INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of IntelliEPI Inc. (Cayman)

Opinion

We have audited the accompanying consolidated balance sheets of IntelliEPI Inc. (Cayman) and its subsidiaries (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, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the 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.

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Key audit matters

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

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

Evaluation of inventories

<u>Description</u>

Refer to Note 4(10) for accounting policies on evaluation of inventories, Note 5 for the critical accounting estimates and assumptions in relation to evaluation of inventories and Note 6(4) for the details of loss allowance for inventories.

The Group is primarily engaged in the manufacture of compound semiconductor wafers and the manufacture and sales of epitaxy products. Due to the rapid technological innovations, intense market competition and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group uses the net realizable value to make provisions for estimated loss related to inventories aged over a certain period and individually identified as obsolete. The aforementioned identification of obsolete inventories and net realizable value is subject to management's judgment. Considering that the Group's inventory and allowance for inventory valuation loss have a significant impact on the Group's consolidated financial statements, we considered the allowance for inventory valuation loss a key audit matter.

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

We performed the following audit procedures on the valuation of inventory:

A. Assessed the reasonableness of accounting policies and procedures in relation to allowance for inventory valuation;

B. Validated the appropriateness of inventory aging report used by management to ensure that the information in the inventory aging report is consistent with the corresponding accounting policies; and

C. Obtained the net realizable value calculation report prepared by management, selected samples of inventory items and checked the supporting purchase or sales documents against the accounting records and recalculated the net realizable value to assess the adequacy of allowance for inventory valuation loss.

Existence of operating revenue

Description

Refer to Note 4(25) for accounting policies on operating revenue.

The Group's operating revenue mainly arises from manufacturing and sales of epitaxy wafers related products. The consolidated operating revenue for 2023 amounted to NTD 662,355 thousand, and is significant to the consolidated financial statements. Further, as the Group's customers are spread out across several continents, including America, Europe and Asia, the consolidated operating revenue was easily affected by the demand of terminal market. Thus, we considered the occurrence and existence of operating revenue 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 and tested the effectiveness of design and execution of internal controls over the recognition of operating revenue.

B. Searched the public data of the new top 10 major customers and their official company websites to assess the existence of the customer.

C. Obtained the sales details of customers, selected samples of sales transactions at random and examined corresponding documents, such as sales orders, delivery orders, invoices and other related vouchers, to confirm the existence of operating revenue transactions.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal 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 judgement 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 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.

Wendy Liang　　Alan Chien

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

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.

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

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash	6(1)	$ 68,471	4	$ 116,296	6
1136	Current financial assets at amortized cost	6(2)	240,464	12	154,160	8
1170	Accounts receivable, net	6(3)	98,524	5	135,510	7
1200	Other receivables		73,834	4	1,344	-
130X	Inventories, net	6(4)	232,554	12	218,800	12
1410	Prepayments		5,898	-	7,674	1
1479	Other current assets		240	-	201	-
11XX	**Total current assets**		719,985	37	633,985	34
	Non-current assets					
1600	Property, plant and equipment	6(5)	1,204,487	62	1,206,337	65
1755	Right-of-use assets	6(6)	3,198	-	3,966	-
1780	Intangible assets	6(7)	780	-	290	-
1840	Deferred income tax assets	6(24)	8,628	-	-	-
1900	Other non-current assets	6(8)	14,994	1	8,251	1
15XX	**Total non-current assets**		1,232,087	63	1,218,844	66
1XXX	**Total assets**		$ 1,952,072	100	$ 1,852,829	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2120	Current financial liabilities at fair value through profit or loss	6(9)	$ 40,720	2	$ -	-
2130	Current contract liabilities	6(17)	5,174	-	9,117	-
2170	Accounts payable		31,800	2	38,104	2
2200	Accrued expenses and other payables	6(11)	42,099	2	68,322	4
2230	Income tax payable		108	-	-	-
2280	Current lease liabilities		919	-	834	-
2305	Other current financial liabilities	6(10)	167,559	9	-	-
21XX	**Total current liabilities**		288,379	15	116,377	6
	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	-	-	6,692	1
2580	Non-current lease liabilities		2,438	-	3,388	-
25XX	**Total non-current liabilities**		2,438	-	10,080	1
2XXX	**Total liabilities**		290,817	15	126,457	7
	Equity attributable to owners of parent					
	Share capital	6(13)				
3110	Common share		367,857	19	367,684	20
3170	Share capital awaiting retirement		-	-	(136)	-
	Capital surplus	6(14)				
3200	Capital surplus		648,664	33	647,230	35
	Retained earnings	6(15)				
3310	Legal reserve		122,120	6	106,341	6
3320	Special reserve		-	-	121,993	6
3350	Unappropriated retained earnings		500,147	26	459,076	25
	Other equity	6(16)				
3400	Other equity interest		21,793	1	23,527	1
31XX	**Equity attributable to owners of the parent**		1,660,581	85	1,725,715	93
36XX	**Non-controlling interest**		674	-	657	-
3XXX	**Total equity**		1,661,255	85	1,726,372	93
	Significant event after the balance sheet date	9				
3X2X	**Total liabilities and equity**		$ 1,952,072	100	$ 1,852,829	100

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

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
4000	**Operating revenue**	6(17)	$ 662,355	100	$ 892,533	100
5000	**Operating costs**	6(4)(17)(18)(19)	(507,808)	(77)	(542,361)	(61)
5950	**Net gross profit**		154,547	23	350,172	39
	Operating expenses	6(18)(19)				
6100	Selling expenses		(4,215)	-	(6,120)	(1)
6200	General and administrative expenses		(132,318)	(20)	(132,995)	(15)
6300	Research and development expenses		(45,454)	(7)	(41,813)	(4)
6450	Impairment loss determined in accordance with IFRS 9	10(4)	(5,137)	(1)	(2,936)	-
6000	**Total operating expenses**		(187,124)	(28)	(183,864)	(20)
6900	**Operating (loss) profit**		(32,577)	(5)	166,308	19
	Non-operating income and expenses					
7100	Interest income	6(2)(20)	7,557	1	2,925	-
7010	Other income	6(21)	114	-	38	-
7020	Other gains and losses	6(22)	(7,350)	(1)	21,963	3
7050	Finance costs	6(23)	(1,326)	-	(174)	-
7000	**Total non-operating income and expenses**		(1,005)	-	24,752	3
7900	**(Loss) profit before income tax, net**		(33,582)	(5)	191,060	22
7950	Income tax benefit (expense)	6(24)	41,942	6	(33,305)	(4)
8200	**Profit for the year**		$ 8,360	1	$ 157,755	18
	Other comprehensive income, net					
	Other comprehensive (loss) income that will not be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		($ 10,137)	(1)	$ 160,810	18
8500	**Total comprehensive (loss) income for the year**		($ 1,777)	-	$ 318,565	36
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 8,343	1	$ 157,781	18
8620	Non-controlling interest		17	-	(26)	-
	Total		$ 8,360	1	$ 157,755	18
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		($ 1,794)	-	$ 318,591	36
8720	Non-controlling interest		17	-	(26)	-
	Total		($ 1,777)	-	$ 318,565	36
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(25)	$ 0.23		$ 4.34	
9850	**Diluted earnings per share**	6(25)	$ 0.23		$ 4.31	

