



Stock Code: 6698

# **FineMat Applied Materials Co., Ltd.**

## **2023 Annual Report**

The Annual Report may be accessed at:

MOPS: <https://mops.twse.com.tw>

Company website: <https://www.fine-mat.com>

Publication date: May 13, 2024

I. Names, job titles, Tel. Nos. and email of spokesperson and deputy spokesperson

Spokesperson

Name: Li Fan-Chun

Job Title: Vice President, Finance Department

Tel. No.: (06) 601-6388

Email: [ir@fine-mat.com](mailto:ir@fine-mat.com)

Deputy Spokesperson

Name: Huang Hsin-Mao

Job Title: Manager, Auditing Office

Tel. No.: (06) 601-6388

Email: [ir@fine-mat.com](mailto:ir@fine-mat.com)

II. Addresses and Tel. Nos. of Head Office, Branch Companies and Factories

Company, Factory No. 1 and Factory No. 2

Address: No. 36, Gongye 1st Rd., Annan Dist., Tainan City 709

Tel. No.: (06) 601-6388

Factory No. 3

Address: No. 123, Keji 5th Rd., Annan Dist., Tainan City 709

Telephone: (06) 384-2112

III. Name, Address, Website and Tel. No. of Shareholders Service Agency

Name: Mega Securities, Shareholders Service Dept.

Address: 1F, No. 95, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City

Website: <https://www.emega.com.tw>

Tel. No.: (02)3393-0898

IV. Name of the external auditor, and the name, address, and contact number of the CPA firm for the latest financial report

External auditors: Yeh Fan-Ting, CPA & Lin Yong-Chi, CPA

Firm name: PwC Taiwan

Address: 12F, No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City

Website: <https://www.pwc.tw>

Tel. No.: (06)234-3111

V. Name of the exchange where the overseas securities are listed for trading and the method to inquire about the overseas securities information: None.

VI. Company website: <https://www.fine-mat.com>

FineMat Applied Materials Co., Ltd.  
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## One. A Message to Shareholders

Dear shareholders,

Thank you for attending the 2024 Shareholders' Annual General Meeting of FineMat Applied Materials Co., Ltd., and thank you for your support and care to the Company.

The Company has decided to get rid of the risk arising from the single industry's operations since 2020. In 2020, the Company launched into the semiconductor and national defense equipment industries with great potential. In 2022, we entered the heat dissipation industry and opened up a new outlook for the Company's multidimensional operation. Heat-dissipating materials is a new business entered by the Company, but due to deficiencies in production technology and management in 2022, the Company did not achieve the expected target in this product. The Company has made improvements in response to the deficiencies. In 2023, the Company has made significant progress in the technology and market of thermal materials. The existing products have begun to profit, and the Company will further develop new product markets and continue to develop the heat dissipation material market. In the AMOLED mask market, as OLED continues to replace TFT-LCD panels, many competitors have also entered the market, and product prices will continue to be under pressure. We will restructure the business model in the AMOLED mask market in order to maintain profitability in the AMOLED mask market. It is also expected that FineMat will maintain its niche in the market for its existing MASK products while developing new products and new markets.

We would like to present you the Company's 2023 business results and outline of 2024 business plan as follows:

### I. 2023 business results

#### (I) Business plan implementation results

The Company's 2023 business results are shown as following:

Unit: NT\$ Thousand

Item	2023 Actual	Actual amount in 2022	Increase (decrease) %
Operating revenue	1,121,229	1,250,628	(10.35%)
Gross profit	207,186	321,181	(35.49%)
Operating income	(89,716)	21,732	(512.83%)
Net income before tax	(11,088)	47,370	(123.41%)
Net income after tax	(28,814)	22,709	(226.88%)
Earnings per share (EPS)	(1.3)	(0.55)	(136.36%)

#### (II) Budget execution

The Company did not disclose financial forecasts for 2023.

### (III) Income, expenses, and profitability analysis

Item		2023	2022
Financial structure	Ratio of Liabilities to Assets (%)	36.64	40.92
	Long-term capital to fixed assets (%)	184.37	157.37
Solvency	Current ratio (%)	162.40	139.70
	Quick ratio (%)	131.53	103.99
Return on total assets (%)		(0.26)	1.25
Return on equity (%)		(1.50)	1.28
Ratio to paid-in capital (%)	Operating income	(13.51)	3.27
	Net income before tax	(1.67)	7.14
Profit margin (%)		(2.57)	1.82

### (IV) Research and development (R&D)

R&D expenditure in the most recent two years

Unit: NT\$ Thousand

Item	2023	2022
R&D expenses	80,562	79,164
To net operating revenue (%)	7.19%	6.33%

The Company continues the R&D of unique precision etching special processing technology to provide customers with services. Innovation and R&D will be the cornerstone of the competitiveness of companies. In the most recent two years, the Company has invested capital in R&D proactively. The R&D expenses kept growing. In the future, the Company will continue the R&D of forward-looking technology and innovative applications, practicing of the product design, research on mass production and systematic management, in order to continue deepening the Company's leading position in the core competitiveness.

## II. Outline of 2024 business plan

### (I) Business policy

In 2024, FineMat will continue to use etching technology as the foundation to further deepen its business in the existing fields of precision metal masks and thermal module materials. Xuhui will expand its precision metal etching technology, broadening the product scope horizontally and delving deeper into technical advancements vertically. The overall business guidelines for 2024 are as follows:

1. Transformation into a specialized metal etching foundry.
2. Expand the scope of etching business and explore new customer sources.
3. Upgrade technology and refine production.

### (II) Sales volume forecast and the basis thereof

The Company considers the production capacity planning in reference to the market

analysis by primary research institutions and subject to customers' forecast demand, and sets forth its annual sales target based on the past operating performance. Notwithstanding, the Company doesn't publish its financial forecast to the public in 2024.

### (III) Important production & marketing policies

Looking to the future, innovation and R&D will be the cornerstone of the competitiveness of companies. We will continue to conduct R&D for innovative applications and refinement of production technology in the future in order to guide the Company through innovative R&D, and to create profits through advanced technology. In 2024, the Company will focus on the following production and sales policies.

1. Transform into a professional mask sheet etching manufacturer and collaborate with strategic partners to develop end customers in mainland China.
2. Begin mass production of new thermal components.
3. Expand the business of etching products and venture into the non-OLED Mask market.
4. Expand equipment and increase production capacity.

### III. Future development strategies

Looking back at the AMOLED mask market, as China's market share of OLED panels for smartphones continues to rise, the competition in China's AMOLED mask market has become increasingly fierce. FineMat which is not a local enterprise in China has also faced bottleneck in the AMOLED MASK market development. In the future, FineMat will expand the product range of metal etching on the basis of metal precision etching, and progress toward the goal of heat dissipation and semiconductor materials. It is believed that with the continuous innovation and R&D, FineMat will be able to actively develop the market and production capacity of heat dissipation and semi-conductor. With the joint efforts of all employees, we are determined to create better profits for all shareholders and create a better workplace for all employees.

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

The Company's overall performance operations vary depending on the external market competition, new laws and regulations issued by the competent authority, and changes in the global business environment.

In response to said environmental changes, the Company complies with the new laws and regulations promulgated by various competent authorities, and the applicable laws and regulations at home and abroad. Meanwhile, the Company also commits to developing new products and new customers, improve the product technology and provide the consulting service for technology, and maintains fair partnership with customers in the downstream segment and provides the omnibearing services to improve the Company's entire competitiveness.

Thank for the long-term support and encourage from you to the Company. I hereby extend the most heartwarming appreciation to all of you on behalf of FINEMAT APPLIED MATERIALS CO., LTD. accordingly.

Wish all of you

good health and all the best

Chairman: Chao Ching-Hsiao



## Two. Company Profile

I. Date of establishment: May 25, 2017

### II. Company history

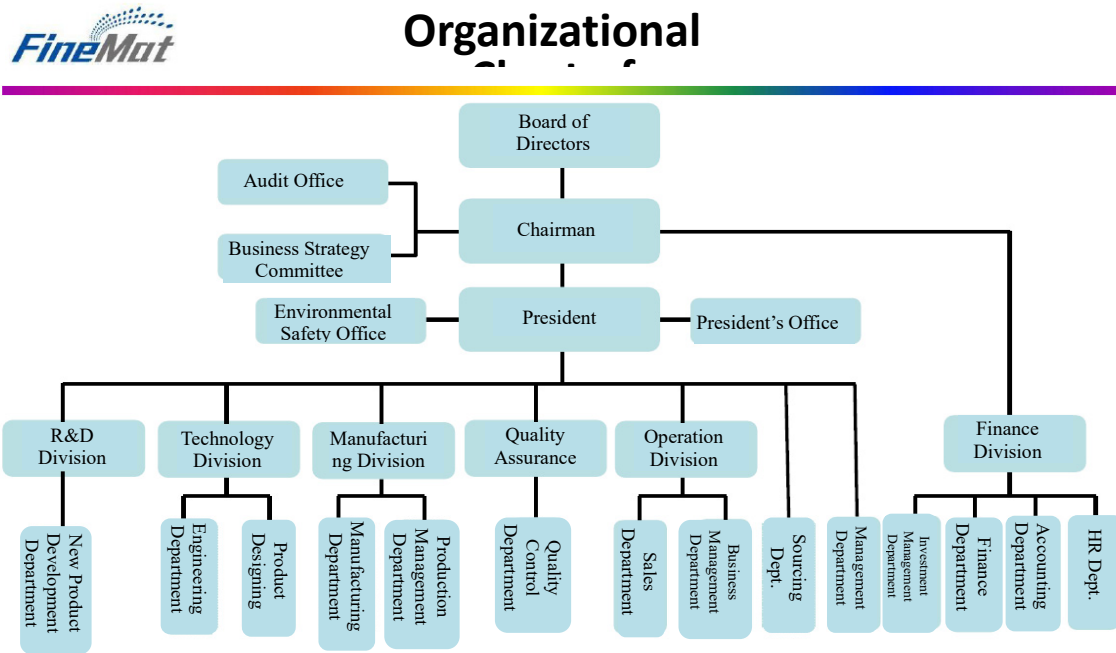
Year	Item
2007	<ol style="list-style-type: none"> <li>1. Established ACROSENSE TECHNOLOGY CO., LTD. officially to engage in R&amp;D and production of Capacitive Touch Screen, with the capital amounting to NT\$10,000 thousand.</li> <li>2. Increased capital by NT\$388,230 thousand, with the paid-in capital becoming NT\$398,230 thousand after the capital increase.</li> <li>3. Acquired the investee, Sense Pad TECH Co., Ltd.</li> </ol>
2008	Increased capital by NT\$260,000 thousand, with the paid-in capital becoming NT\$658,230 thousand after the capital increase.
2009	Issued new shares amounting to NT\$9,080 thousand by executing the employee stock options, with the paid-in capital becoming NT\$667,310 thousand after the capital increase.
2010	Issued new shares amounting to NT\$17,780 thousand by executing the employee stock options, with the paid-in capital becoming NT\$685,090 thousand after the capital increase.
2012	Suspended the R&D and production of touch screen, and invested in development of the precision etching technology and production of high precision metal masks, and renamed into FINEMAT APPLIED MATERIALS CO., LTD.
2014	Completed the construction of etching mass production lines, and launched into the OLED high precision metal mask market successfully.
2015	Obtained ISO90001 and ISO14001 certification.
2016	<ol style="list-style-type: none"> <li>1. The high precision metal mask, Open Mask, satisfied the quality requirement for the latest generation of OLED, G6H, and launched into the industrial supply chain successfully.</li> <li>2. Decreased capital by NT\$191,652 thousand to make up losses, with the paid-in capital becoming NT\$493,438 thousand after the capital decrease.</li> <li>3. Invested in establishment of the subsidiary, Bai Xu Applied Materials Co., Ltd.</li> <li>4. Invested in establishment of the indirect subsidiary, Finemat (Shanghai) Applied Materials Co., Ltd.</li> </ol>
2017	Reinvestment in the subsidiary, Htc&Solartech Service (Samoa) Corporation, and the sub-subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD. and its sub-subsidiary, FineMat (HuangShi) Applied Materials Co., Ltd..
2018	<ol style="list-style-type: none"> <li>1. Management of capital increase by cash NT\$40,000 thousand and execution of employee share options for issuance of new shares for NT\$70,000 thousand and the paid-in capital became NT\$603,438 thousand after the capital increase.</li> <li>2. Approved by Taipei Exchange to engage in public offering and register dealings for emerging stocks.</li> <li>3. Completed the short-form merger of the subsidiary, Bai Xu Applied Materials Co., Ltd.</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. Increased capital in cash by NT\$60,460 thousand, with the paid-in capital becoming NT\$663,898 thousand after the capital increase.</li> <li>2. Approved by Taiwan Stock Exchange Corporation (TWSE) to list stocks on TWSE.</li> </ol>

2020	Acquired 42.22% of the equity of Wave Power Technology Inc., and included the company into the Group's operations
2021	Acquired 80.36% of the equity of Etch Home Technology Co., Ltd., and included the company into the Group's operations
2022	Participated in the capital increase in cash in the subsidiary, Etch Home Technology Co., Ltd., and acquired 90.81% of the equity thereof cumulatively.
2024	Acquired 9.19% of the equity of the subsidiary, Etch Home Technology Co., Ltd., and acquired 100.00% of the equity in total.

### Three. Corporate Governance Report

#### I. Organizational system

##### (I) Organization structure



##### (II) Business operations by major departments

By department	Functions and operations
Auditing Office	<ol style="list-style-type: none"> <li>1. Evaluation and reporting on internal control system and management system implementation.</li> <li>2. Plan and execution of the auditing operation progress.</li> </ol>
President's Office	<ol style="list-style-type: none"> <li>1. Help the President manage and execute the Company's businesses.</li> <li>2. Participate in determination of strategies and business targets, and responsible for implementing and executing the same.</li> <li>3. Unit in charge of overall planning about personal data protection.</li> <li>4. Intellectual property management unit</li> </ol>
Environmental Safety Office	Per the President's direction, take charge of planning and supervising the implementation and control of labor safety, sanitation management and environmental system.
R&D Division	Per the President's direction, take charge of the Company's product development, and direct the subordinated unit, New Product Development Dept..
Technology Division	Per the President's direction, take charge of the Company's manufacturing technology supporting, sales technology supporting and customers' supporting, take charge of costs, quality and environmental protection technology matters concurrently, and direct the subordinated units, Product Design Dept., Engineering Dept. and Quality Assurance Dept.
Manufacturing	Per the President's direction, take charge of the overall planning about execution of

Division	production, improvement of efficiency and reduction of costs, and timely completion of production orders, and direct the subordinated units, Manufacturing Dept. and Production Management Dept..
By department	Functions and operations
Quality Assurance Division	Per the President's direction, take charge of the overall planning about execution of quality matters, establish and promote various quality system to ensure the product quality, and coordinate with various production units to establish the standardized system in response to the demand for mass production.
Operation Division	Attain the sales targets per the President's direction and based on the principles adhering to quality and environmental management, create the maximum profit for the Company, and direct the subordinated units, Sales Dept. and Business Management Dept..
Finance Division	Per the Chairman's direction, take charge of the Company's finance, accounting, HR and shareholders service affairs, and direct the subordinated units, Finance Dept., Accounting Dept., Investment Management Dept. and HR Dept..
Sourcing Dept.	Per the President's direction, take charge of the procurement of raw materials, supplies, equipment, production and operation, and import/export management.
Management Dept.	Per the President's direction, take charge of planning and supervision of information security management and facility management.

## II. Information about directors (including independent directors), President, vice presidents, assistant vice presidents, and heads of departments/divisions

### (1) Information about directors (including independent directors)

Title	Nationality	Name	Gender Age	Date of Election	Term of Office	Date of initial election	Shares held at the time of appointment		Shares held by spouse and underage children		Shares held in the names of others		Academic background (working experience)	Concurrent positions in the Company and other companies	Spouse or relatives within the second degree of kinship acting as other managers, directors or supervisors		Remarks
							Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding			Title	Name	
Chairman	Taiwan R.O.C	Chao Chin- Hsiao	Male 61-70 years old	2021/08/ 18	3 years	2007/12/25	6,396,814	9.64	323,496	0.49	0	0	PhD in Materials, National Sun Yat- Sen University President, Solar Applied Materials Technology Corp., FINEMAT APPLIED MATERIALS CO., LTD.	Finemat Applied Materials Co., Ltd., Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Etch Home Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman Gallopetch International Company Limited, Sensepad Tech Co.,Ltd., Htc & Solartech Service (Samosh) Corporation: Director Qun Bo Investment Co., Ltd.: Supervisor	None		
Director	Taiwan R.O.C	Elan Investment Co., Ltd.	-	2021/08/ 18		2007/12/25	8,900,373	13.41	0	0	0	0					
Director	Taiwan R.O.C	Representa tive: Liu Dai- Min	Male 61-70 years old	2021/08/ 18	3 years	2020/01/21	20,000	0.03	0	0	0	0	Master of Economic Law, China University of Political Science and Law (CUPL) Director and spokesperson, ELAN Microelectronics Corp.	ELAN Microelectronics Corp.: Spokesperson and Director ESO TECHNOLOGY CO., LTD.: Supervisor Director, Echip Corporation, Chi Mei Automotive & Electronics Corporation, Taiwan Internet Corporation, Macroblock, Inc., and FineMat Applied Materials Co., Ltd.	None		
Director	Taiwan R.O.C	Wistron Corporatio n	-	2021/08/ 18		2008/06/24	4,589,258	6.91	0	0	0	0	MBA, University of Pittsburgh Director of Board Secretariat, Corporate Investment Management, Wistron Corporation	Wiwynn Corporation, FineMat Applied Materials Co., Ltd., T-CONN PRECISION CORPORATION, WIBASE Industrial Solutions Inc., Retronix Technology Inc., AiSails Power Inc., Mobility Technology Group Inc., Diagnostics For The Real	None		





## 2. Major Shareholders of Juristic Person Shareholders

December 31, 2023

Name of institutional shareholder	Major Shareholders of Juristic Person Shareholders
Yi Long Investment Co., Ltd.	ELAN MICROELECTRONICS CORP. (100.00%),
Wistron Corporation	Taishin International Commercial Bank Co., Ltd. is entrusted with the custody of the Cathay Taiwan High Dividend Umbrella Securities Investment Trust Fund's Taiwan ESG Sustainability High Dividend ETF Securities Investment Trust Fund Special Account (4.79%); New Labor Pension Fund (3.12%); Yuanta Taiwan Value High Dividend (2.30%); ACER INCORPORATED (1.89%); Taipei Fubon Bank is entrusted with the Wistron property account (1.54%), Lin Hsien-Ming (1.47%); Taipei Fubon Bank as trust in the custody of the voting restricted stock trust account with dividend distribution rights for employees of Wistron Corporation (1.38%); the Fubon Taiwan High Dividend 30 ETF Fund Account (1.02%); HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Morgan Stanley International Co. Ltd. (1.02%); Wistron NeWeb Corporation (0.99%).
Sheng Tai Co., Ltd.	Chao Chin-Hsiao (48.53%); Ni Hui-Min (7.15%); Li Fan-Chun (7.15%); Chen Chin Do Chen (6.02%); Li Wei-Cheng (6.02%); Li Chung-Jen (6.02%); Wu Lung-Hsiang (6.02%); Ye Chien-Hung (4.90%); Li Hsun-Chieh (4.10%); Liao Si-Ren (4.10%)

## 3. Major Shareholders of Major Shareholders Who are Juristic Persons



Name of institution	Major shareholders of corporate shareholders
ELAN Microelectronics Corp.	Yi Long Investment Co., Ltd. (4.09%); Nanshan Life Insurance Co., Ltd. (3.73%); New System Labor Retirement Fund (3.72%); Yu Long Investment Co., Ltd. (2.33%); Yeh Yi-Hu (1.97%); Citibank (Taiwan) is entrusted with the custody of the special investment account of the Central Bank of Norway (1.73%); Standard Chartered in custody for Swede Bank, Rober Technology (1.51%); Vanguard Emerging Market Stock Index Fund Account in custody of JPMorgan Chase (1.36%); JPMorgan Chase in custody for Advanced Star Vanguard Total International Equity Index (1.24%); Taipei Fubon Commercial Bank Co., Ltd. (1.03%)
Acer Incorporated	Taishin International Commercial Bank Co., Ltd. is entrusted with the custody of the Cathay Taiwan High Dividend Umbrella Securities Investment Trust Fund's Taiwan ESG Sustainability High Dividend ETF Securities Investment Trust Fund Special Account (7.64%); Hung Rong Investment Co., Ltd. (2.42%); JPMorgan Chase Bank N.A. Taipei Branch is entrusted for custody of Vanguard Emerging Markets Stock Index Fund Investment Account (1.31%); Standard Chartered International Commercial Bank's Business Department entrusted with the custody of iShares ESG Awareness Morgan Stanley Capital International Inc. Emerging Markets Index Fund Investment Account (1.26%); JPMorgan Chase Bank (USA) Taipei Branch, a series of funds belonging to Pioneer Star Fund, which is entrusted with the custody of the Vanguard Total International Stock Index Fund Investment Account (1.23%); Stan Shih (1.15%); New System Labor Pension Fund (0.97%); ACER Overseas Depository and Investment Services under the custody of Citibank Taiwan trust receipts (0.93%); JPMorgan Chase Bank (Taipei Branch) in custody for JP Morgan Securities Co., Ltd. (0.88%); Citibank (Taiwan) in custody for Norges Bank Investment Account (0.86%)
Wistron NeWeb Corporation	Wistron Corporation (21.45%); Chang Gung Medical Foundation (2.28%); Wang Yung-Shun (1.95%); New System Labor Pension Fund (1.87%); JPMorgan Chase-American Bank entrusted with JP Morgan Securities Co., Ltd. (1.56 %); Hsieh Hung-Bo (1.48%); Shin Kong Life Insurance Co., Ltd. (1.28%); HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of the investment account of Goldman Sachs International (1.21%); Chunghwa Post Co., Ltd. (1.10%); Chun Development Co., Ltd. (1.07%)

4. Disclosure of information about directors' professional qualification and independent directors' independence:

May 13, 2024

<p><b>Conditions</b></p> <p><b>Name</b></p>	<p><b>Professional qualifications and experience</b></p>	<p><b>Independence</b></p>	<p><b>Number of other public companies in which the independent director concurrently serve as an independent director</b></p>
<p>Chairman Chao Chin-Hsiao</p>	<p>PhD in Materials, National Sun Yat-Sen University, with the working experience needed by the Company's business for more than 5 years. Former President of Solar Applied Materials Technology Corp., and currently the Chairman of FINEMAT APPLIED MATERIALS CO., LTD. and Wave Power Technology Inc. With the ability and experience in business administration, and free from the circumstances referred to in Article 30 of the Company Act</p>	<p>None of his spouse or relatives within the second degree of kinship acts as a director, and he is free from the circumstances referred to in Paragraph 3, Article 26-3 of the Securities and Exchange Act.</p>	<p>None.</p>
<p>Director Liu Dai-Min</p>	<p>Master of Economic Law, China University of Political Science and Law (CUPL), with the working experience needed by the Company's business for more than 5 years. Hold the position in ELAN Microelectronics Corp., and serve as a representative of juristic person director of multiple companies. With the experience in business administration and commerce for many years, and free from the circumstances referred to in Article 30 of the Company Act</p>		<p>None</p>
<p>Director Chiu Kao-Ling</p>	<p>MBA, University of Pittsburgh, with the working experience needed by the Company's business for more than 5 years. Hold the position in Wistron Corporation, and serve as a representative of juristic person director of multiple companies. With the experience in corporate governance, financial accounting and related industry's operations, and free from the circumstances referred to in Article 30 of the Company Act</p>		<p>None</p>
<p>Director Ni Hui-Min</p>	<p>Graduated from National Chang-Hua Senior High School of Commerce, with the working experience needed by the Company's business for more than 5 years. Former Vice President of Solar Applied Materials Technology Corp. and currently the Chairman of HTC &amp; Solar Service Limited. With the experience in business administration and commerce for many years, and free from the circumstances referred to in Article 30 of the Company Act</p>		<p>None</p>

Director Li Wei-Cheng	PhD in Materials, National Cheng Kung University, with the working experience needed by the Company's business for more than 5 years. Formerly Project Manager of Planning Division, ITRI; Director of Chemical Metallurgy Division, Solar Applied Materials Technology Corp., and currently the President of FINEMAT APPLIED MATERIALS CO., LTD. With the ability and experience in materials technology and business administration for many years, and free from the circumstances referred to in Article 30 of the Company Act		None
Independent Director Chen Cheng-Li	Graduated from Aviation Engineering Department, Air Force Institute of Technology, 2-year program, with the working experience needed by the Company's business for more than 5 years. Former President of TYCOONS GROUP Enterprise CO., Ltd., and currently the Chairman of Huanghua Jujin Hardware Products Co., Ltd. With the industrial experience and also experience in business administration for many years, and free from the circumstances referred to in Article 30 of the Company Act	(1) Not an employee of the Company or its affiliated companies. (2) Not a director or supervisor of the Company or any of its affiliated companies (3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership. (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relative within the third degree of kinship of the person listed in (2) and (3).	None
Independent Director Chou Hui-Yu	Master of Laws, Soochow University; graduated from Department of Accounting, National Cheng Kung University, and also passed the Civil Service National Examination for CPA successfully, with the working experience needed by the Company's business for more than 5 years. Former Vice President of ACTION ELECTRONICS CO., LTD, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act	(5) Not a director, supervisor, or employee of any juristic-person shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 juristic-person shareholders of the Company, or of the juristic-person shareholders who appoint their representatives to serve as the director or supervisor the Company in accordance with Paragraph 1 or Paragraph 2, Article 27 of the Company Act.	2
Independent director Tseng Chung-Nan	Graduated from Department of Accounting, National Cheng Kung University, with the working experience needed by the Company's business for more than 5 years. Former CFO of Cheng Mei Materials Technology Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act.	(6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the directors or voting shares of the Company. (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company. (8) Not a director, supervisor,	1

Independent Director Anita Chu	Graduated from the Institute of Business Administration, National Chiayi University, with the working experience needed by the Company's business for more than 5 years. Currently the Vice President of Huikwang Corporation, with the experience in financial accounting and industry for many years, and free from the circumstances referred to in Article 30 of the Company Act	<p>manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company.</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation.</p> <p>(10) Not a spouse or relative within the second degree of kinship with any other director.</p> <p>(11) Not elected as a government, juristic person or its representative according to Article 27 of the Company Act.</p>	None
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## 5. Diversity and Independence of Board of Directors:

### (1) Diversity of Board of Directors

According to Article 20 of the Company's "Corporate Governance Best Practice Principles", the composition of the board of directors shall take diversity into account, and appropriate policies shall be adopted for diversity in terms of its own operation, business model and development needs. It should include but not be limited to the following two major standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- 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 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. Operational judgment
- II. Accounting and financial analysis
- III. Business administration
- IV. Crisis management
- V. Industrial knowledge
- VI. An international market perspective
- VII. Leadership
- VIII. Decision-making

Practicing of the board member diversity policy in the most recent year:

Director's name	Gender	Age			Term of office held as an independent director		Operational judgment	Business administration	Financial accounting	Business economics	Crisis management	Industrial knowledge	An international market perspective	Leadership & decision making
		51~60	61~70	71~80	Less than 3 years	3~9 years								
Chao Chin-Hsiao	Male		✓				✓	✓			✓	✓	✓	✓
Liu Dai-Min	Male		✓				✓	✓		✓	✓	✓	✓	✓
Chiu Kao-Ling	Female	✓					✓	✓	✓	✓	✓	✓	✓	✓
Ni Hui-Min	Female		✓				✓	✓		✓	✓	✓	✓	✓
Li Wei-Cheng	Male		✓				✓	✓		✓	✓	✓	✓	✓
Chen Cheng-Li	Male			✓			✓	✓		✓	✓	✓	✓	✓
Chou Hui-Yu	Female	✓					✓	✓	✓	✓	✓	✓	✓	✓
Tseng Chung-Nan	Male	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Chu Chiu-Pi	Female	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓

(2) Specific management goals of the board composition diversity policy, and achievement thereof:

A total of three diversity goals have been achieved for the current Board of Directors, namely “independent directors accounting for more than one-third of the total directors (inclusive),” “female directors accounting for more than one-third of the total directors (inclusive)” and the number of directors with the identity of employees of the Company, its parent company, subsidiaries or fellow subsidiaries less than one-third of the total directors (inclusive).

(3) Independence of the Board of Directors

The Company's current Board of Directors consists of 9 members, including 4 independent directors, and 2 directors with the identity of the Company's employees (i.e. 44.44% and 22.22% of the whole Board members respectively). All independent directors satisfy the requirements about independent directors imposed by Securities and Futures Bureau, Financial Supervisory Commission. All of the directors and independent directors are free from the circumstances referred to in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act. The Company's Board of Directors acts independently (please refer to Page 14-16 of the annual report - Disclosure of information about directors' professional qualification and independent directors' independence). For the directors' educational background, gender and working experience, please refer to Pages 9-11 of the annual report - Information about directors.

## (II). Information about President, vice presidents, assistant vice presidents, and heads of departments/divisions

April 21, 2024

Title	Nationality	Name	Gender	Date of appointment	Number of shares currently held	Shares held by spouse and underage children		Shares held in the names of others	
						Shareholding	Number of shares	Shareholding	Number of shares
President	R.O.C.	Li Wei-Cheng	Male	2022/04/01	1,052,336	1.59	71,938	0.11	0
CSO	R.O.C.	Chao Chin-Hsiao	Male	2022/04/01	6,396,814	9.64	323,496	0.49	0
Vice President	R.O.C.	Li Fan-Chun	Male	2021/01/29	637,787	0.96	354,364	0.54	0
Chief Operating Officer	R.O.C.	Yi-Fan Wang	Male	2023/08/09	10,000	0.02	0	0.00	0

Job Title	Name	Academic background (working experience)	Concurrent positions in the Company and other companies	Spouse or relatives within the second degree of kinship acting as other managers, directors or supervisors		Remark
				Job Title	Relations	
President	Li Wei-Cheng	PhD in Materials, National Cheng Kung University Planning Manager, ITRI Director, Chemical Metallurgy Division, Solar Applied Materials Technology Corp.	FineMat Applied Materials Co., Ltd.: Director Solar Applied Materials Technology (Shanghai) CO., LTD., FineMat (HuangShi) Applied Materials Co., Ltd.: Director	None		-
CSO	Chao Chin-Hsiao	PhD in Materials, National Sun Yat-Sen University President, Solar Applied Materials Technology Corp.	FineMat Applied Materials Co., Ltd., Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Etch Home Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman GallopTech International Company Limited., Sensepad Tech Co., Ltd., Htc & Solartech Service (Samoa) Corporation: Director Qun Bo Investment Co., Ltd.: Supervisor	None		-
Vice President	Li Fan-Chun	Department of Accounting, National Cheng Kung University CFO, Solar Applied Materials Technology Corp.	Wave Power Technology Inc., Etch Home Technology Co., Ltd.: Director	None		-
Chief Operating Officer	Yi-Fan Wang	Institute of Chemistry, National Tsing Hua University Vice President of Anqing Kaibo Optoelectronics	Solar Applied Materials Technology (Shanghai) CO., LTD., FineMat (HuangShi) Applied Materials Co., Ltd.: President	None		-

Note: Those still holding the position until the date of publication of the annual report.

III. Compensation paid to directors (including independent directors), President and vice presidents in the most recent year  
(I) Compensation to directors (including independent directors)

December 31, 2023; Unit: NT\$ Thousand

Title	Name	Compensation to directors						Employee compensation received by directors				The sum of A, B, C, D, E, F and G and the percentage in net income after tax		Remuneration from investees other than subsidiaries or from the parent company										
		Remuneration (A)		Severance pay and pension (B)		Remuneration to directors (C)		Business execution expenses (D)		The sum of A, B, C, and D as a percentage of net income after tax		Salaries, bonuses, and special allowances (E)			Severance pay and pension (F)		Remuneration to employees (G)							
		The Company included in the financial report	All companies included in the financial report	The Company included in the financial report	All companies included in the financial report	The Company included in the financial report	All companies included in the financial report	The Company included in the financial report	All companies included in the financial report	The Company included in the financial report	All companies included in the financial report	The Company included in the financial report	All companies included in the financial report		Cash amount	Stock amount	The Company included in the financial report	All companies included in the financial report						
Chairman	Chao Chin-Hsiao	0	20	0	0	0	1,420	21	36	21	(0.07%)	1,476	(5.12%)	1,780	5,609	0	0	600	0	1,801	(6.25%)	7,685	(26.67%)	297
Corporate director	Representative of Yi Long Investment Co., Ltd.: Liu Dai-Min	0	0	0	0	0	0	21	21	21	(0.07%)	21	(0.07%)	0	0	0	0	0	0	21	(0.07%)	21	(0.07%)	0
Corporate director	Representative of Wisron Corporation: Chiu Kao-Ling	0	0	0	0	0	0	21	21	21	(0.07%)	21	(0.07%)	0	0	0	0	0	0	21	(0.07%)	21	(0.07%)	0
Corporate director	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min	0	0	0	0	720	0	21	36	21	(0.07%)	756	(2.62%)	0	626	0	0	0	0	21	(0.07%)	1,382	(4.80%)	0
Director	Li Wei-Cheng	0	0	0	0	0	0	21	21	21	(0.07%)	21	(0.07%)	2,310	2,933	108	108	0	0	2,439	(8.45%)	3,062	(10.62%)	0

Independent director	Chen Cheng-Li	360	360	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	378 (1.31%)	378 (1.31%)	0	0	378 (1.31%)	0
Independent Director	Chou Hui-Yu	360	360	0	0	0	0	0	21	21	0	0	0	0	0	0	0	0	381 (1.32%)	381 (1.32%)	0	0	381 (1.32%)	0
Independent director	Tseng Chung-Nan	360	720	0	0	0	0	0	21	39	0	0	0	0	0	0	0	0	381 (1.32%)	759 (2.63%)	0	0	381 (1.32%)	0
Independent director	Anita Chu	360	360	0	0	0	0	0	21	21	0	0	0	0	0	0	0	0	381 (1.32%)	381 (1.32%)	0	0	381 (1.32%)	0

Description:

1. Please state the policies, systems, standards and structure of compensation to independent directors, and the relations between the compensation and the job responsibility, risk and engagement hours borne by the independent directors:

The remuneration paid to independent directors is paid at fixed amount, so are the attendance fees subject to the frequency of attendance.

2. Compensation received by directors for providing service to any company included in the Financial Statements (e.g. consultancy service without the title of an employee) in the most recent year except those disclosed in the above table: None.



Compensation Scale Table for directors (including independent directors)

Breakdown of remuneration to directors of the Company	Name of director			
	Sum of the first four remunerations (A+B+C+D)		Sum of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial report	The Company	All companies included in the financial report
Below NT\$1,000,000	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Chao Chin-Hsiao, Li Wei-Cheng, Chen Cheng-Li Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Li Wei-Cheng, Chen Cheng-Li, Chou Hui-Yu Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Representative of Sheng Tai Co., Ltd.: Ni Hui-Min Chen Cheng-Li, Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min Representative of Wistron Corporation: Chiu Kao-Ling Chen Cheng-Li, Chou Hui-Yu, Tseng Chung-Nan, Chu Chiu-Pi
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	-	Chao Chin-Hsiao	Chao Chin-Hsiao	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	Li Wei-Cheng	Li Wei-Cheng
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	-	-	Chao Chin-Hsiao
More than NT\$10,000,000	-	-	-	-
Total	9	9	9	9

(II) Compensation to supervisors: N/A.

## (III) Compensation to President and vice presidents

December 31, 2023 Unit: NTD thousands

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance, et al. (C)		Employee remuneration (D)				The sum of A, B, C, and D as a percentage of net income after tax (%)	Remuneration from investees other than subsidiaries or from the parent company	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements			
President (Note)	Li Wei-Cheng	1,980	2,514	108	108	330	419	0	0	0	0	2,418 (8.39%)	3,041 (10.55%)	0
CSO	Chao Chin-Hsiao	1,280	4,512	0	0	500	1,097	0	600	0	0	1,780 (6.18%)	6,209 (21.55%)	297
Executive Vice President (Note 1)	Li Chung-Jen	1,624	1,624	90	90	340	340	0	0	0	0	2,054 (7.13%)	2,054 (7.13%)	0
Vice President	Li Fan-Chun	1,920	1,920	108	108	320	320	0	0	0	0	2,348 (8.15%)	2,348 (8.15%)	0
Chief Operating Officer (Note 2)	Yi-Fan Wang	542	542	6	6	0	0	0	0	0	0	548 (1.90%)	548 (1.90%)	0

Note 1: Executive Vice President Li Chung-Jen retired on September 11, 2023.

Note 2: COO Wang Yi-Fan took office on August 09, 2023.

Breakdown of remuneration to the President and Vice Presidents of the Company	Names of President and vice presidents	
	The Company	All companies in the financial statements
Below NT\$1,000,000	Yi-Fan Wang	Yi-Fan Wang
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Chao Chin-Hsiao	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Li Wei-Cheng, Li Fan-Chun, Li Chung-Jen	Li Wei-Cheng, Li Fan-Chun, Li Chung-Jen
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	Chao Chin-Hsiao
More than NT\$10,000,000	-	-
Total	5	5

(IV) Compensation to Top 5 senior managers:

As of December 31, 2023 Unit: NTD thousands

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance, et al. (C)		Employee remuneration (D)				The sum of A, B, C, and D and as a percentage of net income after tax (%)	Remuneration from investees other than subsidiaries or from the parent company	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements				
								Cash amount	Stock amount		Cash amount			Stock amount
President	Li Wei-Cheng	1,980	2,514	108	108	330	419	0	0	0	0	2,418 (8.39%)	3,041 (10.55%)	0
CSO	Chao Chin-Hsiao	1,280	4,512	0	0	500	1,097	0	600	0	0	1,780 (6.18%)	6,209 (21.55%)	297
Executive Vice President (Note 1)	Li Chung-Jen	1,624	1,624	90	90	340	340	0	0	0	0	2,054 (7.13%)	2,054 (7.13%)	0
Vice President	Li Fan-Chun	1,920	1,920	108	108	320	320	0	0	0	0	2,348 (8.15%)	2,348 (8.15%)	0
Director	Yu-Chang Hsiao	1,200	1,200	66	66	184	184	0	0	0	0	1,450 (5.03%)	1,450 (5.03%)	0

Note 1: Executive Vice President Li Chung-Jen retired on September 11, 2023.

(V) Names of managers receiving employee remuneration, and state of distribution

Managerial Officers	Title	Name	Stock amount	Cash amount	Total	The total amount as a percentage of net income
	President	Li Wei-Cheng	0	0	0	0
	CSO	Chao Chin-Hsiao	0	0	0	0
	Executive Vice President (Note 1)	Li Chung-Jen	0	0	0	0
	Vice President	Li Fan-Chun	0	0	0	0
	Chief Operating Officer (Note 2)	Yi-Fan Wang	0	0	0	0
	Accounting officer (Note 3)	Tsai Yu-Chen	0	0	0	0
	Accounting officer (Note 3)	Tsai Hsiu-Chen	0	0	0	0

Note 1: Executive Vice President Li Chung-Jen retired on September 11, 2023.

Note 2: COO Wang Yi-Fan was appointed on August 09, 2023.

Note 3: Assistant Manager Tsai Yu-Chen, Head of Accounting, stepped down on November 07, 2023. and was succeeded by Manager Tsai Hsiu-Chen.

(VI) Total of the compensation paid in the most recent two years by the Company and all companies included in the financial statements to the Company's directors, supervisors, President, and vice presidents in the most recent two years, and their respective proportions to the net income, as well as the policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk:

1. Compensation paid in the most recent two years by the Company and all companies included in the financial statements to the Company's directors, supervisors, President, and vice presidents as a percentage of net income (%) in the most recent two years:

Unit: %

Title	2022		2023	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Directors (including independent directors)	29.16	53.08	(20.21)	(48.83)
President and vice presidents	39.61	53.20	(31.75)	(49.28)

2. Policies, standards and packages by which the compensation was paid, the procedures through which compensation was determined, and their association with business performance and future risk:

(1) Directors (including independent directors)

The Board of Directors resolves the remuneration and transportation allowance of all independent directors at the rate generally adopted by the peers in the same industry. The remuneration must be paid, irrelevant with profit or loss retained by the Company. Notwithstanding, independent directors shall not participate in the annual distribution of remuneration.

No more than 5% of the earnings for the current year shall be allocated as the compensation to directors, in accordance with the Articles of Incorporation.

The same shall be resolved subject to the liability to be borne by directors and level of their contribution to the Company, and upon review by Remuneration Committee and Board of Directors.

Meanwhile, the Company may maintain the liability insurance for all directors.

(2) President and vice presidents

The compensation to the Company's President and vice presidents consists of salary, bonus and employee remuneration which are decided subject to the position as held, obligation to be borne and level of contribution to the Company, and at the rate generally adopted by the peers in the same industry.

#### IV. Corporate governance operations

##### (I) Corporate governance operations

1. The annual general meeting on August 18, 2021 completed the re-election of whole directors. Each director shall held the term of office from August 18, 2021 to August 17, 2024.
2. A total of 7(A) Board meetings were held in 2023. Below are the directors' attendance records:

Title	Name	Actual attendance (times) (B)	Attendance by proxy (times)	Actual attendance rate (B/A)	Remark
Chairman	Chao Chin-Hsiao	7	0	100%	
Director	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min	7	0	100%	
Director	Representative of Wistron Corporation: Chiu Kao-Ling	7	0	100%	
Director	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min	7	0	100%	
Director	Li Wei-Cheng	7	0	100%	
Independent director	Chen Cheng-Li	6	1	86%	
Independent director	Chou Hui-Yu	7	0	100%	
Independent director	Tseng Chung-Nan	7	0	100%	
Independent director	Anita Chu	7	0	100%	

##### 3. Other matters to be noted:

- (1) For Board of Directors meetings that meet any of the following descriptions, state the date, session, contents of the motions, independent directors' opinions and how the Company has responded to such opinions:

##### (a) Conditions described in Article 14-3 of the Securities and Exchange Act:

The Company has convened a total of 7 Board meetings in 2023. For details of the resolutions, please refer to Page 53 to Page 55 of the annual report. All Independent Directors passed unanimously with respect to the matters listed in Article 14-3 of the Securities and Exchange Act.

