.43</u>		<u>\$ 2.95</u>	
9850	Total diluted earnings per share	6(20)	<u>\$ 2.43</u>		<u>\$ 2.93</u>	

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



VISUAL PHOTONICS EPITAXY CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained Earnings		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings		
<u>2022</u>								
Balance at January 1, 2022		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 555,416	\$ 856,703	\$ -	\$ 3,277,914
Profit for the year		-	-	-	-	544,728	-	544,728
Other comprehensive loss		-	-	-	-	( 428 )	-	( 428 )
Total comprehensive income		-	-	-	-	544,300	-	544,300
Appropriation and distribution of retained earnings 6(13)								
Legal reserve		-	-	-	85,510	( 85,510 )	-	-
Cash dividends		-	-	-	-	( 739,624 )	-	( 739,624 )
Balance at December 31, 2022		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 640,926	\$ 575,869	\$ -	\$ 3,082,590
<u>2023</u>								
Balance at January 1, 2023		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 640,926	\$ 575,869	\$ -	\$ 3,082,590
Profit for the year		-	-	-	-	450,232	-	450,232
Other comprehensive loss		-	-	-	-	( 57 )	( 38,140 )	( 38,197 )
Total comprehensive income(loss)		-	-	-	-	450,175	( 38,140 )	412,035
Appropriation and distribution of retained earnings 6(13)								
Legal reserve		-	-	-	54,430	( 54,430 )	-	-
Cash dividends		-	-	-	-	( 425,284 )	-	( 425,284 )
Balance at December 31, 2023		\$ 1,849,059	\$ 10,229	\$ 6,507	\$ 695,356	\$ 546,330	( \$ 38,140 )	\$ 3,069,341

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

**VISUAL PHOTONICS EPITAXY CO., LTD.**  
**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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 541,722	\$ 667,483
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(5)(6)(17)	282,386	241,866
Amortization expense	6(17)	1,652	1,405
Interest expense	6(16)	13,140	6,625
Interest income	(	15,576 )	( 4,503 )
Unrealized foreign exchange (profit) loss		9,452	( 1,135 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,641	( 2,225 )
Accounts receivable	(	333,789 )	295,912
Other receivables		406	( 326 )
Inventories	(	17,973 )	( 71,138 )
Prepayments	(	3,796 )	2,725
Other non-current liabilities	(	59 )	( 66 )
Changes in operating liabilities			
Current contract liabilities	(	3,025 )	4,280
Accounts payable		221,214	( 196,519 )
Other payables	(	44,429 )	( 69,938 )
Other current liabilities, others		495	279
Cash inflow generated from operations		654,461	874,725
Interest received		15,576	4,503
Interest paid	(	13,140 )	( 6,625 )
Income taxes paid	(	84,734 )	( 229,085 )
Net cash flows from operating activities		572,163	643,518
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(21)	( 71,120 )	( 412,818 )
Acquisition of intangible assets	(	2,901 )	( 2,216 )
Acquisition of financial assets at fair value through other comprehensive income		-	( 50,000 )
Decrease(increase) in prepayments for business facilities		2,789	( 5,064 )
Net cash flows used in investing activities	(	71,232 )	( 470,098 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(22)	( 100,000 )	( 280,000 )
Proceeds from long-term debt	6(22)	2,590,000	1,630,000
Repayments of long-term debt	6(22)	( 2,480,000 )	( 1,240,000 )
Payments of lease liabilities	6(22)	( 3,313 )	( 2,187 )
Cash dividends paid	6(13)	( 425,284 )	( 739,624 )
Net cash flows used in financing activities	(	418,597 )	( 631,811 )
Effect of exchange rate changes on cash and cash equivalents	(	9,452 )	1,135
Net increase (decrease) in cash and cash equivalents		72,882	( 457,256 )
Cash and cash equivalents at beginning of year	6(1)	752,949	1,210,205
Cash and cash equivalents at end of year	6(1)	\$ 825,831	\$ 752,949

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

VISUAL PHOTONICS EPITAXY CO., LTD.  
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 Organization

Visual Photonics Epitaxy Co., Ltd. (the “Company”) was incorporated in November 1996. The Company is primarily engaged in research & development, manufacture and sales of optoelectronic semi-conductors epitaxy, optoelectronic components products and etc. On January 24, 2002, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation.

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

These financial statements were authorized for issuance by the Board of Directors on February 29, 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 become 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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by 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 Material 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 financial statements of the Company have been prepared 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 and effected by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

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

(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 held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 from 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 other comprehensive income

- A. Refers to an irrevocable choice made at the time of original recognition to present changes in the fair value of equity instrument investments not held for trading in other comprehensive profit and loss.
- B. The Company adopts transaction date accounting for financial assets measured at fair value through other comprehensive profit and loss in accordance with transaction conventions.
- C. The Company measures the fair value plus transaction costs at the time of initial recognition, and subsequently recognizes changes in the fair value of equity instruments that are measured by fair value in other comprehensive profit or loss. Accumulated gains or losses may not be subsequently reclassified to profit or loss and transferred to retained earnings. When the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of the dividends can be measured reliably, the Company recognizes dividend income in profit or loss.

(7) Accounts and notes receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) 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 costs necessary to make the sale.

(11) 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. Land is not depreciated. Other 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	50 ~ 60 years
Machinery and equipment	3 ~ 15 years
Office equipment	4 years
Other equipment	3 ~ 15 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.



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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(13) Intangible assets

Intangible assets, mainly patent and computer software, are recognised at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 7 years.

(14) 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.

(15) 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.

(16) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) 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 recognised 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 (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

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

D. Employees' compensation and directors' 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.

(19) Income tax

- 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 operates and generates 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 balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction 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 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.

(20) Share capital

- A. Ordinary shares are classified as equity.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(21) Dividends

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

(22) Revenue recognition

Sales of goods

- A. The Company manufactures and sells optoelectronic semi-conductors epitaxy, component and etc. 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. Sales revenue is recognised based on the price specified in the contract, net of the business tax, sales return and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days after control of goods are transferred, which is consistent with market practice.
- C. A receivable is recognised when the control of goods are transferred 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.

(23) 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 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; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$504,580.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 323	\$ 289
Checking accounts and demand deposits	551,983	571,240
Time deposits	273,525	181,420
	<u>\$ 825,831</u>	<u>\$ 752,949</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.

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 11,860	\$ 50,000

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$11,860 and \$50,000 as of December 31, 2023 and 2022, respectively.

B. For the years ended December 31, 2023 and 2022, the Company recognized in financial assets at fair value through other comprehensive income, the amount of comprehensive profit and loss is \$0.

C. 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 financial assets at fair value through other comprehensive income held by the Company was \$11,860 and \$50,000, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), respectively.