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

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Capital			Retained Earnings						
	Notes	Common share	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity	Total	Non-controlling interest	Total equity
For the year ended December 31, 2022											
Balance at January 1, 2022		$ 365,145	$ -	$ 634,965	$ 97,579	$ 80,201	$ 406,618	($ 131,894)	$1,452,614	$ 683	$1,453,297
Profit for the year		-	-	-	-	-	157,781	-	157,781	(26)	157,755
Other comprehensive income for the year		-	-	-	-	-	-	160,810	160,810	-	160,810
Total comprehensive income (loss) for the year		-	-	-	-	-	157,781	160,810	318,591	(26)	318,565
Appropriations of 2021 earnings											
Special reserve		-	-	-	-	41,792	(41,792)	-	-	-	-
Legal reserve		-	-	-	8,762	-	(8,762)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	(54,769)	-	(54,769)	-	(54,769)
Issuance of restricted stocks to employees	6(12)(14)(16)	-	-	(430)	-	-	-	9,709	9,279	-	9,279
Retirement of restricted stocks to employees	6(13)(14)	(36)	(36)	72	-	-	-	-	-	-	-
Exercise of restricted stocks to employees	6(13)(14)(16)	2,575	(100)	12,623	-	-	-	(15,098)	-	-	-
Balance at December 31, 2022		$ 367,684	($ 136)	$ 647,230	$ 106,341	$ 121,993	$ 459,076	$ 23,527	$1,725,715	$ 657	$1,726,372
For the year ended December 31, 2023											
Balance at January 1, 2023		$ 367,684	($ 136)	$ 647,230	$ 106,341	$ 121,993	$ 459,076	$ 23,527	$1,725,715	$ 657	$1,726,372
Profit for the year		-	-	-	-	-	8,343	-	8,343	17	8,360
Other comprehensive loss for the year		-	-	-	-	-	-	(10,137)	(10,137)	-	(10,137)
Total comprehensive income (loss) for the year		-	-	-	-	-	8,343	(10,137)	(1,794)	17	(1,777)
Appropriations of 2022 earnings											
Special reserve		-	-	-	-	(121,993)	121,993	-	-	-	-
Legal reserve		-	-	-	15,779	-	(15,779)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	(73,486)	-	(73,486)	-	(73,486)
Issuance of restricted stocks to employees	6(12)(14)(16)	-	-	(705)	-	-	-	10,851	10,146	-	10,146
Retirement of restricted stocks to employees	6(13)	(252)	252	-	-	-	-	-	-	-	-
Exercise of restricted stocks to employees	6(13)(14)(16)	425	-	2,023	-	-	-	(2,448)	-	-	-
Repurchase of restricted stocks to employees	6(14)	-	(116)	116	-	-	-	-	-	-	-
Balance at December 31, 2023		$ 367,857	$ -	$ 648,664	$ 122,120	$ -	$ 500,147	$ 21,793	$1,660,581	$ 674	$1,661,255

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

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax for the year		($ 33,582)	$ 191,060
Adjustments			
Adjustments to reconcile (loss) profit before tax to net cash			
Depreciation	6(5)(6)(18)	117,378	97,810
Amortization	6(7)(18)	361	332
Compensation cost of share-based payment	6(12)(19)	10,146	9,279
Loss on disposal of property, plant and equipment	6(22)	-	20
Gains on disposal of investments	6(22)	-	(15,857)
Interest income	6(20)	(7,557)	(2,925)
Interest expense	6(23)	1,326	174
Expected credit loss	10(4)	5,137	2,936
Net loss on financial liabilities at fair value through profit or loss	6(22)	12,000	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		31,940	28,258
Inventories		(13,754)	(55,477)
Prepayments		(1,223)	18,589
Other receivables		(187)	(1,219)
Other current assets		(39)	97
Changes in operating liabilities			
Accounts payable		(6,304)	(12,272)
Contract liabilities		(3,943)	(540)
Accrued expenses and other payables		(25,037)	29,075
Cash inflow generated from operations		86,662	289,340
Income tax paid		(1,052)	(43,072)
Interest paid		(143)	(174)
Interest received		5,325	2,022
Net cash flows from operating activities		90,792	248,116
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(26)	(166,432)	(196,495)
Acquisition of intangible assets	6(7)	(987)	(191)
Increase in financial assets at amortized cost		(86,305)	(154,160)
Proceeds from government grants	6(5)	-	3,136
Proceeds from disposal of property, plant and equipment		-	47
Net cash flows used in investing activities		(253,724)	(347,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities		(1,059)	(884)
Issuance of convertible bonds		195,096	-
Cash dividends paid	6(15)	(73,486)	(54,769)
Net cash flows provided by (used in) financing activities		120,551	(55,653)
Effect of exchange rate changes on cash		(5,444)	17,685
Net decrease in cash		(47,825)	(137,515)
Cash at beginning of year		116,296	253,811
Cash at end of year		$ 68,471	$ 116,296

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

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

1. History and Organization

IntelliEPI Inc. (Cayman) (the "Company" or "IET Cayman") was incorporated as a company limited by shares under the provisions of the Company Law of the Cayman Islands on April 26, 2011, as part of an organizational restructuring in order to apply for listing on the Taipei Exchange. On May 31, 2011, the Company became the holding company of Intelligent Epitaxy Technology, Inc. ("IET-US") and acquired IET-US's total shares using an exchange ratio of 1.5:1. The operational activities of the Company and its subsidiaries (collectively referred herein as the "Group") include production and sales of epitaxy wafers of compound semiconductor for use in wireless communications, data transmission and national defense of U.S.A.

The Company's shares were listed on the Taipei Exchange and started trading on July 24, 2013.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

3. Application of New Standards, Amendments, and Interpretations

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

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

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

The above standards and interpretations have no significant impact to the 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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(a) 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 companies 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

			Ownership (%)	
Name of Investor	Name of Subsidiary	Main Business Activities	December 31, 2023	December 31, 2022
The Company	Intelligent Epitaxy Technology, Inc. (IET-US)	Manufacturing and selling epitaxy	100%	100%
IET-US	IntelliEPI Japan, Ltd. (IET-Japan)	Provision of sales assistance and technical support services	51%	51%
	IntelliEPI IR, Inc. (IET-IR)	Provision of semiconductor technical services	40% (Note 1)	40% (Note 1)

Note 1: IET-US holds 40% of the equity, and the remaining 60% is held by the management of the Group. Since IET-US has 100% of the rights of profit sharing, it has substantial control over IET IR.