- (b) Any other resolution(s) by the Board of Directors meetings passed but with independent directors voicing opposing or qualified opinions in writing: None.

- (2) For directors' avoidance of motions which involves conflict of interest, the names of directors, contents of the motions, reasons of the recusal for conflict of interest, and participation in voting must be disclosed:

In the Board meeting of the Company on January 17, 2023, Discussion No. 8: Proposal for the Company's 2022 annual year-end bonus distribution to managerial officers. When the discussion is about Chairman, Chao Chin-Hsiao for resolution, Chairman, Chao Chin-Hsiao recused himself, and Independent Director Tseng Chung-Nan served as the chairman of the meeting temporarily. When the discussion is about Li Wei-Cheng for resolution, director Li Wei-Cheng recused himself from the discussion. Upon inquiry by the chair, all the directors passed unanimously by a vote of all directors present.

(3) Assessment on the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Contents of evaluation
Once per year	2023/01/01~2023/12/31	Board of Directors Board members Audit Committee Remuneration Committee	Board of Directors' self-evaluation Board members' self-evaluation Audit Committee's self-evaluation Remuneration Committee's self-evaluation	Note

Note:

- (a) Board of Directors' self-evaluation: Engagement in the Company's operation, upgrading of the Board's decision-making quality, composition and structure of the Board, election and continuing education of directors, and internal controls, etc.
- (b) Board members' self-evaluation: Alignment with the goals and mission of the Company, knowledge of directors' duties, engagement in the Company's operations, management of internal relationship and communication, professionalism and continuing education of directors, and internal controls, etc.
- (c) Contents of the audit committee's and the remuneration committee's self-assessment: Level of participation in the company operations, functional committee awareness, improvement of decision-making quality of functional committees, composition of functional committees and election of members, and internal control.

(d) Evaluation results in 2023

i. Board of Directors' self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Upgrading of the Board's decision-making quality	C. Composition and structure of the Board	D. Election and continuing education of directors	E. Internal control
Performance	Good	Excellent	Excellent	Good	Good

ii. Board members' self-evaluation

Appraisal standards	A. Alignment with the goals and mission of the Company	B. Knowledge of directors' duties	C. Engagement in the Company's operation	D. Internal relationship and communication	E. Professionalism and continuing education of directors	F. Internal control
Performance	Good	Good	Good	Good	Good	Good

iii. Audit Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Audit Committee's duties	C. Upgrading of the Audit Committee's decision-making quality	D. Composition and structure of the Audit Committee	E. Internal control
Performance	Excellent	Good	Excellent	Excellent	Excellent

iv. Audit Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Audit Committee's duties	C. Upgrading of the Audit Committee's decision-making quality	D. Composition and structure of the Audit Committee	E. Internal control
Performance	Good	Good	Good	Good	Good

v. Remuneration Committee's self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Remuneration Committee's duties	C. Upgrading of the Remuneration Committee's decision-making quality	D. Composition and structure of the Remuneration Committee
Performance	Good	Good	Excellent	Excellent

vi. Remuneration Committee members' self-evaluation

Appraisal standards	A. Engagement in the Company's operation	B. Knowledge of Remuneration Committee's duties	C. Upgrading of the Remuneration Committee's decision-making quality	D. Composition and structure of the Remuneration Committee
Performance	Good	Good	Good	Good

(4) Evaluation on enhancement of the functionality of the Board of Directors in the current and the most recent year and the respective progress reports

- (a) The Company has established the Remuneration Committee and Audit Committee, consisting of four independent directors. By establishment of the functional committees, the Board of Directors' functions and powers are divided perfectly. The functional committees act independently to help the Board of Decision with decision making and enhancement of the corporate governance.
- (b) Directors would choose to attend the corporate governance-themed courses covering finance, risk management, business, commerce, laws, accounting and corporate social responsibility, or other courses related to internal control system and responsibility for reporting finance, in order to enhance the knowledge and fulfillment of corporate governance.
- (c) The Company has maintained the liability insurance for all directors.
- (d) In order to have the corporate governance in place and upgrade the Board's functions, the Company adopted the Regulations Governing Board's Self-Evaluation or Peer Evaluation, and completed the Board's 2023 performance valuation pursuant to the Regulations at the beginning of 2024. For the self-evaluation result, please refer to (3) Board of Directors' evaluation, and the result was reported to the Board of Directors on March 14, 2024.
- (e) In order to establish the Company's fair corporate governance, help directors perform their duties and upgrade the Board's performance, the Company adopted the standard operating procedure required by directors.

(II) Operation of the Audit Committee

1. The directors were re-elected on August 18, 2021. The Audit Committee members increased as 4



members, consisting of the whole independent directors. 3 out of the members are experts in accounting and finance. The Audit Committee members convene the meeting to review the execution of the Company's internal control system and internal audit and also significant business and financial activities, and to communicate and exchange with the external auditors, in order to supervise the Company's operations and risk controls precisely, prior to the Board of Directors meeting on a quarterly basis.

(1) For the professional knowledge to be held by the Audit Committee members: For details, please refer to Pages 14-16, Professional Knowledge of Directors (including Independent Directors)

(2) Audit Committee's annual main line of action (MLA)

- ◆ Adoption or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- ◆ Assessment on the effectiveness of the internal control system.
- ◆ Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- ◆ A matter bearing on the personal interest of a director or supervisor.
- ◆ A transaction involving material asset or derivatives trading.
- ◆ A material monetary loan, endorsement, or provision of guarantee.
- ◆ The offering, issuance, or private placement of any equity-type securities.
- ◆ The hiring, dismissal or remuneration of an attesting certified public accountant.
- ◆ The appointment or dismissal of a financial, accounting, or internal auditing officer.
- ◆ Annual financial statements and semi-annual financial statements
- ◆ Audit Committee's performance self-evaluation

2. The Audit Committee held 7 (A) meetings in 2023. The attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (times) (B)	Attendance by proxy (times)	Actual attendance rate (B/A)	Remark
Independent Director	Chen Cheng-Li	6	1	86%	
Independent director	Chou Hui-Yu	7	0	100%	
Independent director	Tseng Chung-Nan	7	0	100%	
Independent director	Anita Chu	7	0	100%	

3. Other matters to be noted:

(1) For the Audit Committee's operation that meets any of the following descriptions, state the date, session and contents of the motions of the Audit Committee's meeting, and Audit Committee's resolution, and how the Company has responded to the Audit Committee's opinions:

(a) Any conditions described in Article 14-5 of the Securities and Exchange Act unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

(b) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

(2) For independent directors' avoidance of motions which involves conflict of interest, the names of directors, contents of the motions, reasons of the recusal for conflict of interest, and participation in voting must be disclosed: None.

(3) Communication between independent directors and chief internal auditor/CPAs:

(a) Communication between independent directors and chief internal auditor: Both sides meet with each other via phone or email from time to time, and also communicate with each other at each Audit Committee meeting. The communication is considered fair and both sides are considered fulfilling their obligations to report and explain the results.

(b) Communication between independent directors and CPAs: The Company's CPAs are used to fulfilling their obligation to report and explain the audit or review result on financial statements for the current quarter and other legal requirements. The communication between independent directors and the CPAs are considered fair too.

(4) Resolutions made by Audit Committee in 2023

Date of Meeting	Contents of Motion	Conditions described in Article 14-5 of the Securities and Exchange Act	Audit Committee's resolutions	How the Board of Directors has responded to Audit Committee's opinions
2023.01.17	The Company's 2023 business plan		Approved by all present members.	Approved by all present members.
	Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors	V		
	Approval for the provision of non-certification services to the Company and subsidiaries by CPAs, their firms and affiliates			
2023.03.15	The Company's 2022 financial statements and business report	V	Approved by all present members.	Approved by all present members.
	The 2022 earnings distribution plan	V		
	The Company's 2022 statement of the internal control system	V		
	Proposal for making endorsements/guarantees for the subsidiary, Htc&Solartech Service (Samoa) Corporation	V		
2023.05.03	2022 earnings distribution changes	V	Approved by all present members.	Approved by all present members.
	The Company's 2023 Q1 financial statements			
2023.06.30	Proposal for loaning of funds to the subsidiary, Etch Home Technology Co., Ltd.	V	Approved by all present members.	Approved by all present members.
	Proposal for making endorsements/guarantees for subsidiaries	V		
	Loaning of funds of the subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD.	V		
2023.07.28	Disposal of the equity of the reinvestment company, Huangshi Quanyang Photoelectric Technology Co., Ltd.	V	Approved by all present members.	Approved by all present members.
2023.08.09	The Company's 2023 Q2 financial statements	V	Approved by all present	Approved by all present members.

	Proposal for license of technology to Huangshi Quanyang Photoelectric Technology Co., Ltd.	V	members.	
	Disposal of equipment of subsidiary FineMat (HuangShi) Applied Materials Co., Ltd.	V		
2023.11.07	The Company's 2023 Q3 financial statements		Approved by all present members.	Approved by all present members.
	Proposal for approval of 2024 audit plan			
	Amendments to the Company's "Internal Control System"	V		
	Formulation of Risk Management Regulations	V		
	Establishment of the "Rules Governing Operations in relation to Finance and Business between Affiliated Parties"	V		
	Transfer of the Company's Chief Accounting Officer	V		
	Investment case in Etch Home Technology Co., Ltd. (Vietnam)	V		
	Proposal for making endorsements/guarantees for subsidiaries	V		
	Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY	V		
	Amendment to loaning of funds of the subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD.	V		

## (III) Continuing education of directors (independent directors) and managers in the most recent year

Title	Name	Organizer	Date	Course name	Hours
Chairman	Chao Chin-Hsiao	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Director	Liu Dai-Min	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Director	Chiu Kao-Ling	Taiwan Stock Exchange Corporation	2023.07.04	Cathay Sustainability Finance and Climate Change Summit	6
		Taiwan Corporate Governance Association	2023.09.22	Key Global ESG Trends and Cases for Winning Futures	3
			2023.09.22	The Key to Improving the Effectiveness of the Board of Directors	3
Director	Li Wei-Cheng	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Director	Ni Hui-Min	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Independent director	Chen Cheng-Li	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Independent director	Tseng Chung-Nan	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
Independent director	Chou Hui-Yu	Taiwan Investor Relations Institute	2023.03.08	Management dispute - corporate governance and the responsibilities and powers of independent directors	3
		Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
Independent director	Anita Chu	Taiwan Corporate Governance Association	2023.06.26	How about a board meeting? Sharing of Practices on Common Defects in Board Meetings and Operations of TWSE Listed Companies	3
			2023.07.14	How Lighthouse Plant uses digital transformation to achieve sustainable development	3
		National Cheng Kung University	2023.07.20-2023.07.21	Continuing Education Course for Accounting Officers-Conference on Accounting	3
				Continuing Education Course for Accounting Officers-Conference on Corporate Governance	6
				Continuing Education Course for Accounting Officers-Conference on Code of Professional Conduct and Legal Liability	3
Finance Vice President	Li Fan-Chun	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3
		National Cheng Kung University	2023.11.16-2023.11.17	Continuing Education Course for Accounting Officers-Conference on Accounting	3
				Continuing Education Course for Accounting Officers-Conference on Corporate Governance	6
Chief Operating Officer	Yi-Fan Wang	Securities & Futures Institute	2023.08.09	Circular economic benefits and business model	3
			2023.11.07.	How to read the financial statements by non-finance personnel	3

(IV) Implementation of corporate governance and the deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies, and the reasons therefor

Item	Status		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	
I. Has the Company formulated and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated its “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.” The Company has also defined the regulations governing protection of shareholders’ equity, enhancement of the Board of Directors’ functions, respect toward stakeholders’ interest and right, and improvement of information transparency.
II. The Company’s shareholding structure and shareholders’ equity			No material difference found.
(I) Has the Company formulated internal operating procedures for handling shareholders’ suggestions, questions or disputes and litigation with them and complied with the procedures?	✓		(I) The Company has delegated the spokesperson, deputy spokesperson and dedicated staff to ensure that the information critical to shareholders’ decision making may be disclosed in a timely manner, and also set up the mailbox exclusive for investors to accept shareholders’ suggestions & questions, dispute and legal actions. The legal advisors appointed by the Company will help settle any legal issues.
(II) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	✓		(II) The Company controls the list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders, relying on the roster of shareholders provided by the shareholders service agent on the date of book closure set by the Company, and discloses the same pursuant to laws.
(III) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	✓		(III) The Company has adopted the internal control over the “Supervision and Management of Subsidiaries” and “Operating Procedure for Transactions with Group Companies, Specific Companies and Related Parties,” and practice the firewall and risk control mechanism between the Company and its subsidiaries.
(IV) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	✓		(IV) The Company has formulated the “Procedures for Handling Material Inside Information” to prohibit insiders from using information undisclosed in the market to buy and sell securities.
III. Composition and responsibilities of the Board of Directors			No material difference found.
(I) Has the Board of Directors formulated a diversity policy for the Board structure and implemented them accordingly?	✓		(I) According to Chapter 3 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 an appropriate policy on diversity based on the Company’s business operations, operating dynamics, and

<p>(II) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?</p> <p>(III) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the Board of Directors, and use them as reference in determining remuneration for individual directors, and their nomination for additional office term?</p> <p>(IV) Does the Company regularly assess the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>development needs be formulated. For the implementation of the Board member diversity policy, please refer to Pages 16-17 the “Diversity and Independence of the Board of Directors” herein or the Company’s website for details.</p> <p>The Company currently has the Remuneration Committee, Audit Committee and Risk Management Committee.</p> <p>(II)</p> <p>(III) The Company has established the “Regulations Governing Board’s Self-Evaluation or Peer Evaluation.” The Company conducts the evaluation on the Board and its members each year, and reports the evaluation results for the previous year to the Board of Directors in Q1 of each year. For the Board’s evaluation in 2023, please refer to Page 27-28 herein for details. The evaluation result has been reported to the Board of Directors on March 14, 2024.</p> <p>(IV) The Company’s Audit Committee and Board of Directors assess the independence and competence of the external auditors in Q1 of each year. The Company will ask the CPAs for the AQLs, and conducts the assessment on independence per the following criteria. Ensure that those who has conflict of interest in the tasks assigned to him/her already recused himself/herself, free from any financial, interest and business relationship, in the spirit of justice, rigidity and absolute independence.</p>	
			<p>CPA’s independence assessment criteria: 1. The CPAs have no direct or significant indirect financial interests with the Company.</p> <p>2. The CPAs have no financing or guarantee activities with the Company or its directors/supervisors. 3. An audit carried out by the CPAs is not affected due to the consideration of the possibility of loss of the Company’s customers. 4. The CPAs have no close business relationships or potential employment relationships with the Company. 5. The CPAs have no contingent fees in relation to audits. 6. The CPAs and members of the audit team firm do not currently serve as a director, supervisor or manager or the position that has significant influence over the audit cases of the Company; nor have they done so in the past two years. 7. The non-audit services provided by the CPAs do not indirectly affect the important items of audit cases. 8. The CPAs do not promote or broker any shares issue or other securities by the Company. 9. The CPAs do not serve as an advocate for the Company or coordinate conflicts with other third parties on behalf of the Company. 10. The CPAs are not relatives with the Company’s directors, supervisors or managers, or personnel who serve as the positions that have significant influence on audits. 11. The CPAs have not retired within one year after serving as a director, supervisor or manager, or personnel who serve as the position that has significant influence on audits. 12. Do the CPAs not hold any regular position in the Company with</p>	

IV. Does the TWSE/TPEx-listed company assign the adequate number of competent corporate governance personnel, and appoint the chief corporate governance officer responsible for the corporate governance affairs?	✓		fixed pay concurrently. 13. Do the CPAs not involve the managerial function for the Company's decision making. 14. The Company has engaged the same CPAs without replacement for 7 years consecutively until the latest certification.	
V. Does the Company establish communication channels with stakeholders and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	✓		The Company's Board of Directors approved on March 15, 2023 to appoint Vice president Li Fan-Chun as the Company's Chief Corporate Governance Officer, in order to protect shareholders' equity and improve the Board of Directors' functions. Vice President Li Fan-Chun has the experience in serving as the financial manager of a public company for more than three years and, therefore, is held satisfying the qualification requirements for chief corporate officer. The Company delegates related personnel to help the chief corporate governance officer handle the corporate governance operations, including provision to directors of the information needed by them to perform their duties, organization of the Board of Directors' meetings and shareholders' meetings in accordance with laws, completion of the company registration and registration of any changes, preparation of the Board of Directors' meetings and shareholders' meeting minutes, arrangement for continuing education programs attended by directors each year, and maintenance of the liability insurance for directors. For the continuing education programs attended by the chief corporate governance officer, please refer to the continuing education of directors (including independent directors) and managers in the most recent year on Page 32 herein for details.	No material difference found.
VI. Does the Company appoint a professional shareholders service agent to handle the affairs related to shareholders' meetings?	✓		The Company adopts the spokesperson system and set up the section dedicated to stakeholders to provide the stakeholders with a public channel via which they may seek counseling service.	No material difference found.
			The Company appoints Mega Securities, Shareholders Service Agency Dept. to handle the shareholders services on behalf of it.	No material difference found.

Item	Operations		Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	
<p>VII. Information disclosures</p> <p>(I) Has the Company set up a website to disclose information on financial business and corporate governance?</p> <p>(II) Has the Company adopted other means for disclosure?</p> <p>(III) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) The Company updates the information about business, finance and corporate governance via its website from time to time, for investors' inquiry. The same may be accessed via MOPS.</p> <p>(II) The Company appoints the personnel dedicated to gathering and disclosing Company's relevant information, and adopts the spokesperson system, makes presentation at the investors conference, and also disclose the same on the Company's website, for the outsiders' inquiry.</p> <p>(III) The Company has not planned to disclose and file the Company's annual financial report within two months after the end of each fiscal year as required.</p>	<p>No material difference is found, except that the Company has not planned to disclose and file the Company's annual report.</p>
<p>VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices?</p>	<p>✓</p>	<p>(I) Employee rights and employee care The Company establishes the Workers' Welfare Committee to process various welfare practices, and provides and contributes the pension fund in accordance with the Labor Standards Act and labor Pension Act. All of the Company's requirements and measures related to the labor-management relationship follow related laws and regulations, and are implemented well. Any additions or amendments to the measures related to the labor-management relationship are determined only upon sufficient negotiation and agreement of the labors and management, in order to achieve the win-win situation between the labors and management. The Company establishes its work rules in accordance with laws and regulations, and expressly defines the human rights and employee rights therein.</p> <p>(II) Investors relations Upholding the principle of fairness and openness when dealing with shareholders, the Company convenes shareholders' meetings pursuant to laws each year, and provides shareholders with the opportunity to raise questions and submit proposals.</p> <p>(III) Suppliers relations Upon consultation, comparison and negotiation for price with multiple suppliers, the Company's procurement personnel decide the unit price, specifications, payment terms, delivery date, product and service quality or other data. The Company aims to</p>	<p>No material difference found</p>



	<p>establish long-term close relationship with suppliers, and trust and benefit each other mutually and expect to pursue sustainable growth together and achieve a win-win situation.</p> <p>(IV) Stakeholder rights The Company explains its overview of operation via the official website to protect investors' basic rights and fulfill the Company's responsibility toward shareholders.</p> <p>(V) Continuing education of directors and managers The Company encourages directors and managers to attend the continuing education proactively. The directors and managers have attended the continuing education pursuant to laws and regulations. Please refer to the information about the continuing education of directors (including independent directors) and managers in the most recent annual report.</p> <p>(VI) Implementation status of risk management policy and risk measurement criteria The Company has appointed the Risk Management Committee, and has also established the Risk Management Best Practice Principles, Risk Management Policies and Procedures, Procedure for Acquisition or Disposal of Assets, Procedure for Making Guarantees/Endorsements, and Procedure for Lending of Funds to Others, as the risk control basis and risk measurement criteria to be followed by the Company's execution unit and audit unit to execute said business.</p> <p>(VII) Implementation status of customers policy For customers' and clients' omni bearing services and protection, the Company communicates with customers immediately in order to respond to the customers' complaints, verify the customers' needs and promote the effect of interaction between the Company and customers. Meanwhile, the Company regularly participates in business meetings, production and sales meetings and quality control meetings for review and improvement.</p> <p>(VIII) Maintenance of liability insurance for the Company's directors The Company has purchased the liability insurance for all of its directors and managers. It will also assess the insured value regularly each year.</p>	
		<p>IX. Please specify any improvements made as per the results of the corporate governance evaluation announced by the Corporate Governance Center, Taiwan Stock Exchange Corporation, in the most recent year and put forth prioritized measures to improve those that have not yet improved. In order to improve the corporate governance, the Company will continue to make improvement subject to the corporate governance evaluation results in 2023 and corporate governance evaluation indicators in 2024. First of all, the Company will improve its measures on corporate sustainability, carbon conservation and carbon reduction, GHG reduction, water consumption reduction, or management of other wastes.</p>

(V) Operation of Remuneration Committee

1. Professional knowledge and independence of Remuneration Committee members

Condition		Professional qualifications and experience	Independence	Number of other public Remuneration Committee member concurrently serve as a remuneration committee member	
Identity Category	Name				
Independent Director	Chen Cheng-Li	Please refer to "Three. Corporate Governance Report/II. Directors (including independent directors), President, Vice President, AVP, and heads of departments/divisions/(I) Information about directors (including independent directors)/4. Disclosure of information about directors' professional qualification and independent directors' independence" of this annual report for related contents.		None	
Independent Director	Chou Hui-Yu				
Independent director	Tseng Chung-Nan				2
Independent director	Chu Chiu-Pi				2

(3) Duties of the remuneration committee

- ◆ Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and executive officers.
- ◆ Periodically evaluate and prescribe the remuneration of directors and executive officers.

## 2. Information about operation of Remuneration Committee

- (1) The Company's Remuneration Committee added one member upon the re-election on November 5, 2021. For the time being, the Committee consists of 4 members.
- (2) The current members' term of office commences from November 5, 2021 until August 17, 2024. The Remuneration Committee held 3 meetings in 2023.

The attendance of the Committee members is summarized as follows:

Job Title	Name	Actual attendance (times) (B)	Attendance by proxy (times)	Actual attendance rate (B/A)	Remark
Convener	Chen Cheng-Li	2	1	67%	
Committee member	Chou Hui-Yu	3	0	100%	
Committee member	Tseng Chung-Nan	3	0	100%	
Committee member	Anita Chu	3	0	100%	

### (3) Other matters to be noted:

- (a) If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, it is necessary to state the date, term, motion contents, directors resolution outcomes and the Company's handling of the Remuneration Committee's opinions (e.g. if the board approved the remuneration which is higher than the Committee's recommendations, the differences and the reasons thereof shall be stated): None.
- (b) If a member has an objection or reservation on a resolution on a matter that is recorded or stated in a written statement, the following shall be stated: the Remuneration Committee meeting date, session, proposal, opinions of all members, and handling of the opinions of the Remuneration Committee: None.

### (4) Resolutions made by Remuneration Committee in 2023

Date of Meeting	Contents of Motion	Resolution by the Remuneration Committee	The Company's response to the Remuneration Committee's opinions
2023.01.17	The 2023 managerial officers' remuneration policy	Approved by all present members.	Approved by all present members.
	Remuneration to the new managers		
	Allocation of 2022 year-end bonus to the Company's managers		
2023.03.15	The 2022 employee remuneration and directors' remuneration distribution proposal	Approved by all present members.	Approved by all present members.
	Adjustment of the salary of the Chairman.		
2023.11.07	The 2024 managerial officers' remuneration policy	Approved by all present members.	Approved by all present members.
	Remuneration to the new managers		

## (VI) Operation of the Risk Management Committee

### 1. Composition of the Risk Management Committee

The Company appointed the Risk Management Committee in November 2023. The Committee is composed of 4 independent directors and 3 senior executives. The Committee is chaired by Independent Director Tseng Chung-Nan who possesses many years of finance and accounting expertise and management experiences meeting the professional abilities required for the Company's Risk Management Committee. The members of the Company's Risk Management Committee are as follows:

<b>Name</b>	<b>Duties of Committee Members</b>	<b>Independent director</b>	<b>Expertise</b>
Tseng Chung-Nan	Chairperson and Committee Members	Yes	Finance and accounting expertise, business management, corporate governance
Chao Chin-Hsiao	Committee member	No	Leadership, management, and technical expertise
Li Wei-Cheng	Committee member	No	Operational judgment, management, and technical expertise
Chen Cheng-Li	Committee member	Yes	Operational judgment, management, and industry knowledge
Chou Hui-Yu	Committee member	Yes	Finance and accounting expertise, legal expertise, business economics
Anita Chu	Committee member	Yes	Finance and accounting, business economics, business management
Li Fan-Chun	Committee member	No	Finance and accounting expertise, business management, corporate governance

### 2. The operation of the Risk Management Committee:

The Company's risk management procedures include: risk identification, risk analysis, risk assessment, risk response, and supervision and review mechanism. Through the above procedures, each unit should grasp the scope of operational risks and implement appropriate measures to ensure effective management of relevant operational risks. In addition to the compilation of the overall impact that various risks may have on the Company through cross-department communication and data collection, the level of impact of each risk is also linked to the Company's short, medium and long-term business goals to control the Company's tolerance to risk impacts.

After the resolution is passed by the Board of Directors on November 7, 2023, the Company established the "Risk Management Committee" and the "Risk Management Working Group" directly under the Committee. The first term of office of the committee members is from November 7, 2023 to August 18, 2024 (It is equivalent to the last term of the current Board of Directors and will be re-elected at the time of re-election of directors); the Company has also approved the "Risk Management Best Practice Principles" and "Risk Management Policy and Procedures" on the day of the previous session of the Board of Directors, and has announced and implemented it concurrently.

To implement the risk management mechanism, the Company is expected to start risk assessments on an annual basis starting 2024. The report of the assessment results should be submitted to the Risk

Management Committee and the Board of Directors, and the content should include various risks faced by the Company during the assessment year and the countermeasures, expected improvement plans, and more. The risk management working group will conduct follow-up tracking to ensure the effective operation and execution of the Company's risk management.

With the aim to strengthen the risk management awareness of the Company's employees, the Company also plans to organize risk management education and training from time to time in 2024 (e.g. introduction to the basic concepts of risk management, sharing of risk management practices and cases, etc.) to enhance the concept of risk control and management for implementation.

(VII) Status of ESG practices, and deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:

Evaluation criteria	Status		Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and causes thereof
	Yes	No	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the Board of Directors, which supervises the implementation?	✓	✓	The Company's Finance Division serves as the concurrent unit to promote sustainable development. The supreme management of Finance Division holds the position as the unit supervisor concurrently, reporting the implementation status to the Board of Directors regularly.
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to company operations as per the principle of materiality and formulate relevant risk management policies or strategies?	✓	✓	The Company establishes the "Corporate Social Responsibility Best Practice Principles" and discloses the same on the Company's website. Meanwhile, the Company will fulfill the corporate social responsibility and practice the regulations under said Principles. The Company discusses various indicators from time to time, and strictly implements the recycling of leftover food and waste water, and also water conservation, in response to the environmental protection movements promoted in the world and by the government proactively.
III. Environmental issues (I) Has the Company set up an appropriate environmental management system as per its industrial characteristics?  (II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	✓  ✓		<p>(I) In consideration of the corporate social responsibility toward the environmental management, the Company has adopted the EHS (environment, safety and health) policy. Meanwhile, the Company received the ISO 14001 international certification successfully again in 2023. The Company practices the environmental protection, waste reduction, volume reduction, prevention of pollution, and zero occupational accidents.</p> <p>(II) The Company adopts the main raw materials and supplies in line with RoHS and prohibits the hazardous substances regulated by the directives in production. For water resource management, the Company implemented the dry cleaning equipment to reduce water consumption and recycle and reuse EDI electrode wastewater. The Company strives to maximize the utilization efficiency of various resources, in order to mitigate the impact posed by them to the environment.</p>
			The Company has not yet established any risk management policy or strategy.
			No material difference found.

<p>(III) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?</p>	<p>✓</p>	<p>(III) The Company delegates the full-time personnel dedicated to the environmental management, and establishes its responsive measures subject to the existing and future potential risks and opportunities arising from climate changes, such as replacement of old equipment to improve the process efficiency, establishment of the energy-conservation quantitative targets to increase the recycling rate, enhancement of green manufacturing, and construction of sound water monitoring mechanism, etc., and appointment of internal auditors to control and improve the environmental management regularly.</p> <p>(IV) The Company gathers the statistics about GHG emission, water consumption and gross weight of waste each year, and posts them on the Company's website. <b>The Company's water consumption was 42,080 tons, GHG emission from water consumption 6.479 tons, GHG emission from power consumption 4088.562 tons, and gross weight of waste 9.1 tons, in 2022. The Company's water consumption was 35.669 tons, GHG emission from water consumption 5.652 tons, GHG emission from power consumption 3685.577 tons, and gross weight of waste 9.0 tons, in 2023.</b> The Company also set the future quantitative management target for energy conservation, carbon reduction and water consumption reduction, and also the measures to achieve the target. The target and measures are posted on the Company's website together.</p>	
<p>IV. Social issues (1) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?</p>	<p>✓</p>	<p>(1) In order to fulfill the corporate social responsibility and protect employees' and stakeholders' basic human rights, the Company follows the labor laws and regulations applicable in various jurisdiction where it is operating, and supports and complies with the International Bill of Human Rights: "Universal Declaration of Human Rights," and the targets disclosed by the "International Labour Convention." The Company treats and respects all of its workers based on the basic human rights recognized internationally.</p>	<p>No material difference found.</p>

Item	Status		Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies and causes thereof																									
	Yes	No																										
(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflect business performance or achievements in employee remuneration appropriately?	✓		(II) The Company provides the competitive remuneration system based on the principle of fairness. For colleagues who perform beyond the expectation, the Company grants the incentive on their remuneration, and also the opportunity of promotion. The Company also adopts the incentive program to stimulate employees' performance. The Company also provides other employee benefits, e.g. insurance, bonus for three major festivals, health checkup, and recreational activities. Meanwhile, according to Article 16-1 of the Articles of Incorporation, subject to the earnings generated in the year, the Company shall allocate 8%~15% of the earnings as the remuneration to employees.																									
(III) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	✓		(III) The Company organizes the sound pension and insurance system according to the Labor Standards Act, and also improves the management of various aspects, such as monitoring of the working environment, education and training, machine, equipment or appliances, employee health checkup, interaction between the labor and management, and employee care, in order to achieve a safe, healthy and heartwarming working environment. Occupational disasters in 2023 <table border="1" data-bbox="863 439 1062 1393"> <thead> <tr> <th></th> <th>Number of case</th> <th>Number of person</th> <th>As % of the employees</th> <th>Related improvement measures</th> </tr> </thead> <tbody> <tr> <td>Disability accident</td> <td>0 case</td> <td>0 person</td> <td>0%</td> <td>Not applicable.</td> </tr> <tr> <td>Death accident</td> <td>0 case</td> <td>0 person</td> <td>0%</td> <td>Not applicable.</td> </tr> <tr> <td>Fire accident</td> <td>0 case</td> <td>0 person</td> <td>0%</td> <td>Not applicable.</td> </tr> <tr> <td>Total</td> <td>0 case</td> <td>0 person</td> <td>0%</td> <td></td> </tr> </tbody> </table>		Number of case	Number of person	As % of the employees	Related improvement measures	Disability accident	0 case	0 person	0%	Not applicable.	Death accident	0 case	0 person	0%	Not applicable.	Fire accident	0 case	0 person	0%	Not applicable.	Total	0 case	0 person	0%	
	Number of case	Number of person	As % of the employees	Related improvement measures																								
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Death accident	0 case	0 person	0%	Not applicable.																								
Fire accident	0 case	0 person	0%	Not applicable.																								
Total	0 case	0 person	0%																									
(IV) Does the Company establish an effective career development training program for employees?	✓		(IV) The Company has its HR Dept. plan the training orientation for the career development plans toward different job ranks, and implement the complete in-service training to combine employees' career developmental and organizational development targets, in response to the organizational development planning.																									
(V) Does the Company comply with applicable laws and international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and	✓		(V) The Company's products are not end products or spare parts thereof, but all comply with RoHS. The Company also sets up the customer service unit to process the problems about products and services, customer privacy and fair trade via meetings, questionnaires, on-site audits and customer complaint systems, in order to ensure the protection of customer rights and complaint																									



<p>labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' rights and interest?</p> <p>(VI) Does the Company formulate a supplier management policy, require suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights, and how the policy is implemented?</p>	✓	<p>channels.</p> <p>(VI) The Company adopts the suppliers management regulations and conducts the annual audit to confirm the suppliers' compliance with related regulations and requirements. Meanwhile, the Company also works with the suppliers in the cooperative projects on EHS and corporate social responsibility issues. The Company takes the initiative to set an example personally to participate in social welfare, and will invite the upstream and downstream dealers in the supply chain to use the best effort to improve the corporate social responsibility together.</p>	
<p>V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?</p>	✓	<p>The Company is not yet required to prepare a sustainability report in 2023.</p>	<p>The Company has not yet planned to prepare it.</p>
<p>VI. If the Company has established its own sustainable development best practice principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations thereof from such principles: The Company has established the "Corporate Social Responsibility Best Practice Principles." Its operation is not different from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>			
<p>VII. Other important information that facilitates the understanding of the promotion of sustainable development:</p>			
<p>(I) The Company cares for the disadvantaged people, donates funds to disadvantaged groups, and does the social public welfare work enthusiastically.</p> <p>(II) When the society suffers any urgent crisis, the Company donates funds generously, and also encourages the Company's employees to join the donation activity in the spirit of feeling responsible for the welfare of the people, in order to feed back to the society.</p>			

(VIII) The Company's implementation of ethical management, and any deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor

Item	Operations		Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	
I. Formulation of ethical management policies and plans			
(I) Does the Company formulate an ethical management policy approved by the Board of Directors and disclose the policy and practice of ethical management in its regulations and public documents? Are the Board of Directors and the senior management committed to actively implementing the policy?	✓		(I) The Company adopts its "Code of Ethical Conduct" and "Ethical Management Best Practice Principles" and discloses the same on the Company's website and MOPS. Meanwhile, the Company adopts its "Procedures for Ethical Management and Guidelines for Conduct" in accordance with the Ethical Management Best Practice Principles, in order to ensure the compliance with ethical management and laws, and require that the directors and managers who are involved in the conflict of interest against any decisions or transactions shall recuse themselves from the decision making or voting based on the conflict of interest principles.
(II) Does the Company establish an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"	✓		(II) The Company includes the employees' ethics into the enterprise culture and code of conduct for employees, and establishes the "Procedures for Ethical Management and Guidelines for Conduct." The employees shall sign the "Letter of Undertaking for Integrity" and the Company shall conduct publicity training during the orientation training. The management will also promote the measures for prevention of unethical conduct at meetings from time to time. The Company has adopted the regulations including the "Procedure for Acquisition or Disposal of Assets," "Procedure for Making Guarantees/Endorsements," "Procedure for Loaning of Funds to Others" and "Operating Procedure for Transactions with Group Companies, Specific Companies and Related Parties," in order to regulate that the Company's transactions comply with the ethical management principles.
(III) Does the Company clearly specify operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	✓		(III) In addition to the internal control system and various procedures, the Company also adopts the "Procedures for Ethical Management and Guidelines for Conduct" as the basis regulating directors, managers and employees. The internal auditors conduct various audits per the audit plan, and submit the audit results and improvement programs to the Board of Directors and management, in order to practice the audit results and prevent unethical conducts.
II. Implementation of ethical management			
(I) Does the Company evaluate each	✓	(I)	(I) The Company established the suppliers and customers rating systems. All contracts
			No material difference found.

<p>counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?</p> <p>(II) Does the Company establish a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management, regularly (at least once a year) report to the Board of Directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?</p> <p>(III) Does the Company formulate policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?</p>	<p>✓</p> <p>✓</p>	<p>are executed subject to professional staff's review, and include ethical conduct requirements, if necessary. The Company has not yet executed the ethical conduct clauses with all trading counterparties so far, but it engages in business activities in a fair and transparent manner. Meanwhile, the Company does take into account the legitimacy of trading counterparties and their unethical conduct records.</p> <p>(II) The Company establishes the "Ethical Management Administration Team" as the unit dedicated to promoting the Company's ethical management, under the supervision of the Board of Directors. The Team Leader reports the ethical corporate management implementation status to the Board of Directors directly in Q1 of each year. The latest implementation status was reported to the Board of Directors on March 14, 2024.</p> <p>(III) In order to fulfill the responsibility of supervision, the Company has established the sound system internally, and also various organizational channels, e.g. Remuneration Committee, internal control/audit systems and file control systems. Meanwhile, the Company would publish the internal regulations and work rules for employees on the Company's intranet, and notify all colleagues in writing of any amendments thereto. The Company also sets up the stakeholders section on the Company's website available to the public.</p>	<p>No material difference found.</p>
<p>(IV) Does the Company establish an effective accounting system and an internal control system for the implementation of ethical management and assign the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commission a CPA to perform such audits?</p> <p>(V) Does the Company regularly hold internal and external education and training on ethical management?</p>	<p>✓</p> <p>✓</p>	<p>(IV) The Company establishes the effective accounting system, internal control system and other management systems, which operate normally and practice the ethical management requirements. In order to keep the design and execution of the systems effective constantly, the internal auditors audit the compliance with the systems referred to in the preceding paragraph regularly each year, prepare the audit report and submit the same to the Audit Committee and Board of Directors.</p> <p>(V) The Company convenes the monthly meetings, member meetings and seminars regularly on a monthly basis, in order to communicate the Company's insistence on the ethical management philosophy and demand that all colleagues should follow the example of their superiors. The Company organizes the education and training program related to ethical management regularly. In 2023, the Company organized the internal and external training and education on the ethical management issues (including ethical management laws &amp; regulations, legal practices, advanced financial management, insider trading and disbursement laws &amp; regulations, accounting system and internal control programs), attended by 236 persons and for a total of 236 hours. The relevant operating procedures and regulations have been posted on the Company's intranet for the employees to access at any time.</p>	<p>No material difference found.</p>
<p>III. Implementation of the Company's whistleblowing system</p>			<p>No material difference found.</p>

<p>(I) Does the Company formulate a specific whistleblowing and reward system, established a convenient whistleblowing method, and assign appropriate personnel to handle the party accused?</p> <p>(II) Does the Company formulate standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?</p> <p>(III) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) The Company has adopted the “Regulations Governing Whistleblowing System” and also the employee complaint procedure, and encouraged the employees to whistleblow any violations to the Audit Office or management for investigation and discipline.</p> <p>(II) The Company conducts the investigation on the whistleblowing case in accordance with the operating procedure under the “Regulations Governing Whistleblowing System,” and subject to the non-disclosure agreement. The Regulations Governing Whistleblowing System are published on both the official website and intranet of the Company.</p> <p>(III) The Company expressly states in its Ethical Management Best Practice Principles, Regulations Governing Whistleblowing System, and related regulations that the whistleblower’s identity must be kept in confidence, and the whistleblower shall be protected from any abuse after the whistleblowing.</p>	<p>No material difference found.</p>
<p>IV. Enhanced information disclosure Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?</p>	<p>✓</p>	<p>The Company has adopted its own Ethical Management Best Practice Principles, and disclosed the same on the Company’s website, and the MOPS.</p>	<p>No material difference found.</p>
<p>V. If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles: The Company has adopted its own Ethical Management Best Practice Principles, and disclosed the same on the Company’s website, and the MOPS. All of the Company’s colleagues shall comply with the relevant requirement. There is no deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>			
<p>VI. Other important information that facilitates the understanding of the Company’s ethical management (e.g., reviewing and amending the Company’s ethical management best practice principles):</p> <p>(a) The Company strictly complies with the laws and regulations governing business conducts and other related TWSE/TEPx regulations as the basis to practice the ethical management, and also continues to identify laws &amp; regulations and makes update, in order to ensure the implementation of related regulations.</p> <p>(b) The Company adopts the “Ethical Conduct Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct,” and establishes the Ethical Management Administration Team governed by the Board of Directors to serve as the Company’s unit dedicated to ethical management operations.</p> <p>(c) The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEX regulations and other laws &amp; regulations governing business conducts as the basis to practice the ethical management.</p> <p>(d) The Company’s “Rules of Procedure for Board of Directors’ Meetings” expressly provides the conflict of interest system for directors requiring that if any director or a juristic person represented by the director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting; when the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter.</p> <p>(e) The Company’s “Procedures for Handling Material Inside Information” expressly states that the Company’s directors, managerial officers and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall sign confidentiality agreements; no</p>			

director, managerial officer, or employee with knowledge of material inside information of the Company may divulge the information to others; no director, managerial officer, or employee of the Company may inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.

(IX) Corporate governance best practice principles and other relevant guidelines, if any, and the access to such principles:

In addition to the “Corporate Governance Best Practice Principles,” the Company also adopted the “Rules and Procedure for Shareholders' Meeting”, “Code of Ethical Behavior,” “Rules of Procedure for Board of Directors Meetings,” “Ethical Management Best Practice Principles,” “Procedures for Handling Material Inside Information,” “Standard Operating Procedure for Handling Directors’ Requirements,” “Regulations Governing Board’s Self-Evaluation or Peer Evaluation” and “Whistleblowing System Regulations,” in order to govern shareholders’ equity, enhance the Board of Directors’ functions, respect stakeholders’ interest and right and upgrade information transparency, hoping to establish a fair corporate governance system step by step to help improve the corporate governance performance results. For the relevant information about the Company’s corporate governance system, please visit MOPS or the Company’s website.

(X) Other information material to the understanding of corporate governance within the Company

1. The Company communicates the education about laws and regulations related to the “Insider Trading Prevention Management Operations” to directors, managers and employees at least once per year.

Annual communication of the education about laws and regulations related to the “Insider Trading Prevention Management Operations” in 2023:

- (1) The Company engaged in the communication of education about legal compliance, prevention of insider trading promotion and non-arm’s length transaction cases to the directors and managers on July 14, 2023, August 10, 2023, August 3, 2023, October 19, 2023, November 14, 2023, and December 4, 2023.
- (2) The Company engaged in the communication of education on the scope of material internal information and non-disclosure requirements to the employees on December 3, 2023, in order to improve the colleagues’ awareness toward compliance with the laws and regulations governing insider trading.