(3) Notes and accounts receivable

Items	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 2,641
Accounts receivable	\$ 622,908	\$ 289,119
Less: Allowance for uncollectible accounts	( 580)	( 580)
	\$ 622,328	\$ 288,539

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

Accounts receivable	December 31, 2023	December 31, 2022
Not past due	\$ 441,595	\$ 247,009
Up to 60 days	167,609	42,110
61 to 90 days	13,704	-
91 to 180 days	-	-
181 days	-	-
	\$ 622,908	\$ 289,119
Notes receivable	December 31, 2023	December 31, 2022
Not past due	\$ -	\$ 2,641

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$584,867.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 304,344	(\$ 5,928)	\$ 298,416
Work in progress	54,743	( 430)	54,313
Finished goods	202,629	( 50,778)	151,851
Total	<u>\$ 561,716</u>	<u>(\$ 57,136)</u>	<u>\$ 504,580</u>
December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 260,171	(\$ 5,928)	\$ 254,243
Work in progress	35,299	( 430)	34,869
Finished goods	248,273	( 50,778)	197,495
Total	<u>\$ 543,743</u>	<u>(\$ 57,136)</u>	<u>\$ 486,607</u>

The cost of inventories recognised as expense for the period:

For the years ended December 31,		
	2023	2022
Cost of goods sold	\$ 1,585,289	\$ 1,513,581
Loss on market value decline of inventories	-	1,200
Revenue from scraps	( 99)	( 159)
	<u>\$ 1,585,190</u>	<u>\$ 1,514,622</u>

(5) Property, plant and equipment

2023							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	\$ 141,004	\$ 1,367,155	\$ 4,319,210	\$ 24,068	\$ 268,090	\$ 209,726	\$ 6,329,253
Accumulated depreciation	-	( 813,136)	( 2,590,329)	( 21,372)	( 192,418)	-	( 3,617,255)
	<u>\$ 141,004</u>	<u>\$ 554,019</u>	<u>\$ 1,728,881</u>	<u>\$ 2,696</u>	<u>\$ 75,672</u>	<u>\$ 209,726</u>	<u>\$ 2,711,998</u>
Opening net book amount	\$ 141,004	\$ 554,019	\$ 1,728,881	\$ 2,696	\$ 75,672	\$ 209,726	\$ 2,711,998
Additions	-	9,241	45,746	250	1,755	-	56,992
Reclassifications	-	133	209,737	-	-	( 209,726)	144
Depreciation charge	-	( 67,732)	( 195,564)	( 684)	( 15,041)	-	( 279,021)
Closing net book amount	<u>\$ 141,004</u>	<u>\$ 495,661</u>	<u>\$ 1,788,800</u>	<u>\$ 2,262</u>	<u>\$ 62,386</u>	<u>\$ -</u>	<u>\$ 2,490,113</u>
At December 31							
Cost	\$ 141,004	\$ 1,376,529	\$ 4,574,693	\$ 24,148	\$ 269,845	\$ -	\$ 6,386,219
Accumulated depreciation	-	( 880,868)	( 2,785,893)	( 21,886)	( 207,459)	-	( 3,896,106)
	<u>\$ 141,004</u>	<u>\$ 495,661</u>	<u>\$ 1,788,800</u>	<u>\$ 2,262</u>	<u>\$ 62,386</u>	<u>\$ -</u>	<u>\$ 2,490,113</u>
2022							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	\$ 141,004	\$ 1,284,624	\$ 3,800,484	\$ 23,725	\$ 248,073	\$ 289,945	\$ 5,787,855
Accumulated depreciation	-	( 751,118)	( 2,433,131)	( 20,742)	( 177,693)	-	( 3,382,684)
	<u>\$ 141,004</u>	<u>\$ 533,506</u>	<u>\$ 1,367,353</u>	<u>\$ 2,983</u>	<u>\$ 70,380</u>	<u>\$ 289,945</u>	<u>\$ 2,405,171</u>
Opening net book amount	\$ 141,004	\$ 533,506	\$ 1,367,353	\$ 2,983	\$ 70,380	\$ 289,945	\$ 2,405,171
Additions	-	60,792	235,594	343	15,104	106,705	418,538
Reclassifications	-	21,739	288,214	-	4,913	( 186,924)	127,942
Depreciation charge	-	( 62,018)	( 162,280)	( 630)	( 14,725)	-	( 239,653)
Closing net book amount	<u>\$ 141,004</u>	<u>\$ 554,019</u>	<u>\$ 1,728,881</u>	<u>\$ 2,696</u>	<u>\$ 75,672</u>	<u>\$ 209,726</u>	<u>\$ 2,711,998</u>
At December 31							
Cost	\$ 141,004	\$ 1,367,155	\$ 4,319,210	\$ 24,068	\$ 268,090	\$ 209,726	\$ 6,329,253
Accumulated depreciation	-	( 813,136)	( 2,590,329)	( 21,372)	( 192,418)	-	( 3,617,255)
	<u>\$ 141,004</u>	<u>\$ 554,019</u>	<u>\$ 1,728,881</u>	<u>\$ 2,696</u>	<u>\$ 75,672</u>	<u>\$ 209,726</u>	<u>\$ 2,711,998</u>

- A. The significant components of buildings include main plants and its accessory equipment, which are depreciated 50~60 years and 5~15 years.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. For the requirement of production and operation, the Company has successively entered into equipment purchase contracts. As of December 31, 2023, and 2022, the amounts of partial payment for undelivered equipment were \$2,131 and \$5,064 (shown as ‘prepayments for business facilities’), respectively.



(6) Leasing arrangements — lessee

- A. The Company leases various assets including business vehicles. Rental contracts are typically made for periods of 1 to 5 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 business vehicles and printers. On December 31, 2023 and 2022, payments of lease commitments for short-term leases amounted to \$318 and \$453, respectively.
- 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>
Transportation equipment (Business vehicles)	<u>\$ 12,797</u>	<u>\$ 9,940</u>
	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Transportation equipment (Business vehicles)	<u>\$ 3,365</u>	<u>\$ 2,213</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$6,222 and \$12,884, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 141	\$ 61
Expense on short-term lease contracts	318	453

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$3,772 and \$2,701, respectively.

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank unsecured borrowings	<u>\$ 100,000</u>	<u>\$ 200,000</u>
Interest rate range	<u>1.450%</u>	<u>1.285%</u>

The Company did not provide any collateral for the abovementioned borrowings.