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

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

E. Restrictions on fund remittance from subsidiaries to the parent company: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the United States dollars (USD). However, as the Company's stocks are traded in the Taipei Exchange, these consolidated financial statements are presented in New Taiwan dollars (NTD).

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

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(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 twelve months from the balance sheet date;

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Financial assets at amortized cost

A. 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 flows.

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

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts receivable

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

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

(8) Impairment of financial assets

For financial assets at 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.

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in process 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.

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

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

Buildings and structures	5～40 years
Machinery and equipment	7～15 years
Computer equipment	3 years
Office equipment	5～7 years
Others	1～5 years

(12) Leasing arrangements (lessee)

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, and the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option. 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 amount of the initial measurement of lease liability. 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.

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

(13) Intangible assets

A. Computer software

Computer software expenditures are stated at cost and amortized over the estimated life of 3 years using the straight-line method.

B. Know-how

Know-how which refers to process technology purchased externally is recognized at cost and amortized over 7 years using the straight-line method.

(14) 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.

(15) 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.

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

A. Financial liabilities are classified in this category of financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

   (a) Hybrid (combined) contracts; or

   (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

   (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(17) Convertible bonds payable

A. Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares, but not by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset or financial liability in accordance with the contract terms. They are accounted for as follows:

(a) The embedded conversion options, call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds are initially recognized at the residual value of total issue price less the amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.

(c) Any transaction costs directly attributable to the issuance are allocated to each liability component in proportion to the initial carrying amount of each abovementioned item.

(d) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured according to their subsequent measurement methods after classification. The issuance cost of converted common shares is the total book value of the abovementioned liability component.

(18) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability 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 - Defined contribution plans

The Group has a defined contribution pension plan. Net periodic pension costs are recognized as incurred.

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

Employees' compensation and directors' and supervisors' 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.

(21) Employee share-based payment

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

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) Employees do not need to pay to acquire restricted stocks. If there were termination, discharge, severance and retirement of employees during the vesting period, the restricted stocks will be deemed as unvested and lapsed. The Company will repurchase the restricted stocks without consideration and the restricted stocks will be retired. Employees are not required to return the dividend received.

(22) 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.

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 income 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 income 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 income 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.

(23) Share capital

A. Common 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.

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

The Group manufactures and sells epitaxy wafers products. Revenue is measured at the fair value of the consideration received or receivable less business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. The Group recognizes revenue when the performance obligation has been satisfied after the delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

(a) The Group provides testing results and reports for specific manufacturing technology, and researches products with specified sizes. The Group recognizes revenue when the performance obligation has been satisfied after reaching appointed testing process, presenting written paper and/or delivering research and development finished goods for counterparties' inspection.

(b) The Group provides research and development reports for specific manufacturing technology. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs incurred relative to the total expected costs.

(26) 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. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(27) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the 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. The above information is addressed below:

Critical accounting estimates and assumptions

Evaluation of inventories

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.

As of December 31, 2023, the carrying amount of inventories was $232,554.

6. Details of Significant Accounts

(1) Cash

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	$ 39	$ 78
Checking accounts and demand deposits	68,432	116,218
	$ 68,471	$ 116,296

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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of cash.

B. The Group has no cash pledged to others.

(2) Financial assets at amortized cost

	December 31, 2023	December 31, 2022
Current items:		
Time deposit	$ 240,464	$ 154,160

A. While time deposits over 3 months are listed above, amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2023	2022
Interest income	$ 5,277	$ 1,646

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was $240,464 and $154,160, respectively.

(3) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	$ 106,705	$ 138,645
Less: Allowance for uncollectible accounts	(8,181)	(3,135)
	$ 98,524	$ 135,510

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

	December 31, 2023	December 31, 2022
Not past due	$ 58,488	$ 84,757
1 to 90 days	28,916	49,702
91 to 180 days	11,977	1,115
Over 180 days	7,324	3,071
	$ 106,705	$ 138,645

The above aging analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers.

C. The Group does not hold any collateral as security.

D. Information relating to credit risk of accounts receivable is provided in Note 10(4).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 200,635	($ 35,666)	$ 164,969
Work in progress	44,895	(963)	43,932
Finished goods	86,377	(62,724)	23,653
	$ 331,907	($ 99,353)	$ 232,554

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 185,650	($ 31,936)	$ 153,714
Work in progress	25,354	(240)	25,114
Finished goods	97,318	(57,346)	39,972
	$ 308,322	($ 89,522)	$ 218,800

The cost of inventories recognized as expense for the year:

	December 31, 2023	December 31, 2022
Cost of goods sold	$ 463,193	$ 496,211
Loss on decline in market value	9,723	15,364
	$ 472,916	$ 511,575

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Computer equipment	Office equipment	Construction in progress	Others	Total
At January 1, 2023								
Cost	$ 37,997	$ 644,183	$1,122,580	$ 3,699	$ 8,308	$ -	$ 297,300	$2,114,067
Accumulated depreciation	-	(141,492)	(741,343)	(2,470)	(3,834)	-	(18,591)	(907,730)
	$ 37,997	$ 502,691	$ 381,237	$ 1,229	$ 4,474	$ -	$ 278,709	$1,206,337
2023								
Opening net book amount as at January 1	$ 37,997	$ 502,691	$ 381,237	$ 1,229	$ 4,474	$ -	$ 278,709	$1,206,337
Additions	-	6,735	28,039	1,083	517	2,945	119,184	158,503
Government grants	-	(1,659)	(16,365)	(243)	-	(710)	(19,595)	(38,572)
Transfers	-	9,844	138,085	-	-	-	(151,731)	(3,802)
Depreciation charge	-	(22,137)	(66,823)	(833)	(1,290)	-	(25,324)	(116,407)
Net exchange differences	-	381	(2,300)	11	21	(104)	419	(1,572)
Closing net book amount as at December 31	$ 37,997	$ 495,855	$ 461,873	$ 1,247	$ 3,722	$ 2,131	$ 201,662	$1,204,487
At December 31, 2023								
Cost	$ 37,997	$ 659,164	$1,269,103	$ 4,534	$ 8,827	$ 2,131	$ 245,214	$2,226,970
Accumulated depreciation	-	(163,309)	(807,230)	(3,287)	(5,105)	-	(43,552)	(1,022,483)
	$ 37,997	$ 495,855	$ 461,873	$ 1,247	$ 3,722	$ 2,131	$ 201,662	$1,204,487