2. Identification of and communication with stakeholders, and their contact information

(1) Identification of and communication with stakeholders

Counterpart	Communication method	Key concerns
Employees	<ol style="list-style-type: none"> <li>a. Symposium between the President and employees, worker welfare committee meetings, intra-department communication meetings, labor-management meetings, and mobilization meetings.</li> <li>b. Employee complaint mailbox, whistleblowing mailbox for corruption or violation of the code of professional ethics, confidential complaint system, and the website of FINEMAT APPLIED MATERIALS CO., LTD.</li> <li>c. Employees’ satisfaction survey on welfare policies</li> </ol>	<ul style="list-style-type: none"> <li>✓ Occupational health and safety</li> <li>✓ HR recruitment and retention</li> <li>✓ Labor-management relationship</li> <li>✓ HR training</li> <li>✓ Employee welfare and privacy</li> </ul>
Customers	<ol style="list-style-type: none"> <li>a. Periodic communication and discussion meeting</li> </ol>	<ul style="list-style-type: none"> <li>✓ Customer service</li> </ul>

	<ul style="list-style-type: none"> <li>b. Response to questionnaire</li> <li>c. On-site audit and discussion</li> <li>d. Customer complaint system</li> <li>e. Customer satisfaction control</li> </ul>	<ul style="list-style-type: none"> <li>✓ Legal compliance</li> <li>✓ Product management</li> <li>✓ Quality management</li> <li>✓ Fair trade</li> </ul>
Investors	<ul style="list-style-type: none"> <li>a. Annual general meeting</li> <li>b. Annual report</li> <li>c. Conference or phone meeting with institutional investors</li> <li>d. MOPS</li> <li>e. Investor Relations on the Company's official website</li> </ul>	<ul style="list-style-type: none"> <li>✓ Legal compliance</li> <li>✓ Business performance</li> <li>✓ Dividend policy</li> <li>✓ Business policy</li> <li>✓ Corporate governance</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>a. Review report or meeting</li> <li>b. Explanation about HSE &amp; corporate social responsibility management</li> <li>c. Questionnaire and audit &amp; interview</li> <li>d. Cooperative projects on HSE &amp; corporate social responsibility management with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Legal compliance</li> <li>✓ Supplier management</li> <li>✓ Fair trade</li> <li>✓ Green procurement</li> <li>✓ Occupational health and safety</li> </ul>
Government agency	<ul style="list-style-type: none"> <li>a. Participate in the operation of functional organizations of the science park bureaus</li> <li>b. Participate in hearings for laws &amp; regulations, workshops or policy announcement meetings organized by the competent authority</li> </ul>	<ul style="list-style-type: none"> <li>✓ Energy and water resource consumption</li> <li>✓ Air pollution and gas emission</li> <li>✓ Use of chemicals</li> <li>✓ Occupational health and safety</li> </ul>

(2) Stakeholders' contact information

a. Customers

Contact Person: Vice Director Lin Po-Yuan, Operation Division

Tel: (06)60106388, Ext. 1202

Fax: (06)38402599

Email: stevenhsu@fine-mat.com

b. Suppliers

Contact person: Materials Department Hung Kai-Chen, Section Manager

Tel: (06)60106388, Ext. 1508

Fax: (06)38402599

Email: angelhung @fine-mat.com

c. Employees

Contact person: Human Resources Department Ching-Hui Chen - Vice Section Manager

Tel: (06)60106388, Ext. 1503

Fax: (06)38402599

Email: sammychen @fine-mat.com

d. Contact information for whistleblowing against corruption and violation of the code of professional ethics

Contact person: Audit Office Huang Hsin-Mao, Manager

Tel: (06)60106388, Ext. 1304

Fax: (06)38402599

Email: samuel @fine-mat.com

(XI) Status of Internal Control System

1. Declaration of internal control system:

FineMat Applied Materials Co., Ltd.

Statement of the Internal Control System

Date: March 14, 2024

The Company's internal control system for 2023 as per the results of our self-assessment is hereby declared as follows:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system are the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. It aims to provide reasonable assurance for the achievement of the objectives, namely the effectiveness and efficiency of operations (including profitability, performance, and asset security protection), the reliability, timeliness, and transparency of financial reporting, and compliance with applicable laws and regulations.
- II. Some limitations are inherent in all internal control systems. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance regarding the achievement of the above three intended objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges whether the design and implementation of the internal control system is effective based on the criteria for judging the effectiveness of the internal control system set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the aforesaid judgment criteria for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the assessment in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of its subsidiaries), including the understanding the effectiveness of operations and the extent to which efficiency targets are achieved, reliable, timely, and transparent reporting, and compliance with applicable rules and applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
- VI. This statement will form the main content of the Company's annual report and prospectus and will be made public. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been approved by the Company's Board of Directors on March 14, 2024. Among the nine directors present, none of them expressed objections. All the others agreed with the content of this statement. Therefore, this statement is hereby declared.

FineMat Applied Materials Co., Ltd.

Chairman: Chao Ching-Hsiao Signature and seal

President: Li Wei-Cheng Signature and seal



2. Audit report on internal control system: None

(XII) Punishments received by the Company and its internal personnel pursuant to laws and punitive actions issued by the Company against its internal employees in violation of the internal control system provisions from the most recent year until the date of publication of the annual report, that may significantly impact shareholders' equity or security price, and major deficiency and correction status: None.

(XIII) Important resolutions of the shareholders' meeting and Board of Directors meeting from the most recent year until the date of publication of the annual report:

1. Important resolutions of the annual general meetings

Date	Important resolution	Implementation
2023.06.13	1. Ratification of the 2022 business report and financial statements.	The motion was approved as proposed, after 98.34% votes were cast in favor of the motion.
	2. Ratification of the 2022 earnings distribution plan	The Board of Directors resolved on March 15, 2023 to approve that no earnings should be distributed, and announced the resolution on the MOPS on the same day. The motion was approved as proposed, after 98.11% votes were cast in favor of the motion at the annual general meeting.

2. Important resolutions of the Board of Directors meetings

Date	Important resolution
2023.01.17	<ol style="list-style-type: none"> <li>1. The Company's business plan for 2023.</li> <li>2. Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors.</li> <li>3. Amendments to the Company's "Corporate Governance Best Practice Principles".</li> <li>4. Amendments to the Procedures for Handling Material Inside Information.</li> </ol>
2023.03.15	<ol style="list-style-type: none"> <li>1. The 2022 employee remuneration and directors' remuneration distribution proposal.</li> <li>2. The 2022 financial statements and business report.</li> <li>3. 2022 earnings distribution proposal.</li> <li>4. The 2022 statement of the internal control system.</li> <li>5. Proposal for making endorsements/guarantees for the subsidiary, Htc&amp;Solartech Service (Samoa) Corporation.</li> <li>6. Appointment of the Company's Chief Corporate Governance Officer.</li> <li>7. Date, venue and agenda of 2023 annual general meeting.</li> </ol>
2023.05.03	<ol style="list-style-type: none"> <li>1. 2022 earnings distribution change.</li> <li>2. The Company's 2023 Q1 financial statements.</li> </ol>
2023.06.30	<ol style="list-style-type: none"> <li>1. Proposal for loaning of funds to the subsidiary, Etch Home Technology Co., Ltd.</li> <li>2. Proposal for making endorsements/guarantees for subsidiaries.</li> <li>3. Loaning of funds of the subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD.</li> </ol>
2023.07.28	<ol style="list-style-type: none"> <li>1. Disposal of the equity of the reinvestment company, Huangshi Quanyang Photoelectric Technology Co., Ltd.</li> </ol>

2023.08.09	<ol style="list-style-type: none"> <li>1. The Company's 2023 Q2 financial statements.</li> <li>2. Appointment of the Chief Operating Officer.</li> <li>3. Disposal of equipment of subsidiary FineMat (HuangShi) Applied Materials Co., Ltd.</li> </ol>
2023.11.07	<ol style="list-style-type: none"> <li>1. The Company's 2023 Q3 financial statements.</li> <li>2. Approval of the 2024 annual audit plan.</li> <li>3. Amendments to the Company's "Internal Control System".</li> <li>4. Formulation of Risk Management Regulations.</li> <li>5. Establishment and appointment of the Risk Management Committee.</li> <li>6. Establishment of the "Rules Governing Operations in relation to Finance and Business between Affiliated Parties".</li> <li>7. Transfer of the Company's Chief Accounting Officer.</li> <li>8. Proposal for making endorsements/guarantees for subsidiaries.</li> <li>9. Proposal for loaning funds to the indirect subsidiary in Vietnam, VN ETCH HOME TECHNOLOGY.</li> <li>10. Amendment to loaning of funds of the subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD.</li> </ol>
2024.01.17	<ol style="list-style-type: none"> <li>1. The Company's business plan for 2024.</li> <li>2. Evaluation report on independence and competence of the Company's external auditors, and appointment of external auditors.</li> <li>3. Amendments to the "Division of Duties and Powers Table".</li> <li>4. Proposal for making endorsements/guarantees for subsidiaries</li> <li>5. Termination of the non-competition restrictions imposed on the Company's managers.</li> </ol>
2024.03.14	<ol style="list-style-type: none"> <li>1. The 2023 employee remuneration and directors' remuneration distribution proposal</li> <li>2. The 2023 financial statements and business report.</li> <li>3. 2023 earnings distribution proposal.</li> <li>4. The 2023 statement of the internal control system.</li> <li>5. Proposal for making endorsements/guarantees for subsidiaries</li> <li>6. Amendment to loaning of funds of the subsidiary, Solar Applied Materials Technology (Shanghai) CO., LTD.</li> <li>7. Full re-election of the Company's directors.</li> <li>8. The nomination period, number of seats to be elected, and location for acceptance and handling the nomination of candidates for directors (including independent directors).</li> <li>9. Discussion on the nomination of candidates for directors (including independent directors).</li> <li>10. Termination of the non-competition restrictions imposed on the directors of the Company and their representatives.</li> <li>11. Date, venue and agenda of 2024 annual general meeting.</li> </ol>
2024.05.08	<ol style="list-style-type: none"> <li>1. The Company's 2024 Q1 financial statements.</li> <li>2. Proposal to provide capital loans and matters for the reinvested company.</li> <li>3. The company plans to participate in the cash capital increase of its subsidiary ETCH</li> </ol>

	HOME TECHNOLOGY CO., LTD.
	4. Subsidiary Solar Applied Materials Technology (Shanghai) CO., LTD.'s capital loan case to others.
	5. Change of registered capital of the reinvested company Solar Applied Materials Technology (Shanghai) CO., LTD..
	6. Promotion and salary adjustment case for deputy general manager.

(XIV) The main contents of important resolutions of the Board passed but with directors or supervisors voicing opposing opinions on the record or in writing during the most recent year and up to the date of publication of the annual report: None.

(XV) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

**Resignation and dismissal of relevant personnel of the Company**

May 13, 2024

Title	Name	Inauguration date	Date of resignation	Reasons for resignation or dismissal
R&D Supervisor	Li Chung-Jen	2018.08.14.	2023.09.11.	Retirement
Accounting Manager	Tsai Yu-Chen	2022.05.04.	2023.11.07.	Resignation

V. Disclosure of external auditors' fees:

(I) Disclosure of external auditors' fees

**Disclosure of external auditors' fees:**

Unit: NTD thousand

CPA firm name	CPA's name	Audit period	Audit fees	Non-audit fees	Total	Remark
PwC Taiwan	Lin Yong-Chi	2023.01.01~	1,780	1,521	3,301	
	Yeh Fan-Ting	2023.12.31.				

Note: Non-audit fees mainly include translation of financial reports in English, taxation, business registration, and professional consultation.

(II) If a change of CPA firm results in a lower audit fee for that year compared to the previous year, please disclose the amount of audit fees before and after the change, and causes thereof: N/A.

(III) If the audit fee was reduced by more than 10% from the previous year: please disclose the reduction in the audit fees, and percentages and causes thereof: N/A.

## VI. Information about replacement of CPAs:

### (I) About the former CPAs

Date of replacement	Replaced as of 2023 Q1 upon approval of the Board of Directors on January 17, 2023		
Cause of replacement and remark	In response to the adjustment of the internal administrative organization of PwC Taiwan. The external auditors responsible for certifying the Company's financial statements have been changed from Lin Tzu-Yu, CPA and Lin Yong-Chi, CPA into Lin Yong-Chi, CPA and Yeh Fan-Ting, CPA as of 2023 Q1.		
To specify whether the client or CPA terminates or rejects the appointment	Parties involved		CPA
	Status		Not applicable.
	Voluntary termination of the appointment		
No longer accept (continue) the appointment			
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagree with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None.	V	
Explanation			
Other disclosures (To be disclosed under the subparagraphs 6.1(4) ~ (7) of Article 10 of the Regulations.)	None		

### (II) About the succeeding CPAs

Name of Firm	PwC Taiwan
CPA's name	Yeh Fan-Ting
Date of appointment	Replaced as of 2023 Q1 upon approval of the Board of Directors on January 17, 2023
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	Not applicable.
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	Not applicable.

(III) The former CPA's response to the items referred to in Subparagraphs 6 (1) and (2) 3 of Article 10 of the Regulations: N/A.

VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the firm of its external auditor or at an affiliated company of such firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated company of the CPA's firm" means one in which the CPAs at the firm of the external auditors hold more than 50 percent of the shares, or of which such CPAs hold more than half of the directorships, or a company or institution listed as an affiliated company in the external publications or printed materials of the firm of the external auditors: None.

VIII. Any transfer of equity and changes in the pledge of equity by a director, supervisor, or shareholder with a stake of more than 10 percent from the most recent year until the date of publication of the annual report

(I) Changes in the equity of directors, independent directors, managers and major shareholders

Title	Name	2023		2024 as of May 13	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/Major shareholder	Chao Chin-Hsiao	—	—	—	—
Director/Major Shareholder	Representative of Yi Long Investment Co., Ltd: Liu Dai-Min	—	—	—	—
Director/Major Shareholder	Representative of Wistron Corporation: Chiu Kao-Ling	—	—	—	—
Director	Representative of Sheng Tai Co., Ltd.: Ni Hui-Min	—	—	—	—
Director/President	Li Wei-Cheng	—	—	—	—
Independent director	Chen Cheng-Li	—	—	—	—
Independent director	Chou Hui-Yu	—	—	—	—
Independent director	Tseng Chung-Nan	—	—	—	—
Independent director	Anita Chu	—	—	—	—
Executive Vice President	Li Chung-Jen (Note 1)	—	—	—	—
Vice President	Li Fan-Chun	—	—	—	—
Chief Operating Officer	Yi-Fan Wang (Note 2)	—	—	—	—
Accounting officer (Note 3)	Tsai Yu-Chen	—	—	—	—
Accounting officer (Note 3)	Tsai Hsiu-Chen				

Note 1: Executive Vice President Li Chung-Jen retired on September 11, 2023; therefore, the change in shareholding is disclosed up to September 11, 2023.

Note 2: CSO Wang Yi-Fan was inaugurated on August 9, 2023. The change in shareholding is disclosed on August 9, 2023.

Note 3: Assistant Accounting Manager Tsai Yu-Chen stepped down on November 7, 2023; therefore, the change in shareholding is disclosed up to November 7, 2023. Manager Tsai Hsiu-Chen took over as the accounting officer on November 7, 2023, and the change in shareholding is disclosed on November 7, 2023.

(II) Whether the counterpart of transfer of shares by any director, supervisor, manager or major shareholder of the Company in the most recent year is a related party: None.

(III) Whether the counterpart of pledge of shares by any director, supervisor, manager or major shareholder of the Company in the most recent year is a related party: None.

IX. Disclosure of relationship among the top ten shareholders including related parties, spouses and relatives within the second degree of kinship

April 21, 2024; Unit: Share and %

Shareholder's name	Shares held on own name		Shares held by spouse and underage children		Total shares held in the names of others		If there is relationship, such as related party, spouse, or relative within the second degree of kinship, among the top ten shareholders, please disclose the designation or name and relationship.			Remark
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding	Designation or name	Relations		
Yi Long Investment Co., Ltd. Representative: Yeh I-Hao	8,900,373	13.41	0	0	0	0	Zong Long Investment Co., Ltd.	Affiliated company	—	
Chao Chin-Hsiao	6,396,814	9.64	323,496	0.49	0	0	—	—	—	
Wistron Corporation Representative Lin Hsien-Ming	4,589,258	6.91	0	0	0	0	—	—	—	
Fan Wen-Hsing	1,463,000	2.20	0	0	0	0	—	—	—	
Li Chung-Jen	1,292,153	1.95	164,923	0.25	0	0	—	—	—	
Zong Long Investment Co., Ltd. Representative: Chen Hsiu-Chu	1,149,238	1.73	0	0	0	0	Yi Long Investment Co., Ltd.	Affiliated company	—	
Li Wei-Cheng	1,052,336	1.59	71,938	0.11	0	0	—	—	—	
Ni Hui-Min	811,545	1.22	46,862	0.07	0	0	—	—	—	
Rong Feng Industrial Co., Ltd.	679,000	1.02	0	0	0	0	—	—	—	
Li Fan-Chun	637,787	0.96	354,364	0.54	0	0	—	—	—	

X. Number of shares held by the Company, and the Company's directors, supervisors and managers, and the entities directly or indirectly controlled by the Company in a single investee, and consolidated shareholding percentage of the above categories

December 31, 2023; Unit: Shares; %

Investee	Investment by the Company (Note 1)		Investment by directors, supervisors, managers and enterprises controlled either directly or indirectly by the Company		Comprehensive investment	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
Sense Pad TECH CO., LTD	7,580,000	100.00	0	0.00	7,580,000	100.00
Htc&Solartech Service (Samoa) Corporation	8,575,900	73.73	0	0.00	8,575,900	73.73
Wave Power Technology Inc.	12,736,987	37.35	3,697,423	10.84	16,434,410	48.19
Etch Home Technology Co., Ltd. (Note 4)	4,268,000	90.81	0	0.00	4,268,000	90.81
GalloptechInternation Company Limited	0	0.00	1,934,400	49.00	1,934,400	49.00
Etch Home Technology Co., Ltd. (Vietnam)	0	0.00	4,680,000	100.00	4,680,000	100.00
Finemat (Shanghai) Applied Materials Co., Ltd.	0	0.00	Note 2	100.00	Note 2	100.00
Solar Applied Materials Technology (Shanghai) CO., LTD.	0	0.00	Note 2	73.73	Note 2	73.73
FineMat (HuangShi) Applied Materials Co., Ltd.	0	0.00	Note 2	73.73	Note 2	73.73
Huangshi Quanyang Photoelectric Technology Co., Ltd. (Note 3)	0	0.00	Note 2	0.00	Note 2	0.00

Note 1: The Company's investment under equity method.

Note 2: N/A, as the company is a limited company.

Note 3: The equity of Huangshi Quanyang Photoelectric Technology Co., Ltd. held by Solar Applied Materials Technology (Shanghai) CO., LTD. has been sold to Huan Cai Xing Technology (Ningbo) Co., Ltd. on August 4, 2023.

Note 4: The Company has acquired 100% equity of Etch Home Technology Co., Ltd. on January 17, 2024.



## Four. Information on Capital Raising

### I. Capital and Shares

#### (I) Source of capital

Unit: Thousand Shares; NTD thousand

Year/ Month	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	amount	Number of shares	amount	Source of share capital	Capital increased by assets other than cash	Others
2007/05	10	1,000	10,000	1,000	10,000	Initial capital at the time of incorporation	—	Note 1
2007/08	10	50,000	500,000	31,000	310,000	Capital increase in cash by NT\$300,000 thousand	—	Note 2
2007/12	10	50,000	500,000	39,823	398,230	Capital increase in cash by NT\$88,230 thousand	—	Note 3
2008/04	24	80,000	800,000	65,823	658,230	Capital increase in cash by NT\$260,000 thousand	—	Note 4
2009/11	10	80,000	800,000	66,731	667,310	Capital increase by executing employee stock options NT\$9,080 thousand	—	Note 5
2010/02	10	80,000	800,000	66,753	667,530	Capital increase by executing employee stock options NT\$220 thousand	—	Note 6
2010/07	10	80,000	800,000	68,509	685,090	Capital increase by NT\$17,560 thousand by executing employee stock options	—	Note 7
2016/09	10	80,000	800,000	49,344	493,437	Capital reduction to make up losses (NT\$191,652) thousand	—	Note 8
2018/04	10.36	80,000	800,000	53,344	533,438	Capital increase by NT\$40,000 thousand by executing employee stock options	—	Note 9
2018/05	15	80,000	800,000	57,344	573,438	Capital increase in cash by NT\$40,000 thousand	—	Note 10
2018/07	12	80,000	800,000	60,344	603,438	Capital increase by NT\$30,000 thousand by executing employee stock options	—	Note 11
2018/02	—	100,000	1,000,000	60,344	603,438	—	—	Note 12
2019/12	68	100,000	1,000,000	66,390	663,898	Capital increase in cash by NT\$60,460 thousand	—	Note 13

Note 1: Jin-Shou-Shang-Zi No. 09632174130 dated May 25, 2007

Note 2: Jin-Shou-Shang-Zi No. 09632636940 dated August 21, 2007

Note 3: Jin-Shou-Shang-Zi No. 09633310660 dated December 24, 2007

Note 4: Jin-Shou-Shang-Zi No. 09701090020 dated April 16, 2008

Note 5: Jin-Shou-Shang-Zi No. 09801270100 dated November 20, 2009

Note 6: Jin-Shou-Shang-Zi No. 09901025990 dated February 5, 2010

Note 7: Jin-Shou-Shang-Zi No. 09901172340 dated July 30, 2010

Note 8: Jin-Shou-Shang-Zi No. 10501221550 dated September 8, 2016

Note 9: Jin-Shou-Shang-Zi No. 10701052100 dated May 15, 2018

Note 10: Jin-Shou-Shang-Zi No. 10701061080 dated June 13, 2018

Note 11: Jin-Shou-Shang-Zi No. 10701082510 dated July 20, 2018

Note 12: Jin-Shou-Shang-Zi No. 10801007770 dated February 27, 2019

Note 13: Jin-Shou-Shang-Zi No. 10801181000 dated December 24, 2019

Type of share	Authorized capital			Remarks
	Number of shares issued	Number of shares unissued	Total	
Common shares	66,389,753	33,610,247	100,000,000	TWSE-listed stocks

Information relevant to the shelf registration system: N/A.

## (II) Shareholders' structure

April 21, 2024; unit: persons; shares; %

Shareholder structure	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Treasury stock	Total
Number of person	0	2	176	23,456	33	1	23,668
Number of shares held	0	24,000	17,152,664	47,782,510	828,579	602,000	66,389,753
Shareholding	0	0.04	25.84	71.97	1.25	0.90	100.00

## (III) Distribution of equity

Type of share: Common shares, at par value NT\$10 per share

April 21, 2024; Unit: person; share; %

Shareholding range	Number of shareholders	Number of shares held	Shareholding
1~999	17,906	313,130	0.47
1,000~5,000	4,648	8,782,571	13.23
5,001~10,000	511	4,017,347	6.05
10,001~15,000	168	2,163,804	3.26
15,001~20,000	125	2,341,357	3.53
20,001~30,000	91	2,365,563	3.56
30,001~40,000	60	2,154,661	3.25
40,001~50,000	34	1,577,674	2.38
50,001~100,000	59	4,160,480	6.27
100,001~200,000	37	5,180,751	7.80
200,001~400,000	15	4,297,338	6.47
400,001~600,000	3	1,461,573	2.20
600,001~800,000	3	1,918,787	2.89
800,001~1,000,000	1	811,545	1.22
More than NT\$1,000,001	7	24,843,172	37.42
Total	23,668	66,389,753	100.00

Note: No preferred stock is issued by the Company.

(IV) List of major shareholders

Names of shareholders with a stake of 5 percent or greater, or in the first ten places, and number of shares and shareholding

April 21, 2024; Unit: Shares; %

Name of Major Shareholder	Shares held	Shareholding
Yi Long Investment Co., Ltd.	8,900,373	13.41
Chao Chin-Hsiao	6,396,814	9.64
Wistron Corporation	4,589,258	6.91
Fan Wen-Hsing	1,463,000	2.20
Li Chung-Jen	1,292,153	1.95
Zong Long Investment Co., Ltd.	1,149,238	1.73
Li Wei-Cheng	1,052,336	1.59
Ni Hui-Min	811,545	1.22
Rong Feng Industrial Co., Ltd.	679,000	1.02
Li Fan-Chun	637,787	0.96

(V) Information on market value, net worth, earnings and others during the most recent two years

Unit: Thousand Shares; NTD thousand

Item		2022	2023	As of March 31, 2024
Market price per share	Highest	63.00	44.25	41.25
	Lowest	26.00	27.65	29.75
	Average	35.61	33.01	36.67
Book value per share	Before distribution	19.35	18.30	18.07
	After distribution	19.35	18.30	18.07
Earnings (losses) per share	Weighted average shares	66,390.00	66,390.00	66,390.00
	Earnings (losses) per share (before retrospective adjustment)	(0.55)	(1.30)	(0.29)
	Earnings (losses) per share (after retrospective adjustment)	(0.55)	(1.30)	(0.29)
Dividend per share	Cash dividend	0.00	0.00	-
	Stock dividend	-	-	-
	Cumulative unpaid dividends	-	-	-
Return on investment	Price-to-earnings ratio	(64.75)	(25.39)	-
	Price-to-dividend ratio	Note 1	Note 1	-
	Cash dividend yield (%)	Note 1	Note 1	-

Note 1: No dividend was distributed in 2022 and 2023.

(VI) Dividend policy and implementation

1. Dividend policy:

According to Article 17 of the Company's Articles of Incorporation, if the Company has a profit in the annual final account, it shall first pay tax and make up for past losses, followed by the appropriation of 10% legal reserve. If the legal reserve amounts to the Company's paid-in capital, the appropriation may be omitted; the remaining amount is for setting aside or reversing the special reserve according to laws and regulations, together with the accumulated undistributed earnings, the Board of Directors shall propose an earnings distribution proposal. These shall be distributed after

the board resolution.

The Company's policy of dividend distribution shall be subject to the Company's current and future investment environment, capital needs, domestic and international competition, resource budget and so on factors, considering the shareholders' interests and taking a balance on the dividends and the company's long-term finance planning. The Board of Directors drafts an appropriation proposal each year in accordance with the law, and executes it as resolved. The Company is currently in the stage of transformation, and has plans to expand production lines and capital needs in the next few years.

Moreover, aiming to improve the Company's capital structure and maintain a good capital adequacy ratio, the balanced dividend policy will be adopted, and the earnings shall be distributed in accordance with the provisions of the preceding paragraph. The shareholders' bonuses for the year can be distributed in the form of cash or shares. When there are earnings from the final settlement of the fiscal year, the distribution of the shareholders profit-sharing dividends is between 10% to 80% of the distributable earnings for the year, of which the percentage of cash dividends shall not be less than 10%.

2. Execution:

The Company's Board of Directors resolved on March 14, 2024 that the Company should not distribute the earnings in 2023.

3. Expected significant changes in the dividend policy: None.

(VII) The effects of stock bonus proposed at this shareholders' meeting on business performance and earnings per share: N/A.

(VIII) Remuneration to employees, directors and supervisors

1. The percentages or ranges with respect to remuneration to employees, directors and supervisors, as set forth in the Company's Articles of Incorporation:

According to Article 14 of the Articles of Incorporation, remuneration must be paid to all directors for their performance of their job duties, irrelevant with profit or loss retained by the Company. The Board of Directors is authorized to decide the remuneration subject to the level and value of the Company's engagement in and contribution to the Company's operation, at the rate generally adopted by the peers in the same industry. Meanwhile, Article 16-1 thereof also provides that 8%~15% of the earnings for the current year concluded by the Company shall be distributed as the employee remuneration, and no more than 5% thereof as the director remuneration, provided that the earnings must first be taken to offset against cumulative losses, if any. The director remuneration may be paid in cash. The employee remuneration may be paid, in cash or stock, to employees of affiliated companies that satisfy certain criteria.

The earnings for the current year referred to in the preceding paragraph refer to the income before the income before tax earned for the current year less the employee remuneration and director

remuneration.

The distribution of remuneration to employees and directors shall be decided per the resolution adopted by a majority of the directors present at a meeting of the Board of Directors attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

2. The basis for estimating the amount of employee remuneration and director remuneration, for calculating the number of shares to be distributed as the stock dividends, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: No difference.
3. Distribution of remuneration approved by the Board of Directors:
  - (1) The Company's Board of Directors already resolved on March 14, 2024 that no remuneration should be distributed to directors and employees. The amount to be distributed per the resolution had no difference from that estimated in 2023.
  - (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: N/A, as the Company didn't distribute employee remuneration in stocks this year.
4. The actual distribution of employee and director 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 recognized employee or director remuneration, additionally the discrepancy, cause, and how it is treated.

The Company's Board of Directors already resolved on March 15, 2023 that no remuneration should be distributed to directors and employees. The amount to be distributed per the resolution had no difference to that estimated in 2022.

(IX) Repurchase of the Company's shares:

1. Repurchase of the Company's shares (already executed):

Session of repurchase	First repurchase in 2021
Purpose of repurchase	Transfer shares to employees
Date of resolution of the Board of Directors	November 5, 2021
Repurchase period	November 8, 2021 to January 4, 2022
Range of repurchase price	NT\$27.34 to NT\$57.70 per share
Type and quantity of shares repurchased	602,000 shares of common stock
Amount of shares repurchased	NT\$24,221,164
The number of the shares repurchased as a percentage of the number scheduled to be repurchased	60.20%
Number of shares cancelled and transferred	0 share
Cumulative number of the Company's shares held	602,000 shares
Cumulative number of the Company's shares held as a percentage of the Company's total issued shares	0.91%

2. Repurchase of the Company's shares (pending): None.

II. Information about corporate bonds: None.

III. Information about preferred shares: None.

IV. Issuance of overseas depository receipts: None.

V. Information about employee stock warrants

(I) Status of the Company's employee stock warrants which have not yet been expired: None.

(II) Names of managerial officers and top ten employees who receive the employee stock warrants until the date of publication of the annual report, and acquisition and subscription thereof:

May 13, 2024; Unit: Share; %; NTD

Status	Job Title	Name	Subscription quantity received	Subscription quantity received to the total quantity of issued shares (%)	Executed				Not executive			
					Subscription quantity	Subscription price	Subscription amount	Percentage of subscriptions to total issued shares	Subscription quantity	Subscription price	Subscription amount	Percentage of subscriptions to total issued shares
Managerial Officers	President	Li Wei-Cheng	5,429,000	8.18	5,099,000	10.00 10.36 12.00	55,583,680	7.68	0	0	0	0
	CSO	Chao Chin-Hsiao										
	Executive Vice President	Li Chung-Jen (Note)										
	Vice President	Li Fan-Chun										
	President	Tsai Hsiu-Chen										
	Accounting Manager	Chen										
	Director	Li Hou-Kuan (Note)										
	Vice Director	Hsu Shuo-Hsiu (Note)										
	Vice Director	Cheng Hung-Hua (Note)										
	Special Assistant	Yeh Chien-Hung (Note)										
Employees	Vice Director	Chen Chin-To	2,676,000	4.03	2,438,000	10.00 10.36 12.00	25,824,000	3.67	0	0	0	0
	Vice Director	Wu Lung-Hsiang (Note)										
	Senior Secretary	Yeh Ching-Wei										
	Manager	Tang										

	Kuang-Han																			
Manager	Chen																			
Manager	Teng-Ke Tsai Tsung- Hung (Note)																			

Note: The employee has resigned.

VI. Information about restricted stock awards (RSAs): None.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Implementation of Capital Utilization Plan: No securities issued by the Company previously or in private placement have not yet been completed, or no plan which has been completed within three years but has not yet yielded substantive effects.



## Five. Overview of Operation

### I. Business activities

#### (I) Scope of Business

##### 1. The Company primarily engages in the following business activities:

The Group primarily engages in the business activities, such as Electronics Components Manufacturing, Wholesale of Electronic Materials, Communication Mechanical Equipment Manufacturing and Instrument Manufacturing. The primary business lines include production and sale of the high-precision metal masks for key processes of new-generation AMOLED displays, production and sale of Vapor Chamber, production of precision cleaning and regeneration, biomedical equipment and consumable materials and contact lens printing stencil masks, and design and development of high-power microwave/millimeter wave meters, radar microwave emission source production, high-temperature resistant electronic products, and manufacturing and maintenance of semiconductor equipment components. The Group's market applications cover semiconductor, solar energy, vacuum equipment, heat dissipation and national defense industry, etc..

The Company's business activities registered with the Ministry of Economic Affairs are stated as following:

- I. CC01080 Electronics Components Manufacturing
- II. CC01110 Computer and Peripheral Equipment Manufacturing
- III. CC01120 Data Storage Media Manufacturing and Duplicating
- IV. F119010 Wholesale of Electronic Materials
- V. CA01050 Steel Secondary Processing
- VI. CA02990 Other Metal Products Manufacturing
- VII. CB01010 Mechanical Equipment Manufacturing
- VIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Business ratio

Unit: NTD thousand; %

Item	2022		2023	
	Sales value	Business ratio	Sales value	Business ratio
Metal mask	547,580	43.78	490,470	43.74
Precision cleaning and regeneration	125,580	10.04	90,578	8.08
Microwave and semiconductor components	437,189	34.96	411,448	36.70
Optical bonding materials	10,475	0.84	0	0.00
Thermal Module	123,909	9.91	117,051	10.44
Others	5,895	0.47	11,682	1.04
Total	1,250,628	100.00	1,121,229	100.00

##### 3. The Company's current main products (services)

- (1) High-precision metal masks for displays exclusively
- (2) Thermal Module materials

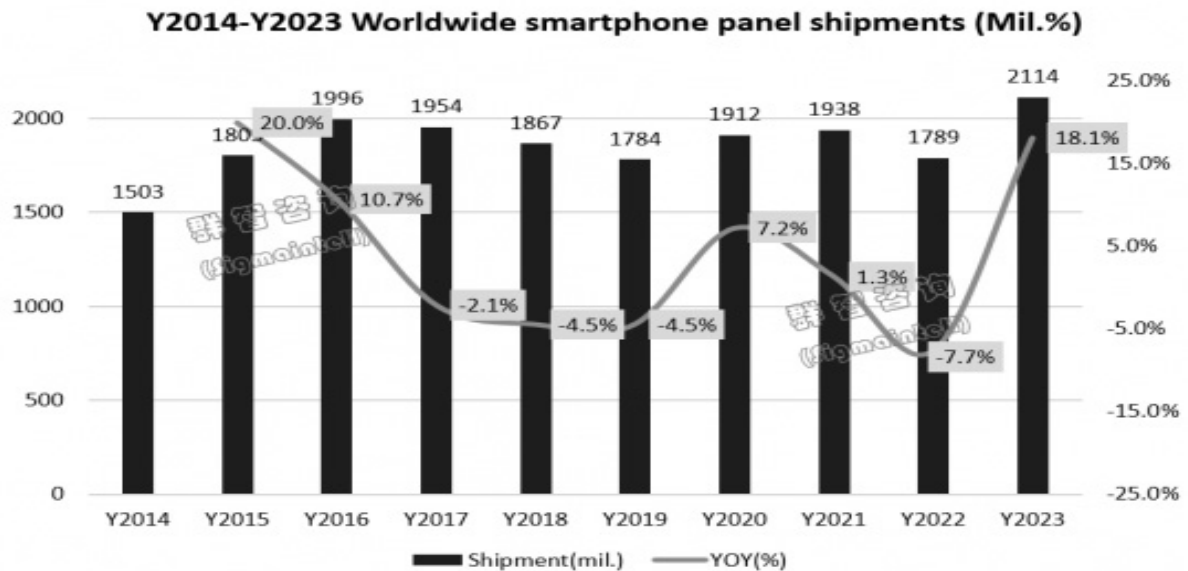
- (3) Precision cleaning service
  - (4) Various precision itching products
  - (5) Vacuum microwave tube
  - (6) Vacuum feedthrough components
  - (7) Optical adhesive
4. New products (services) planned to be developed
- (1) Development of new generation thermal components

(II) Overview of industry

1. Current status and development of the industry

(1) Metal mask

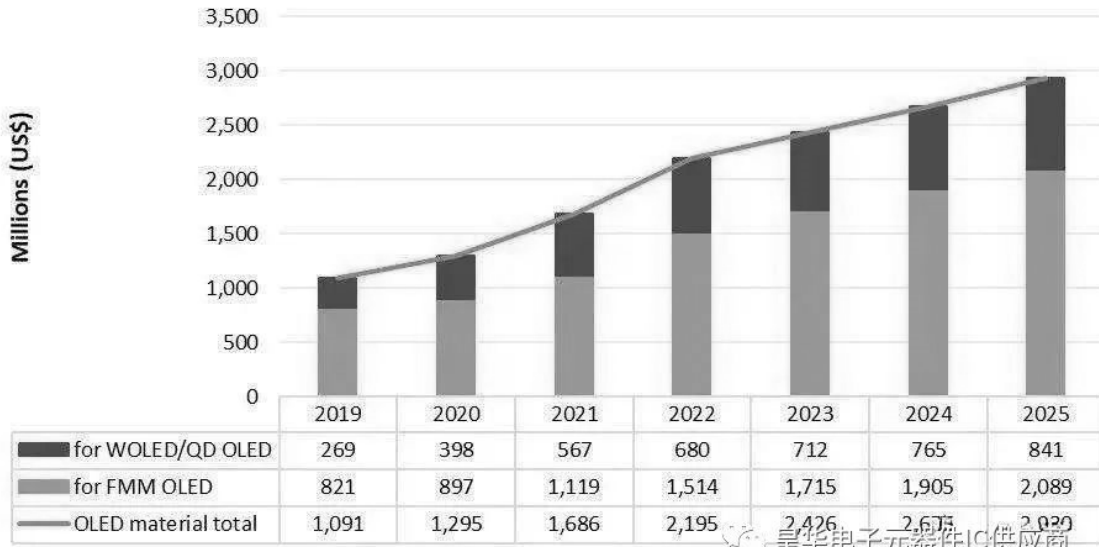
The Company is primarily engaged in metal precision etching. At present, the main products are precision metal masks required for the AMOLED panel vapor deposition process. In recent years, the trend for mobile phones equipped with OLED panels has become apparent increasingly. The high-end mobile phones continued to be equipped with OLED panels. Meanwhile, giving the declining costs, the OLED panels have also extended to the mid-end mobiles. Given the increasingly matured OLED technology, the OLED panel commercialization trend has been emerging and the market scale kept growing. According to CINNO Research statistics, the global AMOLED smartphone panel shipments in 2023 will be about 690 million pieces, a year-on-year growth of 16.1%, of which the shipments in the fourth quarter increased by 30.9% year-on-year and increased by 35.1% month-on-month. Among them, flexible AMOLED smart phone panels accounted for 77.8%, an increase of 9.2 percentage points year-on-year. According to the survey data of Sigmaintell, the shipment of OLED panels in mainland China will be about 290 million pieces in 2023, with a year-on-year growth of about 71.7%, accounting for 43.3% of the global market share, with an increase of about 14 percentage points.



Source: Sigmaintell mobile phone panel shipment report in Dec.23  
\* Open cell base

Source of the chart: Sigmaintell

As the market penetration of OLED mobile phones expands, IT will be the next key battlefield for OLED. After 2025, the development and introduction of new technologies will break the size limitations of FMM and evaporator, coupled with the commercialization of high-life materials, and the successful mass production of high-generation production lines, which will help increase the market penetration rate of various OLED applications. According to Omdia, the sales amount of OLED materials market is expected to reach US\$2.6 billion by 2024; it is expected to reach US\$2.9 billion in 2025.



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Source of chart: omdia

## (2) Heat dissipation materials

Thermal module materials refer to another main product developed by the Company. The average heat generated by a 4G mobile phone ranges from 4W to 5W, which may be solved by addition of graphite sheet to the casing of the phone. The chip processing of 5G mobile phones will be increased by five times the current level and, therefore, the power consumption will be increased by 2.5 times the current level. That is, as the power consumption of a 5G mobile phone attains 10~15W, the heat generated by it will be doubled. Therefore, it is expected that the probability for application of heat pipes and heat plates will increase, thus benefiting the development of mobile thermal materials. Further, in response to the increasingly powerful computing power of high-performance computing (HPC) chips, the "thermal" capability of packaging substrates has been valued increasingly. The demand for products with heat management and control functions has been growing in the semiconductor market. Therefore, the thermal materials market outlook is promising. The industry is conducting research on various methodologies, and the rapid heat dissipation with thermal materials also catches the public eyes. The rise in data center PUE is expected to drive the growth of the heat dissipation industry. This trend will be accelerated by the wider adoption of AI servers. What deserves attention is the strong demand for heat dissipation in AI servers. The strong demand in the heat dissipation industry for AI servers is regarded as an important driving force for the heat sink market in 2024. The expansion of application fields of AI technology and high-performance computing will result in a corresponding increase in the demand for heat sinks, which may promote the development of the heat sink market. For 3C products, the thermal materials must be light, thin and short. Therefore, more and more thermal materials are processed by etching technology. With the precision etching technology, the Company can provide customers with metal thermal materials in line with the demand for fine processing.

## (3) Vacuum microwave tubes and semi-conductor equipment parts and components: Please refer to the annual report of the Company's subsidiary, Wave Power Technology Inc. (stock code: 6895).

2. Correlation of the upstream, midstream and downstream segments of the industry:

《Metal Masks》

As one of the Company's main products, it refers to the precision metal mask applied in the key process of AMOLED panels. Since the AMOLED display uses small molecule organic electroluminescent materials, it must apply the Thermal Evaporation to evaporate multi-layer organic film materials. In the production process of full-color panels subject to mass production, in order to avoid mutual contamination between different materials, multi-chamber vacuum equipment and metal masks bearing different pictures are needed by the evaporation process of different frequency and color light-emitting films.

Chart of the relationship among the upstream, midstream and downstream segments in the OLED metal masks industry

Location of the industry	Scope of Business	Explanation
Upstream	INVAR alloy sheet	INVAR alloy plate refers to a nickel-iron alloy, applied to the production of fine metals with its characteristics, including low thermal expansion coefficient, lightweight and flatness.
Midstream	OLED metal masks	Primarily by the metal precision etching, the INVAR alloy is made into a fine metal mask, which may etch the hole position accurately and effectively, and also solve the overheating and bending problems about the metal mask.
Downstream	OLED panels	The AMOLED panel production process applies the evaporation technology and, therefore, needs the fine metal masks, in order to have the organic materials deposited on specific positions correctly in the evaporation process.