(8) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages, salaries and bonus payable	209,453	253,885
Payable on equipment	5,186	19,314
Others	18,672	18,670
	<u>\$ 233,311</u>	<u>\$ 291,869</u>

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2023
Long-term bank borrowings				
Secured borrowings	Borrowing period is from August 10, 2022 to August 10, 2027 ; interest is repayable monthly.	1.68%	Property, plant and equipment	\$ 700,000
Less: Current portion				-
				<u>\$ 700,000</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from August 10, 2022 to August 10, 2027 ; interest is repayable monthly.	1.43%	Property, plant and equipment	\$ 590,000
Less: Current portion				-
				<u>\$ 590,000</u>

(10) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 874)	(\$ 777)
Fair value of plan assets	<u>1,170</u>	<u>1,085</u>
Net defined benefit liability	<u>\$ 296</u>	<u>\$ 308</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 777)	\$ 1,085	\$ 308
Current service cost	( 12)	-	( 12)
Interest (expense) income	( 12)	16	4
	<u>( 801)</u>	<u>1,101</u>	<u>300</u>
Remeasurements:			
Change in financial assumptions	-	2	2
Experience adjustments	( 73)	-	( 73)
	<u>( 73)</u>	<u>2</u>	<u>( 71)</u>
Pension fund contribution	-	67	67
At December 31	<u>(\$ 874)</u>	<u>\$ 1,170</u>	<u>\$ 296</u>
	<u>2022</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 174)	\$ 951	\$ 777
Interest (expense) income	( 2)	11	9
	<u>( 176)</u>	<u>962</u>	<u>786</u>
Remeasurements:			
Change in financial assumptions	77	66	143
Experience adjustments	( 678)	-	( 678)
	<u>( 601)</u>	<u>66</u>	<u>( 535)</u>
Pension fund contribution	-	57	57
At December 31	<u>(\$ 777)</u>	<u>\$ 1,085</u>	<u>\$ 308</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' 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 securitization 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 and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are 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:

	For the years ended December 31,	
	2023	2022
Discount rate	1.50%	1.5%
Future salary increases	2.75%	2.75%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 48)	\$ 51	\$ 48	(\$ 46)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 44)	\$ 47	\$ 44	(\$ 42)

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 analysing 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 \$59.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 23 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	-
1-2 year(s)		-
2-5 years		-
Over 5 years		1,236
	\$	<u>1,236</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 plans of the Company for years ended December 31, 2023 and 2022, were \$10,451 and \$10,550, respectively.

(11) Share capital

As of December 31, 2023, the Company’s authorised capital was \$2,600,000, consisting of 260,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,849,059 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company’s outstanding ordinary shares was both 184,906 thousand as of December 31, 2023, and January 1, 2023.

(12) 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.

(13) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless existing legal reserve exceeds or is equal to issued share capital. Special reserve is set aside or reversed in accordance with related laws or regulations.
- B. The Company's dividend policy is summarised below: as the Company operates in a growth stage and future expansion plans are expected in the future years, the earnings dividend policy considers fostering of competitiveness, capital needs in future years and expansion of share capital. For stable growth of earnings per share, dividends are adjusted based on performance, and cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors shall propose for dividend distribution based on capital structure and budget, and the proposals shall be resolved in shareholders' meetings.
- 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 distribution of 2022 and 2021 earnings had been resolved at the stockholders' meeting on June 7, 2023 and June 8, 2022, respectively, as follows:

	2022		2021	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	\$ 54,430		\$ 85,510	
Cash dividends	425,284	\$ 2.30	739,624	\$ 4.00

Information about the distribution of retained earnings of the Company as proposed by the Board of Directors and resolved at the meeting of shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. On February 29, 2024, the Board of Directors proposed and approved the appropriation of 2023 retained earnings in cash with \$2.2 per share, total dividend was \$406,793. As of February 29, 2024, abovementioned appropriation of 2023 retained earnings has not been resolved by the shareholders in the meeting.

(14) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following geographical regions:

<u>For the year ended December 31, 2023</u>	<u>Taiwan</u>	<u>US</u>	<u>All other segments</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$1,060,688</u>	<u>\$1,055,727</u>	<u>\$ 577,689</u>	<u>\$2,694,104</u>

<u>For the year ended December 31, 2022</u>	<u>Taiwan</u>	<u>US</u>	<u>All other segments</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 805,926</u>	<u>\$1,298,296</u>	<u>\$ 499,407</u>	<u>\$2,603,629</u>

B. Contract assets and liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Advance sales receipts	<u>\$ 19,671</u>	<u>\$ 22,696</u>	<u>\$ 18,416</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Advance sales receipts	<u>\$ 17,974</u>	<u>\$ 16,534</u>

(15) Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net foreign exchange gains (losses)	(\$ 3,501)	\$ 83,495
Other losses	( 257)	( 265)
	<u>(\$ 3,758)</u>	<u>\$ 83,230</u>

(16) Finance costs

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense	\$ 12,999	\$ 6,564
Other financial expense	141	61
	<u>\$ 13,140</u>	<u>\$ 6,625</u>

(17) Expenses by nature

	For the years ended December 31,			
	2023		2022	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Change in inventory of finished goods and work in progress	\$ 26,200	\$ -	(\$ 47,511)	\$ -
Raw materials and supplies used	947,024	-	1,054,270	-
Employee benefit expense	218,287	143,265	216,007	150,632
Depreciation charges on property, plant and equipment	93,541	185,480	97,371	142,282
Depreciation charges on right-of-use assets	-	3,365	-	2,213
Amortisation charges on intangible assets	36	1,616	90	1,315
Other expenses	300,102	233,119	194,395	212,615
Operating costs and expenses	<u>\$ 1,585,190</u>	<u>\$ 566,845</u>	<u>\$ 1,514,622</u>	<u>\$ 509,057</u>

(18) Employee benefit expense

	For the years ended December 31,			
	2023		2022	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Wages and salaries	\$ 180,518	\$ 104,458	\$ 178,751	\$ 107,728
Directors' remuneration	-	23,372	-	27,575
Labour and health insurance fees	17,308	7,718	16,517	7,968
Pension costs	7,437	3,022	7,552	2,989
Other personnel expenses	13,024	4,695	13,187	4,372
	<u>\$ 218,287</u>	<u>\$ 143,265</u>	<u>\$ 216,007</u>	<u>\$ 150,632</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' and supervisors' remuneration. The ratio shall be at least 5 ~ 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$48,695 and \$59,998, respectively; directors' remuneration was accrued at \$18,261 and \$22,499, respectively. The aforementioned amounts were recognised in salary expenses.
- The employees' compensation were estimated and accrued based on 8%; the directors' remuneration were estimated and accrued based on 3%, respectively of distributable profit of current year for the years ended December 31, 2023 and 2022.
- Employees' compensation and directors' remuneration of 2022 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.



Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 107,669	\$ 135,471
Tax on undistributed surplus	1,164	1,498
Prior year income tax overestimation	( 18,151)	( 14,328)
Total current tax	90,682	122,641
Deferred tax:		
Origination and reversal of temporary differences	808	114
Income tax expense	\$ 91,490	\$ 122,755

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

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	(\$ 14)	(\$ 107)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 108,346	\$ 133,497
Change in assessment of realisation of deferred tax assets	-	-
Expenses disallowed by tax regulation	793	934
Temporary differences not recognised as deferred tax assets	( 662)	1,154
Prior year income tax overestimation	( 18,151)	( 14,328)
Tax on undistributed surplus earnings	1,164	1,498
Income tax expense	\$ 91,490	\$ 122,755

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

Year ended December 31, 2023				
			Recognised in other	
	January 1	Recognised in profit or loss	comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Inventory at hub				
recognised as gross profit	\$ 8,095	(\$ 420)	\$ -	\$ 7,675
Others	329	( 377)	-	(48)
Subtotal	<u>\$ 8,424</u>	<u>(\$ 797)</u>	<u>\$ -</u>	<u>\$ 7,627</u>
—Deferred tax liabilities:				
Book-Tax difference of pension	(\$ 62)	(\$ 11)	\$ 14	(\$ 59)
	<u>\$ 8,362</u>	<u>(\$ 808)</u>	<u>\$ 14</u>	<u>\$ 7,568</u>
Year ended December 31, 2022				
			Recognised in other	
	January 1	Recognised in profit or loss	comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Inventory at hub				
recognised as gross profit	\$ 7,959	\$ 136	\$ -	\$ 8,095
Others	574	( 245)	-	329
Subtotal	<u>\$ 8,533</u>	<u>(\$ 109)</u>	<u>\$ -</u>	<u>\$ 8,424</u>
—Deferred tax liabilities:				
Book-Tax difference of pension	(\$ 164)	(\$ 5)	\$ 107	(\$ 62)
	<u>\$ 8,369</u>	<u>(\$ 114)</u>	<u>\$ 107</u>	<u>\$ 8,362</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 66,512</u>	<u>\$ 69,824</u>

E. The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority.

(20) Earnings per share

For the 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	\$ 450,232	184,906	\$ 2.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 450,232	184,906	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	449	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 450,232	185,355	\$ 2.43
For the 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	\$ 544,728	184,905	\$ 2.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 544,728	184,905	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,124	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 544,728	186,029	\$ 2.93

(21) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 56,992	\$ 418,538
Add: Opening balance of payable on equipment	19,314	13,594
Less: Ending balance of payable on equipment	( 5,186)	( 19,314)
Cash paid during the period	<u>\$ 71,120</u>	<u>\$ 412,818</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2023	2022
Prepayments for business facilities transferred to property, plant and equipment	<u>\$ 144</u>	<u>\$ 127,942</u>

(22) Changes in liabilities from financing activities

	2023				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
At January 1	\$ 200,000	\$ 590,000	\$ 9,965	\$ -	\$ 799,965
Changes in cash flow from financing activities	( 100,000)	110,000	( 3,313)	( 425,284)	( 418,597)
Changes in other non-cash items	-	-	6,222	425,284	431,506
At December 31	<u>\$ 100,000</u>	<u>\$ 700,000</u>	<u>\$ 12,874</u>	<u>\$ -</u>	<u>\$ 812,874</u>
	2022				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
At January 1	\$ 480,000	\$ 200,000	\$ 538	\$ -	\$ 680,538
Changes in cash flow from financing activities	( 280,000)	390,000	( 2,187)	( 739,624)	( 631,811)
Changes in other non-cash items	-	-	11,614	739,624	751,238
At December 31	<u>\$ 200,000</u>	<u>\$ 590,000</u>	<u>\$ 9,965</u>	<u>\$ -</u>	<u>\$ 799,965</u>

7. Related Party Transactions

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 66,453	\$ 73,381
Post-employment benefits	617	709
Total	<u>\$ 67,070</u>	<u>\$ 74,090</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	<u>\$ 900,780</u>	<u>\$ 922,569</u>	For guarantee of borrowings facilities

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. 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>\$ 13,057</u>	<u>\$ 48,455</u>

B. Guarantee for customs duties

The Company's guarantee for customs duties is as follows:

	December 31, 2023	December 31, 2022
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On February 29, 2024, the Board of Directors proposed the appropriation of 2023 earnings. For details of the appropriation, please refer to Note 6(13).

## 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). Total capital is calculated as 'equity' as shown in the balance sheet.

The gearing ratios at December 31, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total borrowings	\$ 800,000	\$ 790,000
Total equity	\$ 3,069,341	\$ 3,082,590
Gearing ratio	26%	26%

### (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 other comprehensive income		
Optional designation for qualifying investments in equity instruments	\$ 11,860	\$ 50,000
Financial assets at amortised cost		
Cash and cash equivalents	\$ 825,831	\$ 752,949
Notes receivable	-	2,641
Accounts receivable	622,328	288,539
Other receivables	557	963
Guarantee deposits paid	67	67
	<u>\$ 1,448,783</u>	<u>\$ 1,045,159</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 100,000	\$ 200,000
Accounts payable	397,188	175,974
Other accounts payable	233,311	291,869
Long-term borrowings (including current portion)	700,000	590,000
	<u>\$ 1,430,499</u>	<u>\$ 1,257,843</u>
Lease liability	<u>\$ 12,875</u>	<u>\$ 9,965</u>

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

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

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

December 31, 2023			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 33,289	30.71	\$ 1,022,139
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,891	30.71	\$ 303,703
December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,701	30.71	\$ 635,728
EUR:NTD	380	32.72	12,434
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,511	30.71	\$ 107,823



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

	December 31, 2023			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 10,221	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 3,037	\$	-
	December 31, 2022			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 6,357	\$	-
EUR:NTD	1%	124		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,078	\$	

- iii. Total exchange gains(losses), including realized 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 (\$3,501) and \$83,495, respectively.

Price risk

- The Company's equity instruments exposed to price risk are financial assets held at fair value that are accounted for beyond other comprehensive losses. In order to manage the price risk of equity instrument investment, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- The Company mainly invests in domestic unlisted equity instruments. The price of these equity instruments will be affected by the uncertainty of the future value of the investment target. If the price of these equity instruments rises or falls by 1% and all other factors remain unchanged, other comprehensive gains and losses for the years ended December 31, 2023 and 2022 are classified as other comprehensive gains and losses through other comprehensive gains and losses. The gain or loss of the equity investment measured by the fair value of the case increases or decreases by \$119 and

\$500, respectively.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$6,400 and \$6,320. 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 or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual 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.
- iii. According to the historical transaction experience of the Company, the default occurs when the contract payments are past due over 180 days.
- iv. The Company adopts following assumptions under IFRS 9 to assess when the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach to estimate expected credit loss under the provision matrix basis.