	Land	Buildings and structures	Machinery and equipment	Computer equipment	Office equipment	Others	Total
At January 1, 2022							
Cost	$ 34,248	$ 582,357	$ 927,037	$ 2,995	$ 7,257	$ 160,769	$ 1,714,663
Accumulated depreciation	-	(111,392)	(620,856)	(1,737)	(2,563)	(1,292)	(737,840)
	$ 34,248	$ 470,965	$ 306,181	$ 1,258	$ 4,694	$ 159,477	$ 976,823
2022							
Opening net book amount as at January 1	$ 34,248	$ 470,965	$ 306,181	$ 1,258	$ 4,694	$ 159,477	$ 976,823
Additions	-	4,279	43,075	424	427	161,827	210,032
Government grants	-	(3,136)	-	-	-	-	(3,136)
Disposals	-	-	(67)	-	-	-	(67)
Transfers	-	345	56,856	-	-	(43,115)	14,086
Depreciation charge	-	(19,948)	(58,250)	(571)	(1,110)	(16,991)	(96,870)
Effect on decrease in business entities	-	(678)	(884)	(5)	(17)	-	(1,584)
Net exchange differences	3,749	50,864	34,326	123	480	17,511	107,053
Closing net book amount as at December 31	$ 37,997	$ 502,691	$ 381,237	$ 1,229	$ 4,474	$ 278,709	$ 1,206,337
At December 31, 2022							
Cost	$ 37,997	$ 644,183	$ 1,122,580	$ 3,699	$ 8,308	$ 297,300	$ 2,114,067
Accumulated depreciation	-	(141,492)	(741,343)	(2,470)	(3,834)	(18,591)	(907,730)
	$ 37,997	$ 502,691	$ 381,237	$ 1,229	$ 4,474	$ 278,709	$ 1,206,337

A. None of the property, plant and equipment were impaired for both years.

B. The significant components of buildings and structures include the main plant, which are depreciated over 5 to 40 years.

C. Details of above government grants for 2023 are provided in Note 6(28).

(6) Lease arrangement - lessee

A. The Group leases various assets including buildings as well as machinery and equipment. Rental contracts are made for periods from 2019 to 2028. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Buildings	$ 799	$ 1,278
Machinery and equipment	2,399	2,688
	$ 3,198	$ 3,966

	2023	2022
	Depreciation charge	Depreciation charge
Buildings	$ 479	$ 480
Machinery and equipment	492	460
	$ 971	$ 940

C. Information on profit or loss in relation to lease contracts is as follows:

	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 143	$ 174
Expense on short-term lease contracts	1,554	564

D. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were $2,584 and $1,611, respectively.

(7) Intangible assets

	Software		Know-how		Total	
At January 1, 2023						
Cost	$	3,785	$	61,420	$	65,205
Accumulated amortization	(	3,495)	(	61,420)	(	64,915)
	$	290	$	-	$	290
2023						
At January 1	$	290	$	-	$	290
Additions		987		-		987
Government grants	(	144)		-	(	144)
Amortization charge	(	361)		-	(	361)
Net exchange differences		8		-		8
At December 31	$	780	$	-	$	780
At December 31, 2023						
Cost	$	4,628	$	61,420	$	66,048
Accumulated amortization and impairment	(	3,848)	(	61,420)	(	65,268)
	$	780	$	-	$	780

	Software		Know-how		Total	
At January 1, 2022						
Cost	$	3,243	$	55,360	$	58,603
Accumulated amortization	(	2,840)	(	55,360)	(	58,200)
	$	403	$	-	$	403
2022						
At January 1	$	403	$	-	$	403
Additions		191		-		191
Amortization charge	(	332)		-	(	332)
Net exchange differences		28		-		28
At December 31	$	290	$	-	$	290
At December 31, 2022						
Cost	$	3,785	$	61,420	$	65,205
Accumulated amortization	(	3,495)	(	61,420)	(	64,915)
	$	290	$	-	$	290

A. None of the intangible assets were impaired for both years.

B. Details of above government grants for 2023 are provided in Note 6(28).

(8) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	$ 16,722	$ 8,251
Less: Government grants (Note 6(28))	(1,728)	-
Total	$ 14,994	$ 8,251

(9) Current financial liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial liabilities held for trading:		
Convertible bonds options	$ 28,720	$ -
Add: Valuation adjustment	12,000	-
Total	$ 40,720	$ -

A. The Group recognized net loss on financial liabilities at fair value through profit or loss amounting to $12,000 for the year ended December 31, 2023.

B. Please refer to Note 10(2) for information about credit risk of financial liabilities at fair value through profit or loss.

(10) Other current financial liabilities

	December 31, 2023	December 31, 2022
Second domestic unsecured convertible corporate bonds	$ 200,000	$ -
Less: Discount on bonds payable	(32,441)	-
Total	$ 167,559	$ -

A. The terms of the second unsecured convertible bonds issuance are as follows:

(a) The Company issued $200,000 (related issuance cost was $5,726), 0% second domestic unsecured convertible corporate bonds as approved by the regulatory authority. The bonds mature 3 years from the issue date from November 20, 2023 to November 20, 2026. The convertible bonds will be redeemed in cash at the face value of the bonds upon maturity.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 21, 2024) to the maturity date (November 20, 2026), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The record date of the conversion price of the bonds was set on November 10, 2023. The conversion price of the convertible corporate bonds is calculated by multiplying one of the following average closing prices of ordinary shares by 108.5%, that is the average closing price of ordinary shares on the business day preceding the base date (exclusive), the average closing price of ordinary shares on the three business days prior to the base date and the average closing price of ordinary shares on the five business days prior to the base date, thus the conversion price is NT$62.5 per share. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.

(d) Under the terms of the bonds, the bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 102.01% of the face value as interest upon two years from the issue date (November 20, 2025), which is the put effective date.

(e) Under the terms of the bonds, the Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% (including 30%) for 30 consecutive trading days during the period from the date after three months of the bonds issue (February 2, 2024) to 40 days before the maturity date (October 11, 2026), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the securities trading markets), matured and converted are retired and not to be sold or re-issued.

B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts and were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 6.33%.

C. Please refer to Note 6(23) for information about interest expenses recognized in profit or loss for the years ended December 31, 2023 and 2022.