《Thermal materials》

Another main product of the Company refers to the heat dissipation materials, which comprise of vapor chambers primarily for the time being. Heat dissipating materials refer to materials that can effectively transfer or dissipate heat from a heat source. These materials usually have good thermal conductivity, which can quickly conduct heat to the material surface, and then release the heat through radiation, convection or thermal conductivity. Thermal materials play an important role in many fields, particularly in electronic products, automobiles, buildings, and industrial devices.

Heat sink is a commonly used heat dissipating material that plays an important role in many electronic devices and industrial applications. They are usually made of metal materials such as copper, aluminum or stainless steel, which have high thermal conductivity and good heat dissipation effect, and are used to disperse heat and increase the surface heat dissipation area. The design of heat dissipation fins is usually flat, with many protrusions and depressions on the surface, to increase the surface area and provide more heat dissipation surface. Some heat dissipation fins have a larger heat dissipation surface that can be directly pasted on the heat dissipation component to improve heat dissipation efficiency. Heat sinks are usually installed on the surface of components that require heat dissipation, such as CPUs, GPUs, and power chips. They use their good thermal conductivity to conduct heat from these electronic components to the surface of the heat sink, and then dissipate heat through the air or other heat dissipation systems.

Chart of the relationship among the upstream, midstream and downstream segments in the thermal materials industry

Location of the industry	Scope of Business	Explanation
Upstream	Oxygen-free copper, copper alloy, stainless steel	The oxygen-free copper refers to 99.995% pure copper metal, free from hydrogen embrittlement, and with high electrical and thermal conductivity, and also good processing performance and welding performance, corrosion resistance and low temperature performance. Applicable as the metal shells of the VCs.
Midstream	Thermal materials	Primarily by the metal precision etching, the metal is made into a fine metal sheet, which may be used as the metal shell of the VC or thermal module materials.
Downstream	Thermal Module	A modular unit used for thermal purposes of systems, devices or equipment.

### 《Vacuum microwave tubes and semi-conductor equipment parts and components》

Please refer to the annual report of the Company's subsidiary, Wave Power Technology Inc. (stock code: 6895).

#### 3. Industrial development trend

Given the increasing penetration rate of OLED panels, expansion of applications thereof and growth of the OLED panel market, the rapid development of the upstream OLED material market is driven and, therefore, the demand for metal masks is increasing.

As the performance requirements of electronic products and industrial devices continue to increase, the requirements for heat dissipation performance are also increasing. In the future, heat sinks will be developed towards more efficient heat dissipation technology, including new heat dissipation materials, structural design and innovation of heat dissipation system. Heat sinks will have a more lightweight and integrated design to meet the needs of product lightweight and miniaturization. This includes the use of lightweight materials, changing the structure and shape of the heat sink, and integrating the heat sink with other components.

On the Vacuum microwave tubes and semi-conductor equipment parts and components: Please refer to the annual report of the Company's subsidiary, Wave Power Technology Inc. (stock code: 6895).

#### 4. Competition

Given the successive release of OLED production capacity, the demand for metal masks needed by evaporation continues growing. However, the fierce competition from downstream AMOLED panel manufacturers has also caused the price of the metal mask market to continue to be sluggish. Furthermore, under the influence of the localization of the supply chain in China, the Company is in a difficult situation in the metal mask market. Hence, the Company decided to change the business model of mask and no longer produce and sell complete masks, but to focus on the etching of metal masks. FineMat prepares to transform into a professional mask sheet etching manufacturer and collaborate with strategic partners to develop end customers in mainland China.

In the context of the development of ultra-thin and lightweight electronic products, it is a great challenge to control the thickness of the VC reasonably. The more occupied areas are, the better thermal effect will be. However, given the demand for lightweight and thin products, the welding accuracy requirement becomes stricter when the thickness is less than 0.4mm. Therefore, it is more

difficult to carry out the production. The Company may satisfy the demand for ultra-thin products by virtue of the high-precision etching technology, in response to the requirement for fineness in the market.

On the Vacuum microwave tubes and semi-conductor equipment parts and components: Please refer to the annual report of the Company's subsidiary, Wave Power Technology Inc. (stock code: 6895).

### (III) Overview of technology and R&D

#### 1. Overview of technological arrangement in business operations and R&D

The Company takes the precision etching technology as the core technology. Through so many years, the Company has established the G2.5 to G6H manufacturing technology for metal sharing and support masks covering the entire OLED panel industry based on its own R&D results. Meanwhile, it can provide customers with the complete solutions applicable through the whole life cycle of products from design consultation, mask etching, preparation for frame, meshing and spot welding to cleaning and regeneration. The Company own the technology and production capacity for the production lines covering optical mask design and production, sheet-to-sheet and roll-to-roll lamination/ exposure/ development/ etching/ removal/ cleaning, precision measurement, mesh meshing, and laser spot welding. The Company continues to research and develop innovative process equipment and operating methods, improve the yield rate and efficiency, and promote products to the application of bio-medical devices and thermal materials industry. The Company has achieved remarkable results in this regard.

#### 2. Personnel involved in research & development and their educational background and employment history

Unit: Person; %

Item	2022		2023	
	Number of persons	Percentage	Number of persons	Percentage
PhD/Master	10	15.87	7	18.92
Bachelor	42	66.67	17	45.95
Senior High School	11	17.46	13	35.13
Total	63	100.00	37	100.00

#### 3. R&D expenses invested each year for the most recent five years

Unit: NTD thousand; %

Item	2019	2020	2021	2022	2023
R&D expenses (A)	21,717	32,798	70,471	79,164	80,562
Net operating revenue (B)	854,165	620,635	856,083	1,250,628	1,121,229
To net operating revenue (A)/(B)	2.54	5.28	8.23	6.33	7.19

#### 4. Technology or product developed successfully in the most recent five years

Item	Technology or product developed successfully	Main purpose and function
1	Impression regulator and minimally invasive surgical instrument connecting rod	Make contact lens printing molds and precision connecting rods of minimally invasive surgical instruments with the precision itching technology
2	G2.5 FMM	OLED0G2.5 precision metal mask with etching and meshing accuracy for $\pm 5\mu\text{m}$ .
3	G5.5Q CMM/STICK	Manufacturing technology for metal sharing and support masks no more than OLED0G5.5Q in size.
4	G6H0CMM	Manufacturing technology for metal sharing and support masks no more than OLED0G6H in size.
5	FMM itching technology	Precision (accuracy for $\pm 3\mu\text{m}$ ) metal mask etching technology. The results are applied to the production of shared and supported (accuracy for $\pm 30\mu\text{m}$ ) mask products.
6	8"/12" Wafer Mask	Precision metal masks applied in the process of OLEDoS.
7	For encapsulation of new generation flexible OLED panels (TFE Mask) Ceramic Insulation Coating	Using 100~200 $\mu\text{m}$ -thickness Invar sheet as the substrate, and making CVD coating masks for assembly of flexible OLED panel occupying an area of 1700×1100 mm and with a dimensional accuracy for $\pm 30\mu\text{m}$ . It also delivers the technology in preparation of mask frame and spot welding and also metal mask ceramic insulation coating technology, and satisfies the need of production process CVD Mask for assembly of G2.5~G6H new generation flexible OLED panel.
8	Thermal Conductive Pad	A thermal-conductive pad that can be applied to any heat-dissipating mechanism to deliver high-efficiency thermal-conductive performance.

#### (IV) Long-term/short-term business development plan

##### 1. Short-term business plan

- ① Collect sufficient market information to meet customers' diversified and timely product needs, and develop new customers for metal etching and heat dissipation materials, and continue to expand the sales and market share of the existing products.
- ② In the AMOLED metal mask market, the Company transforms into a professional mask sheet etching manufacturer, cooperates with strategic partners to develop end customers in mainland China, and expands the Company's mask sheet shipments.
- ③ Improve the employees' education and training, train excellent talents proactively, improve work efficiency and business management capabilities, perfect the welfare system, unify the staff's centripetal force and improve business performance.

##### 2. Long-term development plan

- ① Expansion of equipment, production capacity and technology. Expand the business scope of the Company's etching products and strive to expand the non-AMOLED metal mask market.
- ② With respect to the technological evolution of the ultra-thin VC, the Company improves the development of thermal performance of the ultra-thin VC, and the structure thereof, and keeps improving the yield rate by developing and improving the process.
- ③ Provide technical consulting service in a timely manner, in order to maintain fair partnership with the

customers in the downstream segment; control the market trend at any time, work with customers in the product development and launch schedule to improve the Company's competitiveness.

- ④ In response to the enterprise's expansion needs, make good use of the capital market, and reduce the capital cost. Maximize the effectiveness of capital utilization to the utmost.

## II. Overview of Market and Production & Marketing

### (I) Market analysis

#### 1. Territories where the main products are sold

Unit: NTD thousand; %

Item	2022		2023	
	Sales value	Percentage	Sales value	Percentage
Domestic sales	617,892	49.41	529,214	47.20
Export	632,736	50.59	592,015	52.80
Total	1,250,628	100.00	1,121,229	100.00

#### 2. Market share

The Company decided to change the business model of mask from 2024 and no longer produce and sell complete masks, but to focus on the etching of metal masks. FineMat prepares to transform into a professional mask sheet etching manufacturer and collaborate with strategic partners to develop end customers in mainland China. This is because FineMat is no longer a supplier of direct-to-panel manufacturers, but a manufacturer of metal masks. Therefore, FineMat's customers will spill over beyond the original customer group, and the overall mask sheet shipments will increase.

In the context of the development of ultra-thin and lightweight electronic products, it is a great challenge to control the thickness of the VC reasonably. The more occupied areas are, the better thermal effect will be. However, given the demand for lightweight and thin products, the welding accuracy requirement becomes stricter when the thickness is less than 0.4mm. Therefore, it is more difficult to carry out the production. The Company may satisfy the demand for ultra-thin products by virtue of the high-precision etching technology, in response to the requirement for fineness in the market.

#### 3. Future market demand and supply, and market's growth potential

The main applications of AMOLEDs are concentrated in smart phones, VR devices and wearable devices. Among the other things, the demand for smart phones is the largest, primarily because of the demand for alternates. That is, the LCD displays may be replaced with the high-end flagship models at the very beginning, and the demand may keep penetrating downwards. For the time being, AMOLED panels have become the basic configuration of high-end mobile phones under various brands basically. Meanwhile, due to the emerging new mobile phone models, such as those equipped with folding screens and flexible screens, the flexible AMOLED panel market is growing rapidly. Given the improving production capacity and yield rate of panels, the AMOLED panel cost declines again. Therefore, it is penetrating into the mid-end and low-end mobile phone markets now. It is expected that the OLED penetration rate will keep increasing in the fields of smart phones, wearable devices, tablets, NBs, TVs, and automobiles.

Heat dissipation was originally a mature industry with steady growth. However, with the



popularization of high-performance electronic products and 5G communications, the expanding demand for heat dissipation and the continuous evolution of heat dissipation technology have once again brought growth opportunities to the entire industry. Currently, the Company's main heat dissipating materials are metal materials for active heat dissipating components, heat sinks for chip encapsulation, and vapor chamber components for mobile phones. With the growing demand for high-performance chips and various smart devices that grow with it, the demand for micro heat dissipation will continue to increase.

#### 4. Competitive niche

##### ① Professional management team with insight into industry development trends

The Company has a strong R&D team specialized in the technologies for materials, machine, chemicals and microwave, and focuses on medium and long-term industrial chain development planning. In response to the huge demand for production capacity in the market, the demand for high-precision masks and VC components will continue to grow. The Company will continue to improve the etching technology, optimize the manufacturing process, and improve production efficiency. Meanwhile, it will also integrate the Group's resources to provide customers with more comprehensive and real-time technical support and services.

##### ② High technical autonomy raises the entry threshold

In consideration of the concept about partnership with customers, the Company understands its product specifications and requirements from the customers' point of view, and discusses the workmanship of high-specification products with customers based on the niche that the management team holds the professional technical knowledge, intensifies the cooperative relationship between both parties, obtains technical specification decisions, and establishes the entry threshold for competitors.

##### ③ Product precision and regional advantages

China's OLED industry is still in the stage of rapid growth, and more cooperation between upstream, midstream and downstream industries is needed to promote the healthy growth of the industry. Coupled with the unstoppable trend of China's localization policy, the Company, based on its geographical and cultural advantages, has accelerated its industrial layout and cooperated with various Chinese manufacturers to provide service for terminal panel manufacturers. It is believed that with the CMM MASK production technology of FineMat for many years, it will help the partners to become the most trustworthy partners of the end customers.

In the thermal industry, the Company provides customers with the ultra-thin VC materials with excellent technical quality based on the outstanding metal etching technology. In the context of the development of ultra-thin and lightweight electronic products, it is a great challenge to control the thickness of the VC reasonably. The Company may satisfy the demand for ultra-thin products by virtue of the high-precision etching technology, in response to the requirement for fineness in the market.

#### 5. Analysis on positive and negative factors for future development and responsive measures:

##### ① Favorable factors

A. Different from the large-size OLED panel production process, the technical threshold for

precision metal etching technology is high, and few manufacturers engaged in the high-precision masks. Small and medium-sized OLED panels must apply the masks for evaporation. The more precise the opening on the mask is, the higher the panel resolution is. Due to the bottleneck of production capacity and the competition of technology upgrade, the Company will focus on high-precision metal etching technology in the short term to produce mask sheets with the same high-precision specifications, and cooperate with the OLED mask manufacturers. The specification mask has been successfully certified by customers and introduced for mass production.

B. High technical threshold for ultra-thin heat dissipation. With the high-precision etching technology, the Company may complete the 0.25mm product for the time being. The Company is one of the few manufacturers which may satisfy such precision requirements. Its future is promising in terms of its product characteristics and development.

## ② Negative factors and countermeasures

A. The supply of main raw materials rely on international renowned manufacturers. Due to the exclusivity of the OLED evaporation process and specifications, the raw materials and supplies of the current masks are provided by few international renowned manufacturers. Meanwhile, some high-specification materials (FMM) have been ordered by Japan-based manufacturers and, therefore, it is impossible for them to supply the same to other suppliers. Therefore, the entire industrial development is limited.

### Countermeasures:

The Company maintains the close cooperative relationship with suppliers, and also establishes the inventory management mechanism for various materials and supplies, and execute short-, medium- and long-term supply contracts, if necessary, in order to reduce costs. Insofar as the product quality remains unaffected, the Company will look for alternative materials proactively, in order to mitigate the risk over the materials price volatility and shortage of materials.

B. The exported part of the Company's products is mainly denominated in USD, and the main raw materials are also procured from foreign suppliers. Besides, the net cash positions held by the Company are mostly denominated in USD, and the foreign exchange rate fluctuations will impose specific impact to the Company's profit.

### Countermeasures:

The Company expands the accounting and financial department and hires professionals with experience in investment projects to keep observing and evaluating the changes in the market. Meanwhile, the Company keeps in touch with bank's foreign exchange department to verify the trend and changes of foreign exchange rate at home and abroad, in order to mitigate the negative impact posed by the changes in foreign exchange rates.

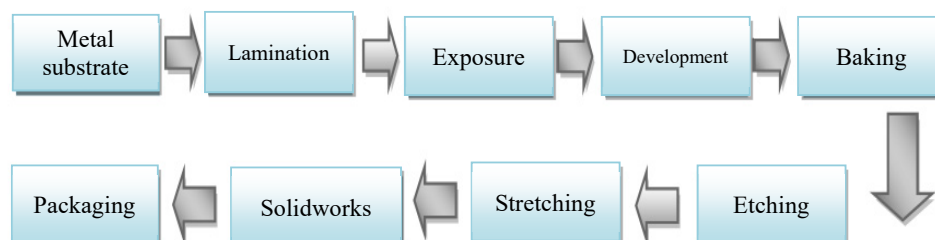
(II) Important purposes and production processes of main products

1. Important purposes of main products

Product items	Main purpose and function
Metal mask	It is primarily applied to the metal mask used in the OLED panel luminescent dye pigment thermal evaporation process. Different mask patterns are required to complete the thermal evaporation process for luminescent films of different colors.
Precision cleaning and regeneration	Have the equipment components, such as optoelectronics and semiconductors, go through the precise cleaning and regeneration processing to make them meet the quality required by the production process.
VC materials	Primarily by the metal precision etching, the metal is made into a fine metal sheet, which may be used as the metal shell of the VC or thermal module materials.

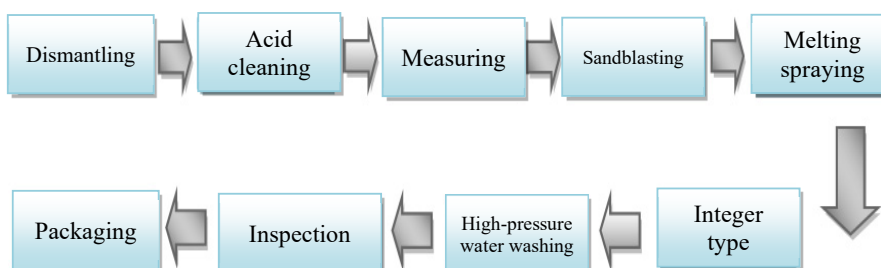
2. Production processes of main products:

【Metal Mask/Vapor Chamber】



Note: There is no "stretching" process applied in the production process of Vapor Chamber.

【Precision cleaning】



3. Supply of main raw materials

Main raw materials	Status of supply
INVAR alloy sheet	Fair
Oxygen-free copper	Fair
Copper alloy	Fair

4. A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and causes of decrease/increase thereof:

(1) Analysis on main suppliers

Unit: NTD thousand; %

Item	2022			2023			Up to the first quarter of 2024					
	Name (Note)	Amount	Percentage of net purchases for the year	Relationship with the issuer	Name	Amount	Percentage of net purchases for the year	Relationship with the issuer	Name	Amount	Percentage of net purchases as of the previous quarter	Relationship with the issuer
1	Huangshi Quanyang Photoelectric Technology Co., Ltd.	115,496	16.08	Note 2	Company A	121,133	22.26	None	Company A	30,683	31.17	None
2	Company A	69,430	9.67	None	Huangshi Quanyang Photoelectric Technology Co., Ltd.	116,929	21.49	Note 2	Huangshi Quanyang Photoelectric Technology Co., Ltd.	19,662	19.97	Note 2
3	Others	533,176	74.25		Others	306,010	56.25		Others	48,107	48.86	
	Net purchase	718,102	100.00		Net purchase	544,072	100.00		Net purchase	98,452	100.00	

Note 1: It is impossible to disclose the full names, according to the non-disclosure agreement.

Note 2: The equity of Huangshi Quanyang Photoelectric Technology Co., Ltd. has been sold to Huan Cai Xing Technology (Ningbo) Co., Ltd. on August 4, 2023.

Description: The Company entrusted Huangshi Quanyang Photoelectric Technology Co., Ltd. with the coating of metal masks. Company A's change in 2023 was mainly due to the increase in sales of metal masks, resulting in an increase in purchases of related raw materials and an adjustment to the purchase ratio for suppliers of the same nature.

(2) Analysis on main customers

Unit: NTD thousand; %

Item	2022				2023				Up to the first quarter of 2024			
	Name (Note)	Amount	Percentage of net sales for the year	Relationship with the issuer	Name	Amount	Percentage of net sales for the year	Relationship with the issuer	Name	Amount	Percentage to net sales amount of the current year up to the previous quarter	Relationship with the issuer
1	Company A	240,281	19.21	None	Company B	176,253	15.72	None	Company E	47,424	21.85	None
2	Company B	199,296	15.94	None	Company C	173,931	15.51	None	Company A	35,317	16.27	None
3	Company C	149,294	11.94	None	Company A	158,465	14.13	None	Company C	22,500	10.37	None
4	Company D	139,073	11.12	None	Company D	143,657	12.81	None	Company B	13,645	6.28	None
5	Others	522,684	41.79		Others	468,923	41.82		Company D	12,000	5.53	None
6									Others	86,158	39.70	
	Net sales	1,250,628	100.00		Net sales	1,121,229	100.00		Net sales	217,044	100.00	

Note 1: It is impossible to disclose the full names, according to the non-disclosure agreement.

Description: The mobile phone panel market was poor in 2023 due to the weakness of the mobile phone market. Customers A and B are mask metal customers, so the amount of revenue declined. There is no significant increase or decrease in the structure of major customers for mask metal. Customer C with strong operation growth and rising demand in 2023, the Company's revenue growth from Customer C grew by nearly 17%. Sales to Customer D were flat with no significant fluctuations.

5. Statement of production volume and value in the most recent two years

Unit: Thousand pcs; NTD thousand

Production volume and value Main products (or by department)	Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Metal mask		149	97	334,088	149	86	349,121
Precision cleaning and regeneration		360	92	68,361	360	232	14,114
Microwave and semiconductor components		16	19	251,275	17	13	219,632
Optical bonding materials		10,000	548	5,125	0	0	0
Thermal Module materials		18,000	12,907	149,684	18,000	14,302	107,033
<b>Total</b>		<b>28,525</b>	<b>13,663</b>	<b>808,533</b>	<b>18,526</b>	<b>14,633</b>	<b>689,900</b>

6. Production volume and value for the most recent two years

Unit: Thousand pcs; NTD thousand

Sales volume and value Main products (or by department)	Year	2022				2023			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Metal mask		70	60,760	23	486,820	51	44,795	32	445,675
Precision cleaning and regeneration		-	5,139	-	120,441	-	1,405	-	89,768
Microwave and semiconductor components		15	422,112	1	15,077	14	389,878	1	21,570
Optical bonding materials		534	10,475	-	-	-	-	-	-
Thermal Module materials		12,781	119,406	200	4,503	7,591	89,445	6,810	27,606
Others		-	-	-	5,895	-	3,691	-	7,396
<b>Total</b>		<b>13,400</b>	<b>617,892</b>	<b>224</b>	<b>632,736</b>	<b>7,656</b>	<b>529,214</b>	<b>6,843</b>	<b>592,015</b>

Note: The sales were classified based on the countries where the cutomers resided.

III. The number of employees employed for the most recent two fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels

March 31, 2024

Year		2022	2023	As of March 31, 2024
Number of employees	Supervisors	70	72	64
	Indirect	180	105	103
	Direct	275	247	220
	Total	525	424	387
Average age		35.67	37.08	32.45
Average years of service		3.22	4.09	3.77
Distribution of education attainment	Doctoral Degree	2	7	7
	Master	7	25	23
	College/University	47	201	194
	Senior High School	34	185	158
	Below Senior High School	10	6	5

IV. Information about environmental protection expenditure

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I) Losses due to environmental pollution

Date of punishment	Reference number of the penalty document	Violation of laws and regulations	Contents of violation	Penalty details
2024.01.26.	Taoyuan City Government Letter No. 1130022710	Paragraph 1 and Paragraph 2, Article 24 of the Air Pollution Control Act and Article 63	The subsidiary Etch Home Technology Co., Ltd. installed and operated regularly without obtaining a permit for the installation and operation of permanent pollution sources.	Fine of NTD 320,000 and suspension of work

Note: Date of shutdown of Etch Home Technology Co., Ltd.: 1/31 - 2/18 (2/8 - 2/14 is the Chinese New Year period). The actual shutdown was 8 working days, during which annual in-factory repairs were conducted. No impact on the overall operation.

(II) Estimated amount of current and possible future occurrences and responsive measures

1. Scrubbing tower installation and documentation application completed.
2. The estimated amount that may be incurred in the future: Consultancy fee of NTD 20,000.

## V. Labor-management relationship

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

1. Employee benefit plans

- a. According to the "Work Rules," the Company provides allowances and bonuses, such as marriage allowance, mourning rituals for funerals of lineal relatives by blood, and childbirth allowance.
- b. The Company also maintains the labor insurance and national health insurance pursuant to the government laws and regulations. Meanwhile, for sake of employees' safety, the Company also maintains the group insurance to secure the employees and provide more benefits additionally.

2. Continuing education and training of employees

The Company plans the sound education and training programs for employees, e.g. the orientation, professional technology and personal performance training courses.

3. Employees' retirement system and implementation thereof

The Company contributes 6% of the salary per employee to the employee's personal pension account under the new system according to the Labor Pension Act on a monthly basis.

4. Labor-management agreements

The relevant requirements posed by the Company all comply with the Labor Standards Act. So far, the labor-management relationship has been considered amicable and free from any labor dispute to be settled.

5. Measures for preserving employees' rights and interests.

The Company has adopted the Work Rules and various management regulations and systems which expressly define the employees' right and obligation and benefits, in order to maintain employees' interest and right.

(II) List any losses suffered by the Company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.



## VI. Cyber security management:

(I) 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 has its information unit responsible for establishing the cyber security policy, and preventing and managing any crisis in the Company's cyber security.

The Company executes the information security operations, and establishes the "Cyber Security Response Team" in response to the information security incident framework.

- A. Cyber Security Response Team members: Consisting of the information personnel, responsible for reporting and processing the Company's information security incidents.
- B. Cyber Security Response Team Supervisor: Served by the IT officer, responsible for reviewing the response and escalating the case to his/her supervisor.
- C. The Company's internal control system include the information security-related management regulations, and undergoes periodic audit and review and keeps improving to provide the IT system with a safe and uninterrupted business environment.

### 2. Cyber security policy

Include the operating environments for the Company's computer system, network, data, equipment, personnel, anti-virus and anti-hacking information into the security management mechanism, and also establish a set of preventive and urgent response policies and communicate the cyber security problem in a timely manner, in order to ensure the safety in the Company's information operation.

### 3. Concrete management programs:

- ① HR safety management and education & training
- ② Computer system security management
  - A. Operating procedure and liability of the system.
  - B. Online operation security management
  - C. Prevention of computer virus and malicious software
  - D. Software access security management.
  - E. Computer media security management.
  - F. Security management in the exchange between data and the media.
- ③ Network security management
  - A. Network security planning and management
  - B. Intranet security management
  - C. Internet security management
- ④ System access control
  - A. System access control requirements

B. System access and application supervision

- ⑤ Tangible equipment, peripheral and environmental security management
- ⑥ Information security incident urgent response mechanism

4. Resources invested in the cyber security management

The Company checks and takes an inventory of the information security equipment, services and human resource each year to prepare the resources related to information security management.

- (II) List any losses suffered by the Company in the most recent two fiscal years and up to the date of publication of the prospectus due to significant cyber security incidents, and potential effects to be caused and responsive measures to be taken; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important Contracts

May 13, 2024

Nature of contracts	Parties	Duration of Contract	Main Contents	Restrictive Clauses
Land use right	Daye City Land Resources Bureau	2016/01/08~2068/01/07	Industrial land (site for plant of FineMat (HuangShi) Applied Materials Co., Ltd.)	The year of right transfer shall be subject to the year when the certificate of national land use is transferred.
License of technology	FineMat (HuangShi) Applied Materials Co., Ltd.	2022/09/28~2027/09/27	License of technology for etching	None. Discontinued on 2023/11/30
Mid- and long-term loans	O-Bank	2020/01/20~2025/07/15	Loan contract	Land House and building
Mid- and long-term loans	CTBC Bank	2021/09/24~2026/09/24	Loan contract	Land House and building
Mid- and long-term loans	Cathay United Bank	2020/12/15~2025/12/15	Loan contract	None
Mid- and long-term loans	O-Bank	2020/09/25~2025/08/15	Loan contract	None
Mid- and long-term loans	The Shanghai Commercial and Savings Bank Ltd.	2022/08/25~2025/08/25	Loan contract	None
Land use right	An Thinh Hoa Binh Real Estate Co., Ltd.	2020/09/03~2057/02/02	Industrial land (site for plant of Etch Home Technology Co., Ltd. (Vietnam))	The year of right transfer shall be subject to the year when the certificate of national land use is transferred.

License of technology	Huangshi Quanyang Photoelectric Technology Co., Ltd.	2023/09/20~2028/09/19	License of technology for etching	None
Plant lease	Chin Hsien Enterprise Co., Ltd.	2024/02/01~2029/01/31	Etch Home Technology Co., Ltd. Luzhu Plant	None

Note: For the subsidiary, Wave Power Technology Inc., please refer to the annual report of Wave Power Technology Inc. (stock code: 6895).

## Six. Overview of Finance

### I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

#### (I) Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

##### 1. Condensed Balance Sheet (Consolidated)

Unit: NTD thousand

Item	Financial data in the most recent five years					Financial data as of March 31, 2024	
	2019	2020	2021	2022	2023		
Current asset	1,070,764	964,538	1,039,981	1,382,820	1,647,568	1,468,301	
Property, plant and equipment	554,024	988,539	1,304,085	1,350,136	1,166,213	1,157,001	
Intangible assets	2,881	80,569	74,536	65,964	57,557	54,546	
Other assets	180,077	261,909	231,045	315,716	293,352	309,774	
Total assets	1,807,746	2,295,555	2,649,647	3,114,636	3,164,690	2,989,622	
Current liabilities	Before distribution	275,123	270,586	661,276	989,852	1,014,497	938,725
	After distribution	381,347	303,781	661,276	989,852	1,014,497	938,725
Non-current liabilities	75,603	326,296	289,379	284,737	145,167	106,542	
Total liabilities	Before distribution	350,726	596,882	950,655	1,274,589	1,159,664	1,045,267
	After distribution	456,950	630,077	950,655	1,274,589	1,159,664	1,045,267
Equity attributable to owners of the parent	1,344,892	1,247,117	1,213,405	1,284,325	1,215,066	1,199,567	
Share capital	663,898	663,898	663,898	663,898	663,898	663,898	
Additional paid-in capital	396,582	396,582	396,701	503,465	526,972	522,909	
Retained earnings	Before distribution	301,998	200,619	193,518	151,957	66,386	47,626
	After distribution	195,774	167,424	193,518	151,957	66,386	47,626
Other equity	(17,586)	(13,982)	(16,525)	(10,808)	(18,003)	(10,679)	
Treasury shares	0	0	(24,187)	(24,187)	(24,187)	(24,187)	
Non-controlling interests	112,128	451,556	485,587	555,722	789,960	744,788	
Total equity	Before distribution	1,457,020	1,698,673	1,698,992	1,840,047	2,005,026	1,944,355
	After distribution	1,350,796	1,665,478	1,698,992	1,840,047	2,005,026	1,944,355

Note 1: The financial data of Q1 2024 were audited by the CPAs.

Note 2: In consideration of the incomplete fiscal year, the figures after distribution are omitted.

## 2. Condensed Balance Sheet (Parent Company Only)

Unit: NTD thousand

Item	Financial data in the most recent five years					Financial data as of March 31, 2024	
	2019	2020	2021	2022	2023		
Current asset	773,065	329,574	379,334	488,889	448,529	Not applicable	
Property, plant and equipment	286,351	495,091	654,842	650,932	617,814		
Intangible assets	2,881	3,072	2,279	1,277	635		
Other assets	492,248	735,552	736,316	917,212	911,351		
Total assets	1,554,545	1,563,289	1,772,771	2,058,310	1,978,329		
Current liabilities	Before distribution	134,050	68,611	344,987	589,216		652,280
	After distribution	240,274	101,806	344,987	589,216		652,280
Non-current liabilities	75,603	247,561	214,379	184,769	110,983		
Total liabilities	Before distribution	209,653	316,172	559,366	773,985		763,263
	After distribution	315,877	349,367	559,366	773,985		763,263
Equity attributable to owners of the parent	0	0	0	0	0		
Share capital	663,898	663,898	663,898	663,898	663,898		
Additional paid-in capital	396,582	396,582	396,701	503,465	526,972		
Retained earnings	Before distribution	301,998	200,619	193,518	151,957		66,386
	After distribution	195,774	167,424	193,518	151,957		66,386
Other equity	(17,586)	(13,982)	(16,525)	(10,808)	(18,003)		
Treasury shares	0	0	(24,187)	(24,187)	(24,187)		
Non-controlling interests	0	0	0	0	0		
Total equity	Before distribution	1,344,892	1,247,117	1,213,405	1,284,325		1,215,066
	After distribution	1,238,668	1,213,922	1,213,405	1,284,325		1,215,066

### 3. Condensed Statement of Comprehensive Income (Consolidated)

Unit: NTD thousand

Item	Financial data in the most recent five years					Financial data as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	854,165	620,635	856,083	1,250,628	1,121,229	217,044
Gross profit	381,340	194,878	286,421	321,181	207,186	45,580
Operating income or loss	237,651	42,391	63,684	21,732	(89,716)	(18,964)
Non-operating income and expenses	1,376	15,473	34,072	25,638	78,628	7,155
Net income before tax	239,027	57,864	97,756	47,370	(11,088)	(11,809)
Net income of continuing operations in this period	220,600	27,586	74,657	22,709	(28,814)	(14,883)
Loss on discontinued operations	0	0	0	0	0	0
Net profit for the current period	220,600	27,586	74,657	22,709	(28,814)	(14,883)
Other comprehensive income for the current period (Net amount after tax)	(15,266)	5,260	(3,071)	7,492	(9,763)	9,851
Total comprehensive income for this period	205,334	32,846	71,586	30,201	(38,577)	(5,032)
Net income attributable to owners of parent company	207,711	4,845	26,094	(36,049)	(85,571)	(18,760)
Net profit attributable to non-controlling interest	12,889	22,741	48,563	58,758	56,757	3,877
Total comprehensive income attributable to owners of the parent	196,782	8,449	23,551	(30,332)	(92,766)	(11,436)
Total comprehensive income attributable to non-controlling interest	8,552	24,397	48,035	60,533	54,189	6,404
Earnings per share (EPS)	3.40	0.07	0.39	(0.55)	(1.30)	(0.29)

Note 1: The financial data of Q1 2024 were audited by the CPAs.

#### 4. Condensed Statement of Comprehensive Income (Parent Company Only)

Unit: NTD thousand

Item	Financial data in the most recent five years					Financial data as of March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	590,239	362,418	356,988	525,671	398,921	Not applicable
Gross profit	244,906	75,832	52,104	61,674	(10,668)	
Operating income or loss	149,102	339	(40,865)	(64,333)	(113,123)	
Non-operating income and expenses	52,022	15,559	71,426	30,703	32,661	
Net income before tax	201,124	15,898	30,561	(33,630)	(80,462)	
Net income of continuing operations in this period	207,711	4,845	26,094	(36,049)	(85,571)	
Loss on discontinued operations	0	0	0	0	0	
Net profit for the current period	207,711	4,845	26,094	(36,049)	(85,571)	
Other comprehensive income for the current period (Net amount after tax)	(10,929)	3,604	(2,543)	5,717	(7,195)	
Total comprehensive income for this period	196,782	8,449	23,551	(30,332)	(92,766)	
Net income attributable to owners of parent company	0	0	0	0	0	
Net profit attributable to non-controlling interest	0	0	0	0	0	
Total comprehensive income attributable to owners of the parent	0	0	0	0	0	
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0	
Earnings per share (EPS)	3.40	0.07	0.39	(0.55)	(1.30)	

## (II) Names and audit opinions of external auditors for the most recent five years

Year	CPA firm name	External auditor	Audit opinions or review report
2019	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2020	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2021	PwC Taiwan	Lin Tzu-Yu and Liu Tze-Meng	Unqualified opinion
2022	PwC Taiwan	Lin Tzu-Yu & Lin Yong-Chi	Unqualified opinion
2023	PwC Taiwan	Lin Yong-Chi, Yeh Fan-Ting	Unqualified opinion

## II. Financial analysis for the most recent five years

## (I) Analysis on consolidated financial statements

Analysis item		Financial data in the most recent five years					Financial data as of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt ratio	19.40	26.00	35.88	40.92	36.64	34.96
	Ratio of long-term capital to property, plant and equipment	276.63	204.84	152.47	157.38	184.37	177.26
Solvency (%)	Current ratio	389.19	356.46	157.27	139.70	162.40	156.41
	Quick ratio	360.01	290.62	115.16	103.99	131.53	125.34
	Interest earned ratio	77.34	10.72	16.33	3.87	0.57	(1.50)
Operating performance	Receivables turnover (times)	3.75	2.94	3.41	3.44	3.12	0.77
	Average collection period (days)	97.37	124.14	107.03	106.10	116.99	116.88
	Inventory turnover (times)	7.62	4.00	3.34	3.74	3.06	0.65
	Payables turnover (times)	8.34	7.49	6.80	6.51	5.74	1.35
	Average days in sales	47.90	91.25	109.28	97.59	119.28	138.00
	Property, plant and equipment turnover	1.84	0.80	0.75	0.94	0.89	0.19
	Total assets turnover (times)	0.59	0.30	0.35	0.43	0.36	0.07
Profitability	Return on total assets (%)	15.34	1.59	3.23	1.25	(0.26)	(0.36)
	Return on equity (%)	18.81	1.75	4.39	1.28	(1.50)	(0.75)
	Income before tax to paid-in capital (%)	36.00	8.72	14.72	7.14	(1.67)	(1.78)
	Profit margin (%)	25.83	4.44	8.72	1.82	(2.57)	(6.86)
	Earnings per share (NT\$) Note 2	3.40	0.07	0.39	(0.55)	(1.30)	(0.29)
Cash flow (Note 3)	Cash flow ratio (%)	90.77	28.42	14.51	(3.85)	18.68	(1.26)
	Cash flow adequacy ratio (%)	69.17	41.01	39.67	32.45	39.33	NA
	Cash reinvestment ratio (%)	11.94	(1.35)	2.80	(1.55)	7.66	(0.49)
Leverage	Operating leverage	2.06	7.00	6.51	21.04	(3.88)	NA
	Financial leverage	0.99	1.16	1.11	4.18	0.78	NA



Specify the reasons that caused the changes in the financial ratios in the last two years (analysis is not required for changes by less than 20%):

- (1) Solvency: The decline in interest earned ratio compared with the previous period was mainly due to the decline in net profit and the increase in financial costs.
- (2) Operating performance: The average inventory turnover days have increased due to reduced industrial demand leading to decreased turnover rate and increased number of sales days.
- (3) Profitability: Due to the economic downturn, metal mask revenue decreased in the current period. Non-operating expenses increased due to losses from overseas subsidiaries and financial costs, resulting in a net loss after tax. This led to negative figures in related indicators.
- (4) Cash flow: Revenue and accounts receivable decreased at year-end, leading to increased relevant ratios due to higher net cash inflow from operating activities.
- (5) Leverage: In the current period, low revenue and gross profit led to an operating loss and negative operating leverage. Rising interest rates increased financial costs, resulting in lower financial leverage than the previous period.

Note 1: The financial data of Q1 2024 were audited by the CPAs.

## (II) Analysis on parent company only financial statements

Analysis item		Financial data in the most recent five years					Financial data as of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt ratio	13.49	20.22	31.55	37.60	38.58	Not applicable
	Ratio of long-term capital to property, plant and equipment	496.07	301.90	218.03	225.69	214.64	
Solvency (%)	Current ratio	576.70	480.35	109.96	82.97	68.76	
	Quick ratio	540.34	390.37	84.35	63.72	57.81	
	Interest earned ratio	105.97	7.18	14.00	3.95	(6.13)	
Operating performance	Receivables turnover (times)	3.98	2.98	3.43	4.11	2.69	
	Average collection period (days)	91.78	122.50	106.35	88.73	135.85	
	Inventory turnover (times)	5.94	5.04	3.91	4.41	4.05	
	Payables turnover (times)	7.03	7.15	6.17	6.47	6.26	
	Average days in sales	61.47	72.38	93.35	82.77	90.12	
	Property, plant and equipment turnover	2.07	1.27	0.62	0.81	0.63	
	Total assets turnover (times)	0.47	0.23	0.21	0.27	0.20	
Profitability	Return on total assets (%)	16.62	0.44	1.68	(1.60)	(3.79)	
	Return on equity (%)	19.50	0.37	2.12	(2.89)	(6.85)	
	Income before tax to paid-in capital (%)	30.29	2.39	4.60	(5.07)	(12.12)	
	Profit margin (%)	35.19	1.34	7.31	(6.86)	(21.45)	
	Earnings per share (NT\$) Note 2	3.40	0.07	0.39	(0.55)	(1.30)	
Cash flow (Note 3)	Cash flow ratio (%)	159.71	55.41	9.04	(5.00)	18.36	
	Cash flow adequacy ratio (%)	159.85	65.24	46.10	40.50	47.44	
	Cash reinvestment ratio (%)	10.38	(4.11)	(0.12)	(1.69)	7.26	
Leverage	Operating leverage	1.93	380.00	(3.17)	(1.60)	(0.75)	
	Financial leverage	1.01	(0.15)	0.95	0.90	0.91	

Specify the reasons that caused the changes in the financial ratios in the last two years (analysis is not required for changes by less than 20%):

- (1) Solvency: The negative interest earned ratio is mainly due to decreased revenue, net loss before tax, and increased financial costs.
- (2) Operating performance: Weak demand in the panel industry led to lower net sales and decreased turnover rates for receivables, real estate, plant and equipment, and total assets.
- (3) Profitability: Revenue decreased by up to 25% compared with the previous period, resulting in a net loss after tax for the current period and negative trends in profitability-related indicators.
- (4) Cash flow: In this period, more receivables were collected, leading to an increase in net operating cash flow compared to the previous period, and the related ratios also increased.
- (5) Leverage: The operating loss for this period was greater than the previous period, primarily due to decreased revenue. As a result, the operating leverage remained negative but increased compared to the previous period.

#### Note 1: Formula

##### 1. Financial structure

- (1) Ratio of liabilities to assets= $\text{Total liabilities} / \text{Total Assets}$ .
- (2) Ratio of long-term fund to property, plant and equipment= $(\text{Total equity} + \text{Non-current liabilities}) / \text{Property, plant and equipment, net}$ .

##### 2. Solvency

- (1) Current ratio =  $\text{Current assets} / \text{Current liabilities}$ .
- (2) Quick ratio =  $(\text{Current assets} - \text{Inventory} - \text{Prepaid expenses}) / \text{Current liabilities}$ .
- (3) Interest earned ratio =  $\text{Net income before tax and interest expense} / \text{Interest expenses in this period}$ .

