



# 2023 Annual Report

## (TRANSLATION)

(This Annual Report can be accessed from: MOPS <http://mops.twse.com.tw>)

Printed on April 28, 2024

**Notice to Readers:**

The reader is advised that the annual report has been prepared originally in Chinese. The English version is directly translated from Chinese version. If there is any difference between English version and Chinese version, the Chinese version shall prevail.

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Title: Director

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**VI. Name of Overseas Securities Dealers and the Methods to Inquire about Overseas Securities:**

Not applicable.

**VII. Company Website: [www.soinc.com.tw](http://www.soinc.com.tw)**

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## Chapter 1. Letter to Shareholders

Dear Shareholders,

### I. Business plan implementation results and budget execution

1. Due to the downturn of the overall end market sales, the consolidated gross revenue and gross profit of Silicon Optronics Inc. of 2023 fell compared with 2022. The summary of profit and loss statement is shown below:

Unit: NT\$ thousand

Item/Year	2023	2022	Difference	Growth rate %
Operating revenue	1,663,499	2,029,090	(365,591)	(18)
Gross profit	(43,527)	494,522	(538,049)	(109)
Operating profits	(371,452)	138,490	(509,942)	(368)
Net income after tax	(286,716)	122,558	(409,274)	(334)

2. Financial income and expenses:

Due to the overall downturn in the end-market sales, there has been a significant net cash outflow from business operations. However, in this period, the disposal of property, plant and equipment has resulted in a cash inflow from investment activities.

Unit: NT\$ thousand

Item/ Year	2023	2022
Net profit before tax	(348,312)	153,458
Net cash inflow (outflow) from operating activities	361,737	(1,073,691)
Net cash inflow from investing activities	(9,232)	1,004,924
Net cash outflow from financing activities	(67,944)	(82,539)
Increase (Decrease) in cash and cash equivalents	272,358	(156,998)
Cash and cash equivalents at beginning of year	762,636	919,634
Cash and cash equivalents at end of year	1,034,994	762,636

3. Profitability Analysis: Due to the overall poor market sales in this period, all performance metrics have fallen short compared to the previous period. The analysis is as follows:

Item/Year	2023	2022
Return on assets (%)	(8.14)	3.34
Return on equity (%)	(11.45)	4.57
Operating profits to paid-in capital ratio (%)	(47.35)	17.65
Income before tax to paid-in capital ratio (%)	(44.40)	19.56
Net profit margin (%)	(17.24)	6.04
Earnings per share after tax (NT\$)	(3.70)	1.59

4. Budget execution status: Not applicable.

## II. Business plan and future development blueprint

In 2024, Silicon Optronics continues to develop in the areas of security surveillance, automotive electronics, consumer electronics, and biochip image sensors. With the widespread adoption of diverse cloud applications and the drive of new artificial intelligence technologies, security surveillance, home safety, and various IoT consumer network cameras remain the focus of image product applications. We also continue to develop new technologies and product applications to expand the market and enhance the added value of products. For instance, we have recently launched new composite sensors with energy-saving, low-power "Always On" features, providing the market with a wide range of product applications. Subsequently, we will develop more products based on the successful development of back-illuminated and near-infrared sensing enhancement technologies.

For other applications, leveraging BSI and near-infrared enhanced technologies, we have launched the RGB-IR series products for use in DMS/OMS and will deepen penetration into the automotive market. Furthermore, our company has also developed the second generation of global shutter sensor products, enabling us to expand into more industrial or consumer recognition applications, opening up more business opportunities.

### 1. Short-term marketing development plans

- (1) Expand the sales channels in existing markets and develop new potential markets.
- (2) Actively develop domestic and overseas major customers to increase market share.
- (3) Enhance the services of existing customers to maintain long-term relationships.

## 2. Long-term marketing development plans

- (1) Strengthen the analysis of market change (consumer and product trends) to provide the customer-oriented products to strengthen the customer relationship
- (2) Enhance international marketing capabilities and strive to cooperate with world-class companies.
- (3) Develop new markets and new applications for more business opportunities.

## 3. R&D Direction and Technology Development

The annual R&D expenses of Silicon Optronics, Inc. in 2022 were N\$284,266,000. The Company has complete technical capabilities and works with leading wafer foundry partners to meet the needs of customers. Developed and on-going technologies or products:

- (1) BSI products.
- (2) Near-infrared sensing enhancement technology.
- (3) Vehicle specification AEC-Q100 certification.
- (4) High dynamic range products used in automotive and security monitoring and identification markets.
- (5) Global Shutter products.
- (6) A new generation of FSI high-performance/cost optimized products.
- (7) Design and process development of sensors for special applications.

## **III. Future development strategies operation risks**

In 2022 and 2023, the overall semiconductor consumer market experienced a significant imbalance in supply and demand. Increases in process capacity and adjustments to inventory levels due to semiconductor market inventory adjustments have led to a drop in selling prices and inventory adjustments. In addition to actively destocking and developing new product applications to expand market share, SOI will also enhance management for customers with strong brands to enhance the company's competitiveness. In addition, the planned innovative R&D technologies such as BSI sensors, NIR-enhanced technologies, and global shutters are being developed in collaboration with customers in various fields. We look forward to bringing new application opportunities to our customers.



#### **IV. Expected sales volume and its basis**

We expect that the sales will grow in 2024 compared to 2023 after inventory adjustment in the market. We will actively create new business opportunities to increase market share and maintain our competitive edge.

In addition to our prudent and pragmatic attitude to face the challenges ahead, we have a good supply chain management to enhance our overall competitiveness and continue to actively expand our market. We would like to thank all our shareholders, customers and suppliers for their support and love, and we would like to express our sincere respect to all our colleagues for their continuous efforts and contributions to our company. We will work very hard to make real profits for you.

Chairman and President

James He



## Chapter 2. Company Overview

**I. Date of Incorporation:** The Company was incorporated on May 24, 2004 and listed on the Taiwan Stock Exchange on July 16, 2018. The headquarters is set up in Hsinchu City, and the Company has established R&D and sales sites in the United States and Mainland China.