(11) Accrued expenses and other payables

	December 31, 2023	December 31, 2022
Property tax payable	$ 18,497	$ 18,015
Payables on property, plant and equipment	8,190	9,376
Accrued professional fees	5,879	6,182
Accrued bonus for unused vacation	4,374	4,394
Withholding tax	2,205	2,087
Accrued remuneration to directors	39	5,026
Bonus payable	-	10,226
Employee compensation payable	-	9,973
Others	2,915	3,043
	$ 42,099	$ 68,322

(12) Share-based payment

A. As of December 31, 2023, share-based payment arrangements of the Company and its subsidiaries are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	March 27, 2013	84,000	10 years	1/48 vested after every month of service, until 100% vested
Restricted stocks to employees	November 7, 2018	100,000	5 years	20% vested after every year of service, until 100% vested
Restricted stocks to employees	June 14, 2019	300,000	5 years	20% vested after every year of service, until 100% vested
Restricted stocks to employees	October 11, 2022	257,500	27 months	40% vested after 3 months of service, 30% vested after 15 months of service, and 100% vested after 27 months of service
Restricted stocks to employees	May 10, 2023	42,500	27 months	40% vested after 3 months of service, 30% vested after15 months of service, and 100% vested after 27 months of service

Refer to Note 6(13) B. and C. for the restrictions of the restricted stocks issued by the Company. Employees do not need to pay to acquire restricted stocks. If there were terminations, discharges, severances and retirements of employees during the vesting period, the restricted stocks will be deemed as unvested and lapsed. The Company will repurchase the restricted stocks without consideration and the restricted stocks will be retired. Employees are not required to return any dividends received.

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options	Weighted-average exercise price (in USD)	No. of options	Weighted-average exercise price (in USD)
Options outstanding at January 1	-	$ -	250	$ 0.64
Options forfeited during the year	-	-	(250)	0.64
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

C. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Valuation currency	Grant date	Fair value of stock options per unit (in USD) (Note)	Exercise price per share (in USD)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in USD)
Employee stock options	USD	March 27, 2013 (Note)	$ 1.42	$ 0.64	52.74%	6.25 years	2%	1.048%	$ 0.8373

Note: As the Company was not yet a listed company at the grant date of the above share-based payments, the Company used historical stock price of similar companies as basis. The Company estimates expected volatility based on expected duration of similar stock options as sample interval and standard deviation of return rate of similar companies.

D. The fair values of restricted stocks to employees were measured at the closing prices of the Company's shares, \$46.9, \$59.7, \$61 and \$57.6 (in dollars) per share, on the grant dates, November 7, 2018, June 14, 2019, October 11, 2022, and May 10, 2023, respectively.

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

	2023	2022
Equity-settled	$ 10,146	$ 9,279

(13) Share capital

A. As of December 31, 2023, the Company's authorized capital was $400,000, consisting of 40,000 thousand shares of common stock, and the paid-in capital was $367,857 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2023	2022
At January 1	36,768,443	36,514,543
Issuance of restricted stocks to employees	42,500	257,500
Retirement of restricted stocks to employees	(25,200)	(3,600)
At December 31	36,785,743	36,768,443

B. The Board of Directors during its meeting resolved to issue restricted stocks to employees on March 27, 2018. The Company planned to issue 400 thousand shares of restricted stocks with par value of $10 (in dollars). The shareholders during their meeting on June 27, 2018 resolved the issuance of restricted stocks to employees. The plan of restricted stocks to employees was approved by the Financial Supervisory Commission and the effective date was set on September 10, 2018. The base date of the first round of restricted stocks to employees was November 7, 2018 with the issuance of 100 thousand shares. The base date of the second round of restricted stocks to employees was May 8, 2019 with the issuance of 300 thousand shares. As of December 31, 2023, capital shares that were redeemed due to employees' termination and retirement amounted to $302.

C. The Board of Directors during its meeting resolved to issue restricted stocks to employees on March 23, 2022. The Company planned to issue 300 thousand shares of restricted stocks with par value of $10 (in dollars). The shareholders during their meeting on June 29, 2022 resolved the issuance of restricted stocks to employees. The plan of restricted stocks to employees was approved by Financial Supervisory Commission and the effective date was set on July 28, 2022. The base date of the first round of restricted stocks to employees was October 11, 2022 with the issuance of 257,500 shares. The base date of the second round of restricted stocks to employees was May 10, 2023 with the issuance of 42,500 shares. As of December 31, 2023, capital shares that were redeemed due to employees' termination amounted to $196.

The rights and obligations to employees during the vesting periods are as follows:

(a) Employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted stocks to employees, excluding inheritance during vesting periods;

(b) Shareholders' voting rights is executed by the Trust Depository according to relevant laws and regulations; and

(c) For those who do not conform to the vested conditions, the dividends, bonuses, capital allocated to the capital reserve (stocks) are allocated to the Company, purchase rights and voting rights while cash capital increase are consistent with common stocks. The rights are executed by the Trust Depository according to relevant laws and regulations.

(14) Capital surplus

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 Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Capital surplus are as follows:

	2023			
	Share premium	Treasury share transactions	Restricted stocks to employees	Total
At January 1	$ 602,674	$ 14,735	$ 29,821	$ 647,230
Exercise of restricted stocks to employees	-	-	2,023	2,023
Repurchase of restricted stocks to employees	-	-	116	116
Turnover rate adjustment of restricted stocks to employees	-	-	(705)	(705)
At December 31	$ 602,674	$ 14,735	$ 31,255	$ 648,664

	2022				
	Share premium	Treasury share transactions	Employee stock options	Restricted stocks to employees	Total
At January 1	$ 584,393	$ 14,735	$ 18,281	$ 17,556	$ 634,965
Retirement of restricted stocks to employees	-	-	-	72	72
Turnover rate adjustment of restricted stocks to employees	-	-	-	(430)	(430)
Exercise of restricted stocks to employees	-	-	-	12,623	12,623
Expired share options	18,281	-	(18,281)	-	-
At December 31	$ 602,674	$ 14,735	$ -	$ 29,821	$ 647,230

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Any balance remaining may be distributed as dividends (including cash dividends or stock dividends) and after taking financial, business and operational factors into consideration, the amount of dividend distributed shall not be lower than 10% of profits (after tax) of the current year and the amount of cash dividends distributed thereupon shall not be less than 10% of the profits proposed to be distributed in the current year.

B. The Board of Directors 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, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting subsequently.

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

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

E. On March 23, 2022, the Board of Directors during its meeting resolved to distribute cash dividends of $54,769 ($1.5 (in dollars)) per share. The resolution was reported to the shareholders on June 29, 2022. The outstanding shares which have the right to participate in the distribution amounted to 1.8 thousand shares after exclusion of the redemption and retirement of restricted stocks to employees and the repurchase of treasury shares totaling 36,511 thousand shares. On July 11, 2022, the Company announced to adjust the dividend rate to $1.50007396 (in dollars) per share for cash dividends.

F. On March 22, 2023, the Board of Directors during its meeting resolved to distribute cash dividends of $73,486 ($2 (in dollars)) per share. The resolution was reported to the shareholders on June 28, 2023. The outstanding shares which have the right to participate in the distribution amounted to 42.5 thousand shares after exclusion of the redemption and retirement of restricted stocks to employees and the repurchase of treasury shares totaling 36,786 thousand shares. On July 10, 2023, the Company announced to adjust the dividend rate to $1.99768932 (in dollars) per share for cash dividends.