##### 3. Operational ability

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover =  $\text{net sales} / \text{balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation)}$ .
- (2) Average cash collection days= $365 / \text{Receivables turnover}$ .
- (3) Inventory turnover= $\text{Cost of goods sold} / \text{Average inventory}$ .
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover =  $\text{cost of goods sold} / \text{balance of average accounts payable (including accounts payable and notes payable resulting from operation)}$ .
- (5) Average inventory turnover days= $365 / \text{Inventory turnover}$ .
- (6) Property, plant and equipment turnover= $\text{net sales} / \text{average property, plant and equipment, net}$ .
- (7) Total assets turnover= $\text{net sales} / \text{average total assets}$ .

##### 4. Profitability

- (1) ROA=  $[\text{Profit or loss after tax} + \text{interest expenses} \times (1 - \text{tax rate})] / \text{average total assets}$ .
- (2) ROE= $\text{Profit or loss after tax} / \text{Average total equity}$ .
- (3) Profit margin= $\text{Profit or loss after tax} / \text{Net sales}$ .
- (4) Earnings per share=  $(\text{Income attributable to owners of the parent} - \text{Preferred stock dividend}) / \text{Weighted average number of outstanding shares}$ . (Note 2)

##### 5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flows from operating activities} / \text{Current liabilities}$ .
- (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the most recent five}$

years/ (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.

(3) Cash reinvestment ratio= (Net cash flow from operating activities-Cash dividends)/ (Gross property, plant and equipment+ Long-term investments+ Other non-current assets+ working capital). (Note 3)

6. Leverage:

(1) Operating leverage= (Net operating revenues-Variable operating costs and expenses)/Operating income (Note 4)

(2) Financial leverage=Operating income/ (Operating income-Interest expenses).

Note 2: When calculating said earnings per share, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of cash capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the net profit after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 3: Cash flow analyses shall take the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenses refer to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 4: The issuer is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note 5: If the Company's shares have no par value or if the par value of each share is not NT\$10, said percentage of the paid-in capital shall be substituted by the equity attributable to owners of the parent referred to in the balance sheet.

III. The Audit Committee's Review Report on the financial report for the most recent year:

Please refer to Pages 97

IV. The Consolidated Financial Statements and External Auditor's Audit Report for the most recent year: Please refer to Pages 112-182

V. The Parent Company Only Financial Statements and External Auditor's Audit Report for the most recent year: Please refer to Pages 183-256

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

# FineMat Applied Materials Co., Ltd.

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 business report, consolidated and parent company-only financial statements, and earnings distribution proposal. The consolidated and parent company-only financial statements have been audited by Lin Yong-Chi, Yeh Fan-Ting, CPAs of PwC Taiwan, who have issued an unqualified audit report. Said business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with the Securities and Exchange Act and Company Act. Please review it accordingly.

FINEMAT APPLIED MATERIALS CO., LTD.

Convener of Audit Committee Meeting: Tseng Chung-Nan

March 14, 2024

Seven. A review and analysis of the Company's financial status and financial performance, and risk management

I. Financial status

(I) Main causes for significant changes in accounting titles in the balance sheet for the most recent two years, and effects posed by such changes

Unit: NTD thousand

Item	2023	2022	Difference	
			Amount	%
Current asset	1,647,568	1,382,820	264,748	19.15
Property, plant and equipment	1,166,213	1,350,136	(183,923)	(13.62)
Intangible assets	57,557	65,964	(8,407)	(12.74)
Other assets	293,352	315,716	(22,364)	(7.08)
Total assets	3,164,690	3,114,636	50,054	1.61
Current liabilities	1,014,497	989,852	24,645	2.49
Total liabilities	1,159,664	1,274,589	(114,925)	(9.02)
Share capital	663,898	663,898	0	0.00
Additional paid-in capital	526,972	503,465	23,507	4.67
Retained earnings	66,386	151,957	(85,571)	(56.31)
Other equity	(18,003)	(10,808)	(7,195)	66.57
Treasury shares	(24,187)	(24,187)	0	0.00
Non-controlling interests	789,960	555,722	234,238	42.15
Total equity	2,005,026	1,840,047	164,979	8.97

Remark on the significant changes: (analysis is not required for changes by less than 20%)

1. The changes in retained earnings was primarily a result of the operating loss generated in 2023 resulting the decrease in undistributed earnings.
2. Said difference was caused by the Company's business adjustment in response to the changes in the industry and market environment and also the need for business development strategy, by taking into account the integration of resources and scale of economy, which poses no significant impact to the Company.

## II. Financial performance

### (I) Comparative list of financial performance comparison for the most recent two years

Unit: NTD thousand

Item	2023	2022	Difference	
			Amount	Amount
Operating revenue	1,121,229	1,250,628	(129,399)	(10.35)
Gross profit	207,186	321,181	(113,995)	(35.49)
Operating income or loss	(89,716)	21,732	(111,448)	(512.83)
Non-operating income and expenses	78,628	25,638	52,990	206.69
Net income before tax	(11,088)	47,370	(58,458)	(123.41)
Net income of continuing operations in this period	(28,814)	22,709	(51,523)	(226.88)
Loss on discontinued operations	0	0	0	0.00
Current income	(28,814)	22,709	(51,523)	(226.88)
Other comprehensive income for the current period	(9,763)	7,492	(17,255)	(230.31)
Total comprehensive income for this period	(38,577)	30,201	(68,778)	(227.73)
Net income attributable to owners of parent company	(85,571)	(36,049)	(49,522)	137.37
Net income attributable to non-controlling interests	56,757	58,758	(2,001)	(3.41)
Total comprehensive income attributable to owners of parent company	(92,766)	(30,332)	(62,434)	205.84
Total comprehensive income attributable to non-controlling interests	54,189	60,533	(6,344)	(10.48)
Earnings per share (EPS)	(1.30)	(0.55)	(0.75)	136.36
Remark on the significant changes: (analysis is not required for changes by less than 20%)				
1. Changes in operating and related income or loss: The operating income in 2023 decreased compared with the previous period, while operating costs and related expenses increased, resulting in higher operating losses.				
2. Changes in non-operating income: Mainly due to the liquidation of the equity interests held by Huangshi Quanyang Photoelectric and the increase in investment profits from the disposal.				

(II) Sales volume forecast and the basis thereof: Please refer to the outlined business plan referred to in A Message to Shareholders herein.

(III) Effect upon the Company's business and finance, as well as the plans to be taken in response: Please refer to the Overview of Market and Production & Marketing in Overview of Operation herein for details.

### III. Cash flow

#### (I) Analysis on changes in the cash flow for the most recent year

Balance of cash, beginning (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing activities for the year (3)	Net cash flow from financing activities for the year (4)	Effects posed by changes in foreign exchange rate to cash and cash equivalents (5)	Cash balance (deficit) (1)+(2)+(3)+(4)+(5)	Responsive measures against cash deficit	
						Investment plan	Wealth management plan
565,971	189,548	(367,957)	245,376	(31,250)	601,688	None	None

Unit: NTD thousand

Explanation:

- Analysis on changes in the cash flow in the current year: In the current period, the cash collection of accounts receivable and the decrease in inventory led to a net cash inflow from operating activities. The net cash outflow from investing activities mainly increased due to three months of fixed deposits in the current period. The net cash inflow from financing activities resulted from the increase in non-controlling rights.
- Financing of projected cash deficits and liquidity analysis: The ending cash in 2023 was about NT\$602 million. Therefore, no cash deficits arose then.

#### (II) Analysis on liquidity for the coming year

Balance of cash, beginning (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing activities for the year (3)	Net cash flow from financing activities for the year (4)	Cash balance (deficit) (1)+(2)+(3)+(4)	Responsive measures against cash deficit	
					Investment plan	Wealth management plan
601,688	93,160	(225,000)	182,000	651,848	None	None

Unit: NTD thousand

#### IV. Impact posed by material capital expenditures to business and finance in the most recent year: None.

#### V. The investment policy for the most recent year, major causes for profit or loss thereof, improvements, and investment plans for next year:

- (I) Investment policy: The Company engages in investment subject to the Company's business needs or future growth consideration, and also adopts the "Procedure for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" enacted by the competent authority, as the basis for the Company to engage in investments, and in order to control the overview of business and finance. Meanwhile, in order to improve the supervision and management of investees, the Company sets forth the regulations governing supervision and management of subsidiaries in its internal control system and also adopts the regulations governing information disclosure, finance, business, inventory and financial management which are expected to enable the Company's investees to produce the best results.



## (II) Major causes for profit or loss thereof, improvements

Unit: NTD thousand

Investee	Principle business lines	Recognized in 2023	Major causes for profit or loss thereof	Improvement
Sense Pad TECHCO., LTD.	General investee	5,707	Recognition of investment gains	None
Htc & Solartech Service (Samoa) Corporation	General investee	29,437	Recognition of investment gains	
ELAN Microelectronics Corp.	Production and sale of microwave and semiconductor components and parts	32,002	The investees' business grows stably	
Etch Home Technology Co., Ltd.	Production and sale of electronic components and communication machine & equipment, wholesale and retail of electronic materials, telecommunications equipment and machine & equipment	(42,004)	As it is the new industry which the Company is engaged in, the Company is still trying to learn more about it.	
Galloptech International Company Limited.	Sale of semiconductor equipment, electromechanical equipment and optical equipment, and after-sale service	Not applicable	(Note 1)	
Etch Home Technology Co., Ltd. (Vietnam)	Production and sale of electronic components and parts, communication machine & equipment, and other metal products	Not applicable	(Note 1)	
Finemat (Shanghai) Applied Materials Co., Ltd.	Sale of electronic components and parts, general instruments and electronic materials	3,356	Market conditions are stable	
Solar Applied Materials Technology (Shanghai) CO., LTD.	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials	43,583	Liquidate the equity held in Huangshi Quanyang Photoelectric Technology Co., Ltd., so there are disposal interests	
FineMat (HuangShi) Applied Materials Co., Ltd.	Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials	(32,096)	Uncertain economic situation and weak market demand	
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Production and sale of other metal products, electronic materials and semiconductor components and parts	(7,530)	(Note 2)	
Note 1: Pursuant to the requirements, the Company may be exempted from disclosing the investment income recognized for the current period.				
Note 2: The equity held has been liquidated in August 2023, so the profit and loss from January to July 2023 is recognized				

(3) Investment plans for next year: None.

## VI. Risk analysis and assessment from the most recent year until the date of publication of the annual report

### (I) Impacts of interest rate/foreign exchange rate fluctuation and inflation to the Company's income, and future responsive measures:

#### 1. Changes in interest rate

Unit: NTD thousand and %

Item	2022		2023	
	Amount	To net operating revenue (%)	Amount	To net operating revenue (%)
Interest revenue	2,569	0.21	6,756	0.60
Interest expenses	16,529	1.32	25,908	2.31

#### A. Impact to the income:

The interest revenues of the Company and its subsidiaries were NT\$2,569 thousand and NT\$6,756 thousand, respectively, in 2022 and 2023, i.e. 0.21% and 0.601% of the net operating revenue. The impact posed therefor is considered minor. The interest expenses of the Company and its subsidiaries were NT\$16,529 thousand and NT\$25,908 thousand, respectively, in 2022 and 2023, i.e. 1.32% and 2.31% of the net operating revenue. The impact posed therefor is considered minor. Therefore, the changes in interest posed no significant impact to the Company. Interest expenses increased by NT\$9,379 thousand mainly due to the increase in financing from financial institutions for the operations of overseas subsidiaries.

#### B. Future responsive measures:

The Group doesn't necessarily rely on the loans from financial institutions, but it still will maintain good relationship with banks, verify changes in interest rates at any time, and strive for preferential interest rates.

#### 2. Changes in interest rate

Unit: NTD thousand and %

Item	2022		2023	
	Amount	To net operating revenue (%)	Amount	To net operating revenue (%)
Net exchange gain (loss)	7,424	0.59	(3,404)	(0.30)

#### A. Impact to the income:

The net exchange gains (losses) of the Company and its subsidiaries were NT\$7,424 thousand and NT\$(3,404) thousand, respectively, in 2022 and 2023, i.e. 0.59% and (0.30%) of the net operating revenue. The exchange gains (losses) were generated primarily due to the volatility in the foreign exchange rate for USD, while they impose no significant impact to the entire income.

#### B. Future responsive measures:

For the foreign exchange fund allocation, the Company will offset the foreign currency claims

against debts through regular export and import of goods, in order to achieve the natural hedging effect and mitigate the foreign exchange rate risk. In the future, the Company will keep adopting the foreign exchange position natural hedging as the main strategy to control the foreign interest rate risk, and exercise the forward exchange transactions in a timely manner to mitigate the risk over changes in foreign exchange rate. The finance unit keeps close connection with the financial institutions and continue observing the changes in foreign exchange rates.

3. Inflation:

No significant impact has been posed by the inflation to the Company's income by the date of publication of the annual report. Therefore, the inflation is expected to pose limited impact to the Company's income. In the future, the Company will still continue observing the inflation status and take appropriate actions to mitigate the impact posed by it to the Company's operations.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and derivatives trading, main causes of profit or loss incurred and future responsive measures:

1. The Company has adopted the "Operating Procedure for Loaning to Others," "Operating Procedure for Making of Endorsements/Guarantees" and "Procedure for Acquisition or Disposal of Assets," et al., to be followed by the Company.
2. The Company never engaged in the business activities such as high-risk and highly leveraged investments by the date of publication of the annual report.
3. Until the date of publication of the annual report, the Company has engaged in the derivatives trading to evade the risk from recorded foreign currency financial assets or financial liabilities. All transactions were conducted in accordance with the "Procedure for Acquisition or Disposal of Assets."
4. Until the date of publication of the annual report, the recipients of the endorsements/guarantees and loans provided by the Company and its subsidiaries have been limited to the affiliated companies of the Company or the subsidiaries.

(III) Future R&D plans and expected R&D expenditure:

The Company will continue to commit itself to the improvement of etching precision, upgrading of the mask size, multi-layer mask diffusion welding technology, design and construction of new process machine, and implementation and certification of heat dissipation materials subject to new specifications. The R&D expenses to be invested will be prepared subject to the product development progress. Meanwhile, the Company will continue to invest capital in professional technicians and development of equipment and new technology, in order to ensure the Company's competitive strength. The estimated R&D expenses in 2024 are approximately 7.0% - 9.0% of the revenue.

(IV) Impact on the Company's business and finance due to changes in domestic or foreign policies and laws, and responsive measures:

The Company runs its business following related domestic and foreign laws and regulations, and the management keep observing the development of important policies at home and abroad. Meanwhile, the Company will assign its professional staff to attend related training programs from time to time, in order to connect with the international trend and improve the Company's competitiveness in the world. No

significant impact has been posed by the changes in important policies and laws at home and abroad to the Company's business and finance by the date of publication of the annual report.

(V) Impact on the Company's business and finance due to technological (including cyber security risk) or industrial changes, and responsive measures:

The Company keeps observing the technological or industrial changes in the industry which it is engaged in from time to time, and also verifies the industrial development rapidly. Meanwhile, the Company keeps improving its own R&D abilities, applies for patents to protect its innovative ideas and design developments, and expands the future market applications proactively, in order to deal with the impacts on the Company due to technological or industrial changes. The Company checks and takes an inventory of the information security equipment, services and human resource each year to prepare the resources related to information security management, ensure the maintenance of the Company's and subsidiaries' overall cyber security and mitigate the overall cyber security risk.

(VI) Impact on crisis management in the event of a change in corporate identity, and responsive measures:

Since the Company was incorporated, it has always complied with related laws and regulations, improved its internal management and also management quality and performance proactively, and maintained the harmonious labor-management relationship, in order to maintain the excellent corporate identity. No changes affecting the corporate identity have occurred from the most recent year until the date of publication of the annual report.

(VII) Expected benefits and possible risks of merger and acquisition, and responsive measures:

The Company has had no the plan for merger and acquisition of another company in the most recent year or by the date of publication of the annual report. If the Company is involved in, or has the plan for, merger & acquisition, it will conduct the evaluation on various effects and control the risk with care per the relevant operational requirements, in order to protect the Company's interest and shareholders' equity.

(VIII) Expected benefits and possible risks of plant expansion, and responsive measures:

The plant expansion will cause the increase in operating cost, but will also result in the increase in operating revenue to cover the additional operating cost at the same time. In order to deal with the risk, the Company will improve the production capacity and market share proactively, in an attempt to expand the operating revenue. The new plant construction projects will be evaluated by the Company with care before they are executed; therefore, operating risk is not likely to be caused to the Group.

(IX) Risks and responsive measures associated with concentrated purchases or sales:

1. For purchases:

The Company purchases goods from suppliers primarily providing metal sheets. There are a great number of such suppliers engaged in selling multiple product types. Notwithstanding, in consideration of the stable quality and production capacity, the Company's purchases appear to be concentrated for the time being. Notwithstanding, in order to mitigate the concentrated purchases, the Company is also working with other domestic and foreign suppliers which provide quality products proactively. The

Company has maintained the long-term cooperative and dependent partnership with most main suppliers. With the stably growing sales performance, the Company's cooperative relationship with suppliers becomes more and more advantageous. Therefore, as far as the Company is concerned, there is no risk associated with excessive concentrated purchases.

2. For sales:

In companies with sales amount accounting for more than 10%, sales after deducting related party transactions accounted for 58.16% and 58.21% of the total sales in 2023 and 2022, respectively. The Company's main customer structure has not changed.

In 2023, the sales of metal masks accounted for 44% of the group's total revenue, the sales of microwave and semiconductor components accounted for about 37%, and the sales of thermal materials and precision cleaning industries accounted for about 10% and 8% of the total sales, respectively. The Group's sales are not too concentrated.

(X) Impact and risk on the Company due to major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest, and responsive measures:

From the most recent year until the date of publication of the annual report, no significant changes have occurred upon transfer of the equity by the Company's directors and major shareholders with more than 10% ownership interest. Therefore, there is no impact or risk on the Company's business due to major transfer or conversion of equity.

(XI) Impact and risks on the Company due to a change of the right of management: None.

(XII) Litigious and non-litigious matters: If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving any of the Company's directors, supervisors, President, de facto responsible person, or major shareholders with a stake of more than 10 percent, and the matter was finalized or remained pending, please disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case until the date of publication of the annual report: None.

(XIII) Other important risks and responsive measures:

1. Information security:

In order to support the Company's overall business development and ensure effective application of the information resource, and balance the security of information system and operation, the Company has taken the following protection measures: establishment of fire walls and information security software as the preventive network security protection mechanism, daily backup and periodic remote storage of the server data, establishment of the local synchronization system backup measures, periodic exercise of system restoration drills, and performance of information security evaluation each year to improve the information system's security protection ability and mitigate the damage caused to the information system effectively.

2. Labor health and safety:

The Company has adopted related EHS operation management regulations governing wastewater, drinking water, waste gas, waste, chemicals, water and electricity resources, stackers, lifting equipment and production equipment, etc., and also passed ISO 14001 certification to have the eco-friendly waste reduction, pollution prevention and zero labor disaster.

Occupational accidents in 2023

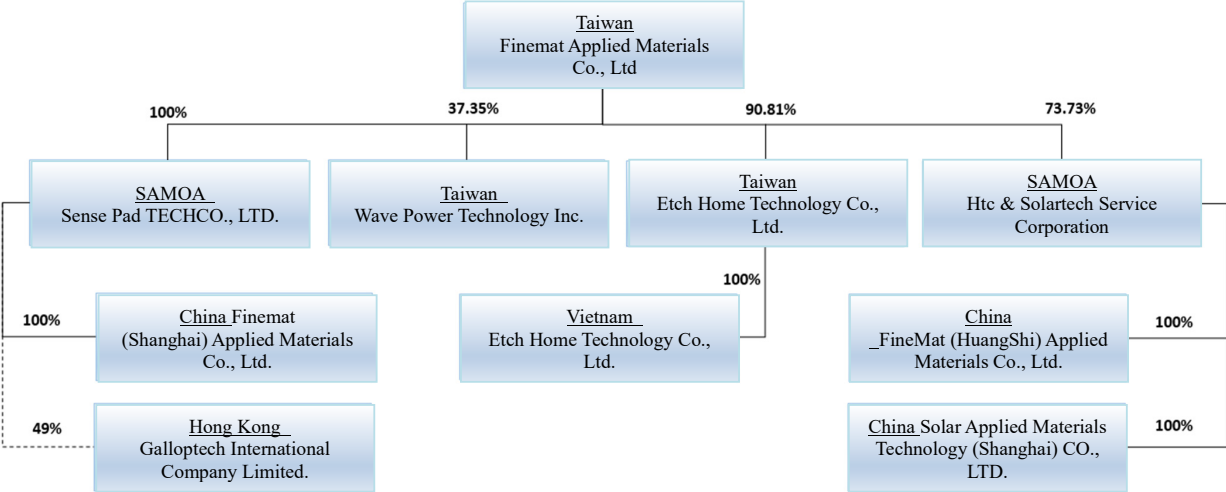
	Number of case	Number of person	As % of the employees	Related improvement measures
Disability accident	0 case	0 person	0	Not applicable.
Death accident	0 case	0 person	0	Not applicable.
Fire accident	0 case	0 person	0	Not applicable.
Total	0 case	0 person	0	

VII. Other important matters: None.

Eight. Special Notes

I. Information about affiliated companies:

(I) Organizational Chart of Affiliated Companies (December 31, 2023)



(II) Name, Date of Establishment, Address, Paid-in Capital and Main Business Lines of Affiliated Companies

December 31, 2023

Unit: NTD thousand or thousand in foreign currency

Company	Date of Establishment	Address	Paid-in capital	Main business or product lines
Sense Pad TECHCO., LTD.	2007.02.15.	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	USD 750	General investment
Htc & Solartech Service (Samoa) Corporation	2011.10.31.	Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, PO Box 1868, Apia, Samoa	USD11,631	General investment
Galloptech International Company Limited.	2008.01.07.	Unit B1, 2/F., Morlite Building 40 Hung To Road, Kwun Tong, Kowloon, Hong Kong.	HKD3,948	Sale of semiconductor equipment, electromechanical equipment and optical equipment, and after-sale service
Finemat (Shanghai) Applied Materials Co., Ltd.	2016.08.08.	Room A3069, Apt. 10, No. 1088, Fanghe Rd., Minhang Dist., Shanghai City	CNY3,000	Sale of electronic components and parts, general instruments and electronic materials
Solar Applied Materials Technology (Shanghai) CO., LTD.	2012.05.09.	Room 201, Apt. 4, No. 51, Chengyin Rd., Baoshan Dist., Shanghai City	USD1,000	Precision cleaning and regeneration; Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials
FineMat (HuangShi) Applied Materials Co., Ltd.	2017.10.12.	No. 116, East Pengcheng Avenue, Economic-Technological Development Area, Huangshi City, Hubei Province	USD12,575	Precision cleaning and regeneration; Production of other metal products, electronic components and parts, computers and peripheral devices, and sale of electronic materials
ELAN Microelectronics Corp.	2002.12.31	No. 31, Lane 598, Zhongzheng Rd., Neighborhood 11, Xinhua Vil., Toufen City, Miaoli County	NTD341,000	Production and sale of microwave and semiconductor components and parts
Etch Home Technology Co., Ltd.	2010.11.24.	No. 196, Changrong Rd., Zhangxin Vil., Luzhu Dist., Taoyuan City	NTD47,000	Production and sale of electronic components and communication machine & equipment, wholesale and retail of electronic materials, telecommunications equipment and machine & equipment
Etch Home Technology Co., Ltd. (Vietnam)	2020.08.21.	Heping Province, Liangshan County, Heshanshe, No. 6 National Road, km36, Liangshan Industrial Park	USD4,680	Production and sale of electronic components and parts, communication machine & equipment, and other metal products

Note 1: USD exchange rate on the reporting date: 30.71

Note 2: HKD exchange rate on the reporting date: 3.94

Note 3: CNY exchange rate on the reporting date: 4.41

(III) Information about the same shareholder presumed to have control and affiliation: None.

(IV) Overall Relationship Between the Industries Covered by the Business Operations of the Affiliated Companies: production of the metal masks, pad printing molds and spare parts of LED TVs, NBs, mobile phones, semiconductors, contact lenses, medical parts and thermal modules, etc. requiring precision etching, spare parts cleaning and regeneration services, and microwave and semiconductor



parts.

(V) Names of directors, supervisors and presidents of the affiliated companies, and their shareholdings in or capital contribution to the affiliated companies:

December 31, 2023

Company	Title	Name or representative	Shares held	
			Number of shares (share)	Shareholding %
Sense Pad TECH CO., LTD.	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	7,580,000	100.00
Htc & Solartech Service (Samoa) Corporation	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	8,575,900	73.73
ELAN Microelectronics Corp.	Chairman	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	12,736,987	37.35
	Director-cum-President	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chen Han-Ying		
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Li Fan-Chun		
Galloptech International Company Limited.	Director	Representative of Sense Pad TECH CO., LTD.: Chao Ching-Hsiao	1,934,400	49.00
Finemat (Shanghai) Applied Materials Co., Ltd.	Executive Director	Representative of Sense Pad TECH CO., LTD.: Chao Ching-Hsiao	(Note)	100.00
	Supervisor	Representative of Sense Pad TECH CO., LTD.: Tsai Tsung-Hung		
Solar Applied Materials Technology (Shanghai) CO., LTD.	Executive Director-cum-President	Representative of Htc & Solartech Service(Samoa)Corporation: Ni Hui-Min	(Note)	100.00
	Supervisor	Representative of Htc & Solartech Service (Samoa)Corporation: Li Wei-Cheng		
FineMat (HuangShi) Applied Materials Co., Ltd.	Executive Director-cum-President	Representative of Htc & Solartech Service (Samoa)Corporation: Ni Hui-Min	(Note)	100.00
	Supervisor	Representative of Htc & Solartech Service (Samoa)Corporation: Li Wei-Cheng		
Etch Home Technology Co., Ltd. Etch Home Technology Co., Ltd.	Chairman	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Chao Ching-Hsiao	4,268,000	90.81
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Li Fan-Chun		
	Director	Representative of FINEMAT APPLIED MATERIALS CO., LTD.: Lai, Yuan-Jhang		
Etch Home Technology Co., Ltd. (Vietnam)	Executive Director	Representative of Etch Home Technology Co., Ltd.: Chao Ching-Hsiao	4,680,000	100.00

Note: No information about shares is available, since it is a limited company.

## (VI) Overview of operations of affiliated companies

December 31, 2022

Unit: NTD thousand

Company	Capital (Note 1)	Total assets (Note 2)	Total liabilities (Note 2)	Net worth (Note 2)	Operating revenue (Note 2)	Operating income (Note 2)	Current income (after tax) (Note 2)	Earnings per share (EPS) (after tax/NTD)
Sense Pad TECH CO., LTD.	23,026	53,027	0	53,027	0	(70)	5,707	0.75
Htc & Solartech Service (Samoa) Corporation	357,138	501,168	0	501,168	0	(72)	45,549	4.19
Galloptech International Company Limited.	15,516	30,361	7,759	22,602	53,780	19,613	4,677	1.20
Finemat (Shanghai) Applied Materials Co., Ltd.	12,981	104,871	62,995	41,876	175,412	3,442	3,356	(Note 3)
Solar Applied Materials Technology (Shanghai) CO., LTD.	27,071	170,442	1,563	168,879	20,386	(4,272)	59,111	(Note 3)
FineMat (HuangShi) Applied Materials Co., Ltd.	366,094	521,343	192,022	329,322	88,250	(35,431)	(32,096)	(Note 3)
ELAN Microelectronics Corp.	341,000	1,094,299	86,012	1,008,287	411,448	100,142	86,771	2.80
Etch Home Technology Co., Ltd.	47,000	157,047	116,412	40,636	85,076	(4,929)	(46,128)	(9.81)
Etch Home Technology Co., Ltd. (Vietnam)	135,536	168,034	104,631	63,403	27,605	(32,230)	(40,411)	(Note 3)

Note 1: If the affiliated company is a foreign company, its capital is converted into NTD at the historical exchange rate.

Note 2: If the affiliated company is a foreign company, the total assets and liabilities of it are presented in NTD converted at the foreign exchange rate prevailing on the reporting date. The operating revenue, operating income and current income are presented at NTD converted at the average foreign exchange rate in the current year.

Note 3: N/A, as it is a limited company.

(VII) Consolidated financial statements of affiliated companies: Please refer to Page 112.

(VIII) Affiliation Report: N/A.

- II. Private placement of securities during the most recent year and up to the date of publication of the annual report: None.
- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent and up to the date of publication of the annual report: None.
- IV. Other Supplementary Notes: None.
- V. Any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year up till the date of publication of the annual report that significantly impacted shareholders' equity or security price: None.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. and its subsidiaries (collectively referred herein as the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

### **Basis for opinion**

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

## **Key audit matters**

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

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

### **Existence of sales revenue**

#### Description

Refer to Note 4(28) for the accounting policy on revenue recognition and Note 6(21) for the details of operating revenue.

The Group sells electronic components, high precision metal masks, other metal products, microwave semiconductor devices, provide services for precision equipment clearing and recycling. Since the Group's customers are located in Taiwan, Asia and other areas, sales are easily affected by the terminal market demand. Also, the verification of the transaction existence takes a relatively longer time due to the massive transaction volume of sales revenue. Thus, we considered the existence of sales revenue as one of the key audit matters for this year's audit.

#### How our audit addressed the matter

We performed the following audit procedures in response of the above key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.

C. We sampled and tested the accounting entries recognized for sales revenue, including verifying the nature of the entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

### **Valuation of inventories - Allowance for valuation loss on microwave semiconductor devices**

#### Description

Refer to Note 4(11) for the accounting policy on inventory valuation, Note 5(2) for the information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses.

Due to rapid technology innovations of microwave semiconductor devices, there is a higher risk of inventory devaluation or obsolescence. Inventories of microwave semiconductor devices are stated at the lower of cost and net realizable value. The net realizable value of inventories aged over a certain period and individually recognized as obsolete is estimated based on regular reviews by management of individual inventory conditions.

Due to rapid technology innovations in the relevant industry of products produced by microwave semiconductor devices and given that the determination of the net realizable value of individually identified obsolete inventories involves subjective judgement, we considered the valuation of inventories as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding on the provision policies of inventory valuation losses and assessed the reasonableness of policies and procedures which were adopted in the provision of allowance for inventory valuation losses based on the accounting principles and our understanding of the nature of the business and the industry on microwave semiconductor devices, including the sources of inventory information used to determine net realizable value and the reasonableness of judging obsolete inventories.

- B. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
- C. Verified whether the net realizable value of inventories and the dates used in the inventory aging reports that were applied to value inventories were appropriate, and selected samples from inventory items by each sequence number to recalculate its net realizable value to ascertain the reasonableness of allowance for inventory valuation loss.

### **Other matter - Parent company only financial statements**

We have audited and expressed an unqualified opinion on the parent company only financial statements of FINEMAT APPLIED MATERIALS CO., LTD. as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' responsibilities for the audit of the consolidated financial statements**

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. 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 Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2024

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 601,688	19	\$ 565,971	18
1136	Financial assets at amortized cost - current	6(2) and 8	326,749	10	10,836	-
1140	Current contract assets	6(21)	32,242	1	17,866	1
1150	Notes receivable, net	6(3) and 7	4,073	-	3,128	-
1170	Accounts receivable, net	5(2), 6(3), 7 and 12	271,863	9	396,077	13
1200	Other receivables		136,510	4	5,160	-
1210	Other receivables - related parties	7	267	-	59,033	2
1220	Current income tax assets	6(28)	319	-	122	-
130X	Inventories	5(2), 6(5) and 8	244,710	8	281,392	9
1410	Prepayments		29,147	1	43,235	1
11XX	<b>Total current assets</b>		<u>1,647,568</u>	<u>52</u>	<u>1,382,820</u>	<u>44</u>
<b>Non-current assets</b>						
1535	Financial assets at amortized cost - non-current	6(2) and 8	50,000	2	4,700	-
1550	Investments accounted for under equity method	6(7) and 7	11,074	-	149,782	5
1600	Property, plant and equipment	6(8), 7 and 8	1,166,213	37	1,350,136	43
1755	Right-of-use assets	6(9) and 8	63,711	2	64,493	2
1760	Investment property, net	6(8)(10) and 8	21,545	1	584	-
1780	Intangible assets	6(11)	57,557	2	65,964	2
1840	Deferred income tax assets	6(28)	63,660	2	45,100	2
1915	Prepayments for equipment	6(8)	13,559	-	21,660	1
1920	Guarantee deposits paid	8	24,314	1	24,251	1
1990	Other non-current assets	6(6)(12)	45,489	1	5,146	-
15XX	<b>Total non-current assets</b>		<u>1,517,122</u>	<u>48</u>	<u>1,731,816</u>	<u>56</u>
1XXX	<b>Total assets</b>		<u>\$ 3,164,690</u>	<u>100</u>	<u>\$ 3,114,636</u>	<u>100</u>

(Continued)

**FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13) and 8	\$ 514,095	16	\$ 510,617	16
2110	Short-term notes and bills payable	6(14)	50,000	2	-	-
2130	Current contract liabilities	6(21)	6,464	-	6,142	-
2150	Notes payable		-	-	34	-
2170	Accounts payable		143,441	5	117,477	4
2180	Accounts payable - related parties	7	3,750	-	54,034	2
2200	Other payables	6(15)	127,789	4	151,566	5
2220	Other payables - related parties	7	24	-	273	-
2230	Current income tax liabilities	6(28)	6,664	-	19,030	1
2250	Current provisions		917	-	859	-
2280	Current lease liabilities		3,536	-	3,162	-
2320	Long-term liabilities, current portion	6(16) and 8	157,817	5	126,658	4
21XX	<b>Total current liabilities</b>		<u>1,014,497</u>	<u>32</u>	<u>989,852</u>	<u>32</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(16) and 8	104,792	4	259,579	8
2570	Deferred income tax liabilities	6(28)	27,895	1	23,500	1
2580	Non-current lease liabilities		3,018	-	1,658	-
2600	Other non-current liabilities		9,462	-	-	-
25XX	<b>Total non-current liabilities</b>		<u>145,167</u>	<u>5</u>	<u>284,737</u>	<u>9</u>
2XXX	<b>Total liabilities</b>		<u>1,159,664</u>	<u>37</u>	<u>1,274,589</u>	<u>41</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Common stock	6(18)	663,898	21	663,898	21
Capital reserves						
3200	Capital surplus	6(7)(19)(30)	526,972	16	503,465	16
Retained earnings						
3310	Legal reserve	6(20)(30)	41,495	1	41,495	1
3320	Special reserve		10,808	-	16,526	1
3350	Unappropriated retained earnings		14,083	1	93,936	3
3400	Other equity interest	6(7)	( 18,003)	-	( 10,808)	-
3500	Treasury stocks	6(18)	( 24,187)	( 1)	( 24,187)	( 1)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,215,066</u>	<u>38</u>	<u>1,284,325</u>	<u>41</u>
36XX	Non-controlling interest	4(3), 6(7)(30) and 7	789,960	25	555,722	18
3XXX	<b>Total equity</b>		<u>2,005,026</u>	<u>63</u>	<u>1,840,047</u>	<u>59</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
		9				
	<b>Total liabilities and equity</b>		<u>\$ 3,164,690</u>	<u>100</u>	<u>\$ 3,114,636</u>	<u>100</u>

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

**FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(10)(21) and 7	\$ 1,121,229	100	\$ 1,250,628	100
5000	Operating costs	6(5)(11)(17)(26)(27) and 7	( 914,043)	( 82)	( 929,447)	( 74)
5900	Gross profit		<u>207,186</u>	<u>18</u>	<u>321,181</u>	<u>26</u>
	Operating expenses	6(11)(17)(26)(27), 7 and 12				
6100	Selling expenses		( 35,769)	( 3)	( 55,341)	( 5)
6200	General and administrative expenses		( 174,923)	( 16)	( 163,749)	( 13)
6300	Research and development expenses		( 80,562)	( 7)	( 79,164)	( 6)
6450	Expected credit impairment loss		( 5,648)	-	( 1,195)	-
6000	Total operating expenses		( 296,902)	( 26)	( 299,449)	( 24)
6900	Operating (loss) profit		( 89,716)	( 8)	( 21,732)	( 2)
	Non-operating income and expenses					
7100	Interest income	6(22)	6,756	1	2,569	-
7010	Other income	6(23) and 7	40,147	3	47,436	4
7020	Other gains and losses	6(6)(7)(9)(10)(24), 7 and 12	65,542	6	6,900	-
7050	Finance costs	6(9)(25)	( 25,908)	( 2)	( 16,529)	( 1)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 7,909)	( 1)	( 14,738)	( 1)
7000	Total non-operating income and expenses		<u>78,628</u>	<u>7</u>	<u>25,638</u>	<u>2</u>
7900	<b>(Loss) profit before income tax</b>		( 11,088)	( 1)	47,370	4
7950	Income tax expense	6(28)	( 17,726)	( 1)	( 24,661)	( 2)
8200	<b>(Loss) profit for the year</b>		<u>( \$ 28,814)</u>	<u>( 2)</u>	<u>\$ 22,709</u>	<u>2</u>
	<b>Other comprehensive (loss) income (Net)</b>					
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( \$ 37,363)	( 3)	\$ 35,224	2
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method - will be reclassified to profit or loss	6(7)	25,415	2	( 26,154)	( 2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>2,185</u>	<u>-</u>	<u>( 1,578)</u>	<u>-</u>
8300	<b>Other comprehensive (loss) income for the year</b>		<u>( \$ 9,763)</u>	<u>( 1)</u>	<u>\$ 7,492</u>	<u>-</u>
8500	<b>Total comprehensive (loss) income for the year</b>		<u>( \$ 38,577)</u>	<u>( 3)</u>	<u>\$ 30,201</u>	<u>2</u>
	(Loss) profit attributable to:					
8610	Owners of the parent		( \$ 85,571)	( 7)	( \$ 36,049)	( 3)
8620	Non-controlling interest		<u>56,757</u>	<u>5</u>	<u>58,758</u>	<u>5</u>
	(Loss) profit for the year		<u>( \$ 28,814)</u>	<u>( 2)</u>	<u>\$ 22,709</u>	<u>2</u>
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		( \$ 92,766)	( 8)	( \$ 30,332)	( 3)
8720	Non-controlling interest		<u>54,189</u>	<u>5</u>	<u>60,533</u>	<u>5</u>
	Total comprehensive (loss) income for the year		<u>( \$ 38,577)</u>	<u>( 3)</u>	<u>\$ 30,201</u>	<u>2</u>
	Loss per share (in dollars)	6(29)				
9750	Basic		( \$ 1.30)		( \$ 0.55)	
9850	Diluted		( \$ 1.30)		( \$ 0.55)	

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							Total			
		Retained Earnings				Other Equity						
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial interest statements translation differences of foreign operations	Treasury shares		Non-controlling interest		
Year ended December 31, 2022												
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 485,587	\$ 1,698,992	
(Loss) profit for the year		-	-	-	-	(36,049)	-	-	(36,049)	38,758	22,709	
Other comprehensive income (loss) for the year		-	-	-	-	-	5,717	-	5,717	1,775	7,492	
Total comprehensive income (loss) for the year		-	-	-	-	(36,049)	5,717	-	(30,332)	60,533	30,201	
Adjustment of capital reserve due to change in interest of investee companies	6(7)(9)	-	95,778	-	-	-	-	-	95,778	34,126	129,904	
Adjustment for change in capital reserve of investee companies	6(19)	-	274	-	-	-	-	-	274	390	664	
Adjustment of retained earnings due to change in interest of subsidiaries	6(30)	-	-	-	-	(4,449)	-	-	(4,449)	4,449	-	
Adjustment of capital reserve and retained earnings due to change in interests of investee companies	6(19)(30)	-	(2,070)	-	-	(1,063)	-	-	(3,133)	(317)	(3,450)	
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(19)(30)	-	12,782	-	-	-	-	-	12,782	(2,695)	10,087	
Appropriations of 2021 earnings		-	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	2,609	-	(2,609)	-	-	-	-	-	
Special reserve		-	-	-	2,544	(2,544)	-	-	-	-	-	
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	(26,351)	(26,351)	
Balance at December 31, 2022		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 555,722	\$ 1,840,047	
Year ended December 31, 2023												
Balance at January 1, 2023		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 555,722	\$ 1,840,047	
(Loss) profit for the year		-	-	-	-	(85,571)	-	-	(85,571)	56,757	(28,814)	
Other comprehensive loss for the year		-	-	-	-	-	(7,195)	-	(7,195)	(2,568)	(9,763)	
Total comprehensive income (loss) for the year		-	-	-	-	(85,571)	(7,195)	-	(92,766)	54,189	(38,577)	
Adjustment for change in capital reserve of investee companies	6(19)	-	325	-	-	-	-	-	325	465	790	
Disposal of investments accounted for under equity method	6(7)(19)	-	(95,778)	-	-	-	-	-	(95,778)	(34,126)	(129,904)	
Adjustment of capital reserve due to change in interest of subsidiaries	6(19)(30)	-	118,960	-	-	-	-	-	118,960	276,717	395,677	
Appropriation of 2022 earnings		-	-	-	-	-	-	-	-	-	-	
Special reserve		-	-	-	(5,718)	5,718	-	-	-	-	-	
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	(63,007)	(63,007)	
Balance at December 31, 2023		\$ 663,898	\$ 526,972	\$ 41,495	\$ 10,808	\$ 14,085	(\$ 18,003)	(\$ 24,187)	\$ 1,215,066	\$ 789,980	\$ 2,005,026	

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		(\$ 11,088 )	\$ 47,370
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	5,648	1,195
Loss on inventory market price decline	6(5)	18,251	4,051
Gain on disposal of non-current assets held for sale	6(6)(24)	( 1,266 )	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	7,909	14,738
Gain on disposal of investments accounted for under equity method	6(7)(24)	( 81,111 )	-
Depreciation	6(8)(9)(10)	118,474	113,333
Loss (gain) on disposal of property, plant and equipment	6(24)	10,789	( 548 )
Gain from lease modification	6(9)(24)	( 38 )	-
Amortization	6(11)(26)	11,985	11,895
Interest income	6(22)	( 6,756 )	( 2,569 )
Interest expense	6(25)	25,908	16,529
Changes in assets and liabilities			
Changes in operating assets			
Current contract assets		( 14,376 )	552
Notes receivable		( 945 )	1,538
Accounts receivable		118,700	( 97,241 )
Other receivables		24,686	606
Other receivables - related parties		14,621	( 59,033 )
Inventories		19,364	( 118,701 )
Prepayments		14,088	( 13,098 )
Changes in operating liabilities			
Current contract liabilities		322	5,612
Notes payable		( 34 )	( 7,896 )
Accounts payable		25,964	20,766
Accounts payable - related parties		( 50,284 )	44,459
Other payables		( 10,495 )	24,808
Other payables - related parties		( 249 )	171
Current provisions		58	347
Other non-current liabilities		9,462	-
Cash inflow generated from operations		249,587	8,884
Dividends received	6(7)	2,350	-
Interest received		6,756	2,569
Income tax received		12	-
Interest paid		( 26,876 )	( 12,569 )
Income tax paid		( 42,281 )	( 36,987 )
Net cash flows from (used in) operating activities		189,548	( 38,103 )

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost - current		(\$ 361,213 )	\$ 47,592
Cash received from disposal of non-current assets held for sale	6(31)	15,987	-
Cash received from disposal of investments accounted for under equity method	6(31)	63,570	-
Cash paid for acquisition of property, plant and equipment	6(31)	( 68,446 )	( 144,208 )
Proceeds from disposal of property, plant and equipment		5,479	15,163
Acquisition of intangible assets	6(11)	( 3,604 )	( 3,251 )
Increase in prepayments for equipment		( 11,050 )	( 18,747 )
(Increase) decrease in guarantee deposits paid		( 117 )	5,761
(Increase) decrease in other non-current assets		( 8,563 )	706
Net cash flows used in investing activities		( 367,957 )	( 96,984 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(32)	1,863,693	1,619,302
Decrease in short-term borrowings	6(32)	( 1,860,612 )	( 1,310,240 )
Increase in short-term notes and bills payable	6(32)	270,000	-
Decrease in short-term notes and bills payable	6(32)	( 220,000 )	-
Decrease in other payables	6(32)	( 14,867 )	-
Decrease in other payables - related parties	6(32)	-	( 14,484 )
Payments of lease liabilities	6(32)	( 4,576 )	( 3,647 )
Increase in long-term borrowings	6(32)	7,000	115,704
Decrease in long-term borrowings	6(32)	( 128,722 )	( 170,024 )
Increase (decrease) in non-controlling interests	6(30)	333,460	( 26,351 )
Net cash flows from financing activities		245,376	210,260
Effect of exchange rate changes on cash and cash equivalents		( 31,250 )	39,721
Net increase in cash and cash equivalents		35,717	114,894
Cash and cash equivalents at beginning of year	6(1)	565,971	451,077
Cash and cash equivalents at end of year	6(1)	<u>\$ 601,688</u>	<u>\$ 565,971</u>

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



FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

(1) FineMat Applied Materials Co., Ltd. (the “Company”) was incorporated on May 25, 2007 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other relevant regulations. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture of electronic components and computers and its peripherals, duplication of data storage media, wholesale of electronic materials, secondary processing of steel materials, and other metal products, microwave and semiconductor devices and provide services for precision equipment clearing and recycling.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since November 25, 2019.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 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<sup>®</sup>”) 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:

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- 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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between company within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
FineMat Applied Materials Co., Ltd. ("FineMat")	Sense Pad TECH. CO., LTD. ("Sense Pad")	Professional investment	100.00	100.00	-
FineMat Applied Materials Co., Ltd. ("FineMat")	HTC & Solartech Service (Samoa) Corporation ("HTC")	Professional investment	73.73	73.73	-
FineMat Applied Materials Co., Ltd. ("FineMat")	WAVE POWER TECHNOLOGY INC. ("WAVE POWER")	Manufacture and sales of microwaves and semiconductor components	37.35	41.09	Note
FineMat Applied Materials Co., Ltd. ("FineMat")	ETCH HOME TECHNOLOGY CO., LTD. ("ETCH HOME")	Manufacture and sales of electronic components and communication equipment and apparatus, and wholesale and retail of electronic materials, telecommunication apparatus and machinery and tools	90.81	90.81	-
Sense Pad TECH. CO., LTD. ("Sense Pad")	FineMat (Shanghai) Applied Material ("FineMat (Shanghai)")	Sales of electronic components, general instrument and electronic materials	100.00	100.00	-

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
HTC & Solartech Service (Samoa) Corporation (“HTC”)	Solar Applied Materials Technology (Shanghai) Co., Ltd. (“Solar (Shanghai)”)	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials, precision equipment clearing and recycling	100.00	100.00	-
HTC & Solartech Service (Samoa) Corporation (“HTC”)	FineMat (HuangShi) Applied Material (“FineMat (HuangShi)”)	Manufacture of other metal products, electronic components, computers and its peripherals, and sales of electronic materials, precision equipment clearing and recycling	100.00	100.00	-
ETCH HOME TECHNOLOGY CO., LTD. (“ETCH HOME”)	VN ETCH HOME TECHNOLOGY COMPANY LTD (“VN ETCH HOME”)	Manufacture and sales of electronic components and communication equipment and apparatus, and wholesale and retail of electronic materials, telecommunication apparatus and machinery and tools	100.00	100.00	-

(Note) In August 2023, the subsidiary, WAVE POWER, increased its capital. The Group did not acquire shares proportionally to its interest, which decreased the Group’s ownership percentage in WAVE POWER from 41.09% to 37.35%. The Group still has control over WAVE POWER and accordingly, WAVE POWER was included in the consolidated financial statements.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

(a) As of December 31, 2023 and 2022, the non-controlling interest of the Group amounted to \$789,960 and \$555,722, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal location of business	Non-controlling interest		Description
		December 31, 2023	Ownership (%)	
WAVE POWER	Taiwan	\$ 652,502	62.65%	(Note)
Htc and its subsidiaries	Samoa	132,746	26.27%	—
ETCH HOME and its subsidiaries	Taiwan	4,712	9.19%	—
		<u>\$ 789,960</u>		

Name of subsidiary	Principal location of business	Non-controlling interest		Description
		December 31, 2022	Ownership (%)	
WAVE POWER	Taiwan	\$ 389,277	58.91%	(Note)
Htc and its subsidiaries	Samoa	157,333	26.27%	—
ETCH HOME and its subsidiaries	Taiwan	9,112	9.19%	—
		<u>\$ 555,722</u>		

(Note) Refer to Note 4(3) B, ‘Subsidiaries included in the consolidated financial statements’ (Note).