**II. Milestones:**

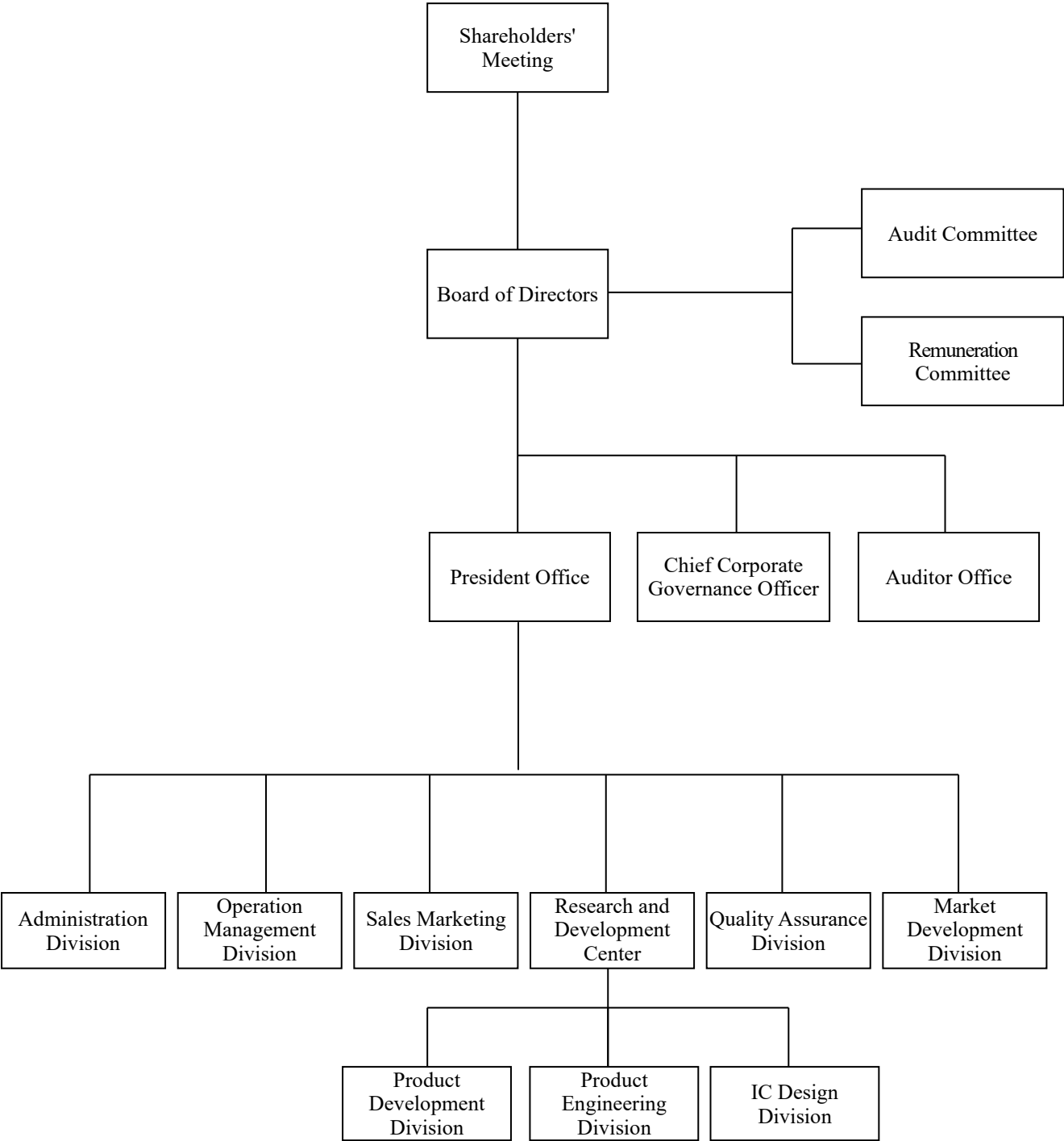
January 2004	Established the preparatory office.
May 2004	Incorporated with registered capital of NT\$100 million.
July 2006	Approved by the Science-Based Industrial Park Administration to register and locate in Hsinchu Science Park District.
September 2006	Initial Public Offering.
April 2007	Registered in Emerging Stock Market.
January 2010	Passed the ISO9001 international certification.
December 2011	Established the Remuneration Committee.
March 2012	The Board of Directors has resolved to proceed the share conversion with NUEVA IMAGING, Inc, and to issue of new shares for capital increase. The proposal was adopted with approval by that year's shareholders' meeting.
September 2012	The Company and NUEVA IMAGING, Inc. completed the share conversion and issuance of new shares for capital increase. Increased the paid-in capital to NT\$620,739 thousand.
October 2012	The Company completed the capital increase by cash and paid-in capital to NT\$651,009 thousand.
January 2014	Established Silicon Optronics (Shanghai) Co., Ltd.
August 2017	Re-elected the 7th Board and Mr. James He, upon expiration of the tenure, was re-elected as the Chairman.
August 2017	The first Audit Committee was established.
July 2018	Increased capital by cash before listing, and increase the paid in capital to NT\$772,659 thousand.
October 2018	Participated in the Beijing International Security Expo and successfully exhibited the BSI and near infrared sensing enhancing technology.
October 2019	Participated in the Shenzhen International Security Expo, exhibiting global shutter sensor technology for industrial use during the period.
June 2020	Fully re-elected the 8th Session of Directors.
October 2020	Introduced the BSI backlit 4K/8M sensor product JX-K08
November 2020	Launched the new generation of FSI products, JX-F53/F37 series, providing low-power consumption and better sensing effect.
June 2021	Introduced the BS backlit 1080P sensor JX-F352.
July 2021	Successfully developed AEC Q100 automotive-grade packaging products.
October 2021	Provided BSI and NIR sensing technology product lines, including the 5-megapixel

	JX-K305P, and a series of 2-megapixel and 4-megapixel products.
February 2022	The first global shutter, JX-S02, was successfully launched in mass production.
April 2022	Egis Technology publicly acquired shares of SOI, and as of the completion date of the public acquisition, they have acquired 15.9% of SOI company's shares.
August 2022	After publicly acquiring shares of our company, Egis Technology continued to acquire shares of SOI company on the public market. As of the end of August, they held a total of 16.17% of SOI's shares.
October 2022	SOI has launched RGB-IR products developed based on BSI and near-infrared enhance technology, which can be applied to intelligent cabin and recognition systems.
January 2023	SOI has launched a new square 4-megapixel product: K351P, which features ultra-low power consumption and provides the capability to develop continuous AI detection and pre-recording functions.
March 2023	SOI has launched a new 4K/8-megapixel product, developed with BSI and near-infrared sensor technology.
November 2023	Launched the new K306P, the next-generation 2K product with improved image performance and cost-effectiveness.
January 2024	Launched the K317P, a 5-megapixel 16:9 product with low-consumption, "Always On" functionality.
February 2024	Launched the new generation FSI design JX-K251: 1:1, 4-megapixel, a product with even greater cost advantages.

# Chapter 3. Corporate Governance Report

## I. Organization:

(I) Organizational Chart:



(II) Department Functions:

Departments	Major Corporate Functions
President Office	<ol style="list-style-type: none"><li>1. Assist to handle the execution and coordination of the Company's business.</li><li>2. Planning of the Company's medium and long-term business strategies and evaluation of business performance.</li><li>3. Strategic planning and implementation of new businesses.</li><li>4. Ramp up production capacity and implement operational strategies.</li></ol>
Auditor Office	<ol style="list-style-type: none"><li>1. Inspect and evaluate the reliability and effectiveness of the Company's operating information and internal control systems.</li><li>2. Propose recommendations for improvement and facilitate effective operations.</li></ol>
Administration Division	<ol style="list-style-type: none"><li>1. Responsible for the management of finance, accounting and budget management.</li><li>2. Responsible for the Company's shareholder affairs and personnel affairs.</li><li>3. Responsible for the Company's legal affairs and patents.</li><li>4. MIS network and ERP system management.</li><li>5. Responsible for administrative affairs.</li></ol>
Product Development Division	<ol style="list-style-type: none"><li>1. Definition of new products.</li><li>2. Customer support.</li><li>3. Test program coding and development.</li></ol>
Product Engineering Division	<ol style="list-style-type: none"><li>1. Development of new product production process technology.</li><li>2. New production process research and development of wafer foundry and packaging plants.</li><li>3. Responsible for product specifications verification, failure mode analysis, mass production conditions set-up, yield rate improvement, product practical application verification and assisting clients to solve product application problems.</li><li>4. Test engineering management, packaging engineering management and wafer outsourcing engineering management.</li><li>5. Test arrangements and management.</li><li>6. Tape out process management.</li></ol>
IC Design Division	<ol style="list-style-type: none"><li>1. Digital IC design and verification.</li><li>2. Assist the development of the image drill algorithm and achievement of FPGA.</li></ol>
Market Development Division	<ol style="list-style-type: none"><li>1. Planning of product marketing strategies.</li><li>2. Collect and analyze market information.</li></ol>