G. On March 13, 2024, the Board of Directors during its meeting resolved not to distribute cash dividends for the year 2023 due to the comprehensive loss incurred for the year ended December 31, 2023 .

H. Refer to Note 6(19) for details of employees' compensation and directors' remuneration.

(16) Other equity items

	2023		
	Currency translation	Cost of unearned employee compensation	Total
At January 1	$ 38,817	($ 15,290)	$ 23,527
Currency translation differences:			
- Group	(10,137)	-	(10,137)
Restricted stocks to employees:			
- Compensation cost	-	10,146	10,146
- Employee turnover rate adjustment	-	705	705
- Issuance of ordinary shares	-	(2,448)	(2,448)
At December 31	$ 28,680	($ 6,887)	$ 21,793

	2022		
	Currency translation	Cost of unearned employee compensation	Total
At January 1	($ 121,993)	($ 9,901)	($ 131,894)
Currency translation differences:			
- Group	160,810	-	160,810
Restricted stocks to employees:			
- Compensation cost	-	9,279	9,279
- Employee turnover rate adjustment	-	430	430
- Issuance of ordinary shares	-	(15,098)	(15,098)
At December 31	$ 38,817	($ 15,290)	$ 23,527

(17) Operating revenue and cost

A. Disaggregation of revenue from contracts with customers

2023	Sales revenue	Service revenue	Total
Timing of revenue recognition			
At a point in time	$ 614,187	$ 27,386	$ 641,573
Over time	-	20,782	20,782
	$ 614,187	$ 48,168	$ 662,355

2022	Sales revenue	Service revenue	Total
Timing of revenue recognition			
At a point in time	$ 850,591	$ 34,281	$ 884,872
Over time	-	7,661	7,661
	$ 850,591	$ 41,942	$ 892,533

	2023	2022
Cost of sales	$ 472,916	$ 511,575
Cost of services	34,892	30,786
	$ 507,808	$ 542,361

B. Contract balance

	December 31, 2023	December 31, 2022
Contract liabilities	$ 5,174	$ 9,117

Changes in contract liabilities are mainly from the timing difference between performance obligations satisfied and customers' payments.

Revenue recognized that was included in the contract liability balance at the beginning of the year:

	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the year	$ 6,115	$ 7,655

(18) Expenses by nature

	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Cost of raw materials and supplies used	$ 187,231	$ -	$ 187,231	$ 270,269	$ -	$ 270,269
Employee benefit expense	132,990	101,660	234,650	130,988	98,525	229,513
Depreciation charges on property, plant and equipment	99,567	16,840	116,407	87,157	9,713	96,870
Depreciation charges on right-of-use assets	492	479	971	460	480	940
Amortization charges on intangible assets	271	90	361	266	66	332
Other expenses	87,257	68,055	155,312	53,221	75,080	128,301
	$ 507,808	$ 187,124	$ 694,932	$ 542,361	$ 183,864	$ 726,225

(19) Employee benefit expense

	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Wages and salaries	$ 103,028	$ 74,171	$ 177,199	$ 103,229	$ 73,672	$ 176,901
Insurance expense	27,379	14,576	41,955	25,228	13,143	38,371
Restricted stocks to employees	-	10,146	10,146	-	9,279	9,279
Pension costs	2,358	2,445	4,803	1,940	2,045	3,985
Other personnel expenses	225	322	547	591	386	977
	$ 132,990	$ 101,660	$ 234,650	$ 130,988	$ 98,525	$ 229,513

Note: As of December 31, 2023 and 2022, the Group had 84 and 81 employees, respectively.

A. Refer to Note 6(15) for details regarding the distribution of retained earnings.

   In accordance with the amendment of Taiwan Company Act Article 235-1 for distribution of employees' bonus and directors' remuneration on May 20, 2015, the Company amended the Articles of Incorporation accordingly. Based on the amended Articles of Incorporation, the Company shall reserve not less than 3% of its annual net income as employees' bonus, and not more than 3% of its annual net income as directors' remuneration, provided that the annual net income shall first be used to offset against the Company's accumulated deficit. Employee bonuses may be distributed in stock or cash, and its distribution may include certain qualified employees of the Company's subsidiaries. The distribution of employees' bonus and directors' remuneration shall be approved by the Board of Directors with attendance of at least two thirds of total directors and approval by a majority of attending directors, which shall be reported to the shareholders at the general meeting.

   The amendment to the Articles of Incorporation has been approved by the Board of Directors on November 11, 2015 and the shareholders on June 24, 2016.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $0 and $9,973, respectively; while directors' remuneration was accrued at $0 and $4,986, respectively. Aforementioned accruals were recognized as salary expenses.

For the year ended December 31, 2023, no employees' compensation and directors' remuneration were estimated and accrued as of the end of reporting period.

As resolved by the Board of Directors on March 13, 2024, considering the financial performance of the current period, the Company will not distribute employees' remuneration and directors' remuneration for the fiscal year 2023.

Employees' compensation and directors' and supervisors' remuneration for 2022 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2022 financial statements.

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

(20) Interest income

	2023	2022
Interest income from financial assets measured at amortized cost	$ 5,277	$ 1,646
Interest income from bank deposits	2,280	1,279
	$ 7,557	$ 2,925

(21) Non-operating income and expenses

	2023	2022
Other income-others	$ 114	$ 38

(22) Other gains and losses

	2023	2022
Net loss on financial liabilities at fair value through profit or loss	($ 12,000)	$ -
Net exchange gain	4,650	6,551
Losses on disposal of property, plant and equipment	-	(20)
Gains on disposal of investments	-	15,857
Others	-	(425)
	($ 7,350)	$ 21,963

(23) <u>Finance costs</u>

	2023	2022
Interest expense:	$ 1,183	$ -
Convertible bonds	143	174
Lease liabilities	$ 1,326	$ 174

(24) <u>Income tax</u>

A. Components of income tax (benefit) expense:

	2023	2022
Current tax:		
Current tax on (loss) profit for the year	($ 130)	$ 33,946
Prior year income tax over estimation	(26,492)	(30)
Total current tax	(26,622)	33,916
Deferred tax:		
Origination and reversal of temporary differences	(15,320)	(611)
Total deferred tax	(15,320)	(611)
Income tax (benefit) expense	($ 41,942)	$ 33,305

B. Reconciliation between income tax (benefit) expense and accounting profit

	2023	2022
Tax calculated based on (loss) profit before income tax and statutory income tax rate (Note)	($ 7,052)	$ 40,290
Expenses disallowed by tax regulation	4,960	2,134
Tax exempt income by tax regulation	(2,548)	(4,083)
Effect from tax credit of research activities	(6,086)	(3,220)
Change in assessment of realization of deferred tax assets	(4,724)	1,178
Prior year income tax over estimation	(26,492)	(30)
Effects from GILTI and FDII deduction	-	(2,964)
Income tax (benefit) expense	($ 41,942)	$ 33,305

Note: The applicable tax basis depends on which tax rate applies in the country.