(b) Summarized financial information of the subsidiaries:

WAVE POWER TECHNOLOGY INC.

I. Balance sheets

	December 31, 2023	December 31, 2022
Current assets	\$ 818,654	\$ 529,375
Non-current assets	275,645	222,041
Current liabilities	( 83,952)	( 119,417)
Non-current liabilities	( 2,060)	-
Total net assets	<u>\$ 1,008,287</u>	<u>\$ 631,999</u>

## II. Statements of comprehensive income

	For the years ended December 31,	
	2023	2022
Revenue	\$ 411,448	\$ 437,189
Profit before income tax	105,211	142,640
Income tax expense	( 18,440)	( 28,878)
Net income	\$ 86,771	\$ 113,762
Total comprehensive income	\$ 86,771	\$ 113,762
Comprehensive income attributable to non-controlling interest	\$ 49,049	\$ 62,987
Dividends paid to non-controlling interest	\$ 63,007	\$ 44,782

## III. Statements of cash flows

	For the years ended December 31,	
	2023	2022
Net cash provided by operating activities	\$ 160,134	\$ 21,313
Net cash (used in) provided by investing activities	( 384,423)	31,623
Net cash provided by (used in) financing activities	287,919	( 77,588)
Increase (decrease) in cash and cash equivalents	63,630	( 24,652)
Cash and cash equivalents at beginning of year	197,871	222,523
Cash and cash equivalents at end of year	\$ 261,501	\$ 197,871

Htc & Solartech Service (Samoa) Corporation and its subsidiaries

### I. Balance sheets

	December 31, 2023	December 31, 2022
Current assets	\$ 260,806	\$ 226,159
Non-current assets	334,412	552,168
Current liabilities	( 84,929)	( 121,274)
Non-current liabilities	( 9,120)	( 58,146)
Total net assets	\$ 501,169	\$ 598,907

## II. Statements of comprehensive income

	For the years ended December 31,	
	2023	2022
Revenue	\$ 91,173	\$ 128,089
Profit (loss) before income tax	50,107	( 1,290)
Income tax expense	( 8,704)	( 1,693)
Net income (loss)	41,403	( 2,983)
Other comprehensive (loss) income, net of tax	( 9,237)	6,556
Total comprehensive income	\$ 32,166	\$ 3,573
Comprehensive income attributable to non-controlling interest	\$ 9,541	\$ 939
Dividends paid to non-controlling interest	\$ -	\$ -

## III. Statements of cash flows

	For the years ended December 31,	
	2023	2022
Net cash (used in) provided by operating activities	(\$ 57,054)	\$ 1,949
Net cash provided by (used in) investing activities	45,309	( 17,893)
Net cash (used in) provided by financing activities	( 35,051)	81,193
(Decrease) increase in cash and cash equivalents	( 46,796)	65,249
Cash and cash equivalents at beginning of year	126,921	61,672
Cash and cash equivalents at end of year	\$ 80,125	\$ 126,921

ETCH HOME TECHNOLOGY CO., LTD., and its subsidiaries

## I. Balance sheets

	December 31, 2023	December 31, 2022
Current assets	\$ 90,789	\$ 164,987
Non-current assets	168,917	180,500
Current liabilities	( 203,012)	( 223,679)
Non-current liabilities	( 16,059)	( 33,501)
Total net assets	\$ 40,635	\$ 88,307



## II. Statements of comprehensive income

	For the years ended December 31,	
	2023	2022
Revenue	\$ 112,410	\$ 130,926
Loss before income tax	(\$ 59,346)	(\$ 40,760)
Income tax benefit	13,217	6,445
Net loss	( 46,129)	( 34,315)
Other comprehensive (loss) income, net of tax	( 1,544)	595
Total comprehensive loss	(\$ 47,673)	(\$ 33,720)
Comprehensive loss attributable to non-controlling interest	(\$ 4,401)	(\$ 3,931)
Dividends paid to non-controlling interest	\$ -	\$ -

## III. Statements of cash flows

	For the years ended December 31,	
	2023	2022
Net cash (used in) provided by operating activities	(\$ 67,097)	\$ 64,252
Net cash used in investing activities	( 8,560)	( 165,805)
Net cash provided by financing activities	24,080	163,351
(Decrease) increase in cash and cash equivalents	( 51,577)	61,798
Cash and cash equivalents at beginning of year	80,255	18,457
Cash and cash equivalents at end of year	\$ 28,678	\$ 80,255

### (4) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized 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 recognized 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 recognized 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 recognized 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 other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - I. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - II. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - III. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

#### (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, 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 realized within 12 months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 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 12 months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets at amortized cost

Financial assets at amortized cost are those that meet all of the following criteria:

- A. The objective of the Group's business model is achieved by collecting contractual cash flow.
- B. The assets' contractual cash flow represent solely payments of principal and interest.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the cost of inventory is lower than net realized value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

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

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

(13) Investments accounted for using the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital reserves' in proportion to its ownership.

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

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

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset name</u>	<u>Useful lives</u>
Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 15 years
Instruments and equipment	2 ~ 10 years
Transportation equipment	3 ~ 15 years
Office equipment	2 ~ 30 years
Other equipment	2 ~ 12 years

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

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

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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; and
  - (c) Any initial direct costs incurred by the lessee.

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 recognized as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 15 ~ 50 years.

(17) Intangible assets

A. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 ~ 10 years.

B. Goodwill

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

C. Other intangible assets

Expertise and customer relation acquired in business combination are recognized at fair value at the acquisition date and are amortized on a straight-line basis over their estimated lives of 7~ 17 year.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 amortized historical cost would have been if the impairment had not been recognized.

(19) Borrowings

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

(20) Notes and accounts payable

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

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Provisions

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

(24) Employee benefits

A. Short-term employee benefits

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

## B. Pensions

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

## C. Employees' compensation and directors' remuneration

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

## (25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.



- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the unused tax losses to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion 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 Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price, net of the estimated sales taxes, returns and discounts. For collection terms for sales transactions, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

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

B. Sales of service

(a) The Group provides equipment cleaning services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual costs performed to the end of the reporting period relative to the total estimated service costs.

(b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(29) Government grants

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

(30) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions

A. Valuation of accounts receivable

- (a) The Group considers customers' characteristics, incorporates the forecast ability, historical collection experience and economic situation, financial condition of the region where the customer is located, and applies under the simplified approach using a provision matrix to estimate the expected credit losses. Since the amount of impairment loss is measured and calculated based on the loss rates established for that assets, significant impairment losses may incur if the future expected credit losses are greater than expected.
- (b) As of December 31, 2023, the carrying amount of accounts receivable (including related parties) amounted to \$ 271,863.

B. Evaluation of inventories

- (a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable 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.
- (b) As of December 31, 2023, the carrying amount of inventories amounted to \$ 244,710.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand	\$ 649	\$ 738
Demand deposits	<u>533,734</u>	<u>547,605</u>
	<u>534,383</u>	<u>\$ 548,343</u>
Cash Equivalents:		
Time deposits	<u>67,305</u>	<u>17,628</u>
	<u>\$ 601,688</u>	<u>\$ 565,971</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of December 31, 2023 and 2022, the Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits with a maturity of over three months	\$ 320,000	\$ -
Pledged time deposits	<u>6,749</u>	<u>10,836</u>
	<u>326,749</u>	<u>\$ 10,836</u>
Non-current items:		
Pledged time deposits	<u>\$ 50,000</u>	<u>\$ 4,700</u>

- A. 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 amortized cost held by the Group was the book value.
- B. Details of the Group's financial assets at amortized cost pledged to others as collateral as of December 31, 2023 and 2022 are provided in Note 8, 'Pledged assets'.
- C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instrument'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 4,073</u>	<u>\$ 3,128</u>
Accounts receivable	\$ 280,416	\$ 399,116
Less: Allowance for doubtful accounts	<u>( 8,553)</u>	<u>( 3,039)</u>
	<u>\$ 271,863</u>	<u>\$ 396,077</u>

- A. As of December 31, 2023 and 2022, the Group's notes receivable were not past due.
- B. The ageing analysis of the Group's notes and accounts receivable is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 253,748	\$ 372,186
Up to 30 days	3,725	15,991
31 to 90 days	10,898	8,679
91 to 180 days	4,590	435
Over 181 days	<u>7,455</u>	<u>1,825</u>
	<u>\$ 280,416</u>	<u>\$ 399,116</u>

The above ageing analysis was based on past due date.

- C. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$ 306,541.

D. As of December 31, 2023 and 2022, the Group did not hold any collateral as security for notes receivable and accounts receivable.

E. As of December 31, 2023 and 2022, the Group has no accounts and notes receivable pledged to others.

F. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Receivables from disposal of non-current assets held for sale	\$ 69,512	\$ -
Receivables from disposal of investments accounted for under equity method	42,379	-
Receivables from technical service	21,632	-
Business tax refund receivable	1,928	3,186
Others	1,059	1,974
	<u>\$ 136,510</u>	<u>\$ 5,160</u>

(5) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Merchandise	\$ 8,765	(\$ 57)	\$ 8,708
Raw materials	179,746	( 37,422)	142,324
Supplies	2,757	( 742)	2,015
Work in progress	52,622	( 2,438)	50,184
Finished goods	45,525	( 4,046)	41,479
	<u>\$ 289,415</u>	<u>(\$ 44,705)</u>	<u>\$ 244,710</u>
	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Merchandise	\$ 12,169	(\$ 57)	\$ 12,112
Raw materials	186,681	( 20,395)	166,286
Supplies	2,943	( 508)	2,435
Work in progress	55,041	( 1,060)	53,981
Finished goods	51,012	( 4,434)	46,578
	<u>\$ 307,846</u>	<u>(\$ 26,454)</u>	<u>\$ 281,392</u>

The cost of inventories recognized as expense for the year:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 905,107	\$ 930,020
Allowance for inventory market price decline	18,251	4,051
Loss on discarding of inventory	77	-
Underapplied fixed manufacturing overhead	-	1,184
Revenue from sales of scraps	( 9,392)	( 5,808)
	<u>\$ 914,043</u>	<u>\$ 929,447</u>

(6) Non-current assets held for sale, net

A. In August 2023, the Board of Directors of the Group resolved to dispose coating production line and etching production line equipment of the subsidiary, FineMat (HuangShi) Applied Materials Co., Ltd., to Huangshi Quanyang Photoelectric Technology Co., Ltd.. Assets related to the aforementioned transactions were classified as non-current assets held for sale in August 2023. The abovementioned transaction was completed in December 2023, and the related gain on disposal of \$1,266 was recognized (listed as “Other gains and losses”). The proceeds from disposal amounted to \$117,279, of which \$101,292 has not yet been collected as of December 31, 2023 (listed as “Other receivables” and “Other non-current assets”).

B. Movements in non-current assets held for sale were as follows:

<u>Machinery and office equipment</u>	<u>For the year ended December 31, 2023</u>
At January 1	\$ -
Transfers from property, plant and equipment	115,973
Disposal of non-current assets held for sale	( 116,013)
Net currency exchange differences	<u>40</u>
At December 31	<u>\$ -</u>

There was no such situation as of December 31, 2022.

(7) Investments accounted for under the equity method

A. Movements in investments accounted for under equity method are as follows:

	For the years ended December 31,	
	2023	2022
At January 1	\$ 149,782	\$ 60,770
Disposal of investments accounted for under equity method (Note 1)	( 153,864)	-
Share of loss of associates and joint ventures accounted for under equity method	( 7,909)	( 14,738)
Earnings distribution of investments accounted for under equity method	( 2,350)	-
Changes in capital reserves – Adjustment of retained earnings due to change in interests of subsidiaries (Note 2)	-	129,904
Other equity interest - financial statements translation differences of foreign operations	25,415	( 26,154)
At December 31	<u>\$ 11,074</u>	<u>\$ 149,782</u>

(Note 1) On July 28, 2023, the Board of Directors of the Group resolved to sell 40.36% equity interest in Huangshi Quanyang Optoelectronics Technology Co., Ltd. held by the subsidiary, Solar Applied Materials Technology (Shanghai) Co., Ltd., to Magic Star Technology (Ningbo) Co., Ltd. for \$105,949 (RMB 24,000). The Group recognized net change in equity of associates to its ownership (listed as “Capital reserves”) and the decrease in non-controlling interest amounting to \$95,778 and \$34,126, respectively, and the related gain on disposal of investment of \$81,111 (listed as “Other gains and losses”). As of December 31, 2023, the uncollected portion of the relevant price amounted to \$42,379 (listed as "Other receivables").

(Note 2) Huangshi Quanyang Optoelectronics Technology Co., Ltd. (“Huangshi Quanyang Optoelectronics”) increased its capital for the year ended December 31, 2022. The Group did not acquire shares proportionally to its interest, which decreased the Group’s ownership percentage in Huangshi Quanyang Optoelectronics from 50.8475% to 40.36%. The Group recognized the change in the investment accounted for under equity method not proportionate to its ownership (listed as “Capital reserves”) and an increase in non-controlling interest amounting to \$95,778 and \$34,126, respectively.

B. Details of investments accounted for under equity method:

<u>Name of investee companies</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associates		
Huangshi Quanyang Optoelectronics Technology Co., Ltd. (Note)	\$ -	\$ 138,629
Galloptech International Company Limited	11,074	11,153
	<u>\$ 11,074</u>	<u>\$ 149,782</u>

(Note) The Group held a 40.36% equity interest in Huangshi Quanyang Optoelectronics. Considering the quantity and distribution of voting rights between the Group and other shareholders, evaluating the control that the Group and other shareholders have over the market operation resources in the local country and assessing the operational policy-making process, there is no specific indicator which indicates that the Group has control over the investee and the Group has no current ability to direct the relevant activities of the investee. Thus, the Group has no control, but only has significant influence, over the investee.

C. The summarized financial information of the associates that are material to the Group is as follows:

(a) Huangshi Quanyang Optoelectronics Technology Co., Ltd.

Balance sheet

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ -	\$ 281,950
Non-current assets	-	233,323
Current liabilities	-	( 109,451)
Non-current liabilities	-	-
Total net assets	<u>\$ -</u>	<u>\$ 405,822</u>
Share in associate's net assets	\$ -	\$ 163,790
Intangible assets (Note)	-	( 25,161)
Carrying amount of the associate	<u>\$ -</u>	<u>\$ 138,629</u>

(Note) In August 2022, the Group agreed to sell and transfer the intellectual property rights related to the etching technology developed by FineMat (HuangShi) to Huangshi Quanyang Optoelectronics.

Statement of comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 76,895	\$ 122,287
Loss for the year	(\$ 24,606)	(\$ 39,537)
Total comprehensive loss for the year	<u>(\$ 24,606)</u>	<u>(\$ 39,537)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

(b) Based on the Group's assessment, Galloptech International Company Limited was immaterial to the Group, and therefore the disclosure of its financial information is not required.

D. For the years ended December 31, 2023 and 2022, the share of profit (loss) of associates and joint ventures accounted for under equity method was (\$7,909) and (\$14,738), respectively, which were assessed based on the investees' financial statements audited by independent auditors for the corresponding periods.

E. As of December 31, 2023 and 2022, no investments accounted for under equity method held by the Group were pledged to others.



(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2023									
Cost	\$ 281,948	\$ 744,075	\$ 523,523	\$ 98,777	\$ 13,443	\$ 17,746	\$ 86,109	\$ 39,511	\$ 1,805,132
Accumulated depreciation	-	( 163,601)	( 188,206)	( 60,147)	( 7,616)	( 9,629)	( 24,615)	-	( 453,814)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	-	( 1,182)
	<u>\$ 281,948</u>	<u>\$ 580,474</u>	<u>\$ 334,135</u>	<u>\$ 38,630</u>	<u>\$ 5,827</u>	<u>\$ 8,117</u>	<u>\$ 61,494</u>	<u>\$ 39,511</u>	<u>\$ 1,350,136</u>
2023									
At January 1	\$ 281,948	\$ 580,474	\$ 334,135	\$ 38,630	\$ 5,827	\$ 8,117	\$ 61,494	\$ 39,511	\$ 1,350,136
Additions	-	3,317	25,693	18,322	668	545	9,643	13,242	71,430
Transfers after acceptance inspection	-	18,037	10,820	13,175	58	-	1,123	( 43,213)	-
Transfers from prepayments for equipment	-	-	10,977	4,749	927	-	2,498	-	19,151
Transfers to inventory	-	-	-	( 933)	-	-	-	-	( 933)
Reclassification (Note)	-	( 21,772)	( 115,782)	-	-	( 191)	-	-	( 137,745)
Depreciation	-	( 28,368)	( 50,118)	( 15,963)	( 2,011)	( 3,572)	( 11,624)	-	( 111,656)
Disposals—Cost	-	( 114)	( 22,213)	( 2,137)	( 1,072)	( 609)	( 11,282)	-	( 37,427)
— Accumulated depreciation	-	25	13,823	970	977	609	4,755	-	21,159
Net currency exchange differences	-	( 5,927)	( 1,677)	( 1)	( 132)	( 66)	( 38)	( 61)	( 7,902)
At December 31	<u>\$ 281,948</u>	<u>\$ 545,672</u>	<u>\$ 205,658</u>	<u>\$ 56,812</u>	<u>\$ 5,242</u>	<u>\$ 4,833</u>	<u>\$ 56,569</u>	<u>\$ 9,479</u>	<u>\$ 1,166,213</u>
December 31, 2023									
Cost	\$ 281,948	\$ 735,696	\$ 413,071	\$ 131,787	\$ 13,707	\$ 16,941	\$ 88,033	\$ 9,479	\$ 1,690,662
Accumulated depreciation	-	( 190,024)	( 206,231)	( 74,975)	( 8,465)	( 12,108)	( 31,464)	-	( 523,267)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	-	( 1,182)
	<u>\$ 281,948</u>	<u>\$ 545,672</u>	<u>\$ 205,658</u>	<u>\$ 56,812</u>	<u>\$ 5,242</u>	<u>\$ 4,833</u>	<u>\$ 56,569</u>	<u>\$ 9,479</u>	<u>\$ 1,166,213</u>

(Note) Transferred to non-current assets held for sale and investment property.

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2022									
Cost	\$ 287,034	\$ 682,520	\$ 445,609	\$ 80,737	\$ 8,937	\$ 15,509	\$ 79,583	\$ 60,934	\$ 1,660,863
Accumulated depreciation	-	( 138,741)	( 137,669)	( 48,031)	( 4,194)	( 5,817)	( 21,144)	-	( 355,596)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	-	( 1,182)
	<u>\$ 287,034</u>	<u>\$ 543,779</u>	<u>\$ 306,758</u>	<u>\$ 32,706</u>	<u>\$ 4,743</u>	<u>\$ 9,692</u>	<u>\$ 58,439</u>	<u>\$ 60,934</u>	<u>\$ 1,304,085</u>
2022									
At January 1	\$ 287,034	\$ 543,779	\$ 306,758	\$ 32,706	\$ 4,743	\$ 9,692	\$ 58,439	\$ 60,934	\$ 1,304,085
Additions	1,594	32,670	32,389	9,348	2,110	1,542	10,091	43,292	133,036
Transfers after acceptance inspection	-	26,053	41,917	4,913	867	42	414	( 74,206)	-
Transfers from prepayments for equipment	-	2,478	6,415	5,754	184	505	1,937	6,001	23,274
Transfers from inventory	-	-	-	-	-	-	-	2,215	2,215
Depreciation	-	( 25,705)	( 52,593)	( 14,095)	( 2,194)	( 3,760)	( 9,409)	-	( 107,756)
Disposals—Cost	( 6,680)	( 4,256)	( 6,940)	( 1,979)	( 190)	-	( 5,959)	-	( 26,004)
— Accumulated depreciation	-	970	2,340	1,979	158	-	5,942	-	11,389
Net currency exchange differences	-	4,485	3,849	4	149	96	39	1,275	9,897
At December 31	<u>\$ 281,948</u>	<u>\$ 580,474</u>	<u>\$ 334,135</u>	<u>\$ 38,630</u>	<u>\$ 5,827</u>	<u>\$ 8,117</u>	<u>\$ 61,494</u>	<u>\$ 39,511</u>	<u>\$ 1,350,136</u>
December 31, 2022									
Cost	\$ 281,948	\$ 744,075	\$ 523,523	\$ 98,777	\$ 13,443	\$ 17,746	\$ 86,109	\$ 39,511	\$ 1,805,132
Accumulated depreciation	-	( 163,601)	( 188,206)	( 60,147)	( 7,616)	( 9,629)	( 24,615)	-	( 453,814)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	-	( 1,182)
	<u>\$ 281,948</u>	<u>\$ 580,474</u>	<u>\$ 334,135</u>	<u>\$ 38,630</u>	<u>\$ 5,827</u>	<u>\$ 8,117</u>	<u>\$ 61,494</u>	<u>\$ 39,511</u>	<u>\$ 1,350,136</u>

- A. Property, plant and equipment of the Group were all for its own use as of December 31, 2023 and 2022.
- B. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of property, plant and equipment.
- C. For the years ended December 31, 2023 and 2022, no impairment loss was recognized as part of property, plant and equipment.
- D. Information about property, plant and equipment that were pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(9) Lease transactions – lessee

- A. The Group leases various assets including land, warehouse and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amounts:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land use rights	\$ 57,141	\$ 59,651
Transportation equipment (Business vehicles)	6,570	4,842
	<u>\$ 63,711</u>	<u>\$ 64,493</u>

Depreciation charge:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Land use rights	\$ 1,654	\$ 1,614
Buildings and structures	686	-
Transportation equipment (Business vehicles)	3,988	3,657
	<u>\$ 6,328</u>	<u>\$ 5,271</u>

- C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$10,861 and \$481, respectively.
- D. The information on income and expense 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	\$ 213	\$ 90
Expense on short-term lease contracts	5,363	11,004
Gain from lease modification	( 38)	-

- E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$10,152 and \$14,741, respectively.

F. Information about right-of-use assets that were pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, ‘Pledged assets’.

(10) Investment property, net

Movements of investment property are as follows:

	For the years ended December 31,	
	2023	2022
<u>Buildings and structures</u>		
At January 1		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	( 2,432)	( 2,126)
Accumulated impairment	( 27,438)	( 27,438)
	<u>\$ 584</u>	<u>\$ 890</u>
Net value at January 1	\$ 584	\$ 890
Transfers from property, plant and equipment	21,772	-
Depreciation	( 490)	( 306)
Net currency exchange differences	321	-
Net value at December 31	<u>\$ 22,187</u>	<u>\$ 584</u>
At December 31		
Cost	\$ 53,353	\$ 30,454
Accumulated depreciation	( 4,370)	( 2,432)
Accumulated impairment	( 27,438)	( 27,438)
	<u>\$ 21,545</u>	<u>\$ 584</u>

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

	For the years ended December 31,	
	2023	2022
Rental income from the lease of the investment property (listed as “Sales revenue”)	<u>\$ 595</u>	<u>\$ -</u>
Direct operating expenses arising from the investment property that generated income during the year (Note)	<u>\$ 185</u>	<u>\$ -</u>
Direct operating expenses arising from the investment property that did not generate rental income during the year (Note)	<u>\$ 305</u>	<u>\$ 306</u>

(Note) Listed as “Other gains and losses”.

B. The fair values of the investment property held by the Group as at December 31, 2023 and 2022 were \$54,542 and \$15,358, respectively, which were valued by referring to the actual price registration and discounted recoverable amounts of future rent income. Valuations were categorized within Level 3 in the fair value hierarchy.

C. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of investment property.

D. For the years ended December 31, 2023 and 2022, no impairment loss was recognized as part of investment property.

E. Information about investment property that was pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(11) Intangible assets

	Software	Goodwill	Expertise	Customer relations	Total
<u>At January 1, 2023</u>					
Cost	\$ 25,096	\$ 11,896	\$ 44,497	\$ 13,473	\$ 94,962
Accumulated amortization	( 11,720)	-	( 15,362)	( 1,916)	( 28,998)
	<u>\$ 13,376</u>	<u>\$ 11,896</u>	<u>\$ 29,135</u>	<u>\$ 11,557</u>	<u>\$ 65,964</u>
<u>2023</u>					
At January 1	\$ 13,376	\$ 11,896	\$ 29,135	\$ 11,557	\$ 65,964
Additions	3,604	-	-	-	3,604
Amortization	( 4,836)	-	( 6,357)	( 792)	( 11,985)
Net currency exchange differences	( 26)	-	-	-	( 26)
At December 31	<u>\$ 12,118</u>	<u>\$ 11,896</u>	<u>\$ 22,778</u>	<u>\$ 10,765</u>	<u>\$ 57,557</u>
<u>At December 31, 2023</u>					
Cost	\$ 28,661	\$ 11,896	\$ 44,497	\$ 13,473	\$ 98,527
Accumulated amortization	( 16,543)	-	( 21,719)	( 2,708)	( 40,970)
	<u>\$ 12,118</u>	<u>\$ 11,896</u>	<u>\$ 22,778</u>	<u>\$ 10,765</u>	<u>\$ 57,557</u>
	Software	Goodwill	Expertise	Customer relations	Total
<u>At January 1, 2022</u>					
Cost	\$ 21,762	\$ 11,896	\$ 44,497	\$ 13,473	\$ 91,628
Accumulated amortization	( 6,964)	-	( 9,005)	( 1,123)	( 17,092)
	<u>\$ 14,798</u>	<u>\$ 11,896</u>	<u>\$ 35,492</u>	<u>\$ 12,350</u>	<u>\$ 74,536</u>
<u>2022</u>					
At January 1	\$ 14,798	\$ 11,896	\$ 35,492	\$ 12,350	\$ 74,536
Additions	3,251	-	-	-	3,251
Amortization	( 4,745)	-	( 6,357)	( 793)	( 11,895)
Net currency exchange differences	72	-	-	-	72
At December 31	<u>\$ 13,376</u>	<u>\$ 11,896</u>	<u>\$ 29,135</u>	<u>\$ 11,557</u>	<u>\$ 65,964</u>
<u>At December 31, 2022</u>					
Cost	\$ 25,096	\$ 11,896	\$ 44,497	\$ 13,473	\$ 94,962
Accumulated amortization	( 11,720)	-	( 15,362)	( 1,916)	( 28,998)
	<u>\$ 13,376</u>	<u>\$ 11,896</u>	<u>\$ 29,135</u>	<u>\$ 11,557</u>	<u>\$ 65,964</u>

A. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2023	2022
Manufacturing expense	\$ 278	\$ 223
Selling expenses	33	30
General and administrative expenses	8,449	8,952
Research and development expenses	3,225	2,690
	<u>\$ 11,985</u>	<u>\$ 11,895</u>

C. The recoverable amount of intangible assets acquired from business combinations was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts estimated by the management covering a five-year period as well as the following estimated growth rates when the period of cash-flow over a five-year period. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so intangible assets acquired from business combinations was not impaired. The key assumptions used for value-in-use calculations are as follows

	<u>Gross profit margin</u>	<u>Growth rate</u>	<u>Discount Rate</u>
For the year ended December 31, 2023	49% ~ 53%	10%	17.91%
For the year ended December 31, 2022	48% ~ 50%	12% ~ 23%	15.47%

Management determined budgeted gross margin based on its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

(12) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Receivables from disposal of non-current assets held for sale	\$ 31,780	\$ -
Receivables from technical service	10,815	-
Others	2,894	5,146
	<u>\$ 45,489</u>	<u>\$ 5,146</u>

(13) Short-term borrowings

<u>Nature</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured bank borrowings	\$ 364,095	1.91%~6.72%	None
Bank secured bank borrowings	150,000	0.5%~2.36%	Note
	<u>\$ 514,095</u>		

<u>Nature</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured bank borrowings	\$ 388,617	1.725%~5.79%	None
Bank secured bank borrowings	122,000	1.75%~2.229%	Note
	<u>\$ 510,617</u>		

(Note) Information about the collateral for the above borrowings is provided in Note 8, 'Pledged assets'.

For more information about interest expenses recognized by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(25), 'Finance cost'.

(14) Short-term notes and bills payable

<u>Nature</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial papers payable	<u>\$ 50,000</u>	1.45%~1.78%	None

There was no such situation for the year ended December 31, 2022.

A. The above commercial papers were issued and unsecured by China Bills Finance Corporation and MEGA BILLS FINANCE CO., LTD..

B. For more information about interest expenses recognized by the Group for the year ended December 31, 2023, refer to Note 6(25), 'Finance cost'.

(15) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries and bonuses payable	\$ 40,009	\$ 24,053
Employees' compensation and directors' remuneration payable	15,675	32,420
Accounts payable financing	15,195	30,493
Equipment payable	12,899	9,915
Others	44,011	54,685
	<u>\$ 127,789</u>	<u>\$ 151,566</u>

(16) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
NTD secured borrowings	2020.7.27~2026.9.24	1.2896%~ 2.23%	Note	\$ 134,179
Foreign currency secured borrowings	RMB 3,794 thousand VND 4,866,350 thousand 2021.1.25~2026.1.25	4.5%~ 7.53%	Note	22,474
NTD unsecured borrowings	2020.12.15~2025.12.15	1.22%~ 2.10%	None	65,288
Foreign currency unsecured borrowings	RMB 9,400 thousand 2021.3.23~2024.3.7	4.9076%~ 5.1912%	None	<u>40,668</u>
				262,609
Less: Current portion				( <u>157,817</u> )
				<u>\$ 104,792</u>
<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
NTD secured borrowings	2020.7.27~2026.9.24	1.1575%~ 1.8%	Note	\$ 204,558
Foreign currency secured borrowings	RMB 5,481 thousand VND 6,216,477 thousand 2021.1.25~2026.1.25	4.75%~ 7.53%	Note	32,141
NTD unsecured borrowings	2020.12.15~2025.12.15	1.095%~ 1.975%	None	80,432
Foreign currency unsecured borrowings	USD 900 thousand RMB 9,400 thousand 2020.12.21~2024.3.22	3.2955%~ 6.12%	None	<u>69,106</u>
				386,237
Less: Current portion				( <u>126,658</u> )
				<u>\$ 259,579</u>

(Note) Information about the collateral for the above borrowings is provided in Note 8, ‘Pledged assets’.

For more information about interest expenses recognized by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(25), ‘Finance cost’.

(17) Pensions

Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related



laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$10,440 and \$9,521, respectively.

(18) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2023	2022
Beginning and ending balance	<u>65,788</u>	<u>65,788</u>

B. Treasury stocks

(a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows (in thousands of shares):

	For the years ended December 31,	
	2023	2022
Reason for reacquisition	Beginning and ending balance	Beginning and ending balance
To be reissued to employees	<u>602</u>	<u>602</u>

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2023 and 2022, the balances of treasury shares purchased by the Company both amounted to \$24,187.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 years period are to be retired.

C. As of December 31, 2023, the Company's authorized capital was \$1,000,000 (including \$60,000 reserved for employee stock options), and the paid-in capital was \$663,898, consisting of 66,390 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share, which were issued in instalments. All proceeds from shares issued have been collected.

(19) Capital reserve

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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus are as follows:

For the year ended December 31, 2023	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ 12,782	\$ 231	\$ 95,778	\$ 503,465
Adjustments for changes in capital reserve of investee companies	-	-	325	-	325
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	( 95,778)	( 95,778)
Adjustment of capital reserve due to change in interest of subsidiaries	-	-	118,960	-	118,960
At December 31	<u>\$ 394,674</u>	<u>\$ 12,782</u>	<u>\$ 119,516</u>	<u>\$ -</u>	<u>\$ 526,972</u>

For the year ended December 31, 2022	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ -	\$ 2,027	\$ -	\$ 396,701
Transactions with non-controlling interests shareholders of subsidiaries	-	12,782	-	-	12,782
Adjustments for changes in capital reserve of investee companies	-	-	274	-	274
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	95,778	95,778
Adjustments for changes in retained earnings of investee companies	-	-	( 2,070)	-	( 2,070)
At December 31	<u>\$ 394,674</u>	<u>\$ 12,782</u>	<u>\$ 231</u>	<u>\$ 95,778</u>	<u>\$ 503,465</u>

(20) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or each dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. 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, but if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is no longer required to be set aside. In addition, after special reserve is set aside or reversed in accordance with relevant regulations, the remainder along with accumulated unappropriated earnings will be proposed by the Board of Directors and resolved at the shareholders' meeting to be distributed as dividends. The Company's dividend policy takes into account not only the Company's current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. but also the shareholders' interests, balanced dividends and the Company's long-term financial plan, etc. Each year, the appropriation is proposed by the Board of Directors and then reported to the shareholders' meeting for approval. The Company is in the growth stage and has a plan to expand its production lines and capital needs in the coming years, and thus the balanced dividend policy is adopted to have a sound financial structure and maintain a good capital adequacy ratio. In addition to appropriating the earnings in accordance with the aforementioned regulations, the dividend and bonus may be distributed in the form of cash or shares, and if there are any earnings in the current year, 10% ~ 80% of distributable earnings of the current year shall be appropriated as dividends and bonuses to shareholders, of which cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends and bonus, legal reserve or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting. The above distribution is not subject to approval by the shareholders.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- The special reserve previously set aside by the Company on initial application of IFRSs in accordance with the Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, amounted to \$369.
- D. On March 18, 2022, the Board of Directors of the Company resolved not to distribute earnings except for the appropriation of legal reserve and special reserve. On March 14, 2024, the Board of Directors resolved not to distribute earnings due to loss incurred during the year.

(21) Operating revenue

A. The Group's revenue is mainly from sales contracts of products sales, equipment cleaning with customers and lease, and such revenue is derived from the transfer of goods at a point in time in the following major product or service lines:

	For the years ended December 31,	
	2023	2022
Recognize at a point in time:		
Metal masks	\$ 490,470	\$ 547,580
Microwave and semiconductor parts	411,448	437,189
Thermal module	117,051	123,909
Optical bonding materials	-	10,475
Others	11,087	5,895
	<u>1,030,056</u>	<u>1,125,048</u>
Recognize over time:		
Semi clean and regeneration process	90,578	125,580
Plant rental income	595	-
	<u>91,173</u>	<u>125,580</u>
	<u>\$ 1,121,229</u>	<u>\$ 1,250,628</u>

B. The Group has recognized the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Current contract assets	<u>\$ 32,242</u>	<u>\$ 17,866</u>	<u>\$ 18,418</u>
Current contract liabilities	<u>\$ 6,464</u>	<u>\$ 6,142</u>	<u>\$ 530</u>

	For the years ended December 31,	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the year	<u>\$ 6,054</u>	<u>\$ 471</u>

(22) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 4,506	\$ 1,765
Other interest income	2,250	804
	<u>\$ 6,756</u>	<u>\$ 2,569</u>

(23) Other income

	For the years ended December 31,	
	2023	2022
Technical service income	\$ 26,849	\$ 39,351
Government grant income	3,710	2,249
Resale of electricity income	2,707	-
Administrative service income	1,177	1,392
Waste liquid recycling income	428	2,502
Other income	5,276	1,942
	<u>\$ 40,147</u>	<u>\$ 47,436</u>

(24) Other gains and losses

	For the years ended December 31,	
	2023	2022
Gain on disposal of investments	\$ 81,111	\$ -
Gain on disposal of non-current assets held for sale	1,266	-
Gain from lease modification	38	-
(Loss) gain on disposals of property, plant and equipment	( 10,789)	548
Currency exchange (loss) gain	( 3,404)	7,424
Depreciation charges on investment property	( 490)	( 306)
Other losses	( 2,190)	( 766)
	<u>\$ 65,542</u>	<u>\$ 6,900</u>

(25) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Bank borrowings	\$ 24,168	\$ 13,309
Other finance expense	1,527	3,130
Lease liabilities	213	90
	<u>\$ 25,908</u>	<u>\$ 16,529</u>

(26) Expenses by nature

	For the year ended December 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 158,847	\$ 148,798	\$ 307,645
Depreciation	93,045	24,939	117,984
Amortization	278	11,707	11,985
	<u>\$ 252,170</u>	<u>\$ 185,444</u>	<u>\$ 437,614</u>

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 164,818	\$ 145,843	\$ 310,661
Depreciation	87,863	25,164	113,027
Amortization	223	11,672	11,895
	<u>\$ 252,904</u>	<u>\$ 182,679</u>	<u>\$ 435,583</u>

(27) Employee benefit expense

	For the year ended December 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 131,465	\$ 127,424	\$ 258,889
Labour and health insurance fees	12,415	10,119	22,534
Pension costs	5,467	4,973	10,440
Other personnel expenses	9,500	6,282	15,782
	<u>\$ 158,847</u>	<u>\$ 148,798</u>	<u>\$ 307,645</u>

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 139,583	\$ 126,523	\$ 266,106
Labour and health insurance fees	10,831	8,188	19,019
Pension costs	5,152	4,369	9,521
Other personnel expenses	9,252	6,763	16,015
	<u>\$ 164,818</u>	<u>\$ 145,843</u>	<u>\$ 310,661</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 8%~15% for employees' compensation and shall not be higher than 5% for directors' remuneration. Provided that the Company has accumulated deficit, earnings shall be first used to cover accumulated deficit. Directors' remuneration is distributed in the form of cash while employees' compensation may be distributed in the form of cash or shares. The employees, including the employees of the Company's subsidiaries, who meet certain specific requirements are entitled to receive the above cash or shares. The profit of the current year is the profit before deducting tax, employees' compensation and directors' remuneration. The distribution of employees' compensation and directors' remuneration is subject to the approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance and shall also be reported at the shareholders' meeting.