Departments	Major Corporate Functions
Sales Marketing Division	<ol style="list-style-type: none"> <li>1. Product promotion and market development.</li> <li>2. Review, receive, and after-sales services for customer orders.</li> <li>3. Customer satisfaction survey.</li> </ol>
Operation Management Division	<ol style="list-style-type: none"> <li>1. Outsourcing production strategy, production planning, materials and warehouse management, and import/export operations.</li> <li>2. Order and shipping management.</li> <li>3. Procurement/outsourcing management.</li> </ol>
Quality Assurance Division	<ol style="list-style-type: none"> <li>1. Establish and implement quality/RSF assurance systems to improve control procedures and ensure product quality.</li> <li>2. Formulate quality policies.</li> <li>3. Product quality inspection, customer complaint handling and return analysis.</li> <li>4. Calibration and DCC, SQE management.</li> </ol>

## II. Information on the Company's Directors, President, Vice Presidents, Deputy Vice Presidents, and the Supervisors of All the Company's Divisions and Branch Units

### (I) Directors

#### 1. Information of Directors

April 20, 2024; Unit: share; %

Title	Nationality/Country of Origin	Name	Gender and Age	Date Elected (Appointed)	Term of office	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Chairman of the Board	SAMOA	Heritage Bay Limited	—	2023.06.16	3 years	2016.06.08	17,691,413	22.55	17,691,413	22.55	—	—	—	—	—	—	—	—	—	—
	USA	Representative: James He	Male 61-70	2023.06.16	3 years	2013.06.11	150,000	0.19	150,000	0.19	—	—	—	—	MSEE, BSEE, Tsinghua University. Director & COO, OmniVision Technologies, Inc. . Director, Xintec Inc Director, OmniVision Technology International Ltd. Director, OmniVision Technologies (Shanghai), Co. Ltd. Director, Shanghai OmniVision Semiconductor Technology, Co. Ltd. Chairman, Taiwan OmniVision Technologies, Inc. Chairman, Taiwan OmniVision International Holding Ltd.	Chairman and President of the Company Chairman, Nueva Imaging Inc. Chairman, Silicon Optronics Holding (Cayman) Co., Ltd. Director, Heritage Bay Limited	—	—	—	Note 1
Directors	SAMOA	Heritage Bay Limited	—	2023.06.16	3 years	2016.06.08	17,691,413	22.55	17,691,413	22.55	—	—	—	—	—	—	—	—	—	—
	Taiwan	Representative: Sophie Cheng	Female 61-70	2023.06.16	3 years	2005.03.29	—	—	—	—	—	—	—	—	Bachelor's Degree in Economics, National Taiwan University President, Deutron Electronics Corporation	Chairman, Powerchip Micro Device Corporation Director & President, Deutron Electronics Corporation Director & President, A.I. Memory Corporation Supervisor, Biogate Precision Medicine Corp. Director, Teknowledge Development Corp. Director, Syntrox Corporation Supervisor, Optigate Inc. Director, Retronix Technology Inc. Director, Beautimode Corporation Director, Trendforce Corp. Director, ATBS Technology Co., Ltd. Supervisor, Powerax Quantum Electronic Corporation Director, Taipei Computer Association Director, Taiwan IOT Technology and Industry Association	—	—	—	—

Title	Nationality/Country of Origin	Name	Gender and Age	Date Elected (Appointed)	Term of office	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Directors	Taiwan	Sen-Chou Lo	Male 61-70	2023.06.16	3 years	2023.06.16	—	—	—	—	—	—	—	—	Bachelor's Degree in Computer Science, Soochow University California State University Chico MSCS, USA National University MBA, San Jose, USA Founder and CEO of Intervideo Inc., USA	Chairman, Egis Technology Inc. Chairman, Ivy Asset Management Co., Ltd. Director, HEADWAY CAPITAL LIMITED Director, ORIENTAL GOLD HOLDINGS LIMITED Director, Kiwi Technology Inc. Chairman, iCatch Technology - Corporate Representative for Egis Technology Inc. Chairman, Alcor Micro Corp., Ltd. - Corporate Representative for Egis Technology Inc. Director, Alcorlink Corp. - Corporate Representative for AlgoTek Inc. Chairman, AlgoTek Inc. - Corporate Representative for Alcor Micro Corp., Ltd. Chairman, Syncomm Technology Corporation - Corporate Representative for Alcor Micro Corp., Ltd. Chairman, Egid Vision Inc. - Corporate Representative for Alcorlink Corp. Chairman, Silicon Optronics, Inc. Director, Teletx Co. - Corporate Representative for iCatch Technology Director, Gallopwave Inc. Chairman, Gear Radio Electronics Corp. - Corporate Representative for Gear Radio Limited (Samoa) Director, StarRiver Semiconductor Corp. - Corporate Representative for Alcor Micro Corp., Ltd. Director, ENE Technology Inc. - Corporate Representative for Alcor Micro Corp., Ltd.	—	—	—	—
Independent Director	Taiwan	Hsin-Hsin Lee	Female 51-60	2023.06.16	3 years	2023.06.16	—	—	—	—	—	—	—	—	Master's Degree in Finance, National Taiwan University Chairman, Kiwi Technology Inc.	Director, Advanced Echem Materials Company Limited - Corporate Representative for An Kai Chia Investment Co., Ltd. Independent Director, HiYes International Co., Ltd. Chairman, Kiwi Technology Inc. Chairman, Capital 22 Chairman, THINKTOP Capital Management Inc. Director, Kiwi Technology Inc. (Hong Kong) Director, Kiwi Technology Inc. (Japan) Director, sMedio, Inc. (Japan) Chairman, Neo One Capital Inc.	—	—	—	—



Title	Nationality/Country of Origin	Name	Gender and Age	Date Elected (Appointed)	Term of office	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Independent Director	Taiwan	Jim Lai	Male 61-70	2023.06.16	3 years	2017.08.14	—	—	—	—	—	—	—	—	Master's Degree in Electrical & Computer Engineering, UC Santa Barbara President, Global Unichip Corp.	Chairman, Skymizer Taiwan Inc. Director, M31 Technology Corporation Independent Director, Truelight Corporation Independent Director, Andes Technology Corporation Director, Giga Solution Tech. Co., Ltd. Director, Wolley, Inc. (CA Inc.) Consultant, XConn Technologies Independent Director, FocalTech Systems Co., Ltd.	—	—	—	—
Independent Director	Taiwan	JJ Lin	Male 61-70	2023.06.16	3 years	2017.08.14	—	—	—	—	—	—	—	—	EMBA from College of Management, National Taiwan University Master's Degree in Chemistry, National Tsing Hua University Consultant & President, KPPC Group Executive Vice President, Global Unichip Corp. CEO, Xintec Inc. CEO & President, VisEra Technologies Company Limited Senior Director, Taiwan Semiconductor Manufacturing Company, Limited	Independent Director, M31 Technology Corporation Director, STEK Co., Ltd. Director, Shuimu Angel Fund Chairman, TEMIC Co., Ltd. Director, TAIFLEX Scientific Co., Ltd. Director, Shuimu Chuanggu Co., Ltd. Director, Capital TEN Inc.	—	—	—	—
Independent Director	Taiwan	Chang-Chou Li	Male 51-60	2023.06.16	3 years	2017.12.21	—	—	—	—	—	—	—	—	Master's Degree in Accounting, University of Illinois at Urbana-Champaign CPA Partner, PricewaterhouseCoopers Taiwan	CPA, Chi Shing Accounting Firm Independent Director, Evergreen Marine Corp. (Taiwan) Ltd. Independent Director, St.Shine Optical Co., Ltd. Independent Director, Hotai Insurance Co., Ltd.	—	—	—	—

Note 1. Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

- (1) The Company is mainly engaged in the research and development, manufacturing and sales of CIS design. At present, as the Company is experiencing the growth period, the chairman concurrently holding the position of President enables the Board of Directors better grasp the operating conditions of the Company, and the flat management can bring more efficiency to the decision implementation.
- (2) The Company has established an Audit Committee which, except with its functions and powers as specified, can also improve and supervise the management mechanism of the Board of Directors. Meanwhile, Independent Directors account for 60% of the total Directors of the Company, which can strengthen the supervision and checks and balances mechanism, and reduce the concentration of power and loss of objectivity and failure of effective supervision for the reason of the chairman and President.