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

	2023		
	January 1	Recognized in profit or loss	December 31
- Deferred tax assets:			
Temporary differences:			
Allowance for obsolescence of inventory	$ 18,800	$ 2,064	$ 20,864
Amortization of intangible assets	5,750	(950)	4,800
Accrued annual leave	837	1	838
Research and development expense	8,200	6,637	14,837
Allowance for bad debt reserves	658	1,060	1,718
Investment tax credits	-	10,211	10,211
Others	3,497	(3,136)	361
Loss carryforward	-	16,767	16,767
	37,742	32,654	70,396
- Deferred tax liabilities:			
Temporary difference:			
Book-tax difference on property, plant and equipment	(44,434)	(17,334)	(61,768)
	($ 6,692)	$ 15,320	$ 8,628

	2022		
	January 1	Recognized in profit or loss	December 31
- Deferred tax assets:			
Temporary differences:			
Allowance for obsolescence of inventory	$ 13,969	$ 4,831	$ 18,800
Amortization of intangible assets	5,999	(249)	5,750
Accrued annual leave	678	159	837
Share-based payment	64	(64)	-
Research and development expense	-	8,200	8,200
Allowance for bad debt reserves	41	617	658
Others	1,805	1,692	3,497
	22,556	15,186	37,742
- Deferred tax liabilities:			
Temporary difference:			
Book-tax difference on property, plant and equipment	(29,860)	(14,574)	(44,434)
	($ 7,304)	$ 612	($ 6,692)

(25) Earnings per share

	2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 8,343	36,518	$ 0.23
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 8,343	36,518	
Assumed conversion of all dilutive potential ordinary shares:			
Restricted stocks to employees	-	134	
Convertible bonds	105	359	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 8,448	37,011	$ 0.23

	2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 157,781	36,319	$ 4.34
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 157,781	36,319	
Assumed conversion of all dilutive potential ordinary shares:			
Employee compensation	-	220	
Restricted stocks to employees	-	89	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 157,781	36,628	$ 4.31

Restricted Stock Awards (RSA) are included in the calculation of weighted average number of outstanding shares at the point the employees satisfy the vested conditions. RSA will be considered only if dilution would have an effect when calculating the diluted earnings per share.

(26) Supplemental cash flow information

Investing activities with partial cash receipts or payments

	2023	2022
Purchase of property, plant and equipment	$ 158,503	$ 210,032
Add: Opening balance of payable on equipment	9,376	2,111
Less: Ending balance of payable on equipment	(8,190)	(9,376)
Less: Beginning balance of prepayments for equipment	(8,251)	(14,523)
Add: Ending balance of prepayments for equipment	14,994	8,251
Cash paid during the year	$ 166,432	$ 196,495

(27) Changes in liabilities from financing activities

	2023		
	Lease liabilities	Bonds payable	Liabilities from financing activities-gross
At January 1	$ 4,222	$ -	$ 4,222
Changes in cash flow from financing activities	(1,059)	195,096	194,037
Changes in other non-cash items	194	-	194
At December 31	$ 3,357	$ 195,096	$ 198,259

(28) Governments grants

The U.S. government announced the "CHIPS and Science Act" in August 2022 to provide direct funding, federal government loans, and loan guarantees from 2023 to 2026 to promote U.S. semiconductor research and manufacturing. Additionally, the U.S. government amended Section 48D of the tax code to provide a 25% investment tax credit for qualified investment projects related to semiconductor manufacturing. Companies applying for the credit may choose between receiving a refund or offsetting future tax liabilities if they have a surplus after deducting the tax liability for the current year.

In line with the CHIPS and Science Act, the Company submitted a pre-application for direct funding and loans in October 2023 and was approved to submit a full application in February 2024. As for the investment tax credit, the Company plans to apply for a total of $40,444 in qualified investment tax credits. In accordance with the provisions of International Accounting Standard No. 20, "Accounting for Government Grants and Disclosure of Government Assistance", the credits were recognized as a reduction in the carrying amount of the related asset, and through the reduced depreciation expense, the investment will be recognized in profit or loss within the asset's useful life. Please refer to Notes 6(5), (7) and (8) for details.

7. Related Party Transactions

Key management compensaiton

	2023	2022
Short-term employee benefits	$ 38,777	$ 45,719
Share-based payments	2,767	1,728
	$ 41,544	$ 47,447

8. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

9. Significant Events after the Balance Sheet Date

None.

10. 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash, financial assets at amortized cost, accounts receivable, other receivables, other current assets (restricted cash for purchase of treasury shares), financial liabilities at fair value through profit or loss, accounts payable and other payables) are approximate to their fair values.

(3) Financial risk management policies

A. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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 cooperation with the Group's operating units.

(4) Significant financial risks and degrees of financial risks

A. Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. The Group has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The foreign exchange risk arising from the translation of each functional currency into the reporting currency of the consolidated financial statements is managed by the Group treasury. Since the Group's main operating activities including sales and purchases are denominated in the Company's functional currency 'USD', the effect of exposure to changes in foreign exchange rates is immaterial after the assessment.

B. Credit risk

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

(b) The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good credit are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

(c) The Group adopts the assumption under IFRS 9 that is, the default occurs when the contract payments are past due over 90 days.

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

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

ii. If the credit rating grade of a financial institution degrades, there has been a significant increase in credit risk on the financial assets associated with the financial institution since initial recognition.

(e) The Group assesses the expected credit losses on an individual basis if a significant default has occurred to certain customers. The Group classifies the other customers' accounts receivable in accordance with industry types and applies the modified approach using the provision matrix to estimate expected credit loss.

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

(g) The Group used the forecastability of the semiconductor industry report to adjust historical and timely information and used the loss rate estimated by individual bases and the provision matrix to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91~180 days past due	More than180 days past due	Total
At December 31, 2023					
Expected loss rate	0.0116%	0.0382%	7.0030%	100%	
Total book value	$ 58,488	$ 28,916	$ 11,977	$ 7,324	$ 106,705
Loss allowance	$ 7	$ 11	$ 839	$ 7,324	$ 8,181

	Not past due	Up to 90 days past due	91~180 days past due	More than180 days past due	Total
At December 31, 2022					
Expected loss rate	0.0067%	0.0222%	4.2779%	100%	
Total book value	$ 84,757	$ 49,702	$ 1,115	$ 3,071	$ 138,645
Loss allowance	$ 5	$ 11	$ 48	$ 3,071	$ 3,135

(h) Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2023
	Accounts receivable
At January 1	$ 3,135
Provision for impairment	5,137
Effect of foreign exchange	(91)
At December 31	$ 8,181

	2022
	Accounts receivable
At January 1	$ 196
Provision for impairment	2,936
Effect of foreign exchange	3
At December 31	$ 3,135

The Group used the forecastability of semiconductor industry report to adjust historical and timely information to assess the default possibility of accounts receivable on December 31, 2023 and 2022, held by the Group to estimate expected credit loss.