B. For the years ended December 31, 2023 and 2022, there was no employee' compensation and directors' remuneration. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. As the Company had no profit in 2023 and 2022, there was no need to estimate and pay remuneration to employees and directors.

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.

(28) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Income tax incurred in current year	\$ 30,990	\$ 30,656
Tax on undistributed earnings	-	1,520
Prior year income tax over estimation	( 1,284)	( 500)
Total current income tax	<u>29,706</u>	<u>31,676</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 11,980)	( 7,015)
Income tax expense	<u>\$ 17,726</u>	<u>\$ 24,661</u>

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

	For the years ended December 31,	
	2023	2022
Financial statements translation differences of foreign operations	(\$ <u>2,185</u> )	<u>\$ 1,578</u>

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	\$ 28,283	\$ 30,206
Effects from items disallowed by tax regulation	( 17)	( 1,464)
Change in assessment of realisation of deferred tax assets	( 8,170)	( 5,542)
Effect from investment tax credits	( 2,385)	-
Tax on undistributed earnings	-	1,520
Prior year income tax over estimation	( 1,284)	( 500)
Separate taxation	1,299	441
Income tax expense	<u>\$ 17,726</u>	<u>\$ 24,661</u>

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Financial statements translation differences of foreign operations	\$ 2,982	\$ -	\$ 2,185	\$ 5,167
Allowance for doubtful accounts	71	-	-	71
Loss on inventory market value decline	5,291	3,650	-	8,941
Loss on investments accounted for under equity method	5,908	8,082	-	13,990
Impairment loss	2,938	( 131)	-	2,807
Unrealized loss on foreign currency exchange	34	996	-	1,030
Unrealized warranty provision expense	172	11	-	183
Book-tax difference on land cost	9,501	-	-	9,501
Unused compensated absences	1	27	-	28
Tax losses	18,202	3,740	-	21,942
	<u>\$ 45,100</u>	<u>\$ 16,375</u>	<u>\$ 2,185</u>	<u>\$ 63,660</u>



				2023			
				January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax liabilities:							
Temporary differences:							
Gain on investments accounted for under equity method	(\$	13,362)	(\$	6,086)	\$	-	(\$ 19,448)
Provision for land appreciation tax	(	209)	-	-	(	-	( 209)
Unrealized gain on foreign currency exchange	(	542)	514	-	(	-	( 28)
Unrealized expense	(	8,110)	1,402	-	(	-	( 6,708)
Gain recognized in bargain purchase transaction	(	1,277)	-	-	(	-	( 1,277)
Government grant income	-	-	( 225)	-	-	-	( 225)
	(\$	<u>23,500</u> )	(\$	<u>4,395</u> )	\$	<u>-</u>	(\$ <u>27,895</u> )
	<u>\$</u>	<u>21,600</u>	<u>\$</u>	<u>11,980</u>	<u>\$</u>	<u>2,185</u>	<u>\$ 35,765</u>
2022							
				January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:							
Temporary differences:							
Financial statements translation differences of foreign operations	\$	4,560	\$	-	(\$	1,578)	\$ 2,982
Allowance for doubtful accounts		71		-		-	71
Loss on inventory market value decline		4,481		810		-	5,291
Loss on investments accounted for under equity method		1,291		4,617		-	5,908
Impairment loss		3,069	(	131)		-	2,938
Unrealized loss on foreign currency exchange		100	(	66)		-	34
Unrealized warranty provision expense		102		70		-	172
Book-tax difference on land cost		9,501		-		-	9,501
Unused compensated absences		226	(	225)		-	1
Tax losses		<u>17,544</u>		<u>658</u>		<u>-</u>	<u>18,202</u>
	<u>\$</u>	<u>40,945</u>	<u>\$</u>	<u>5,733</u>	<u>(\$</u>	<u>1,578)</u>	<u>\$ 45,100</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax liabilities:				
Temporary differences:				
Gain on investments accounted for under equity method	(\$ 13,705)	\$ 343	\$ -	(\$ 13,362)
Provision for land appreciation tax	( 232)	23	-	( 209)
Unrealized gain on foreign currency exchange	-	( 542)	-	( 542)
Unrealized expense	( 9,568)	1,458	-	( 8,110)
Gain recognized in bargain purchase transaction	( 1,277)	-	-	( 1,277)
	<u>(\$ 24,782)</u>	<u>\$ 1,282</u>	<u>\$ -</u>	<u>(\$ 23,500)</u>
	<u>\$ 16,163</u>	<u>\$ 7,015</u>	<u>(\$ 1,578)</u>	<u>\$ 21,600</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2013	\$ 12,636	\$ 12,636	\$ 12,636	2023	
2014	16,383	16,383	-	2024	
2020	1,642	1,642	-	2030	
2022	28,014	28,014	-	2032	
2023	63,671	63,671	-	2033	

December 31, 2022					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2012	\$ 50,807	\$ 50,807	\$ 50,807	2022	
2013	12,636	12,636	-	2023	
2014	16,383	16,383	-	2024	
2020	1,642	1,642	-	2030	
2022	60,349	60,349	-	2032	

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 14, 2024.



(b) In August 2023, WAVE POWER increased capital by issuing new shares. The Group did not acquire shares proportionally to its interest, which resulted in an increase in the equity attributable to owners of the parent (capital reserves) and the non-controlling interest by \$118,960 and \$276,717, respectively.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
(a) Purchase of property, plant and equipment	\$ 71,430	\$ 133,036
Add: Opening balance of other payables	9,915	21,087
Less: Ending balance of other payables	(12,899)	(9,915)
Cash paid for acquisition of property, plant and equipment	<u>\$ 68,446</u>	<u>\$ 144,208</u>
(b) Proceeds from disposal of investments accounted for using equity method	\$ 105,949	\$ -
Less: Ending balance of other receivables	(42,379)	-
Cash received from disposal of investments accounted for under equity method	<u>\$ 63,570</u>	<u>\$ -</u>
(c) Proceeds from disposal of non-current assets held for sale	\$ 117,279	\$ -
Less: Ending balance of other receivables	(69,512)	-
Ending balance of other non-current assets	(31,780)	-
Cash received from disposal of non-current assets held for sale	<u>\$ 15,987</u>	<u>\$ -</u>

B. Operating, investing and financing activities with no cash flow effects:

	For the years ended December 31,	
	2023	2022
(a) Inventories transferred to property, plant and equipment	<u>\$ -</u>	<u>\$ 2,215</u>
(b) Other receivables - related parties transferred to other receivables (Note 1)	<u>\$ 44,145</u>	<u>\$ -</u>
(c) Property, plant and equipment transferred to inventories	<u>\$ 933</u>	<u>\$ -</u>
(d) Property, plant and equipment transferred to non-current assets held for sale	<u>\$ 115,973</u>	<u>\$ -</u>
(e) Property, plant and equipment transferred to investment properties	<u>\$ 21,772</u>	<u>\$ -</u>
(f) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 19,151</u>	<u>\$ 23,274</u>

	For the years ended December 31,	
	2023	2022
(g) Other payables - related parties transferred to other payables (Note 2)	\$ -	\$ 41,694

(Note 1) In August 2023, the subsidiary, Solar Applied Materials Technology (Shanghai) Co., Ltd., sold its 40.36% shares of Huangshi Quanyang Photoelectric Technology Co., Ltd. to Magic Star Technology (Ningbo) Co., Ltd.. Consequently, Huangshi Quanyang Photoelectric Technology Co., Ltd. was no longer a related party of the Group since August 2023.

(Note 2) In February 2022, Supremo Technology Limited sold the remaining 30% equity interest in VN ETCH HOME to ETCH HOME. Consequently, Supremo Technology Limited was no longer a related party of the Group since February 2022.

(32) Changes in liabilities from financing activities

	Short-term borrowings	Commercial papers payable	Other payables	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2023	\$ 510,617	\$ -	\$ 30,493	\$ 4,820	\$ 386,237	\$ 932,167
Changes in cash flow from financing activities	3,081	50,000	( 14,867)	( 4,576)	( 121,722)	( 88,084)
Changes in cash flow from other non-financing activities	-	-	-	6,310	-	6,310
Impact of changes in foreign exchange rate	397	-	( 431)	-	( 1,906)	( 1,940)
At December 31, 2023	<u>\$ 514,095</u>	<u>\$ 50,000</u>	<u>\$ 15,195</u>	<u>\$ 6,554</u>	<u>\$ 262,609</u>	<u>\$ 848,453</u>
		Short-term borrowings	Other payables	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2022		\$ 192,994	\$ -	\$ 7,986	\$ 436,936	\$ 637,916
Changes in cash flow from financing activities		309,062	( 14,484)	( 3,647)	( 54,320)	236,611
Changes in cash flow from other non-financing activities		-	41,694	481	-	42,175
Impact of changes in foreign exchange rate		8,561	3,283	-	3,621	15,465
At December 31, 2022		<u>\$ 510,617</u>	<u>\$ 30,493</u>	<u>\$ 4,820</u>	<u>\$ 386,237</u>	<u>\$ 932,167</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Galloptech International Company Limited (“Galloptech”)	Associate
Huangshi Quanyang Optoelectronics Technology Co., Ltd. (“Huangshi Quanyang Optoelectronics”)	Associate (Note 1)
HTC & SOLAR TECH SERVICE LIMITED (“HTC & SOLAR TECH”)	Other related party
YOUNG SAM INDUSTRIAL CO., LTD. (“YOUNG SAM”)	Other related party
Supremo Technology Limited (“Supremo”)	Other related party (Note 2)

(Note 1) In August 2023, the Group’s subsidiary, Solar Applied Materials Technology (Shanghai) Co., Ltd., sold its 40.36% shares of Huangshi Quanyang Optoelectronics to Magic Star Technology (Ningbo) Co., Ltd.. Consequently, Huangshi Quanyang Optoelectronics was no longer a related party of the Company since August 2023.

(Note 2) In February 2022, Supremo sold the remaining 30% equity interest in VN ETCH HOME to ETCH HOME. Consequently, Supremo Technology Limited was no longer a related party of the Group since February 2022.

### (2) Significant related party transactions

#### A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods and services:		
Huangshi Quanyang Optoelectronics	\$ 26,655	\$ 57,989
Other related parties	580	3,347
	<u>\$ 27,235</u>	<u>\$ 61,336</u>

The sales prices and credit terms from related parties were the same with third parties. Collection terms are 60 ~ 90 days after monthly statements for related parties and 30 ~120 days after monthly statements for third parties.

#### B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Huangshi Quanyang Optoelectronics	\$ 51,487	\$ 84,596
Other related parties	19,491	35,704
	<u>\$ 70,978</u>	<u>\$ 120,300</u>

The purchase prices and payment terms from related parties were the same with third parties. Payment terms are 60~90 days after monthly statements for related parties and 30 ~ 90 days after monthly statements for third parties.

#### C. Processing expenses

	For the years ended December 31,	
	2023	2022
Huangshi Quanyang Optoelectronics	\$ -	\$ 4,557

D. Technical service income

	For the years ended December 31,	
	2023	2022
Huangshi Quanyang Optoelectronics	\$ 25,340	\$ 39,351

E. Receivables from related parties

	December 31, 2023	December 31, 2022
Notes receivable:		
Other related parties	\$ -	\$ 16
Accounts receivable:		
Other related parties	\$ 16	\$ -
Huangshi Quanyang Optoelectronics	-	15,605
	<u>\$ 16</u>	<u>\$ 15,621</u>
Other receivables:		
Other related parties	\$ 267	\$ -
Huangshi Quanyang Optoelectronics	-	59,033
	<u>\$ 267</u>	<u>\$ 59,033</u>

The receivables from related parties arise mainly from sales transactions and technical services. The receivables are unsecured in nature and bear no interest. The receivables from related parties have no provisions.

F. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable:		
YOUNG SAM	\$ 3,484	\$ 5,732
HTC & SOLAR TECH	266	10,061
Huangshi Quanyang Optoelectronics	-	38,241
	<u>\$ 3,750</u>	<u>\$ 54,034</u>
Other payables (excluded loans to related parties):		
Other related parties	\$ 24	\$ 136
Associates	-	137
	<u>\$ 24</u>	<u>\$ 273</u>

The payables to related parties arise mainly from purchase transactions and administrative service expense and are unsecured in nature and bear no interest.

G. Property transactions

(a) Acquisition of property, plant and equipment

	For the years ended December 31,	
	2023	2022
Other related parties	\$ 180	\$ -

(b) Disposal of property, plant and equipment

	For the year ended December 31, 2022	
	Proceeds from disposal	Loss (gain) on disposal
Huangshi Quanyang Optoelectronics	\$ 1,542	\$ 597
Other related parties	1,878	(657)
	<u>\$ 3,420</u>	<u>(\$ 60)</u>

There was no such situation for the year ended December 31, 2023.

(c) Transactions of acquisition

				For the year ended December 31, 2022
	Item	Number of shares	Object of transaction	Acquisition of price
Supremo Technology Limited	Investments accounted for using equity method	504 thousand shares	VN ETCH HOME	<u>\$ 14,934</u>

There was no such situation for the year ended December 31, 2023.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 18,153	\$ 17,596



## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Restricted time deposits (Note 1)	\$ 56,749	\$ 15,536	Customs deposit, performance guarantees and warranty
Land (Note 2)	280,354	280,354	Financing
Buildings and structures, net (Note 2)	455,134	461,296	"
Machinery equipment (Note 2)	3,862	4,731	"
Right-of-use of land (Note3)	15,252	15,270	"
Guarantee deposits paid			Performance guarantees and warranty
	<u>15,611</u>	<u>17,078</u>	
	<u>\$ 826,962</u>	<u>\$ 794,265</u>	

(Note 1) Shown as 'Financial assets at amortized cost - current' and 'Financial assets at amortized cost - non - current'.

(Note 2) Shown as 'Property, plant and equipment' and 'Investment property, net'.

(Note 3) Shown as 'Use-of-right assets'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2023 and 2022, the Group's remaining balance due for construction in progress and prepayments for equipment were \$19,469 and \$51,708, respectively.

(2) Endorsements and guarantees provided by the Group to subsidiaries are as follows:

	Nature	December 31, 2023	December 31, 2022
VN ETCH HOME TECHNOLOGY COMPANY LTD	Financing facilities	\$ 168,879	\$ 197,835
Htc & Solartech Service (Samoa) Corporation	Financing facilities	92,115	140,140
FineMat (HuangShi) Applied Material	Financing facilities	46,058	112,789
ETCH HOME TECHNOLOGY CO., LTD.	Financing facilities	80,000	50,000
		<u>\$ 387,052</u>	<u>\$ 500,764</u>

As of December 31, 2023 and 2022, the actual amount provided by the Group for above subsidiaries were \$156,765 and \$225,673, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group also ensures it has sufficient financial resources and operating plans to support the working capital needs, capital expenditures, dividend payments, etc. in the future.

### (2) Financial instruments

A. Information on the Group's financial instruments by category is provided in Note 6.

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

#### Foreign exchange risk

I. The Group operates internationally and is exposed to exchange rate risk arising from various currencies, primarily with respect to the USD, RMB, JPY and VND. Foreign exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

II. Management has set up a policy to require groups to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

- III. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.
- IV. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, RMB and VND). 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			Book
				amount (In thousands)	Exchange rate	value	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	5,021		30.66	\$	153,928	
RMB:NTD		8,766		4.302		37,713	
JPY:NTD		120,578		0.2152		26,096	
<u>Non-monetary items</u>							
USD:NTD		361		30.705		11,074	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD		1,872		30.755		57,562	
RMB:NTD		9,852		4.352		42,878	
				December 31, 2022			
				Foreign currency			Book
				amount (In thousands)	Exchange rate	value	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	5,736		30.66	\$	175,881	
RMB:NTD		9,942		4.383		43,628	
JPY:NTD		9,536		0.2304		2,197	
<u>Non-monetary items</u>							
USD:NTD		363		30.71		11,153	
RMB:NTD		37,167		3.73		138,629	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD		1,910		30.76		58,768	
RMB:NTD		6,801		4.433		30,147	
JPY:NTD		49,686		0.2344		11,566	

V. Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2023 and 2022 would increase/decrease by \$ 938 and \$970, respectively.

VI. Total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to (\$3,404) and \$7,424, respectively.

#### Price risk

The Group did not engage in any financial instrument transactions with price variations, and thus the Group does not expect market risk arising from variations in the market prices.

#### Cash flow and fair value interest rate risk

I. The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in NTD, USD and RMB.

II. If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, (loss) profit, net of tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$1,933 and \$1,065, respectively. The main factor is that increases/decreases in interest expense result from floating rate borrowings.

#### (b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for each of the 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 utilization of credit limits is regularly monitored.

III. In line with the credit risk management procedure, payment reminders are sent when the contract payments are past due, and the default occurs when the contract payments are past due over a certain period of time.

IV. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applied the modified approach using a provision matrix to estimate the expected credit loss, and used the forecast ability 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:

<u>December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.03%~0.24%	\$ 253,748	\$ 505
Up to 30 days	0.03%~1.58%	3,725	57
31 to 90 days	0.03%~6.92%	10,898	373
91 to 180 days	1.37%~36.35%	4,590	368
Over 181 days	97.25%	7,455	7,250
		<u>\$ 280,416</u>	<u>\$ 8,553</u>
<u>December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.03%~0.26%	\$ 372,186	\$ 715
Up to 30 days	0.03%~2.82%	15,991	11
31 to 90 days	2.36%~13.66%	8,679	364
91 to 180 days	31.65%	435	124
Over 181 days	100%	1,825	1,825
		<u>\$ 399,116</u>	<u>\$ 3,039</u>

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1	\$ 3,039	\$ 1,828
Expected credit impairment loss	5,648	1,195
Effect of foreign exchange	( 134)	16
At December 31	<u>\$ 8,553</u>	<u>\$ 3,039</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in finance division of the Group. Finance division monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group is expected to readily generate cash inflows for managing liquidity risk.

III. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 721,880	\$ 620,723
Expiring beyond one year	-	109,612
	<u>\$ 721,880</u>	<u>\$ 730,335</u>

IV. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 515,987	\$ -	\$ -	\$ -
Short-term notes and bills payable	50,000	-	-	-
Accounts payable (including related parties)	147,191	-	-	-
Other payables (including related parties)	127,813	-	-	-
Lease liabilities	3,640	2,552	542	-
Long-term borrowings (including current portion)	161,079	106,631	-	-
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 513,919	\$ -	\$ -	\$ -
Notes payable	34	-	-	-
Accounts payable (including related parties)	171,511	-	-	-
Other payables (including related parties)	151,839	-	-	-
Lease liabilities	3,204	1,666	-	-
Long-term borrowings (including current portion)	132,952	249,689	15,436	-

V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

- A. Fair value information of investment property at cost is provided in Note 6(10), 'Investment property, net'.
- B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (including related parties) and long-term borrowings (including current portion)) are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirements, only information related to the year ended December 31, 2023 is disclosed.)

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Except for endorsements and guarantees as described in table 2, there is no such situation.

(4) Major shareholders information

Major shareholders information: Refer to table 6.

#### 14. SEGMENT INFORMATION

##### (1) General information

The management of the Group has identified the operating segments based on how the Group's chief operating decision maker regularly reviews information in order to make decisions.

##### (2) Measurement segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income. For details of operating segments' accounting policies, refer to Note 4.

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

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

	For the year ended December 31, 2023					
	<u>FineMat</u>	<u>WAVE POWER</u>	<u>FineMat (Shanghai)</u>	<u>FineMat (HuangShi)</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 398,921	\$ 411,448	\$ 175,343	\$ 88,215	\$ 133,060	\$ 1,206,987
Inter-segment revenue	65,331	-	1,078	17,420	1,929	85,758
External revenue	333,590	411,448	174,265	70,795	131,131	1,121,229
Depreciation and amortization	59,625	30,848	904	24,818	14,264	130,459
Segment pre-tax (loss) income	( 80,462)	98,062	3,497	( 44,015)	36,972	14,054
Segment assets	1,039,945	1,146,329	104,374	521,263	352,779	3,164,690
Segment liabilities	762,596	92,930	41,383	92,005	170,750	1,159,664
	For the year ended December 31, 2022					
	<u>FineMat</u>	<u>WAVE POWER</u>	<u>FineMat (Shanghai)</u>	<u>FineMat (HuangShi)</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 525,671	\$ 437,189	\$ 135,694	\$ 118,068	\$ 167,768	\$ 1,384,390
Inter-segment revenue	93,557	-	2,183	24,958	13,064	133,762
External revenue	432,114	437,189	133,511	93,110	154,704	1,250,628
Depreciation and amortization	55,752	27,712	908	27,895	12,961	125,228
Segment pre-tax (loss) income	( 33,630)	135,491	( 403)	12,357	( 55,300)	58,515
Segment assets	1,084,269	810,595	76,990	596,596	546,186	3,114,636
Segment liabilities	773,069	127,765	37,941	114,130	221,684	1,274,589



(4) Reconciliation for segment income

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segments pre-tax income to profit before income tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2023	2022
Reportable segments pre-tax (loss) income	(\$ 22,918)	\$ 113,815
Other segments pre-tax income (loss)	36,972	( 55,300)
Inter segments gain	( 25,142)	( 11,145)
(Loss) profit before income tax	(\$ 11,088)	\$ 47,370

B. The amounts provided to the chief operating decision-maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. No reconciliation is needed.

(5) Information on products and services

Revenue from external customers is mainly from manufacturing and sales of metal masks, microwave and semiconductor components, thermal modules and optical adhesive materials and equipment cleaning business. Details of operating revenue are provided in Note 6(21), "Operating revenue".

(6) Geographical information

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
China	\$ 553,782	\$ 337,899	\$ 616,677	\$ 417,996
Taiwan	529,214	891,396	617,892	940,513
Others	38,233	138,779	16,059	149,474
	<u>\$ 1,121,229</u>	<u>\$ 1,368,074</u>	<u>\$ 1,250,628</u>	<u>\$ 1,507,983</u>

(Note) The revenue is classified based on the location of the customer's country.

(7) Major customer information

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

Client	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Segment	Revenue	Segment
A	\$ 176,253	FineMat	\$ 199,296	FineMat
B	173,931	WAVE POWER	123,305	WAVE POWER
C	158,465	FineMat, Solar (Shanghai) and others	240,281	FineMat, Solar (Shanghai) and others
D	143,657	WAVE POWER	139,376	WAVE POWER
E	-	WAVE POWER	25,989	WAVE POWER

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. (the "Company") as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for opinion**

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

### **Key audit matters**

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

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

## **Existence of sales revenue**

### Description

Refer to Note 4(24) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Company sells electronic components, high precision metal masks and other metal products and so forth. Since the Company's customers are located in Taiwan, Asia and other areas, sales are easily affected by the terminal market demand. Also, the verification of the transaction existence takes a relatively longer time due to the massive transaction volume of sales revenue. Thus, we considered the existence of sales revenue as one of the key audit matters for this year's audit.

### How our audit addressed the matter

We performed the following audit procedures in response of the above key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We sampled and tested the accounting entries recognized for sales revenue, including verifying the nature of the entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2024

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 204,725	11	\$ 132,101	6
1136	Financial assets at amortized cost - current	6(1) and 8	1,049	-	1,036	-
1150	Notes receivable, net	6(2)	85	-	2,541	-
1170	Accounts receivable, net	5(2), 6(2) and 12	95,865	5	121,921	6
1180	Accounts receivable - related parties, net	5(2) and 7	15,385	1	59,107	3
1200	Other receivables		2,162	-	3,210	-
1210	Other receivables - related parties	7	58,868	3	56,588	3
1220	Current income tax assets	6(23)	302	-	-	-
130X	Inventories	6(3)	64,811	3	97,900	5
1410	Prepayments		5,277	-	14,485	1
11XX	<b>Total current assets</b>		<u>448,529</u>	<u>23</u>	<u>488,889</u>	<u>24</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4) and 7	864,399	44	873,398	42
1600	Property, plant and equipment	6(5), 7 and 8	617,814	31	650,932	32
1755	Right-of-use assets	6(6)	3,258	-	4,230	-
1760	Investment property, net	6(7) and 8	279	-	584	-
1780	Intangible assets	6(8)	635	-	1,277	-
1840	Deferred income tax assets	6(23)	37,122	2	33,248	2
1920	Guarantee deposits paid		5,691	-	4,883	-
1990	Other non-current assets		602	-	869	-
15XX	<b>Total non-current assets</b>		<u>1,529,800</u>	<u>77</u>	<u>1,569,421</u>	<u>76</u>
1XXX	<b>Total assets</b>		<u>\$ 1,978,329</u>	<u>100</u>	<u>\$ 2,058,310</u>	<u>100</u>

(Continued)



FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9) and 8	\$ 410,000	21	\$ 377,000	18
2110	Short-term notes and bills payable	6(10)	50,000	2	-	-
2130	Current contract liabilities	6(16)	2,469	-	878	-
2170	Accounts payable		58,457	3	60,513	3
2180	Accounts payable - related parties	7	833	-	11,104	1
2200	Other payables		33,572	2	50,398	3
2230	Current income tax liabilities	6(23)	-	-	9	-
2280	Current lease liabilities		2,095	-	2,768	-
2320	Long-term liabilities, current portion	6(11) and 8	94,854	5	86,546	4
21XX	<b>Total current liabilities</b>		<u>652,280</u>	<u>33</u>	<u>589,216</u>	<u>29</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11) and 8	79,613	4	168,444	8
2570	Deferred income tax liabilities	6(23)	20,725	1	14,831	1
2580	Non-current lease liabilities		1,183	-	1,494	-
2600	Other non-current liabilities		9,462	1	-	-
25XX	<b>Total non-current liabilities</b>		<u>110,983</u>	<u>6</u>	<u>184,769</u>	<u>9</u>
2XXX	<b>Total liabilities</b>		<u>763,263</u>	<u>39</u>	<u>773,985</u>	<u>38</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)	663,898	33	663,898	32
Capital reserves						
3200	Capital surplus	6(14)	526,972	27	503,465	25
Retained earnings						
3310	Legal reserve		41,495	2	41,495	2
3320	Special reserve		10,808	-	16,526	1
3350	Unappropriated retained earnings		14,083	1	93,936	4
3400	Other equity interest		( 18,003)	( 1)	( 10,808)	( 1)
3500	Treasury stocks	6(13)	( 24,187)	( 1)	( 24,187)	( 1)
3XXX	<b>Total equity</b>		<u>1,215,066</u>	<u>61</u>	<u>1,284,325</u>	<u>62</u>
Significant Contingent Liabilities and						
Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,978,329</u>	<u>100</u>	<u>\$ 2,058,310</u>	<u>100</u>

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

**FINEMAT APPLIED MATERIALS CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16) and 7	\$ 398,921	100	\$ 525,671	100
5000 Operating costs	6(3)(8)(12)(21) (22) and 7	( 409,589)	( 102)	( 463,997)	( 88)
5900 Gross (loss) profit		( 10,668)	( 2)	61,674	12
Operating expenses	6(8)(12)(21)(22), 7 and 12				
6100 Selling expenses		( 20,007)	( 5)	( 34,455)	( 7)
6200 General and administrative expenses		( 47,544)	( 12)	( 53,306)	( 10)
6300 Research and development expenses		( 35,536)	( 9)	( 37,463)	( 7)
6450 Expected credit impairment gain (loss)		632	-	( 783)	-
6000 Total operating expenses		( 102,455)	( 26)	( 126,007)	( 24)
6900 Operating loss		( 113,123)	( 28)	( 64,333)	( 12)
Non-operating income and expenses					
7100 Interest income	6(17) and 7	4,239	1	1,378	-
7010 Other income	6(18) and 7	13,256	3	9,491	2
7020 Other gains and losses	6(7)(19) and 12	1,316	1	15,481	3
7050 Finance costs	6(6)(20)	( 11,292)	( 3)	( 6,792)	( 1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	25,142	6	11,145	2
7000 Total non-operating income and expenses		32,661	8	30,703	6
7900 <b>Loss before income tax</b>		( 80,462)	( 20)	( 33,630)	( 6)
7950 Income tax expense	6(23)	( 5,109)	( 1)	( 2,419)	( 1)
8200 <b>Loss for the year</b>		<u>( \$ 85,571)</u>	<u>( 21)</u>	<u>( \$ 36,049)</u>	<u>( 7)</u>
<b>Other comprehensive (loss) income (Net)</b>					
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations	6(4)	( \$ 8,994)	( 2)	\$ 7,146	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(23)	1,799	-	( 1,429)	-
8300 <b>Other comprehensive (loss) income for the year</b>		<u>( \$ 7,195)</u>	<u>( 2)</u>	<u>\$ 5,717</u>	<u>1</u>
8500 <b>Total comprehensive loss for the year</b>		<u>( \$ 92,766)</u>	<u>( 23)</u>	<u>( \$ 30,332)</u>	<u>( 6)</u>
Loss per share (in dollars)	6(24)				
9750 Basic		( \$ 1.30)		( \$ 0.55)	
9850 Diluted		( \$ 1.30)		( \$ 0.55)	

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

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other Equity Interest		Total	
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Treasury shares
<u>Year ended December 31, 2022</u>									
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405
Loss for the year		-	-	-	-	(36,049)	-	-	(36,049)
Other comprehensive income for the year		-	-	-	-	-	5,717	-	5,717
Total comprehensive income (loss) for the year		-	-	-	-	(36,049)	5,717	-	(30,332)
Adjustment of retained earnings due to change in interests of investee companies	6(4)(14)	-	95,778	-	-	-	-	-	95,778
Adjustment of capital reserve due to change in interests of subsidiaries	6(4) and 7	-	-	-	-	(4,449)	-	-	(4,449)
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	274	-	-	-	-	-	274
Adjustment of capital reserve and retained earnings due to change in interests of investee companies	6(4)(14)	-	(2,070)	-	-	(1,063)	-	-	(3,133)
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(14) and 7	-	12,782	-	-	-	-	-	12,782
Appropriations of 2021 earnings:									
Legal reserve	6(15)	-	-	2,609	-	(2,609)	-	-	-
Special reserve	6(15)	-	-	-	2,544	(2,544)	-	-	-
Balance at December 31, 2022		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325
<u>Year ended December 31, 2023</u>									
Balance at January 1, 2023		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325
Loss for the year		-	-	-	-	(85,571)	-	-	(85,571)
Other comprehensive loss for the year		-	-	-	-	-	(7,195)	-	(7,195)
Total comprehensive loss for the year		-	-	-	-	(85,571)	(7,195)	-	(92,766)
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	325	-	-	-	-	-	325
Disposal of investments accounted for under equity method	6(4)(14)	-	(95,778)	-	-	-	-	-	(95,778)
Adjustment of capital reserve due to change in interest of subsidiaries	6(4)(14)	-	118,960	-	-	-	-	-	118,960
Appropriation of 2022 earnings:									
Special reserve	6(15)	-	-	-	(5,718)	5,718	-	-	-
Balance at December 31, 2023		\$ 663,898	\$ 526,972	\$ 41,495	\$ 10,808	\$ 14,083	(\$ 18,003)	(\$ 24,187)	\$ 1,215,066

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

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 80,462 )	(\$ 33,630 )
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12	( 632 )	783
Loss on inventory market price decline	6(3)	5,307	3,420
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	( 25,142 )	( 11,145 )
Depreciation	6(5)(6)(7)	58,983	54,667
Gain on disposal of property, plant and equipment	6(19)	-	( 606 )
Amortization	6(8)(21)	642	1,085
Interest income	6(17)	( 4,239 )	( 1,378 )
Interest expense	6(20)	11,292	6,792
Changes in assets and liabilities			
Changes in operating assets			
Notes receivable		2,456	463
Accounts receivable		26,688	3,505
Accounts receivable - related parties		43,722	( 39,441 )
Other receivables		1,048	473
Other receivables - related parties		16,463	( 16,730 )
Inventories		27,782	( 19,763 )
Prepayments		9,208	( 8,736 )
Changes in operating liabilities			
Current contract liabilities		1,591	814
Accounts payable		( 2,056 )	( 5,665 )
Accounts payable - related parties		( 10,271 )	5,528
Other payables		( 12,150 )	2,643
Other non-current liabilities		9,462	-
Cash inflow (outflow) generated from operations		79,692	( 56,921 )
Interest received		4,239	1,378
Dividends received	6(4)	48,654	32,717
Interest paid		( 11,247 )	( 6,527 )
Income tax paid		( 1,601 )	90
Net cash flows from (used in) operating activities		119,737	( 29,443 )

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost - current		(\$ 13 )	(\$ 8 )
Increase in other receivables - related parties		( 18,743 )	( 39,858 )
Acquisition of investments accounted for under equity method - subsidiary	7	-	( 121,729 )
Proceeds from disposal of investments accounted for under equity method - subsidiaries	7	-	20,239
Cash paid for acquisition of property, plant and equipment	6(25)	( 27,475 )	( 50,144 )
Proceeds from disposal of property, plant and equipment		-	1,827
Acquisition of intangible assets	6(8)	-	( 83 )
Increase in guarantee deposits paid		( 808 )	-
Decrease in other non-current assets		267	460
Net cash flows used in investing activities		( 46,772 )	( 189,296 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	1,410,000	1,253,300
Decrease in short-term borrowings	6(26)	( 1,377,000 )	( 971,300 )
Increase in short-term notes and bills payable	6(26)	270,000	-
Decrease in short-term notes and bills payable	6(26)	( 220,000 )	-
Payments of lease liability	6(26)	( 2,818 )	( 2,738 )
Increase in long-term borrowings	6(26)	7,000	35,024
Decrease in long-term borrowings	6(26)	( 87,523 )	( 101,884 )
Net cash flows (used in) from financing activities		( 341 )	212,402
Net increase (decrease) in cash and cash equivalents		72,624	( 6,337 )
Cash and cash equivalents at beginning of year	6(1)	132,101	138,438
Cash and cash equivalents at end of year	6(1)	\$ 204,725	\$ 132,101

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

FINEMAT APPLIED MATERIALS CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) FINEMAT APPLIED MATERIALS CO., LTD. (the “Company”) was incorporated on May 25, 2007 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company is primarily engaged in the manufacture of electronic components and computers and its peripherals, duplication of data storage media, wholesale of electronic materials, secondary processing of steel materials and other metal products.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since November 25, 2019.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 14, 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<sup>®</sup>”) 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board ("IASB")</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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:

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

The above standards and interpretations have no significant impact to the 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 parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

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

(2) Basis of preparation

A. The parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, critical accounting judgements, estimates and key sources of assumption uncertainly.

(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 entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

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 recognized 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 recognized 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 recognized 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 recognized 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 based on the nature of those transactions 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 realized, 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 realized within 12 months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 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 12 months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 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) Financial assets at amortized cost

Financial assets at amortized cost are those that meet all of the following criteria:

- A. The objective of the Company's business model is achieved by collecting contractual cash flows.
- B. The assets' contractual cash flows represent solely payments of principal and interest.

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

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

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the cost of inventory is higher than net realized value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(10) Investments accounted for using the equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, "Profit for the year" and "Other comprehensive income for the year" reported in an entity's nonconsolidated statement of comprehensive income, shall equal to "profit for the year" and "Other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(11) Property, plant and equipment

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

- B. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful lives</u>
Buildings and structures	3 ~ 50 years
Machinery and equipment	3 ~ 12 years
Instruments and equipment	3 ~ 8 years
Office equipment	3 ~ 5 years
Other equipment	2 ~ 10 years

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

- A. Leases are recognized 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 recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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; and

(c) Any initial direct costs incurred by the lessee.

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 recognized as an adjustment to the right-of-use asset.

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 15 ~ 50 years.

(14) Intangible assets

Intangible assets comprise computer software, which is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(15) 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 recognized 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 amortized historical cost would have been if the impairment had not been recognized.

(16) Borrowings

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

(17) Notes and accounts payable

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

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized 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.

(21) Income tax

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

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

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give

rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion 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) Sale revenue is recognized based on the contract price, net of the estimated sales taxes, returns and discounts. For collection terms for sales transactions, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions

Valuation of accounts receivable

A. The Company considers customers' characteristics, incorporates the forecast ability, historical collection experience and economic situation, financial condition of the region where the customer is located, and applies under the simplified approach using a provision matrix to estimate the expected credit losses. Since the amount of impairment loss is measured and calculated based on the loss rates established for that assets, significant impairment losses may incur if the future expected credit losses are greater than expected.

B. As of December 31, 2023, the carrying amount of accounts receivable (including related parties) was \$111,250.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 241	\$ 246
Demand deposits	204,484	131,855
	<u>\$ 204,725</u>	<u>\$ 132,101</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. Details of the Company's time deposits pledged to others as collateral as of December 31, 2023 and 2022 (shown as 'Financial assets at amortized cost - current') are described in Note 8.

### (2) Notes and accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 85	\$ 2,541
Accounts receivable	\$ 96,571	\$ 123,259
Less: Allowance for doubtful accounts	( 706)	( 1,338)
	<u>\$ 95,865</u>	<u>\$ 121,921</u>

A. As of December 31, 2023 and 2022, the Company's notes receivable were not past due.

B. The ageing analysis of accounts receivable (including related parties) is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 107,531	\$ 181,070
Up to 30 days	3,613	82
31 to 90 days	131	539
91 to 180 days	681	675
	<u>\$ 111,956</u>	<u>\$ 182,366</u>

The above ageing analysis was based on past due date.

C. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$149,434.

D. As of December 31, 2023 and 2022, the Company did not hold any collateral as security for notes receivable and accounts receivable.

E. As of December 31, 2023 and 2022, the Company has no accounts and notes receivable pledged to others.

F. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.



(3) Inventories

	December 31, 2023		
	Allowance for market		
	Cost	price decline	Book value
Merchandise	\$ 57	(\$ 57)	\$ -
Raw materials	81,265	( 20,859)	60,406
Supplies	2,640	( 742)	1,898
Work in progress	1,316	( 409)	907
Finished goods	<u>1,990</u>	<u>( 390)</u>	<u>1,600</u>
	<u>\$ 87,268</u>	<u>(\$ 22,457)</u>	<u>\$ 64,811</u>

	December 31, 2022		
	Allowance for market		
	Cost	price decline	Book value
Merchandise	\$ 57	(\$ 57)	\$ -
Raw materials	99,502	( 13,653)	85,849
Supplies	2,691	( 508)	2,183
Work in progress	1,278	-	1,278
Finished goods	<u>11,522</u>	<u>( 2,932)</u>	<u>8,590</u>
	<u>\$ 115,050</u>	<u>(\$ 17,150)</u>	<u>\$ 97,900</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 405,397	\$ 466,385
Allowance for inventory market price decline	5,307	3,420
Loss on discarding of inventory	77	-
Revenue from sales of scraps	<u>( 1,192)</u>	<u>( 5,808)</u>
	<u>\$ 409,589</u>	<u>\$ 463,997</u>

(4) Investments accounted for under the equity method

A. Movements in investments accounted for under equity method were as follows:

	For the years ended December 31,	
	2023	2022
At January 1	\$ 873,398	\$ 685,082
Addition of investments accounted for under equity method	-	117,280
Disposal of investments accounted for under equity method	- (	7,457)
Share of profit or loss of investments accounted for under equity method	25,142	11,145
Net change in equity of investments accounted for under equity method	23,507	92,919
Earnings distribution of investments accounted for under equity method	( 48,654)	( 32,717)
Other equity interest-financial statements translation differences of foreign operations	( 8,994)	7,146
At December 31	<u>\$ 864,399</u>	<u>\$ 873,398</u>

B. Details of investments accounted for under equity method:

	December 31, 2023	December 31, 2022
ETCH HOME TECHNOLOGY CO., LTD.	\$ 42,054	\$ 85,460
Sense Pad TECH. CO., LTD.	53,027	52,811
Htc & Solartech Service (Samoa) Corporation	368,421	441,574
WAVE POWER TECHNOLOGY INC.	400,897	293,553
	<u>\$ 864,399</u>	<u>\$ 873,398</u>

C. For more information regarding the subsidiaries of the Company, refer to Note 4(2) 'Basis of consolidation' in the 2023 consolidated financial statements'.

D. For the years ended December 31, 2023 and 2022, the share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method was \$25,142 and \$11,145, respectively, which were assessed based on the investees' financial statements audited by independent auditors for the corresponding periods.