## 2. Major Shareholders of Institutional Shareholders

### Major Shareholders of Institutional Shareholders

April 20, 2024

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders	
Heritage Bay Limited	XINPING HE	54.61%
	HE CHILDREN'S TRUST	39.01%
	DUIDI CHEN	4.68%
	SHURONG ZHAO	1.70%

### Major Shareholders that are Institutional Shareholders: None.

## 3. Disclosure of information on directors' professional qualifications and independence of independent directors

Qualifications Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies concurrently Serving as an Independent Director
Heritage Bay Limited Representative: James He	Holds a Master's degree in Microelectronics from Tsinghua University in Beijing and currently serves as the Chairman and President of the Company. Has previously worked for over twenty years at OmniVision, one of the top three global CIS manufacturers. During his tenure at OmniVision, he utilized his expertise to establish a CMOS industry chain in Taiwan. Possesses a professional science and engineering background and rich management and decision-making skills. None of the circumstances in the subparagraphs of Article 30 of the Company Act	Not applicable.	0
Heritage Bay Limited Representative: Sophie Cheng	Holds a Bachelor's degree in Economics from National Taiwan University. Current President of Deutron Electronics Corporation and has served as a director for several publicly traded companies. Possesses extensive experience in the semiconductor industry. None of the circumstances in the subparagraphs of Article 30 of the Company Act		0
Sen-Chou Lo	Holds an MSCS, California State University, Chico and MBA, National University, San Jose. Currently serves as the Chairman of Egis Technology Inc. None of the circumstances in the subparagraphs of Article 30 of the Company Act		0
Independent Director Hsin-Hsin Lee	Holds a Master's Degree in Finance, National Taiwan University. Currently serves as the Chairman of Kiwi Technology Inc. None of the circumstances in the subparagraphs of Article 30 of the Company Act	All of the following situations apply to each and every Independent Director: 1. Satisfy the requirements of Article 14-2 of the Securities and Exchange Act and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies issued by Taiwan's Securities and Futures Bureau. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any SOI shares. 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years.	1
Independent Director Jim Lai	Holds a Master's Degree in Electrical and Computer Engineering from the University of California, Santa Barbara (UCSB). Formerly served as the President of Global Unichip Corp. Has a professional background and extensive management and decision-making abilities in the semiconductor industry. None of the circumstances in the subparagraphs of Article 30 of the Company Act		3
Independent Director JJ Lin	Highly respected in the semiconductor industry. Holds a Master's Degree in Chemistry and an EMBA from the College of Management at National Taiwan University. Has a wealth of experience, having served as the Senior Director of TSMC, Executive Vice President of Global Unichip Corp., CEO of Xintec Inc., CEO of VisEra Technologies Company Ltd., and Director or Independent Director of several companies. None of the circumstances in the subparagraphs of Article 30 of the Company Act		1

Qualifications Name	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies concurrently Serving as an Independent Director
Independent Director Chang-Chou Li	Holds a Master's Degree in Accounting, University of Illinois Urbana-Champaign. Formerly served as the CPA partner of PricewaterhouseCoopers Taiwan and currently serves as the Independent Director of Evergreen Marine Corporation (Taiwan) Ltd., Hotai Insurance Co., Ltd., and St.Shine Optical Co., Ltd. Possesses extensive accounting expertise and professional competence in compliance with financial regulations. None of the circumstances in the subparagraphs of Article 30 of the Company Act		2

#### 4. Board diversity and independence:

(1) Board diversity: The Company's "Corporate Governance Practice Principles" stipulate that the composition of the Board of Directors should consider diversity. It is advised that no more than one-third of the Board members concurrently serve as managerial officers, and that an appropriate diversity policy be developed based on the Company's operations, operating dynamics, and development needs. This policy should include, but not be limited to, the following two general standards:

- A. Basic requirements and values: gender, age, nationality, and culture.
- B. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

The Company has seven directors, including two corporate directors and three independent directors. The members of the Board are diverse and have expertise in business administration, leadership and decision making, knowledge of the industry, academics, accounting and financial analysis, and other fields. They are equipped to give professional opinions from different perspectives, which is of great help to improving the Company's business performance and management efficiency. Among all directors, 14% are concurrently employees and 57% are independent directors. The Company pays attention to the gender composition of the Board members, with female directors accounting for 29% of all directors.

(II) Information of the President, Vice Presidents, and Officers

April 20, 2024; Unit: share; %

Title	Nationality	Name	Gender	Date Elected (Appointed)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (Education)	Serves concurrently as	Managers who are Spouses or Second degree relative			Remarks
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President	USA	James He	Male	2012.02.10	150,000	0.19	—	—	—	—	MSEE, BSEE, Tsinghua University. Director & COO, OmniVision Technologies, Inc. Director, Xintec Inc Director, OmniVision Technology International Ltd. Director, OmniVision Technologies (Shanghai), Co. Ltd. Director, Shanghai OmniVision Semiconductor Technology, Co. Ltd. Chairman, Taiwan OmniVision Technologies, Inc. Chairman, Taiwan OmniVision International Holding Ltd.	Chairman, Nueva Imaging Inc. Chairman, Silicon Optronics Holding (Cayman) Co., Ltd. Director, Heritage Bay Limited	—	—	—	(Note 2)
Vice President, R&D Center	USA	Denis Luo	Male	2013.03.05	4,583,587	5.84	—	—	—	—	Tsinghua University. SR. DIRECTOR OF MIXED SIGNAL GROUP DIRECTOR OF MIXED SIGNAL GROUP	Nueva Imaging Inc Vice President	—	—	—	—
Vice President, Marketing Division	Taiwan	Peter Zung	Male	2013.03.05	1,123,000	1.43	—	—	—	—	University of California, San Diego IR/ PS Vice President, VisEra Technologies Company Limited	Nueva Imaging Inc Vice President	—	—	—	—
Chief Technology Officer	USA	Ming Li	Male	2014.12.10	396,000	0.51	—	—	—	—	PhD in Electronic System Parts and Microelectronics, Southeast University Senior Manager, Taiwan Semiconductor Manufacturing Company, Limited	Nueva Imaging Inc Chief Technology Officer	—	—	—	—
Vice President and Financial Officer, Administration Division	Taiwan	Steffi Huang	Female	2017.06.12	55,000	0.07	—	—	—	—	Master's Degree in Technology Management, National Tsing Hua University Assistant Manager of Audit Department, KPMG	Supervisor, Silicon Optronics (Shanghai) Co., Ltd.	—	—	—	—
Director & Spokesperson, Marketing Division	Taiwan	Henry Chien	Male	2019.10.01	10,000	0.01	—	—	—	—	Master's Degree in Hydraulic and Ocean Engineering, National Cheng Kung University Sales Manager & Spokesperson, Aethertek technology co., Ltd.	—	—	—	—	—

Note 1. Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

- (1) The Company elected an additional independent director at the 2023 annual general meeting of shareholders to strengthen the responsibility of supervising the Company's operation and management.
- (2) The Company has established an Audit Committee, which, in addition to its specified functions and powers, can also enhance and oversee the management efficiency of the Board of Directors. Moreover, Independent Directors account for 57% of the total number of Directors of the Company. This not only strengthens the supervision and checks-and-balances mechanism but also reduces the risk of power concentration, loss of objectivity, and ineffective supervision that may arise when the chairman concurrently serves as the President.