(i) The financial assets at amortized cost of the Group consist of time deposits with a maturity of over three months. The financial institutions involved have high credit quality, and the impact of expected credit loss is not significant.

C. Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Except for lease liabilities, the maturity date of all the non-derivative financial liabilities the Group held at December 31, 2023 and 2022 were within one year. The amounts disclosed in the table are the contractual undiscounted cash flows. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings. As of December 31, 2023, the Group has sufficient cash to meet operational needs.

December 31, 2023

Non-derivative financial liabilities:	Less than 3 months	Between 3 months and 6 months	Between 6 months and 9 months	Between 9 months and 1 year	Over 1 year	Total
Lease liabilities	$ 526	$ 312	$ 312	$ 312	$ 2,603	$ 4,065
Financial liabilities at fair value through profit or loss	-	40,720	-	-	-	40,720
Other current financial liabilities	2,643	2,685	2,757	191,915	-	200,000
Accounts payable	31,800	-	-	-	-	31,800
Accrued expenses and other payables	32,764	2,794	-	6,541	-	42,099

December 31, 2022

Non-derivative financial liabilities:	Less than 3 months	Between 3 months and 6 months	Between 6 months and 9 months	Between 9 months and 1 year	Over 1 year	Total
Lease liabilities	$ 507	$ 300	$ 301	$ 302	$ 3,656	$ 5,066
Accounts payable	38,104	-	-	-	-	38,104
Accrued expenses and other payables	32,948	10,237	4,986	20,151	-	68,322

(5) 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. The fair value of the Group's investment in convertible bonds conversion options, put options and call options is included in Level 3.

B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash, financial assets at amortized cost-current, accounts receivable, other receivables, guarantee deposits paid, accounts payable, other payables, and bonds payable are approximate to their fair values.

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Convertible bonds conversion options, put options and call options	$ -	$ -	$ 40,720	$ 40,720

There were no financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of December 31, 2022.

The methods and assumptions the Group used to measure fair value are as follows:

(a) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

(b) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk or liquidity risk of counterparties. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. Valuation techniques and inputs applied for Level 3 fair value measurement are as follows:

The fair value of conversion options, put options and call options of convertible corporate bonds is estimated by using the binomial tree model, and the volatility of the stock price is used as significant unobservable input.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2, and there was no transfer from or to Level 3.

11. Supplementary Disclosures

(1) Significant transactions information

A. Loan to others for the year ended December 31, 2023: None.

B. Provision of endorsements and guarantees to others for the year ended December 31, 2023: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures) as of December 31, 2023: 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 for the year ended December 31, 2023: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more for the year ended December 31, 2023: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more for the year ended December 31, 2023: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more for the year ended December 31, 2023: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more as of December 31, 2023: None.

I. Derivative financial instruments undertaken during the year ended December 31, 2023: None.

J. Significant inter-company transactions during the year ended December 31, 2023: Refer to table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 2.

(3) Major shareholders information

Common shares (including treasury shares) and preference shares in dematerialized form registered and held by the shareholders above 5% for the year ended December 31, 2023: Refer to table 3.

12. Segment Information

(1) General information

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

The composition of the Group, the basis of segment allocation and the measurement of segment information remain unchanged in the current reporting period.

(2) Segment information

The Company's Chief Operating Decision-Maker evaluates performance of operating segments based on the consolidated financial statements. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

Information on segment profit (loss), assets and liabilities of the Group are measured in a manner consistent with that in the consolidated financial statements.

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

Information on segment profit (loss), assets and liabilities of the Company and its subsidiaries are measured in a manner consistent with that in the consolidated financial statements.

(4) Information on products and services

Refer to Note 6(17) for details.

(5) Geographical information

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

	2023		2022	
	Revenue (Note 1)	Non-current assets (Note 2)	Revenue (Note 1)	Non-current assets (Note 2)
US	$ 462,284	$ 1,222,467	$ 646,499	$ 1,217,257
Germany	49,922	-	54,377	-
Korea	35,510	-	26,293	-
Japan	34,264	-	46,419	-
China	19,742	-	52,629	-
Others	60,633	992	66,316	1,587
	$ 662,355	$ 1,223,459	$ 892,533	$ 1,218,844

Note 1: The revenue is classified by the country where the customer is located.

Note 2: Non-current assets are classified by the country where the enterprise is located.

(6) Major customer information

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

	2023		2022	
	Revenue	Perentage of revenue	Revenue	Perentage of revenue
A	$ 100,770	15%	$ 136,351	16%
B	95,446	14%	69,902	8%
C	54,651	8%	35,279	4%
D	49,922	8%	52,903	6%
E	34,042	5%	46,419	5%
	$ 334,831		$ 340,854	

Table 1

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES

Significant inter-company transactions for the year ended December 31, 2023

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

				Transaction				
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account		Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Intelligent Epitaxy Technology Inc.	IntelliEPI IR, Inc.	1	Service revenue	$	1,557	No similar transaction for comparison. Prices and terms are based on mutual agreement.	0.24%
1	Intelligent Epitaxy Technology Inc.	IntelliEPI IR, Inc.	1	Accounts receivable	$	1,502	No similar transaction for comparison. Prices and terms are based on mutual agreement.	0.08%
1	Intelligent Epitaxy Technology Inc.	IntelliEPI Cayman	2	Other payables	$	21,152	No similar transaction for comparison. Prices and terms are based on mutual agreement.	1.08%

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

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle, $1,000. All related party transactions disclosed as above were eliminated while preparing consolidated financial statements.

Table 2

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES
Information on investees for the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount (Note 1)		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
The Company	Intelligent Epitaxy Technology Inc.	USA	Manufacturing and selling epitaxy	$ 772,120	$ 772,120	19,999,954	100.00	$1,816,647	$ 18,908	$ 18,908	Direct subsidiary
Intelligent Epitaxy Technology Inc.	IntelliEPI Japan, Ltd.	Japan	Sales and technical support services of semiconductor and related materials	372	372	102	51.00	507	37	19	Indirect subsidiary
Intelligent Epitaxy Technology Inc.	IntelliEPI IR, Inc.	USA	Semiconductor technical services	116	116	400,000	40.00	39,891	745	745	Indirect subsidiary

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

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

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2023' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2023' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognized by the Company for the year ended December 31, 2023' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Table 3

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES

Information of major shareholders for the year ended December 31, 2023

	Shares	
Name of Major Shareholder	Number of Shares	Percentage of Ownership
Kingmax Semiconductor Inc.	2,950,000	8.01%