- vi. The Company used the forecast ability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
<u>At December 31, 2023</u>						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	\$ 441,595	\$ 167,609	\$ 13,704	\$ -	\$ -	\$ 622,908
Loss allowance	\$ 132	\$ 117	\$ 331	\$ -	\$ -	\$ 580
	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
<u>At December 31, 2022</u>						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	\$ 247,009	\$ 42,110	\$ -	\$ -	\$ -	\$ 289,119
Loss allowance	\$ 74	\$ 506	\$ -	\$ -	\$ -	\$ 580

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2023	2022
At January 1 (At December 31)	<u>\$ 580</u>	<u>\$ 580</u>

(c) Liquidity risk

- Cash flow forecasting is performed in the operating units of the Company and aggregated by the Company's treasury department. The Company's treasury department monitors rolling forecast of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- The treasury department invests surplus cash 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.
- The table below analyses the Company's non-derivate 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2023				
Short-term borrowings	\$ 100,115	\$ -	\$ -	\$ -
Accounts payable	397,188	-	-	-
Other payables	233,311	-	-	-
Lease liability	3,908	3,374	5,948	-
Long-term borrowings (including current portion)	11,760	11,760	718,913	-

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2022				
Short-term borrowings	\$ 200,126	\$ -	\$ -	\$ -
Accounts payable	175,974	-	-	-
Other payables	291,869	-	-	-
Lease liability	2,913	2,610	4,670	-
Long-term borrowings (including current portion)	8,437	8,437	612,006	-

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables, lease liabilities and long-term borrowings) 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 is as follows:

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 11,860	\$ 11,860

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 50,000	\$ 50,000

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

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The valuation of derivative financial instruments is based on the valuation model widely accepted by market participants, such as present value techniques and option pricing models. 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. For the years ended December 31, 2023 and 2022, there was no transfer in and out from level 3.

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

updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

- 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:

		Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
--	--	---------------------------------------	------------------------	--------------------------------------	--------------------------------	---

Non-derivative equity instrument:

Unlisted shares	\$	11,860	Market comparable companies	Discount for lack of marketability	14%	The higher the value multiplier, the higher the fair value; the higher the stock price volatility, the lower the fair value.
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		Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
--	--	---------------------------------------	------------------------	--------------------------------------	--------------------------------	---

Non-derivative equity instrument:

Unlisted shares	\$	50,000	Market comparable companies	Discount for lack of marketability	26%	The higher the discount for lack of marketability, the lower the fair value
-----------------	----	--------	-----------------------------------	--	-----	---

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

			December 31, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	14%	±1%	\$ -	\$ -	\$ 38	(\$ 38)

			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	26%	±1%	\$ -	\$ -	\$ 811	(\$ 811)

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

There was no shareholder holding more than 5% of the Company's shares.

14. Segment Information

(1) General information

The Company operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

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

The Company's segment information, including segment income or loss, assets and liabilities, is consistent with that in the financial statements.

(3) Reconciliation for segment income (loss)

The Company operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment, therefore, no reconciliation was needed.

(4) Information on products and services

The Company is primarily engaged in manufacturing and sales of optoelectronic semi-conductors epitaxy and optoelectronic components products. Currently, the Company has no other significant products or services provided.

(5) Geographical information

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,060,688	\$ 2,512,428	\$ 805,926	\$ 2,733,140
US	1,055,727	-	1,298,296	-
Others	577,689	-	499,407	-
	<u>\$ 2,694,104</u>	<u>\$ 2,512,428</u>	<u>\$ 2,603,629</u>	<u>\$ 2,733,140</u>



(6) Major customer information

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

Year ended December 31, 2023			Year ended December 31, 2022		
Customer	Net Sales	%	Customer	Net Sales	%
Customer C	\$ 648,200	24	Customer C	\$ 722,360	28
Customer A	620,743	23	Customer A	460,661	18
Customer B	320,346	12	Customer D	393,820	16
Customer D	182,231	7	Customer B	180,015	7

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023

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

Details table 1

Item	Summary	Amount
Cash on hand and revolving funds		\$ 323
Demand deposits and checking accounts		
TWD deposits		140,655
Foreign currency deposits	USD 13,373 thousand doll	410,627
	JPY 3 thousand dollars	1
	HKD 178 thousand dollars	700
Time deposits		
TWD deposits		120,000
Foreign currency deposits	USD 5,000 thousand dolla	153,525
		<u>\$ 825,831</u>

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2023

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

Details table 2

Customer	Amount	Note
Third parties:		
O-022	\$ 144,344	
L-007	131,102	
L-021	102,420	
O-238	45,623	
O-224	34,177	
Others	165,242	Each item does not exceed 5% of account balance
	622,908	
Less: allowance for bad debts	( 580)	
	\$ 622,328	

VISUAL PHOTONICS EPITAXY CO., LTD.

DETAILS OF INVENTORIES

DECEMBER 31, 2023

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

Details table 3

<u>Item</u>	<u>Cost</u>	<u>Market Value</u>	<u>Note</u>
Raw materials	\$ 304,344	\$ 311,534	Replacement cost as net realizable value
Work in process	54,743	61,257	Net realizable value as market price
Finished goods	<u>202,629</u>	<u>265,410</u>	Net realizable value as market price
	561,716	<u>\$ 638,201</u>	
Less: Provision for decline in market value	( <u>57,136</u> )		
	<u>\$ 504,580</u>		

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Details table 4

Item	Opening net book amount as at January 1, 2023				Closing net book amount as at December 31, 2023		Collateral
		Addition	Deductions	Transfer			
Cost							
Land	\$ 141,004	\$ -	\$ -	\$ -	\$ 141,004		Partial guarantee for long-term loans
Bulidings and structures	1,367,155	9,241	-	133	1,376,529		Partial guarantee for long-term loans
Machinery and equipment	4,319,210	45,746	-	209,737	4,574,693		Partial guarantee for long-term loans
Office equipment	24,068	250	( 170)	-	24,148		None
Other	268,090	1,755	-	-	269,845		None
Unfinished construction and equipment under accetpance	209,726	-	-	( 209,726)	-		None
	<u>6,329,253</u>	<u>\$ 56,992</u>	<u>(\$ 170)</u>	<u>\$ 144</u>	<u>6,386,219</u>		
Accumulated depreciation							
Bulidings and structures	(\$ 813,136)	(\$ 67,732)	\$ -	\$ -	(\$ 880,868)		
Machinery and equipment	( 2,590,329)	( 195,564)	-	-	( 2,785,893)		
Office equipment	( 21,372)	( 684)	170	-	( 21,886)		
Other	( 192,418)	( 15,041)	-	-	( 207,459)		
	<u>( 3,617,255)</u>	<u>(\$ 279,021)</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>( 3,896,106)</u>		
	<u>\$ 2,711,998</u>				<u>\$ 2,490,113</u>		

VISUAL PHOTONICS EPITAXY CO., LTD.