### III. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), the President, and Vice Presidents:

(I) Remuneration of Directors (including Independent Director): (name and remuneration type disclosed collectively based on remuneration range)

Unit: NT\$ thousand; thousand shares

Title	Name	Remuneration of Directors								Ratio of Total Compensation (A+B+C+D) to Net Income		Remuneration from concurrent position as employee								Total A, B, C, D, E, F, G as % of EAIT		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Base Compensation (A) (Note 1)		Pension (B) (Note 2)		Remuneration to Directors (C) (Note 3)		Business Expenses (D) (Note 4)				Salary, Bonuses, and Special Expenses (E) (Note 5)		Pension (F)		Employee Bonus (G) (Note 3)						
		SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	Cash	Stock	Cash	Stock	SOI	Consolidated Entities	
Directors	Heritage Bay Limited	0	0	0	0	0	0	0	0	-	-	0	0	0	0	0	0	0	0	-	-	None
Chairman of the Board	James He (Note 6)	0	0	0	0	0	0	100	100	(0.03)%	(0.03)%	0	0	0	0	0	0	0	0	(0.03)%	(0.03)%	None
Directors	Sophie Cheng (Note 6)	0	0	0	0	0	0	100	100	(0.03)%	(0.03)%	0	0	0	0	0	0	0	0	(0.03)%	(0.03)%	None
Directors	Sen-Chou Lo (Note 7)	0	0	0	0	0	0	60	60	(0.02)%	(0.02)%	0	0	0	0	0	0	0	0	(0.02)%	(0.02)%	None
Independent Director	Hsin-Hsin Lee (Note 7)	350	350	0	0	0	0	0	0	(0.12)%	(0.12)%	0	0	0	0	0	0	0	0	(0.12)%	(0.12)%	None
Independent Director	Chang-Chou Li	600	600	0	0	0	0	0	0	(0.21)%	(0.21)%	0	0	0	0	0	0	0	0	(0.21)%	(0.21)%	None
Independent Director	JJ Lin	600	600	0	0	0	0	0	0	(0.21)%	(0.21)%	0	0	0	0	0	0	0	0	(0.21)%	(0.21)%	None
Independent Director	Jim Lai	600	600	0	0	0	0	0	0	(0.21)%	(0.21)%	0	0	0	0	0	0	0	0	(0.21)%	(0.21)%	None

\*Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.

## Remuneration Ranges

Remuneration Ranges payable to each director of the Company	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	SOI	Consolidated Entities	SOI	Consolidated Entities
Less than NT\$1,000,000	James He, Sophie Cheng, JJ Lin, Jim Lai, Chang-Chou Li, Hsin-Hsin Lee Sen-Chou Lo	James He, Sophie Cheng, JJ Lin, Jim Lai, Chang-Chou Li, Hsin-Hsin Lee Sen-Chou Lo	James He, Sophie Cheng, JJ Lin, Jim Lai, Chang-Chou Li, Hsin-Hsin Lee Sen-Chou Lo	James He, Sophie Cheng, JJ Lin, Jim Lai, Chang-Chou Li, Hsin-Hsin Lee Sen-Chou Lo
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

Note 1. The remuneration of Directors in 2023 includes remuneration for serving as Directors and members of functional committees under the Board of Directors.

Note 2. No pensions were paid out to any Directors in 2023.

Note 3. No remuneration was paid out to any Directors or Employees in 2023.

Note 4. Business expense of NT\$260,000 paid to Directors was traveling expenditure.

Note 5. Salaries, bonuses and special expenses include estimated share-based compensation.

Note 6. The legal representative of Heritage Bay Limited

Note 7. Assumed the position of Director after an election on June 16, 2023.

(II) Remuneration of President and Vice President (name and remuneration type disclosed collectively based on remuneration range)

Unit: NT\$ thousand; thousand shares

Unit: RMB thousand, thousand shares

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		SOI	Consolidated Entities	SOI	Consolidated Entities	SOI	Consolidated Entities	SOI		Consolidated Entities		SOI	Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	James He	5,160	30,927	126	126	884	884	0	0	0	0	(2.15)	(11.14)	None
Vice President	Denis Luo													
Vice President	Peter Zung													
Chief Technology Officer	Ming Li													
Vice President and Financial Officer	Steffi Huang													

Remuneration Ranges

Range of remuneration paid to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	SOI	Consolidated Entities
Less than NT\$1,000,000	James He, Denis Luo, Ming Li, Peter Zung	—
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Steffi Huang	Steffi Huang
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	—	James He, Denis Luo, Ming Li, Peter Zung
NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive)~ NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	5	5

Note 1. Belongs to amount for pension contribution.

Note 2. Salaries, bonuses and special expenses include estimated share-based compensation.

Note 3. No distribution of the remuneration to employees in 2023.

(III) Names of Managers and the Allocation of Employee's Remuneration:

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

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James He	-	-	-	-
	Vice President, Marketing Division	Peter Zung				
	Vice President, R&D Center	Denis Luo				
	Chief Technology Officer	Ming Li				
	Vice President and Financial Officer, Administration Division	Steffi Huang				
	Director & Spokesperson, Marketing Division	Henry Chien				

(IV) Separately compare and describe the total remuneration paid to the Directors, Presidents and Vice Presidents of the Company in the last two fiscal years as a percentage of the net income after tax of the individual or of the individual financial reports by the Company and by all companies in the consolidated statements, and analyze and describe the policies, standards and combination of remuneration payment, the procedures for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to the Directors, Presidents and Vice Presidents of the Company:

December 31, 2023

Title	2023		2022	
	SOI	Consolidated Entities	SOI	SOI
Directors	-	-	2.04%	2.04%
President and Vice President	(2.15)%	(11.14)%	8.47%	28.7%

2. The policies, standards, and packages for payment of remuneration, as well as the procedures followed for determining the remuneration, and their linkages to business performance and future risk exposure:

The remuneration paid out to directors by the Company includes director's compensation, transportation allowance, and director's remuneration. Director remuneration includes the remuneration for serving as a director and as a member of functional committees under the Board of Directors. It is determined based on industry standards, the contribution to the Company, and the degree of participation in operations. The fixed remuneration is paid monthly and is approved by the Remuneration Committee and the Board of Directors. Transportation allowance are based on industry standards and are paid according to the attendance of directors at board meetings. Director's remuneration is handled according to Articles of Incorporation. If the Company makes a profit (i.e., profit before tax deduction for employee and director remuneration), up to 3% may be contributed for director remuneration, but this should first compensate for any accumulated losses. The contribution shall be approved by the Remuneration Committee, the Board of Directors, and submitted to the shareholders'



meeting. Director remuneration is distributed based on the number of days served as a director in that year. The Company conducts annual performance evaluations in accordance with the "Board of Directors' Performance Evaluation Methods," with the performance of directors taken into consideration when determining directors' salaries.

#### IV. Implementation of Corporate Governance

(I) The state of Operations of the Board of Directors:

A total of 5 meetings (A) have been held by the Board of Directors in 2023, with the Directors' attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Chairman of the Board	James He	5	0	100.00%	Renewal of office
Directors	Sophie Cheng	5	0	100.00%	Renewal of office
Directors	Sen-Chou Lo	3	0	100.00%	New office assumed
Independent Director	Hsin-Hsin Lee	3	0	100.00%	New office assumed
Independent Director	Jim Lai	5	0	100.00%	Renewal of office
Independent Director	JJ Lin	4	1	80.00%	Renewal of office
Independent Director	Chang-Chou Li	5	0	100.00%	Renewal of office

Note: Actual attendance (appearance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual attendance (appearance) during the term of service.