E. As of December 31, 2023 and 2022, no investments accounted for under equity method held by the Company were pledged to others.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2023</u>								
Cost	\$ 227,865	\$ 393,552	\$ 205,928	\$ 59,209	\$ 2,178	\$ 38,486	\$ 32,446	\$ 959,664
Accumulated depreciation	-	( 141,913)	( 110,271)	( 45,415)	( 1,096)	( 8,855)	-	( 307,550)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	( 1,182)
	<u>\$ 227,865</u>	<u>\$ 251,639</u>	<u>\$ 94,475</u>	<u>\$ 13,794</u>	<u>\$ 1,082</u>	<u>\$ 29,631</u>	<u>\$ 32,446</u>	<u>\$ 650,932</u>
<u>2023</u>								
At January 1	\$ 227,865	\$ 251,639	\$ 94,475	\$ 13,794	\$ 1,082	\$ 29,631	\$ 32,446	\$ 650,932
Additions	-	4,240	6,654	3,929	-	895	7,036	22,754
Transfers after acceptance inspection	-	15,543	9,372	13,175	-	1,123	( 39,213)	-
Depreciation	-	( 18,055)	( 23,417)	( 9,084)	( 545)	( 4,771)	-	( 55,872)
At December 31	<u>\$ 227,865</u>	<u>\$ 253,367</u>	<u>\$ 87,084</u>	<u>\$ 21,814</u>	<u>\$ 537</u>	<u>\$ 26,878</u>	<u>\$ 269</u>	<u>\$ 617,814</u>
<u>At December 31, 2023</u>								
Cost	\$ 227,865	\$ 413,335	\$ 221,954	\$ 76,313	\$ 2,178	\$ 40,504	\$ 269	\$ 982,418
Accumulated depreciation	-	( 159,968)	( 133,688)	( 54,499)	( 1,641)	( 13,626)	-	( 363,422)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	( 1,182)
	<u>\$ 227,865</u>	<u>\$ 253,367</u>	<u>\$ 87,084</u>	<u>\$ 21,814</u>	<u>\$ 537</u>	<u>\$ 26,878</u>	<u>\$ 269</u>	<u>\$ 617,814</u>

	Land	Buildings and structures	Machinery and equipment	Instruments and equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2022								
Cost	\$ 227,865	\$ 390,209	\$ 174,421	\$ 53,348	\$ 1,892	\$ 38,130	\$ 30,655	\$ 916,520
Accumulated depreciation	-	( 126,740)	( 88,016)	( 37,708)	( 598)	( 7,434)	-	( 260,496)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	( 1,182)
	<u>\$ 227,865</u>	<u>\$ 263,469</u>	<u>\$ 85,223</u>	<u>\$ 15,640</u>	<u>\$ 1,294</u>	<u>\$ 30,696</u>	<u>\$ 30,655</u>	<u>\$ 654,842</u>
2022								
At January 1	\$ 227,865	\$ 263,469	\$ 85,223	\$ 15,640	\$ 1,294	\$ 30,696	\$ 30,655	\$ 654,842
Additions	-	4,094	17,407	2,948	286	2,712	21,471	48,918
Transfers after acceptance inspection	-	-	14,353	4,913	-	414	( 19,680)	-
Depreciation	-	( 15,924)	( 22,454)	( 8,540)	( 498)	( 4,191)	-	( 51,607)
Disposals — Cost	-	( 751)	( 253)	( 2,000)	-	( 2,770)	-	( 5,774)
— Accumulated depreciation	-	751	199	833	-	2,770	-	4,553
At December 31	<u>\$ 227,865</u>	<u>\$ 251,639</u>	<u>\$ 94,475</u>	<u>\$ 13,794</u>	<u>\$ 1,082</u>	<u>\$ 29,631</u>	<u>\$ 32,446</u>	<u>\$ 650,932</u>
At December 31, 2022								
Cost	\$ 227,865	\$ 393,552	\$ 205,928	\$ 59,209	\$ 2,178	\$ 38,486	\$ 32,446	\$ 959,664
Accumulated depreciation	-	( 141,913)	( 110,271)	( 45,415)	( 1,096)	( 8,855)	-	( 307,550)
Accumulated impairment	-	-	( 1,182)	-	-	-	-	( 1,182)
	<u>\$ 227,865</u>	<u>\$ 251,639</u>	<u>\$ 94,475</u>	<u>\$ 13,794</u>	<u>\$ 1,082</u>	<u>\$ 29,631</u>	<u>\$ 32,446</u>	<u>\$ 650,932</u>

- A. Property, plant and equipment of the Company were all for its own use as of December 31, 2023 and 2022.
- B. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of property, plant and equipment.
- C. For the years ended December 31, 2023 and 2022, no impairment loss was recognized as part of property, plant and equipment.
- D. Information about property, plant and equipment that were pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements – lessee

- A. The Company leases various assets including business vehicles. Rental contracts are typically made for periods of 1 to 3 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.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amounts:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Transportation equipment (Business vehicles)	\$ 3,258	\$ 4,230

Depeciation charge:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Transportation equipment (Business vehicles)	\$ 2,806	\$ 2,754

- C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$1,834 and \$—, respectively.
- D. The information on income and expense 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	\$ 35	\$ 62
Expense on short-term lease contracts	599	1,126

- E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$3,452 and \$3,926, respectively.

(7) Investment property, net

Movements of investment property are as follows:

	For the years ended December 31,	
	2023	2022
<u>Buildings and structures</u>		
At January 1		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	( 2,432)	( 2,126)
Accumulated impairment	( 27,438)	( 27,438)
	<u>\$ 584</u>	<u>\$ 890</u>
Net value at January 1	\$ 584	\$ 890
Depreciation	( 305)	( 306)
Net value at December 31	<u>\$ 279</u>	<u>\$ 890</u>
At December 31		
Cost	\$ 30,454	\$ 30,454
Accumulated depreciation	( 2,737)	( 2,432)
Accumulated impairment	( 27,438)	( 27,438)
	<u>\$ 279</u>	<u>\$ 584</u>

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

	For the years ended December 31,	
	2023	2022
Direct operating expenses arising from the investment property that did not generate rental income during the year (Note)	<u>\$ 305</u>	<u>\$ 306</u>

(Note) Listed as 'Other gains and losses'.

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was \$15,411 and \$15,358, respectively, which was valued by referring to the actual price registration. Valuation is categorized within Level 3 in the fair value hierarchy.

C. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of investment property.

D. For the years ended December 31, 2023 and 2022, no impairment loss was recognized as part of investment property.

E. Information about investment property that was pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(8) Intangible assets

	Computer software cost	
	For the years ended December 31,	
	2023	2022
At January 1		
Cost	\$ 5,444	\$ 5,361
Accumulated amortization	( 4,167)	( 3,082)
	<u>\$ 1,277</u>	<u>\$ 2,279</u>
Net value at January 1	\$ 1,277	\$ 2,279
Additions	-	83
Amortization	( 642)	( 1,085)
Net value at December 31	<u>\$ 635</u>	<u>\$ 1,277</u>
At December 31		
Cost	\$ 5,444	\$ 5,444
Accumulated amortization	( 4,809)	( 4,167)
	<u>\$ 635</u>	<u>\$ 1,277</u>

A. For the years ended December 31, 2023 and 2022, no borrowing cost was capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2023	2022
Manufacturing expenses	\$ 257	\$ 217
Selling expenses	33	30
General and administrative expenses	149	675
Research and development expenses	203	163
	<u>\$ 642</u>	<u>\$ 1,085</u>

(9) Short-term borrowings

Nature	December 31, 2023	Interest rate range	Collateral
Bank unsecured borrowings	\$ 235,000	1.91%~2.36%	None
Bank secured borrowings	175,000	0.5%~2.304%	Note
	<u>\$ 410,000</u>		
Nature	December 31, 2022	Interest rate range	Collateral
Bank secured borrowings	\$ 265,000	1.725%~2.099%	Note
Bank unsecured borrowings	112,000	1.75%~2.229%	None
	<u>\$ 377,000</u>		

(Note) Information about the collateral for the above borrowings is provided in Note 8, 'Pledged assets'.

For more information about interest expenses recognized by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(20), 'Finance cost'.

(10) Short-term notes and bills payable

<u>Nature</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial papers payable	\$ <u>50,000</u>	1.45%~1.78%	None

There was no such situation for the year ended December 31, 2022.

A. The above commercial papers were issued and unsecured by China Bills Finance Corporation and MEGA BILLS FINANCE CO., LTD..

B. For more information about interest expenses recognized by the Company for the year ended December 31, 2023, refer to Note 6(20), 'Finance cost'.

(11) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Bank secured borrowings	2020.7.27~2026.9.24	1.2896%~2.23%	Note	\$ 134,179
Bank unsecured borrowings	2020.12.15~2025.12.15	1.22%~2.10%	None	<u>40,288</u>
				174,467
Less: Current portion				( <u>94,854</u> )
				<u>\$ 79,613</u>

<u>Nature</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Bank secured borrowings	2020.7.27~2026.9.24	1.1575%~1.8%	Note	\$ 204,558
Bank unsecured borrowings	2020.12.15~2025.12.15	1.095%~1.975%	None	<u>50,432</u>
				254,990
Less: Current portion				( <u>86,546</u> )
				<u>\$ 168,444</u>

(Note) Information about the collateral for the above borrowings is provided in Note 8, 'Pledged assets'.

For more information about interest expenses recognized by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(20), 'Finance cost'.



(12) Pensions

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. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were \$5,031 and \$4,880, respectively.

(13) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2023	2022
Beginning and ending balance	65,788	65,788

B. Treasury stocks

(a) Reason for share reacquisition and movements in the number of the Company’s treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	For the years ended December 31,	
	2023	2022
	Beginning and ending balance	Beginning and ending balance
To be reissued to employees	602	602

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company’s issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2023 and 2022, the balances of treasury shares purchased by the Company both amounted to \$24,187.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.

C. As of December 31, 2023, the Company’s authorized capital was \$1,000,000 (including \$60,000 reserved for employee stock options), and the paid-in capital was \$663,898, consisting of 66,390 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share, which were issued in instalments. All proceeds from shares issued have been collected.

(14) Capital reserve

- A. 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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. Movements in capital surplus for the years ended December 31, 2023 and 2022 are summarised as follows:

For the year ended December 31, 2023	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ 12,782	\$ 231	\$ 95,778	\$ 503,465
Adjustments for changes in capital reserve of investee companies	-	-	325	-	325
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	( 95,778)	( 95,778)
Adjustments of capital reserve due to change in interest of subsidiaries	-	-	118,960	-	118,960
At December 31	<u>\$ 394,674</u>	<u>\$ 12,782</u>	<u>\$ 119,516</u>	<u>\$ -</u>	<u>\$ 526,972</u>

For the year ended December 31, 2022	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1	\$ 394,674	\$ -	\$ 2,027	\$ -	\$ 396,701
Transactions with non-controlling interests shareholders of subsidiaries	-	12,782	-	-	12,782
Adjustments for changes in capital reserve of investee companies	-	-	274	-	274
Changes in subsidiaries, associates and joint ventures accounted for under equity method	-	-	-	95,778	95,778
Adjustments for changes in retained earnings of investee companies	-	-	( 2,070)	-	( 2,070)
At December 31	<u>\$ 394,674</u>	<u>\$ 12,782</u>	<u>\$ 231</u>	<u>\$ 95,778</u>	<u>\$ 503,465</u>

- C. For more information about changes in adjustments of capital reserve due to change in interest of subsidiaries, refer to Note 6(30), 'Transactions with non-controlling interest' in the 2023 consolidated financial statements.

(15) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or each dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. 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, but if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is no longer required to be set aside. In addition, after special reserve is set aside or reversed in accordance with relevant regulations, the remainder along with accumulated unappropriated earnings will be proposed by the Board of Directors and resolved at the shareholders' meeting to be distributed as dividends. The Company's dividend policy takes into account not only the Company's current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. but also the shareholders' interests, balanced dividends and the Company's long-term financial plan, etc. Each year, the appropriation is proposed by the Board of Directors and then reported to the shareholders' meeting for approval. The Company is in the growth stage and has a plan to expand its production lines and capital needs in the coming years, and thus the balanced dividend policy is adopted to have a sound financial structure and maintain a good capital adequacy ratio. In addition to appropriating the earnings in accordance with the aforementioned regulations, the dividend and bonus may be distributed in the form of cash or shares, and if there are any earnings in the current year, 10% ~ 80% of distributable earnings of the current year shall be appropriated as dividends and bonuses to shareholders, of which cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends and bonus, legal reserve or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting. The above distribution is not subject to approval by the shareholders.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. The special reserve previously set aside by the Company on initial application of IFRSs in accordance with the Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, amounted to \$369.
- D. On March 18, 2022, the Board of Directors of the Company resolved not to distribute earnings except for the appropriation of legal reserve and special reserve. On March 14, 2024, the Board of Directors resolved not to distribute earnings due to loss incurred during the year.

(16) Operating revenue

A. The Company's revenue is mainly from sales contracts with customers, and such revenue is derived from the transfer of goods at a point in time in the following major product lines:

	For the years ended December 31,	
	2023	2022
Metal masks	\$ 357,342	\$ 446,996
Thermal module	15,246	39,537
Optical bonding materials	-	10,475
Others	26,333	28,663
	<u>\$ 398,921</u>	<u>\$ 525,671</u>

B. The Company has recognized the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Current contract liabilities	<u>\$ 2,469</u>	<u>\$ 878</u>	<u>\$ 64</u>

	For the years ended December 31,	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the year	<u>\$ 790</u>	<u>\$ -</u>

(17) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 1,165	\$ 577
Other interest income	3,074	801
	<u>\$ 4,239</u>	<u>\$ 1,378</u>

(18) Other income

	For the years ended December 31,	
	2023	2022
Technical service income	\$ 5,719	\$ -
Director's remuneration income	2,860	3,196
Resale of electricity income	2,707	-
Administrative service income	1,177	1,392
Waste liquid recycling income	428	2,502
Other income	365	2,401
	<u>\$ 13,256</u>	<u>\$ 9,491</u>

(19) Other gains and losses

	For the years ended December 31,	
	2023	2022
Currency exchange gain	\$ 1,621	\$ 15,181
Gain on disposal of property, plant and equipment	-	606
Depreciation charges on investment property	(305)	(306)
	<u>\$ 1,316</u>	<u>\$ 15,481</u>

(20) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 11,257	\$ 6,730
Interest expense on lease liabilities	35	62
	<u>\$ 11,292</u>	<u>\$ 6,792</u>

(21) Expenses by nature

	For the year ended December 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 78,880	\$ 59,809	\$ 138,689
Depreciation	48,683	9,995	58,678
Amortization	257	385	642
	<u>\$ 127,820</u>	<u>\$ 70,189</u>	<u>\$ 198,009</u>
	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 80,923	\$ 68,334	\$ 149,257
Depreciation	45,994	8,367	54,361
Amortization	217	868	1,085
	<u>\$ 127,134</u>	<u>\$ 77,569</u>	<u>\$ 204,703</u>

(22) Employee benefit expense

	For the year ended December 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 64,608	\$ 44,837	\$ 109,445
Labor and health insurance expense	6,951	5,224	12,175
Pension costs	2,611	2,420	5,031
Directors' remuneration	-	4,486	4,486
Other personnel expenses	4,710	2,842	7,552
	<u>\$ 78,880</u>	<u>\$ 59,809</u>	<u>\$ 138,689</u>
	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 67,593	\$ 53,458	\$ 121,051
Labor and health insurance expense	6,423	4,295	10,718
Pension costs	2,629	2,251	4,880
Directors' remuneration	-	4,792	4,792
Other personnel expenses	4,278	3,538	7,816
	<u>\$ 80,923</u>	<u>\$ 68,334</u>	<u>\$ 149,257</u>

- A. As of December 31, 2023 and 2022, the Company had 207 and 187 employees, among these, 7 directors were non-employee directors, respectively.
- B. For the years ended December 31, 2023 and 2022, the average employee benefit expense recognized was \$671 and \$803, and the average employee salary expense recognized was \$547 and \$673, respectively. The average wages and salaries in 2023 decreased by approximately 19% compared with 2022.
- C. In accordance with the Company's compensation policy, directors' remuneration is determined by considering the extent of their contribution in the Company's operations and the general pay levels in the same industry; managers' remuneration is assessed based on their positions, responsibilities of the job, contribution to the Company and performance evaluations during the year, and by reference to the general pay levels in the same industry. The aforementioned directors' and managers' remunerations shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution. Employees' compensation is determined by reference to the pay levels in the industry and their job titles, levels, types, responsibilities, etc., and the professional capacities, education and work experience and education levels are also the main factors considered in the salary evaluation.
- D. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 8%~15% for employees' compensation and shall not be higher than 5% for directors' remuneration. Provided that the Company has accumulated deficit, earnings shall be

first used to cover accumulated deficit. Directors' remuneration is distributed in the form of cash while employees' compensation may be distributed in the form of cash or shares. The employees, including the employees of the Company's subsidiaries, who meet certain specific requirements are entitled to receive the above cash or shares. The profit of the current year is the profit before deducting tax, employees' compensation and directors' remuneration. The distribution of employees' compensation and directors' remuneration is subject to the approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance and shall also be reported at the shareholders' meeting.

- E. For the years ended December 31, 2023 and 2022, there was no employee' compensation and directors' remuneration. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. As the Company had no profit in 2023 and 2022, there was no need to estimate and pay remuneration to employees and directors.

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.

(23) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Current tax on profits for the year	\$ 1,299	\$ -
Tax on undistributed earnings	-	99
Prior year's income tax over estimation	( 9)	-
Total current income tax	<u>1,290</u>	<u>99</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>3,819</u>	<u>2,320</u>
Income tax expense	<u>\$ 5,109</u>	<u>\$ 2,419</u>

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

	For the years ended December 31,	
	2023	2022
Financial statements translation differences of foreign operations	<u>(\$ 1,799)</u>	<u>\$ 1,429</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Tax on undistributed earnings	\$ -	\$ 99
Prior year's income tax over estimation	( 9)	-
Separate taxation	1,299	-
Change in assessment of realisation of deferred tax assets	<u>3,819</u>	<u>2,320</u>
Income tax expense	<u>\$ 5,109</u>	<u>\$ 2,419</u>

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

	<u>2023</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Financial statements translation differences	\$ 2,703	\$ -	\$ 1,799	\$ 4,502
Allowance for doubtful accounts	71	-	-	71
Loss on inventory market value decline	3,430	1,061	-	4,491
Impairment loss	2,938	( 131)	-	2,807
Unrealized loss on foreign currency exchange	-	871	-	871
Book-tax difference on land cost	9,501	-	-	9,501
Tax losses	<u>14,605</u>	<u>274</u>	<u>-</u>	<u>14,879</u>
	<u>\$ 33,248</u>	<u>\$ 2,075</u>	<u>\$ 1,799</u>	<u>\$ 37,122</u>
Deferred tax liabilities:				
Temporary differences:				
Investment income	(\$ 13,362)	(\$ 6,086)	\$ -	(\$ 19,448)
Unrealized gain on foreign currency exchange	( 192)	192	-	-
Gain recognized in bargain purchase transaction	( 1,277)	-	-	( 1,277)
	<u>(\$ 14,831)</u>	<u>(\$ 5,894)</u>	<u>\$ -</u>	<u>(\$ 20,725)</u>
	<u>\$ 18,417</u>	<u>(\$ 3,819)</u>	<u>\$ 1,799</u>	<u>\$ 16,397</u>



2022

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Financial statements translation differences of foreign operations	\$ 4,132	\$ -	(\$ 1,429)	\$ 2,703
Allowance for doubtful accounts	71	-	-	71
Loss on inventory market value decline	2,746	684	-	3,430
Impairment loss	3,069	( 131)	-	2,938
Unrealized loss on foreign currency exchange	85	( 85)	-	-
Book-tax difference on land cost	9,501	-	-	9,501
Tax losses	17,544	( 2,939)	-	14,605
	<u>\$ 37,148</u>	<u>(\$ 2,471)</u>	<u>(\$ 1,429)</u>	<u>\$ 33,248</u>
Deferred tax liabilities:				
Temporary differences:				
Investment income	(\$ 13,705)	\$ 343	\$ -	(\$ 13,362)
Unrealized gain on foreign currency exchange	-	( 192)	-	(\$ 192)
Gain recognized in bargain purchase transaction	( 1,277)	-	-	( 1,277)
	<u>(\$ 14,982)</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>(\$ 14,831)</u>
	<u>\$ 22,166</u>	<u>(\$ 2,320)</u>	<u>(\$ 1,429)</u>	<u>\$ 18,417</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>		<u>Expiry year</u>
2013	\$ 12,636	\$ 12,636	\$ 12,636		2023
2014	16,383	16,383	-		2024
2020	1,642	1,642	-		2030
2022	9,420	9,420	-		2032
2023	46,952	46,952	-		2033

December 31, 2022					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>		<u>Expiry year</u>
2012	\$ 50,807	\$ 50,807	\$ 50,807		2022
2013	12,636	12,636	-		2023
2014	16,383	16,383	-		2024
2020	1,642	1,642	-		2030
2022	42,364	42,364	-		2032

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 14, 2024.

(24) Loss per share

	For the year ended December 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss for the year	(\$ 85,571)	65,788	(\$ 1.30)
	For the year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss for the year	(\$ 36,049)	65,788	(\$ 0.55)

For the years ended December 31, 2023 and 2022, potential ordinary shares were excluded from the calculation of diluted loss per share due to the anti-dilutive effect.

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 22,754	\$ 48,918
Add: Opening balance of other payables	5,495	6,721
Less: Ending balance of other payables	( 774)	( 5,495)
Cash paid during the year	<u>\$ 27,475</u>	<u>\$ 50,144</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Commercial papers payable	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross
At January 1, 2023	\$ 377,000	\$ -	\$ 4,262	\$ 254,990	\$ 636,252
Changes in cash flow from financing activities	33,000	50,000	( 2,818)	( 80,523)	( 341)
Changes in cash flow from other non-cash financing activities	-	-	1,834	-	1,834
At December 31, 2023	<u>\$ 410,000</u>	<u>\$ 50,000</u>	<u>\$ 3,278</u>	<u>\$ 174,467</u>	<u>\$ 637,745</u>
	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Liabilities from financing activities - gross	
At January 1, 2022	\$ 95,000	\$ 7,000	\$ 321,850	\$ 423,850	
Changes in cash flow from financing activities	282,000	( 2,738)	( 66,860)	212,402	
At December 31, 2022	<u>\$ 377,000</u>	<u>\$ 4,262</u>	<u>\$ 254,990</u>	<u>\$ 636,252</u>	

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Htc & Solartech Service (Samoa) Corporation	Subsidiary
Solar Applied Materials Technology (Shanghai) Co., Ltd.	Subsidiary
FineMat (Shanghai) Applied Materials Co., Ltd.	Subsidiary
FineMat (HuangShi) Applied Materials Co., Ltd.	Subsidiary
WAVE POWER TECHNOLOGY INC.	Subsidiary
ETCH HOME TECHNOLOGY CO., LTD.	Subsidiary
VN ETCH HOME TECHNOLOGY CO., LTD.	Subsidiary
Galloptech International Company Limited	Associate
Huangshi Quanyang Photoelectric Technology Co., Ltd.	Associate (Note)
HTC & SOLAR TECH SERVICE LIMITED	Other related party

(Note) In August 2023, the Company's subsidiary, Solar Applied Materials Technology (Shanghai) Co., Ltd., sold its 40.36% shares of Huangshi Quanyang Photoelectric Technology Co., Ltd. to Magic Star Technology (Ningbo) Co., Ltd.. Consequently, Huangshi Quanyang Photoelectric Technology Co., Ltd. was no longer a related party of the Company since August 2023.

### (2) Significant related party transactions

#### A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Huangshi Quanyang Photoelectric Technology Co., Ltd.	\$ 30,975	\$ 57,324
ETCH HOME TECHNOLOGY CO., LTD.	18,670	58,686
FineMat (Shanghai) Applied Materials Co., Ltd.	17,964	366
Subsidiaries	250	3,155
Other related parties	400	3,252
	<u>\$ 68,259</u>	<u>\$ 122,783</u>

The sales prices and credit terms from related parties were the same with third parties. Collection terms are 60 ~ 90 days after monthly statements for related parties and 90 days after monthly statements for third parties.

B. Purchases

	For the years ended December 31,	
	2023	2022
Purchases of goods:		
HTC & SOLAR TECH SERVICE LIMITED	\$ 3,620	\$ 17,557
Associates	3,011	900
ETCH HOME TECHNOLOGY CO., LTD.	1,650	8,691
Subsidiaries	98	-
	<u>\$ 8,379</u>	<u>\$ 27,148</u>

The purchase prices and payment terms from related parties were the same with third parties. Payment terms are 90 days after monthly statements for related parties and 30 ~ 90 days after monthly statements for third parties.

C. Processing expenses and other expenses (listed as ‘operating cost’)

	For the years ended December 31,	
	2023	2022
Other related parties	\$ 131	\$ 207
Huangshi Quanyang Photoelectric Technology Co., Ltd.	-	4,557
Subsidiaries	8	2
	<u>\$ 139</u>	<u>\$ 4,766</u>

D. Administrative service revenue

	For the years ended December 31,	
	2023	2022
HTC & SOLAR TECH SERVICE LIMITED	\$ 681	\$ 936
Galloptech International Company Limited	496	456
	<u>\$ 1,177</u>	<u>\$ 1,392</u>

E. Directors’ remuneration income

	For the years ended December 31,	
	2023	2022
WAVE POWER TECHNOLOGY INC.	<u>\$ 2,860</u>	<u>\$ 3,196</u>

F. Technical service income

	For the years ended December 31,	
	2023	2022
FineMat (HuangShi) Applied Materials Co., Ltd.	<u>\$ 4,396</u>	<u>\$ -</u>

### G. Investment transactions

- (1) In January 2022, the Company participated in the capital increase of ETCH HOME TECHNOLOGY CO., LTD. for a total investment amounting to \$70,000 in cash. As the Company did not subscribe to the capital increase in proportion to its shareholding ratio, retained earnings decreased by \$4,449.
- (2) In August 2022, the subsidiary, WAVE POWER TECHNOLOGY INC., filed for an initial public offering with the Taipei Exchange. As part of the public process, the Company partially disposed its shares through public market for a total cash consideration of \$20,239. After deducting the book value of \$7,457 on the disposal date, the capital reserve increased by \$12,782.
- (3) In December 2022, the Company participated in the capital increase of Htc & Solartech Service (Samoa) Corporation for a total investment amounting to \$51,729 in cash.

### H. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
FineMat (Shanghai) Applied Materials Co., Ltd.	\$ 13,379	\$ 176
ETCH HOME TECHNOLOGY CO., LTD.	1,825	40,717
FineMat (HuangShi) Applied Materials Co., Ltd.	112	141
VN ETCH HOME TECHNOLOGY CO., LTD.	69	2,943
Huangshi Quanyang Photoelectric Technology Co., Ltd.	-	15,130
	<u>\$ 15,385</u>	<u>\$ 58,931</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables (excluding loans to related parties):		
HTC & SOLAR TECH SERVICE LIMITED	\$ 267	\$ -
VN ETCH HOME TECHNOLOGY CO., LTD.	-	16,567
ETCH HOME TECHNOLOGY CO., LTD.	-	163
	<u>\$ 267</u>	<u>\$ 16,730</u>

The receivables from related parties arise mainly from sale transactions and purchase of packaging and machines on behalf of others. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

### I. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase of goods and services:		
Subsidiaries	\$ 666	\$ 916
HTC & SOLAR TECH SERVICE LIMITED	167	9,769
Huangshi Quanyang Photoelectric Technology Co., Ltd.	-	419
	<u>\$ 833</u>	<u>\$ 11,104</u>

The payables to related parties arise mainly from purchase transactions and are unsecured in nature and bear no interest.

J. Loans to related parties

Receivable from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
ETCH HOME TECHNOLOGY CO., LTD.	\$ 33,853	\$ 33,726
VN ETCH HOME TECHNOLOGY CO., LTD.	24,748	6,132
	<u>\$ 58,601</u>	<u>\$ 39,858</u>

The loans to related parties are payable over 1 year and the interest income was \$2,440 and \$763 for the years ended December 31, 2023 and 2022, respectively.

K. Endorsements and guarantees

Endorsements and guarantees provided by the Company to subsidiaries are as follows:

	<u>Nature</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Htc & Solartech Service (Samoa) Corporation	Financial guarantee	\$ 92,115	\$ 140,140
FineMat (HuangShi) Applied Materials Co., Ltd.	"	46,058	112,789
ETCH HOME TECHNOLOGY CO., LTD.	"	80,000	50,000
VN ETCH HOME TECHNOLOGY CO., LTD.	"	153,526	153,135
		<u>\$ 371,699</u>	<u>\$ 456,064</u>

As of December 31, 2023 and 2022, the actual amount guaranteed by the Company to the subsidiaries was \$141,412 and \$196,893, respectively.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 10,528</u>	<u>\$ 10,804</u>

## 8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Restricted time deposits (Note 1)	\$ 1,049	\$ 1,036	Customs deposits
Land (Note 2)	227,865	227,865	Financial guarantees
Buildings and structures, net (Note 2)	253,646	252,223	"
	<u>\$ 482,560</u>	<u>\$ 481,124</u>	

(Note 1) Listed as 'Financial assets at amortized cost - current'.

(Note 2) Listed as 'Property, plant and equipment' and 'Investment property, net'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2023 and 2022, the Company's remaining balance due for construction in progress and prepayments for equipment were \$404 and \$22,635, respectively.

(2) Information about endorsements and guarantees to subsidiaries is provided in Note 7(2)K.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company also ensures it has sufficient financial resources and operating plans to support the working capital needs, capital expenditures, dividend payments, etc. in the future.

### (2) Financial instruments

A. Information on the Company's financial instruments by category is provided in Note 6.

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. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.



- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Company operates internationally and is exposed to exchange rate risk arising from various currencies, primarily with respect to the USD, RMB and JPY. Foreign exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- II. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Foreign exchange risk arises when future commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- III. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Company does not hedge the investments.
- IV. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,473	30.66	\$ 198,416
RMB:NTD	11,805	4.302	50,789
<u>Non-monetary items</u>			
USD:NTD	13,725	30.71	421,448
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	35	30.76	1,063
RMB:NTD	9,852	4.352	42,878

December 31, 2022

	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,220	30.66	\$ 221,362
RMB:NTD	9,919	4.383	43,472
JPY:NTD	9,323	0.23	2,148
<u>Non-monetary items</u>			
USD:NTD	16,099	30.71	494,385
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	358	30.76	11,017
RMB:NTD	6,801	4.433	30,147
JPY:NTD	19,782	0.2344	4,637

V. Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other variables held constant, the Company's net profit after tax for the years ended December 31, 2023 and 2022 would increase/decrease by \$1,642 and \$1,769, respectively.

VI. Total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$1,621 and \$15,181, respectively.

Price risk

The Company did not engage in any financial instrument transactions with price variations, thus, the Company does not expect market risk arising from variations in the market prices.

Cash flow and fair value interest rate risk

Regarding the sensitivity analysis of interest rate risk, if the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$901 and \$538, respectively. The main factor is that increases/decreases in interest expense result from floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- II. The Company manages its credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of the 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 utilization of credit limits is regularly monitored.
- III. In line with the credit risk management procedure, payment reminders are sent when the contract payments are past due, and the default occurs when the contract payments are past due over a certain period of time.
- IV. The Company classifies customer's accounts receivable in accordance with credit risk on trade. The Company applied the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss. The Company uses the forecastability of conditions 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:

<u>December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.24%	\$ 107,531	\$ 450
Up to 30 days	1.58%	3,613	57
31 to 90 days	6.92%	131	9
91 to 180 days	24.45%~36.35%	681	190
		<u>\$ 111,956</u>	<u>\$ 706</u>
<u>December 31, 2022</u>			
Not past due	0.34%	\$ 181,070	\$ 621
Up to 30 days	2.44%	82	2
31 to 90 days	7.42%	539	40
Over 181 days	100%	675	675
		<u>\$ 182,366</u>	<u>\$ 1,338</u>

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1	\$ 1,338	\$ 555
Expected credit (gain) loss	( 632)	783
At December 31	<u>\$ 706</u>	<u>\$ 1,338</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in finance division of the Company. Finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Company is expected to readily generate cash inflows for managing liquidity risk.

III. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 371,600	\$ 221,550
Expiring beyond one year	-	76,476
	<u>\$ 371,600</u>	<u>\$ 298,026</u>

IV. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 411,193	\$ -	\$ -	\$ -
Commercial papers payable	50,000	-	-	-
Accounts payable (including related parties)	59,290	-	-	-
Other payables	33,572	-	-	-
Lease liabilities	2,128	1,205	-	-
Long-term borrowings (including current portion)	96,682	80,480	-	-
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 378,553	\$ -	\$ -	\$ -
Accounts payable (including related parties)	71,617	-	-	-
Other payables	50,398	-	-	-
Lease liabilities	2,800	1,500	-	-
Long-term borrowings (including current portion)	89,154	157,160	13,555	-

V. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to 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. Fair value information of investment property at cost is provided in Note 6(7) 'Investment property, net'.
- C. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other payables, and long-term borrowings (including current portion)) are approximate to their fair values.
- D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirements, only information related to the year ended December 31, 2023 is disclosed)

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

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

J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Except for endorsements and guarantees as described in table 2, there is no such situation.

(4) Major shareholders information

Major shareholders information: Refer to table 6.

14. SEGMENT INFORMATION

Not applicable.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 241
Demand deposits — New Taiwan dollar		109,182
— Foreign Currencies	Including USD 2,386 thousand @ 30.66, RMB 5,144 thousand @ 4.302 and JPY 199 thousand @ 0.2152	95,302
		<u>\$ 204,725</u>

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Company A	Accounts receivable	\$ 48,029	—
Company B	"	15,391	—
Company C	"	7,185	—
Company D	"	6,281	—
Company E	"	5,069	—
Others (individually less than 5%)	"	<u>14,616</u>	—
		96,571	
Less: Allowance for doubtful accounts		( <u>706</u> )	—
		<u>\$ 95,865</u>	



FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF OTHER ACCOUNTS RECEIVABLE — RELATED PARTIES  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Receivable of loans to related parties	ETCH HOME TECHNOLOGY CO., LTD.	\$ 33,853	—
"	VN ETCH HOME TECHNOLOGY COMPANY LTD.	24,748	—
Other receivables	HTC & SOLAR TECH SERVICE LIMITED	267	—
		<u>\$ 58,868</u>	

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Amount		Footnote
	Cost	Net Realizable Value	
Merchandise	\$ 57	\$ -	(Note)
Raw materials	81,265	63,284	"
Supplies	2,640	1,898	"
Work in progress	1,316	1,316	"
Finished goods	1,990	2,715	"
	87,268	\$ 69,213	
Less: Allowance for inventory valuation losses	( 22,457)		
	\$ 64,811		

(Note) Refer to Note 4(9) 'Inventories' of parent company only financial statements for the way the Company determines net realizable value of inventories.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Investees	Beginning Balance		Increase		Decrease		Ending Balance		Market value or net assets value				
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of ownership	Amount	Unit price (in dollars)	Total amount	Collateral	Footnote
Sense Pad TECH. CO., LTD.	7,580	\$ 52,811	-	\$ 5,707	-	\$ (5,491)	7,580	100.00%	\$ 53,027	\$ 7.00	\$ 53,027	None	-
ETCH HOME TECHNOLOGY CO., LTD.	4,268	85,460	-	-	-	(43,406)	4,268	90.81%	42,054	9.85	42,054	"	-
Htc & Solartech Service (Samoa) Corporation	8,576	441,574	-	29,436	-	(102,589)	8,576	73.73%	368,421	42.96	368,421	"	-
WAVE POWER TECHNOLOGY INC.	12,737	293,553	-	151,287	-	(43,943)	12,737	37.35%	400,897	111.50	1,420,176	"	-
	33,161	\$ 873,398	-	\$ 186,430	-	\$ (195,429)	33,161		\$ 864,399		\$ 1,883,678		

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – COST  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(5) ‘Property, plant and equipment’ of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(5) 'Property, plant and equipment' of parent company only financial statements.  
Refer to Note 4(11) 'Property, plant and equipment' of parent company only financial statements for the depreciation method and useful lives of the assets.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF CHANGES IN DEFERRED TAX ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(23) 'Income tax' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending balance	Contract period	Interest rate	Loan commitment	Collateral	Footnote
Unsecured borrowings	Bank SinoPac	\$ 60,000	2023.4.27~2024.4.30	2.10%	\$ 70,000	None	—
"	Taishin International Bank	20,000	2022.12.31~2023.12.31	2.36%	50,000	"	—
"	Cathay United Bank	55,000	2023.12.25~2024.12.25	2.02%	100,000	"	—
"	Taiwan Shin Kong Commercial Bank	40,000	2023.5.23~2024.5.8	2.25%	60,000	"	—
"	Chang Hwa Commercial Bank	30,000	2023.6.8~2024.5.31	2.00%	30,000	"	—
"	Mega International Commercial Bank	20,000	2023.3.2~2024.3.1	2.05%	60,000	"	—
"	Yuantia Commercial Bank	10,000	2023.5.4~2024.5.3	1.91%	30,000	"	—
Secured borrowings	E.SUN Commercial Bank	100,000	2023.6.15~2024.6.15	0.5%~2.00%	100,000	Land, buildings and structures	—
"	O-Bank	75,000	2023.12.21~2024.12.20	2.304%	180,000	"	—
		<u>\$ 410,000</u>					

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Company F	Accounts payable	\$ 49,568	—
Others (individually less than 5%)	"	<u>8,889</u>	—
		<u>\$ 58,457</u>	



FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Wages and salaries and bonuses payable	—	\$ 18,415
Payable on import/export (customs) expenses	—	2,519
Payable on utilities expense	—	2,043
Payable on labor and health insurance expense	—	1,999
Others (individually less than 5%)	—	8,596
		<u>\$ 33,572</u>

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF LONG-TERM LIABILITIES, CURRENT PORTION  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Creditor	Nature	Contract period	Interest rate	Amount	Collateral	Footnote
O-Bank	Secured bank borrowings	2020.07.07~2025.07.06	1.2896%	\$ 71,442	Land, buildings and structures	Note 1
CTBC Bank	"	2021.09.24~2026.09.24	2.23%	2,268	"	Note 2
Cathay United Bank The Shanghai Commercial & Savings Bank	Unsecured bank borrowings	2020.12.15~2025.12.15 2022.07.11~2025.07.11	1.22% 2.10%	15,144 <u>6,000</u>	None "	Note 3 Note 4
				<u>\$ 94,854</u>		

(Note 1) Principal is payable in 31 equal monthly installments from January 15, 2023.

(Note 2) Principal is payable in 43 monthly installments of \$189 from February 24, 2023 and the remaining amount is repayable at maturity.

(Note 3) Principal is payable in 43 equal monthly installments from January 1, 2022.

(Note 4) Principal is payable in 36 equal monthly installments from September 11, 2023.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Creditor	Nature	Contract period	Interest rate	Amount	Collateral	Footnote
O-Bank	Secured bank borrowings	2020.07.07~2025.07.06	1.2896%	\$ 116,069	Land, buildings and structures	Note 1
CTBC Bank	"	2021.09.24~2026.09.24	2.23%	18,110	"	Note 2
Cathay United Bank The Shanghai Commercial & Savings Bank	Unsecured bank borrowings	2020.12.15~2025.12.15	1.22%	30,288	None	Note 3
	"	2022.07.11~2025.07.11	2.10%	10,000	"	Note 4
				<u>174,467</u>		
	Less: Current portion			( 94,854)		
				<u>\$ 79,613</u>		

(Note 1) Principal is payable in 31 equal monthly installments from January 15, 2023.

(Note 2) Principal is payable in 43 monthly installments of \$189 from February 24, 2023 and the remaining amount is repayable at maturity.

(Note 3) Principal is payable in 43 equal monthly installments from January 1, 2022.

(Note 4) Principal is payable in 36 equal monthly installments from September 11, 2023.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>		<u>Footnote</u>
		<u>Subtotal</u>	<u>Total</u>	
Metal masks	132 thousand pieces	\$ 360,292		—
Thermal Module	859 thousand pieces	15,251		—
Others		<u>26,344</u>		—
			\$ 401,887	
Less: Sales returns and discounts			<u>( 2,966)</u>	—
Operating revenue			<u>\$ 398,921</u>	

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2023	\$ 57
Add: Merchandise purchase	-
Merchandise at December 31, 2023	( 57)
Cost of purchasing and selling	-
Raw materials at January 1, 2023	99,502
Add: Raw materials purchased	181,082
Less: Sale of raw materials	( 23,752)
Disposal of raw materials	( 77)
Raw materials at December 31, 2023	( 81,265)
Raw materials used during the year	175,490
Supplies at January 1, 2023	2,691
Add: Supplies purchased	19,008
Less: Sale of supplies	( 219)
Supplies at December 31, 2023	( 2,640)
Supplies used during the year	18,840
Direct labor	46,011
Manufacturing overhead	122,659
Manufacturing cost	363,000
Work in progress at January 1, 2023	1,278
Add: Transfers from finished goods	19,755
Process and transfer in	5,257
Work in progress at December 31, 2023	( 1,316)
Cost of finished goods	387,974
Finished goods at January 1, 2023	11,522
Add: Finished goods purchased	3,675
Less: Transfers to work in progress	( 19,755)
Finished goods at December 31, 2023	( 1,990)
Cost of goods production and marketing	381,426
Sale of raw materials	23,752
Sale of supplies	219
Cost of goods sold	405,397
Loss on scrapped inventories	77
Allowance for inventory market price decline	5,307
Revenue from sale of scrap	( 1,192)
Operating costs	<u>\$ 409,589</u>

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Footnote
Wages and salaries	—	\$ 21,208	—
Utilities expense	—	19,543	—
Insurance expense	—	7,418	—
Depreciation	—	48,683	—
Other expenses (individually less than 5%)	—	<u>25,807</u>	—
		<u>\$ 122,659</u>	

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 4,914	—
Freight	—	9,704	—
Import/export (customs) expense	—	2,332	—
Other expenses (individually less than 5%)	—	<u>3,057</u>	—
		<u>\$ 20,007</u>	

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Footnote
Wages and salaries	—	\$ 25,259	—
Professional service fees	—	5,484	—
Depreciation	—	4,719	—
Insurance expense	—	2,859	—
Other expenses (individually less than 5%)	—	<u>9,223</u>	—
		<u>\$ 47,544</u>	



FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Footnote</u>
Wages and salaries	—	\$ 21,570	—
Depreciation	—	4,882	—
Insurance expense	—	2,733	—
Utilities expense	—	2,533	—
Other expenses (individually less than 5%)	—	<u>3,818</u>	—
		<u>\$ 35,536</u>	

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF OTHER INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(18) 'Other income' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF FINANCE COST  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20) 'Finance costs' of parent company only financial statements.

FINEMAT APPLIED MATERIALS CO., LTD.  
STATEMENT OF SUMMARY EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND  
AMORTISATION EXPENSES IN THE CURRENT PERIOD  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(21) 'Expenses by nature' and Note 6(22) 'Employee benefit expense' of parent company only financial statements.

FineMat Applied Materials Co., Ltd.

Chao Chin-Hsiao