DETAILS OF SHORT-TERM LOANS

DECEMBER 31, 2023

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

Details table 5

<u>Type of borrowings</u>	<u>Notes</u>	<u>Balance at December 31, 2023</u>	<u>Contract Period</u>	<u>Interest rate range</u>	<u>Financing line</u>	<u>Collateral</u>
Letter of credit borrowings	Financial institutions	\$ 100,000	2023.12.29~2024.01.29	1.450%	\$ 200,000	None

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ACCOUNTS PAYABLE  
DECEMBER 31, 2023

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

Details table 6

Suppliers	Amount	Note
PW001	\$ 250,052	
PG004	49,101	
PW005	25,739	
PW004	16,377	
Others	55,919	Each item does not
		exceed 5% of account balance
	<u>\$ 397,188</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.

DETAILS OF LONG-TERM LOANS

DECEMBER 31, 2023

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

Details table 7

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Term of Contract</u>	<u>Rat(%)</u>	<u>Collateral</u>	<u>Footnote</u>
Bank of Taiwan	Guaranteed loan	\$ 100,000	2022.08.10~2027.08.10	1.6800%	Land, Building and Machinery	None
"	"	\$ 100,000	"	"	"	"
"	"	\$ 100,000	"	"	"	"
"	"	\$ 100,000	"	"	"	"
"	"	\$ 100,000	"	"	"	"
"	"	\$ 100,000	"	"	"	"
"	"	\$ 100,000	"	"	"	"
		<u>\$ 700,000</u>				



VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Details table 8

Item	Quantity	Amount	Note
Operating revenue			
Compound semiconductor wafer product and other items	309,641 (pcs)	\$ 2,695,071	
Less: Sales returns		( 101)	
Less: Sales discounts		( 866)	
		<u>\$ 2,694,104</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 9

Items	Amount	Note
Opening raw materials	\$ 260,171	
Add: Current purchases	1,126,113	
Less: Closing raw materials	( 304,344)	
Cost of sales of raw materials	( 624)	
Transfer expenses	( 134,293)	
Current used raw materials	947,023	
Direct labour	33,707	
Production overheads	459,899	
Production costs	1,440,629	
Add: Opening work in progress	35,299	
Less: Closing work in progress	( 54,743)	
Cost of finished goods	1,421,185	
Add: Opening finished goods	248,273	
Less: Closing finished goods	( 202,629)	
Transfer expenses	( 9,705)	
Current cost of manufacture and sales	1,457,124	
Add: Cost of sales of raw materials	624	
Revenue from scraps	( 99)	
Cost of goods sold	1,457,649	
Loss on decline in market value	127,541	
Current operating costs	<u>\$ 1,585,190</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Details table 10

Item	Summary	Amount	Note
Wages and salaries		\$ 180,518	
Depreciation expense		93,541	
Repair and maintenance expense		56,880	
Utility fee		58,560	
Other expenses		70,400	Each item does not exceed 5% of account balance
		<u>\$ 459,899</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 11

Item	Summary	Amount	Note
Import/export expense		\$ 4,435	
Wages and salaries		3,792	
Other expenses		2,694	Each item does not exceed 5% of account balance
		<u>\$ 10,921</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Details table 12

Item	Summary	Amount	Note
Wages and salaries		\$ 83,400	
Professional service fees		7,993	
Insurance fees		6,310	
Other expenses		30,732	Each item does not exceed 5% of account balance
		<u>\$ 128,435</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Details table 13

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 184,649	
R&D materials		123,144	
Wage and salaries		40,638	
Repair and maintenance expense		29,265	
Consumables		23,190	
Other expenses		26,603	Each item does not exceed 5% of account balance
		<u>\$ 427,489</u>	

VISUAL PHOTONICS EPITAXY CO., LTD.  
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Detail table 14

By function By nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 180,518	\$ 104,458	\$ 284,976	\$ 178,751	\$ 107,728	\$ 286,479
Labour and health insurance fees	17,308	7,718	25,026	16,517	7,968	24,485
Pension expense	7,437	3,022	10,459	7,552	2,989	10,541
Directors' remuneration	-	23,372	23,372	-	27,575	27,575
Other employee benefit expense	13,024	4,695	17,719	13,187	4,372	17,559
Depreciation charges on property, plant and equipment	\$ 93,541	\$ 185,480	\$ 279,021	\$ 97,371	\$ 142,281	\$ 239,652
Amortisation	\$ 36	\$ 1,616	\$ 1,652	\$ 90	\$ 1,315	\$ 1,405
Depreciation charges on right-of-use	\$ -	\$ 3,365	\$ 3,365	\$ -	\$ 2,213	\$ 2,213

VISUAL PHOTONICS EPITAXY CO., LTD.  
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail table 14

Note:

1. As at December 31, 2023 and 2022, the Company had 308 and 289 employees, both including 9 non-employee directors, respectively.
  2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
    - (1) Average employee benefit expense in current year \$ 1,131.  
Average employee benefit expense in previous year \$ 1,211.
    - (2) Average employees salaries in current year \$ 953.  
Average employees salaries in previous year \$ 1,023.
    - (3) Adjustments of average employees salaries (6.84)%
    - (4) The Company established an audit committee, therefore there was no remuneration paid to supervisors.
    - (5) The Company has policies, such as 'Regulation of employees' performance assessment' and 'Salary, proceeds waiting for deduction, working process of salary' as the compliance basis of reasonable salary and remuneration policy, to implement certain and effective awards and penalties. The significant salary and remuneration policies are reviewed by the salary and remuneration committee which is composed of independent directors. Employees' performance is combined with the corporate social responsibility policy through the performance assessment process which is participated in by everyone in the Company and the employees' performance assessment rating which is performed every half year. The Company's Articles of Incorporation also requires that 5%~15% of the current year's profit will be for employees' bonus and compensation and 3% will be for directors' employees' remuneration.
- V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by the CPA:** Not applicable.
- VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation:** None.