Other mentionable items:

1. Matters referred to in Article 14-3 of the Securities and Exchange Act and any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement:

Board of Directors Date and Session	Content of Motion and Follow-up Actions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2023.03.15 8th Board 16th Meeting	<ol style="list-style-type: none"> <li>1. Discussion on the Company's Distribution Plan of the Remuneration to Employees and Directors for the Year 2022.</li> <li>2. Discussion on the Company's 2022 Business Reports and Financial Statements.</li> <li>3. Discussion on the Company's 2022 Earning Distribution Plan.</li> <li>4. Discussion on the Company's Statement on Internal Control Systems for the Year 2022.</li> </ol> <p>Resolution Results: Proposal 1 has been reviewed by the Company's Remuneration Committee. Since some Directors were also serve as managers of the Company and did not participate in the discussion and voting of this proposal, it was presided over by other Directors on their behalf, and the proposal was approved by other Directors present without any objection after consultation. Proposal 2-4 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present.</p>	Yes	None
2023.05.04 8th Board 17th Meeting	<ol style="list-style-type: none"> <li>1. Discussion on the Consolidated Financial Statements for the first quarter of 2023 of the Company.</li> </ol>	Yes	None

Board of Directors Date and Session	Content of Motion and Follow-up Actions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
	2. Discussion on proposal for Non-Assurance Service Pre-Approval Policy of the Company. 3. Discussion on termination of non-compete prohibition for newly assumed Directors of the Company.		
	Resolution Results: Proposals 1-3 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present.		
2023.06.16 9th Board 1st Meeting	1. Discussion on the appointment of the Chairman. 2. Discussion on the prospective appointment of members to the 6th Remuneration Committee of the Company.	Yes	None
	Resolution Results: Proposals 1 & 2 have been approved by all the Directors present.		
2023.08.03 9th Board 2nd Meeting	1. Discussion on the Consolidated Financial Statements for the second quarter of 2023 of the Company. 2. Discussion on reviewing the Company's Method for Payment of Remuneration to Directors, Functional Committee and Managers. 3. Discussion on the traveling expenditure for each meeting of the 9th Board of Directors (excluding Independent Directors) of the Company. 4. Discussion on the remuneration for the 9th Board of Directors' Independent Directors.	Yes	None
	Resolution Results: Proposals 1 & 2 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present. Proposals 3 & 4 have been adopted by all present Directors, with Individual Directors and Independent Directors recusing from voting due to conflicts of interest.		
2023.11.02 9th Board 3rd Meeting	1. Discussion on the Company's operating plan and budget for 2024. 2. Discussion on formulating the 2024 Audit Plan. 3. Discussion on Consolidated Financial Statements for the third quarter of 2023 of the Company.	Yes	None
	Resolution Results: Proposals 1-3 have been discussed and approved by the Audit Committee of the Company and adopted by the resolution of all the Directors present.		

2. Any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.
3. Where a Director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the Director, the content of the proposal, the reason for recusal, and the voting outcome should be disclosed:

Date of Meeting	The Board Meeting	Proposal Content	Resolution
2023.03.15	8th Board 16th Meeting	Distribution Plan of remuneration for Directors and Managers of 2022	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.
2023.11.02	9th Board 3rd Meeting	The awarding principles of year-end bonus and the managers' compensation for the year 2023	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.
		The salary and compensation items that the managers propose to implement in 2024	Due to conflict of personal interest, Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.

4. Cycles, periods, scope, method, contents and other matters of the self-evaluation by the board members of themselves:

Frequency	Period	Scope	Method	Content
Once a year	2023.01.01~2023.12.31	Includes the performance evaluation of the Board, Individual Directors and Functional Committees	Internal self-evaluation of the Board of Directors/ Self-evaluation of the Board members	<p>The criteria for internal self-evaluation of the overall performance of the Board of Directors shall cover the following five aspects:</p> <p>A. Participation in the operation of the Company</p> <p>B. Improvement of the quality of the Board of Directors' decision making</p> <p>C. Composition and structure of the Board of Directors</p> <p>D. Election and continuing education of the Directors</p> <p>E. Internal control</p> <p>The criteria for evaluating the performance of the board members, shall cover the following six aspects:</p> <p>A. Alignment of the Company's goals and tasks</p> <p>B. Awareness of the duties of a Director</p> <p>C. Participation in the operation of the Company</p> <p>D. Management of internal relationship and communication</p> <p>E. The Directors' professionalism and continuing education</p> <p>F. Internal control</p> <p>The criteria for evaluating the performance of Functional Committees, shall cover the following five aspects:</p> <p>A. Participation in the operation of the Company</p> <p>B. Awareness of the duties of the Functional Committee</p> <p>C. Quality of decisions made by the Functional Committee</p> <p>D. Composition of the functional committee and election of its members</p> <p>E. Internal control.</p>

The Company has completed a self-evaluation of the performance of the Board of Directors for the year of 2023 and reported the results to the Board of Directors on March 12, 2024 for review and improvement. The overall average score of board performance self-evaluation is 4.96 (full score: 5), and the overall average score of individual board members is 4.93 (full score: 5), indicating that the overall Board of Directors operates well. The performance self-evaluation result of Functional Committee was 4.76, and all members were satisfied with the measured items.

5. An evaluation of targets (e.g. the establishment of an Audit Committee and the improvement of information transparency, etc.) for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:
  - A. Set up remuneration committee: The Company established the Remuneration Committee on December 22, 2011, elected the Independent Directors at the Extraordinary General Meeting on August 14, 2017 and also established the Audit Committee on August 23, 2017 to strengthen the Board of Directors' execution of its powers.
  - B. Strengthening Corporate Governance: The Company has established the Corporate Governance Best Practice Principles, Procedures for Ethical Management and Corporate Governance Practice Principles, which have been adopted by resolution by the Board of Directors.

#### Attendance of Independent Directors at Board Meetings in 2023

Name of Independent Director	The 16th Meeting of the 8th Board	The 17th Meeting of the 8th Board	The 1st Meeting of the 9th Board	The 2nd Meeting of the 9th Board	The 3rd Meeting of the 9th Board
Hsin-Hsin Lee	Note:	Note:	◎	◎	◎
Chang-Chou Li	◎	◎	◎	◎	◎
JJ Lin	◎	◎	◎	◇	◎
Jim Lai	◎	◎	◎	◎	◎

Note: The newly appointed independent director was elected at the shareholders' meeting on June 16, 2023.