## Chapter VII. Review and Analysis of the Company's Financial Position and Financial Performance and Listing of Risks

### I. Financial Position

#### Comparison and Analysis of Financial Position

Unit: NTD thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,045,422	1,620,029	425,393	26.26%
Property, plant and	2,490,113	2,711,998	(221,885)	(8.18)%
Other assets	34,778	73,803	(39,025)	(52.88)%
Intangible assets	7,387	6,138	1,249	20.35%
<b>Total assets</b>	<b>4,577,700</b>	<b>4,411,968</b>	<b>165,732</b>	<b>3.76%</b>
Current liabilities	799,180	732,165	67,015	9.15%
Non-current liabilities	709,179	597,213	111,966	18.75%
<b>Total liabilities</b>	<b>1,508,359</b>	<b>1,329,378</b>	<b>178,981</b>	<b>13.46%</b>
Capital stock	1,849,059	1,849,059	0	0.00%
Capital surplus	16,736	16,736	0	0.00%
Retained earnings	1,241,686	1,216,795	24,891	2.05%
Other equity interests	(38,140)	0	(38,140)	100.00%
<b>Total shareholders'</b>	<b>3,069,341</b>	<b>3,082,590</b>	<b>(13,249)</b>	<b>(0.43)%</b>
Analysis on the changes (%): The increase in current assets was primarily a result of the increase in cash and accounts receivable. The decrease in other assets was mainly due to the unrealized valuation loss of financial assets at fair value through other comprehensive income. The increase in intangible assets was primarily a result of the increase in patents.				

### II. Financial Performance

- (I) Main reasons for any material change in operating revenues, operating income or income before tax during the past 2 fiscal years

Unit: NTD thousand

	2023	2022	Increase (decrease)	Variance (%)
Operating revenue, net	2,694,104	2,603,629	90,475	3.47%
Operating costs	1,585,190	1,514,622	70,568	4.66%
Gross profit	1,108,914	1,089,007	19,907	1.83%
Operating expenses	566,845	509,057	57,788	11.35%
Operating income	542,069	579,950	(37,881)	(6.53)%
Non-operating income	(347)	87,533	(87,880)	(100.40)%
Net income before tax	541,722	667,483	(125,761)	(18.84)%
Analysis on the changes (%): The non-operating income and expenditure are generated primarily due to the decrease in exchange gains in 2022.				

- (II) Sales volume forecast and the basis therefor, and the effect upon the Company's financial operations as well as measures to be taken in response:  
Please refer to Chapter I. Letter to Shareholders of the annual report.

### III. Cash Flow

#### 1. Analysis on changes in cash flow

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities throughout the year	Cash (outflow) inflow throughout the year	Cash surplus (deficit)	Corrective measures for cash deficit	
				Investing plan	Financing plan
752,949	572,163	72,882	825,831	—	—
Description: Operating activities: the Company's fair profit results in the abundant net cash inflow from operating activities. Investing activities: The net cash outflow from investing activities, NT\$71,232, is generated primarily as a result of the acquisition of equipment and plant facilities. Financing activities: the net cash outflow from financing activities, NT\$418,597, is generated primarily as a result of the distribution of cash dividends.					

#### 2. Corrective measures to be taken in response to illiquidity

The Company is operating well with sufficient cash inflow. Therefore, there is no concern about illiquidity.

#### 3. Liquidity analysis for the coming year

Unit: NTD thousand

Cash balance at the beginning of the period	Projected net cash flow from operating activities for the year	Projected cash flow for the year	Projected cash balance (deficit)	Corrective measures against insufficient cash position	
(1)	(2)	(3)	(1)+(3)	Investing plan	Wealth management plan
825,831	850,000	(200,000)	625,831	-	-

Note: The projected net cash inflow from operating activities will be able to cover the acquisition of machine & equipment and distribution of cash dividends.

### IV. Effect upon financial operations posed by any major capital expenditures during the most recent fiscal year: no material effect has been posed by the Company's capital expenditures upon financial operations.

### V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability and Investment Plans for Coming Year:

- (I) Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability: none.
- (II) Investment Plans for the Coming Year: none.

## VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report:

- (I) The effect upon the Company's profits (losses) posed by interest and exchange rate fluctuations and changes in the inflation rate and response measures to be taken in the future.
1. The effect upon the Company's profits (losses) posed by interest fluctuations in the most recent year and response measures to be taken in the future.
  - (1) Effect upon the Company's profits (losses) posed by interest fluctuations

Unit: NTD thousand

Item	2023	2022	Difference	
			Amount	%
Interest revenue	15,576	4,503	11,073	245.90%
Interest expenses	13,140	6,625	6,515	98.34%
Interest revenue and expense, net	2,436	(2,122)	4,558	(214.80)%
Exchange gain or loss, net	(3,501)	83,495	(86,996)	(104.19)%

The increase in interest revenue by NT\$11,073 thousand this year was primarily a result of the increase in the amount and interest rate of the time deposit in the USA.

- (2) Concrete response measures to be taken by the Company against interest fluctuations

The Company's short-term and long-term loans refer to the debts subject to floating interest rate. Therefore, the effective interest rate on the short-term and long-term loans will vary depending on the market interest rate fluctuations. In the future, the Company will utilize its own capital to reduce the financial costs and debt ratio.

2. Effect upon the Company's profits (losses) posed by foreign exchange rate fluctuations in the most recent year and response measures to be taken in the future.

- (1) Effect upon the Company's profits (losses) posed by foreign exchange rate fluctuations

The Company quotes all of its products in USD and also collects the accounts in USD. The major raw materials adopted by the Company are primarily imported from foreign countries. The imported/exported raw materials and suppliers are mostly paid in USD. Therefore, the foreign exchange rate fluctuations in the exchange of NTD for USD pose considerable effects on the Company's operating revenue and profit.

- (2) Concrete response measures to be taken by the Company against foreign exchange rate fluctuations

①The procurement of materials and sale of products both take place overseas.

The Company's major procurement/sales are priced in USD. The fair value will vary depending on the foreign exchange rate fluctuations in the market. Although the foreign currency assets held by the Company are more than the foreign currency liabilities borne by the Company, the Company assesses that no major market risk is likely to arise under the circumstance that the Company's foreign currency assets are all going to expire within one year and may generate revolving fund quickly.

②Other measures

A. Collect the information about related foreign exchange rate fluctuations from

time to time, control the fluctuation trend completely and engage in hedging transactions in a timely manner.

B. Sales Dept. shall adopt the uniform currency type as possible as it can and also take the foreign exchange rate fluctuations into account when providing the product quotation, in order to reflect the cost and help adjust the selling price in a timely manner.

3. Effect upon the Company's profits (losses) posed by inflation in the most recent year, and response measures to be taken in the future: The Company doesn't think that the inflation or deflation has posed any material impact to the operations of the Company, customers and suppliers by the date of publication of the annual report. Notwithstanding, in consideration of the uncertainty in the global economic outlook, it is impossible for the Company to guarantee whether the future inflation or deflation will change significantly and thereby pose material adverse effects to the Company's operating results.
- (II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements and guarantees and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future: The Company never engages in any high-risk or highly leveraged investments. In order to control the risk over financial transactions, the Company adopts the internal management regulations and operating procedures oriented toward the robust finance and operations, in accordance with the competent authority's relevant laws and regulations. These management regulations include the "Procedures for Acquisitions or Disposal of Assets," "Procedures for Derivatives Trading," "Operating Procedures for Loaning of Funds to Others" and "Operating Procedures for Making Endorsements/Guarantees."
- (III) Research and development work to be carried out in the future and further expenditures expected for research and development work: please refer to the Business Activities in Chapter V. Operating Highlights of the annual report.
- (IV) Effect on the Company's financial operations posed by important policies adopted and changes in the legal environment at home and abroad and measures to be taken in response: no effect has been posed by the important policies adopted and changes in the legal environment at home and abroad to the Company's financial operations in the most recent year and up to the date of publication of the annual report. In the future, the Company will access related information from time to time, and research and prepare necessary responsive measures in a timely manner, in order to satisfy the Company's operating needs.
- (V) Effect on the Company's financial operations by changes in science and technology (including cyber security risks) as well as industrial change and measures to be taken in response:

The Company engages in the upstream industry for compound semiconductors. The largest technical risk to be dealt with by the Company resides in that the other materials are being applied to the major fields to replace compound semiconductors, for the time being. Based on the currently known information, there is no risk of such circumstances. On the contrary, there will be more new applications in various products. In microelectronic products, the wireless communication technology will develop toward high frequency and will have higher requirements for PAE, ruggedness, and linearity. The material characteristics of compound semiconductors are more aligned with the requirements of high-frequency RF components' characteristics. For optoelectronics products benefiting from the booming development of data centers in recent years, companies in different lines of business followed the trend to install data centers. With the

continual introduction of 3D sensing and TOF of smartphones and consumer AR/VR wearable devices, the Company will continue to invest more R&D resources in joint R&D with customers to ensure to secure a seat for challenges imposed by the constant technological evolutions. Considering that the cyber security issues have been valued increasingly in the recent years, the Company will continue to note the cyber security-related issues and enhance the information security framework, in order to maintain the normal operations of the Company's information system.

1. Continue to share related information security intelligence of TWCERT/C and improve the overall information security response ability.
2. Adopt the concrete improvement measures, including enhancement of the information security defensive ability (regular: vulnerability detection and scanning, information security bug fixing, promotion of employees' information security thinking, update of information security equipment version).

No material information security incident that would affect the Company's operations has arisen in 2023.

In terms of industrial changes, with the advent of the post-pandemic era, the global supply chain is recovering. However, the stalemate of the Russo-Ukrainian war, the escalation of the Israel-Palestinian war, the decision to raise interest rates by various countries to combat inflation, and the AI chip war between the two major powers China and the United States, have caused instability in market supply and demand. In response to the external environment, the Company adheres to the philosophy of enhancing core competitiveness, and will continue to strengthen its advantages in product quality, cost control, delivery efficiency, and new product research and development. Through the continuous cultivation of customer relationships and the R&D strength to enhance the advantages of customer product features, we will become the customer's best partner in the collaborative development of the next generation of products, and by consolidating the position as the customer's preferred supplier, we can then stabilize our No. 1 position among the microwave communication GaAs LED crystal fabs in the world.

- (VI) The impact of changes in the corporate image on corporate crisis management and countermeasures: Since its establishment, the Company has been actively reinforcing its internal business management to provide professional services and expand businesses with a favorable corporate image continuously. It maintains healthy interactions with customers, suppliers and banks at all times to gain their maximum trust and support to the Company. Therefore, in the most recent year and as of the publication date of the annual report, there were no risks affecting the Company's corporate image.
- (VII) Expected benefits and possible risks associated with any mergers and acquisitions, and measures to be taken in response: none.
- (VIII) Expected benefits and possible risks associated with any plant expansion and measures to be taken in response: The plant expansion project is expected to enable the Company to improve its production capacity to meet the market demand, improve its operating revenue and profit and expand its market share eventually. In order to deal with the future market demand, the Company establishes a set of forecast and assessment systems to evaluate the effect to be posed by the expansion or reduction of the production capacity. When the production capacity reaches the economies of scale and market share is increased, the production cost is reduced significantly. The Company's production capacity expansion has followed thorough capital expenditure planning, in order to optimize the capital utilization while the Company is striving to satisfy customers' needs.

- (IX) Risks associated with the concentration of purchasing or sales operations and measures to be taken in response: The compound semiconductor industry which the Company is engaged refers to an oligopoly industry where the upstream and downstream supply chains consist of only few participants. Therefore, concentration of purchasing or sales operations is identified as one of the industry's characteristics. Under such circumstance, the Company has used its best effort to disperse the risk over concentration of purchasing or sales operations.
- Meanwhile, the Company's existing suppliers of major raw materials that have passed certification will be asked to prepare the inventory at a specific quantity for the Company. Therefore, there is no likelihood of shortage or outage of materials.
- (X) Effects upon and risks to the Company in the event that a major quantity of shares belonging to a director, supervisor or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands and measures to be taken in response: By the date of publication of the annual report, the Company didn't suffer a majority quantity of shares belonging to any director transferred or changed hands. Meanwhile, none of the Company's shareholders holds greater than a 10 percent stake in the Company.
- (XI) Effects upon and risks to the Company associated with any change in management power and measures to be taken in response: there was no material change in the Company's management power in 2023.
- (XII) Litigious and non-litigious matters: list major litigious, non-litigious or administrative disputes that involved the Company and/or its directors, supervisors, president and de facto responsible person, any major shareholders holding a stake of greater than 10 percent and any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: none.
- (XIII) Other important risks, and measures to be taken in response: None.

**VII. Other Important Matters:** none.

## **Chapter VIII. Special Disclosure**

- I. Information on the Affiliates: None.**
- II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report. The Date of Approval and Amount Approved by the Shareholders' Meeting or the Board Of Directors, the Basis and Reasonableness of the Price Set, the Method of Selection of Specific Parties, the Reasons for Necessity for the Private Placement, Parties Targeted by the Private Placement, Criteria, Number of Securities Subscribed for, Relations with the Company, Participation in the Operations of the Company, the Actual Subscription (or Conversion) Price, the Difference Between the Actual Subscription (or Conversion) Price and the Reference Price, the Impact of the Private Placement on Shareholders' Rights and Interests, the Use of Funds from Private Placement from the Time When Payments of Shares Are Fully Received Until the Completion of the Fund Use Plan, Plan Execution Progress, and Effect of the Plan Shall be Disclosed: None.**
- III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**
- IV. Other Supplementary Information: None.**
- V. Situations Listed in Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**

Visual Photonics Epitaxy Co., Ltd.

Person in Charge: Chen, Chien-Liang



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