◎: Attendance in person

◇: By Proxy

## (II) The Operation of the Audit Committee

A total of 4 meetings (A) have been held by the Audit Committee in 2023, with the attendance of Independent Directors as follow:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Chang-Chou Li	4	0	100.00%	Renewal of office
Members	Hsin-Hsin Lee	2	0	100.00%	New office assumed
Members	JJ Lin	3	1	75.00%	Renewal of office
Members	Jim Lai	4	0	100.00%	Renewal of office

Note: The actual attendance rate (%) shall be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

Other mentionable items:

1. If the Audit Committee has any of the following circumstances, the date, period, proposal content, the resolution of the Audit Committee and the Company's reaction toward the Audit Committee's opinions shall be specified:

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

17) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board of Directors Date and Session	Content of Motion and Follow-up Actions	Matters referred to in Article 14-5 of the Securities and Exchange Act	Resolutions Passed by More Than Two-thirds of All Directors but Without Approval of the Audit Committee	
2023.03.15 8th Board 16th Meeting	1. Discussion on the Company's Distribution Plan of the Remuneration to Employees and Directors for the Year 2022.	Yes	None	
	2. Discussion on the Company's 2022 Business Reports and Financial Statements.			
	3. Discussion on the Company's Statement on Internal Control Systems for the Year of 2022.			
	Audit Committee's Resolution: All members of the Audit Committee approved the Resolution on March 15, 2023.			
	The Company's response to the Audit Committee's Resolution: All the Directors present approved the Resolution.			
2023.05.04 8th Board 17th Meeting	1. Adoption of the Consolidated Financial Statements for the first quarter of 2023 of the Company.	Yes	None	
	Audit Committee's Resolution: All members of the Audit Committee approved the Resolution on May 4, 2023.			
	The Company's response to the Audit Committee's Resolution: All the Directors present approved the Resolution.			
2023.08.03 9th Board 2nd Meeting	1. Adoption of the Consolidated Financial Statements for the second quarter of 2023 of the Company.	Yes	None	
	Audit Committee's Resolution: All members of the Audit Committee approved the Resolution on August 3, 2023.			
	The Company's response to the Audit Committee's Resolution: All the Directors present approved the Resolution.			
2023.11.02 9th Board 3rd Meeting	1. Adoption of the Consolidated Financial Statements for the third quarter of 2023 of the Company.	Yes	None	
	2. Adoption of the Company's Operating Plan and Budget for 2024.			
	3. Adoption of the Company's 2024 Annual Audit Plan.			
	Audit Committee's Resolution: All members of the Audit Committee approved the Resolution on November 2, 2023.			
	The Company's response to the Audit Committee's Resolution: All the Directors present approved the Resolution.			

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

2. Where an Independent Director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the Independent Director, the content of proposal, the reason for recusal and the results of the voting shall be stated:

Date of Meeting	The Board Meeting		Proposal Content	Resolution
2023.03.15	8th Board	16th Meeting	Distribution Plan of remuneration for Directors and Managers of 2022	Due to conflict of personal interest, Independent Directors involved were recused from voting and the remaining Directors have resolved and approved the proposal.

3. Communication between the Supervisors, Internal Audit Officer and CPAs (It shall include the major matters, methods and results of communication on the Company's financial and business

status):

- (1) The Independent Directors of the Company regularly communicate with the chief internal auditor at the Audit Committee and the Board of Directors, and the interaction is good. The chief internal auditor regularly reports the implementation and improvement of the audit plan in the meetings, and communicates and exchange opinions on the effectiveness of the internal control executed by the Company.
- (2) The Independent Directors of the Company regularly communicate with CPAs at the Audit Committee and exchange opinions. The CPA has fully discussed the review or audit status of the Company's financial statements, or issues related to finance, taxation, and internal control with the Independent Directors at the meeting.

**Communication between Independent Directors and CPA in 2023:**

Date	Motion	Result
March 2023	Explanation of the 2023 Consolidated and Parent Company Only Financial Reports	The 2022 Financial Reports have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on March 15, 2023 as scheduled.
May 2023	Explanation of the Consolidated Financial Statements for the first quarter of 2023	The Consolidated Financial Statements for the first quarter of 2023 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on May 4, 2023 as scheduled.
August 2023	Explanation of the Consolidated Financial Statements for the second quarter of 2023	The Consolidated Financial Statements for the second quarter of 2023 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on August 3, 2023 as scheduled.
November 2023	Explanation of the Consolidated Financial Statements for the third quarter of 2023	The Consolidated Financial Statements for the third quarter of 2023 have been approved by the Audit Committee and submitted to the Board of Directors for approval, and was announced and reported to the competent authorities on November 2, 2023 as scheduled.

**Communication between Independent Directors and Supervisor of Internal Audit in 2023**

Date	Motion	Result
2023.02.13	Audit report and draft for January 2023	Approved by all Independent Directors
2023.03.08	Audit report and draft for February 2023	Approved by all Independent Directors
2023.04.13	Audit report and draft for March 2023	Approved by all Independent Directors
2023.05.04	Audit report and draft for April 2023	Approved by all Independent Directors
2023.06.26	Audit report and draft for May 2023	Approved by all Independent Directors
2023.07.11	Audit report and draft for June 2023	Approved by all Independent Directors
2023.08.07	Audit report and draft for July 2023	Approved by all Independent Directors
2023.09.07	Audit report and draft for August 2023	Approved by all Independent Directors
2023.10.20	Audit report and draft for September 2023	Approved by all Independent Directors
2023.11.06	Audit report and draft for October 2023	Approved by all Independent Directors
2023.12.04	Audit report and draft for November 2023	Approved by all Independent Directors
2024.01.09	Audit report and draft for December 2023	Approved by all Independent Directors

(III) State of Corporate Governance Implementation and Discrepancies and Reasons for Non-Compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies:

Evaluation Item	State of Operations		Discrepancies and Reasons for Non-Compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	
I. Does the Company formulate and disclose its Corporate Governance Practice Principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company's Corporate Governance Best Practice Principles was adopted by the Board of Directors on March 8, 2017. The Company actively discloses its corporate governance practices in accordance with relevant laws and regulations.
II. Shareholding structure & shareholders' equity (I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigation, and implement based on the procedure? (II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (III) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (IV) Does the Company establish internal rules against insiders trading with undisclosed information?	V		(I) The Company has set up the shareholder services unit to handle shareholder affairs and shareholders' suggestions or disputes. (II) The Company regularly discloses the list of its major shareholders and persons who have ultimate control over the major shareholders, and reports the change in accordance with relevant regulations (III) The business and financial relationship between the Company and its affiliated companies has been formulated in accordance with the relevant regulations required by the competent authority. (IV) The Company has established the Procedures for Handling Material Inside Information and Prevention of Insider Trading and Code of Ethical Conduct, which have been implemented upon the adoption of the Board of Directors.
III. Composition and Responsibilities of the Board of Directors (I) Does the Board establish and implement a diversity policy and concrete management goals? (II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (III) Has the Company established standards to measure	V		(I) The Company has elected a Board of Directors with diversified professional background, professional skills and industry knowledge in accordance with the Procedure for the Election of Directors. (II) The Company has established the Remuneration Committee and Audit Committee, whose organizational charters have been adopted by the Board, and has not voluntarily established any other types of functional committees. (III) The Board of Directors has not appointed an external professional institution to evaluate the

Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Abstract Illustration	
<p>the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>			<p>Board or the functional committees. However, in terms of the Company's previous discussions and actual performance results, it shows the Board of Directors has been functioning well. The Company would consider the performance evaluation rules and procedures for the Board of Directors based on the situation, and implement relevant performance evaluation.</p> <p>(IV) The Company reviews the independence of the CPAs annually by the Audit Committee and the Board of Directors, and has been appointed by the Board of Directors. It has been confirmed that they are not the Directors of the Company, not the shareholders of the Company, nor are they paid by the Company, and are not the stakeholders that shall be granted independence.</p>	
IV. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing Directors and Supervisors required information for business execution, assisting Directors and Supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	V		The Company has set up the dedicated corporate governance unit or has assigned personnel to handle relevant affairs.	None
V. Does the Company establish communication channels and dedicate section for stakeholders (including but not limited to shareholders, employees, customers and suppliers) on its website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	V		The Company's website has set up the "Investor Relations" and "Stakeholder Section" to disclose information on financial operations and information on corporate governance and stakeholders' information for shareholders and stakeholders' reference. A spokesperson and deputy spokesperson is set up as a channel for communication with the stakeholders.	None
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed a professional shareholder services agency, Registrar Agency, Capital Securities Corp. to handle issues regarding shareholders' meeting and shareholder affairs.	None
<p>VII. Information Disclosure</p> <p>(I) Does the Company set up a website to disclose information on the financial operations and corporate governance?</p> <p>(II) Does the Company have other information</p>	V		<p>(I) The Company has disclosed its financial operations on its website (www.soinc.com.tw). The Company would also disclose relevant information on the corporate website after the corporate governance system is planned and established.</p> <p>(II) The Company has established a spokesman system. Investor conference information is disclosed</p>	None



Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Abstract Illustration	
<p>disclosure channels (e.g. building an English website, appointing designated personnel to be responsible for the collection and disclosure of information, implementing a spokesman system, and making the process of investor conferences available on the corporate website)?</p> <p>(III) Does the Company announce and declare its annual financial reports within two months after the end of the fiscal year, and announce and declare the financial reports for the first, second and third quarter and the operation situation of each month earlier than the prescribed period?</p>			<p>on the Company website and the Market Observation Post System.</p> <p>(III) The Company follows relevant laws and regulations to announce and report its annual financial reports within two months after the end of the fiscal year, and announce and declare the financial reports for the first, second and third quarter and the operation situation of each month earlier than the prescribed period. Please refer to the Market Observation Post System for the aforesaid information disclosed (<a href="https://mops.twse.com.tw/mops/web/t57sb01_q1">https://mops.twse.com.tw/mops/web/t57sb01_q1</a>).</p>	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors)?	V		<p>(I) Employee rights and employee wellness: In accordance with Labor Standards Act, the Company has provided the rights and interests of the employees, and provides relevant benefits systems (such as group insurance, employee travel, health check, and various training) to establish a relationship of mutual trust with employees.</p> <p>(II) Investor relations: The Company has established a spokesperson and deputy spokesperson to be responsible for the communication of the Company's external relations, and has designated persons to disclose the Company's information at the Market Observation Post System as required by laws and regulations.</p> <p>(III) The Company has established long-term, mutual trust and beneficial relationship with suppliers in accordance with company policy.</p> <p>(IV) Rights of stakeholders: The Company maintains good communication channels with employees, clients and suppliers, and respects and protects their legitimate rights and interests.</p> <p>(V) Risk management policies and risk evaluation measures: The Company has established various internal rules and regulations to conduct various types of risk management and assessment and implemented. in accordance with the law.</p> <p>(VI) Directors' and Supervisors' training records: To implement corporate governance, the Company actively informed the Directors and Independent Directors of information on corporate governance, and regularly arranges a series of refresher courses on finance, business and commerce for Directors and Independent Directors according to the Sample Template for the "Directions for the Implementation of Continuing Education for Directors and Independent</p>	None

Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Abstract Illustration	
			Directors of TWSE Listed and TPEX Listed Companies." (VII) Implementation of customer relations policies: The Company maintains a stable and good relationship with customers to create corporate profits. (VIII) Purchasing insurance for Directors and Supervisors: The Company has bought liability insurance for all Directors and Independent Directors.	
IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved: Priority of improvement and actions given to the items that did not meet the score in the initial evaluation of 2023 annual corporate governance evaluation of the Company:				
Evaluation Indicator			Improvement and Actions	
Has the Company disclosed the annual greenhouse gas emission amount, water usage amount, and total waste weight for the past two years?			Greenhouse gas inventory report has been obtained.	
Does the Company establish policies regarding workplace diversity or promote gender equality, and disclose their implementation status?			Published on company website.	

Note 1. Implementation of Diversity Policy of Board Members by Individual Directors

Title	Name	Nationality	Gender	Diversity Item						
				Operational Judgments	Accounting and Financial Analysis	Business Administration	Crisis Management	Industrial Knowledge	International Market Perspective	Decision Making
Chairman of the Board	James He	USA	Male	V	V	V	V	V	V	V
Directors	Sophie Cheng	Taiwan	Female	V	V	V	V	V	V	V
Directors	Sen-Chou Lo	Taiwan	Male	V	V	V	V	V	V	V
Independent Director	Hsin-Hsin Lee	Taiwan	Female	V	V	V	V	V	V	V
Independent Director	Chang-Chou Li	Taiwan	Male	V	V	V	V	V	V	V
Independent Director	JJ Lin	Taiwan	Male	V	V	V	V	V	V	V
Independent Director	Jim Lai	Taiwan	Male	V	V	V	V	V	V	V

Note 2. Evaluation standards for the independence of CPAs.

Evaluation Item	Rating	Is it consistent with Independence?
The CPA is not a Director of the Company and its affiliates. Yes or No?	Yes	Yes
The CPA is not a shareholder of the Company and an affiliated business of the Company. Yes or No?	Yes	Yes
The CPA is not a salaried employee of the Company or an affiliated business of the Company. Yes or No?	Yes	Yes
Does the CPA confirm that his CPA firm has complied with independence?	Yes	Yes
The CPA firm's former partner within one year of disassociating from the CPA firm to which the CPA is affiliated join the Company as a Director, Managerial officer or is in a key position to exert material impact over the subject matter of the engagement. Yes or No?	Yes	Yes
The CPA did not provide any audit service to the Company for 7 consecutive years. Yes or No?	Yes	Yes
Does the CPA comply with the regulations regarding independence outlined in The Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10?	Yes	Yes

(IV) Where a Remuneration Committee is established, the Company shall disclose its composition, duties and operation status:

1. Profiles of the Members of the Remuneration Committee

December 31, 2023

<div>Qualifications</div> <div>Title</div> <div>Name</div>		Professional Qualifications and Experience	Independence Criteria	Concurrent Remuneration Committee Position in Other Publicly Listed Companies
Convener	JJ Lin	Please refer to 3 on Page 13 for information disclosure of directors' professional qualifications and independence of independent directors	(1) Neither an employee of the Company nor its affiliates. (2) Neither a Director and a Supervisor of the Company nor its affiliates. (3) Not a individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.	1
Members	Hsin-Hsin Lee		(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a Manager under preceding subparagraph (1) or any of the persons in the subparagraph (2) and (3).	1
Members	Jim Lai		(5) Neither a director, supervisor, nor employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.	3
Members	Chang-Chou Li		(6) The majority of the board seats or voting rights of Directors, Supervisors, or employees of other companies, who are not Directors or have voting rights of the Company, are not controlled by the same person. (7) The Chairman, President, or equivalent position of the Company is not the same person as, or the spouse of, the Chairman (Director), Supervisor, or employee	2

## 2. Operations of the Remuneration Committee

- (1) There are 4 members on the Remuneration Committee of the Company.
- (2) The term of office for the committees are from June 16, 2023 to June 15, 2026. The Remuneration Committee has held three meetings. The qualifications and the attendance of the committee members are shown as follow:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	JJ Lin	2	1	67%	Renewal of office
Members	Hsin-Hsin Lee	3	0	100%	New office assumed
Members	Chang-Chou Li	3	0	100%	Renewal of office
Members	Jim Lai	3	0	100%	Renewal of office

Other mentionable items:

- I. If the Board of Directors does not or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Remuneration shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the discrepancies and reasons shall be stated): None.
- II. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated

Remuneration Committee Date / Session	Content of Motion and Follow-up Actions
2023.03.15 5th Board 6th Meeting	<ol style="list-style-type: none"> <li>1. Discussion on the distribution plan of remuneration for directors and managers of 2022.</li> <li>2. Discussion on the scope of the applicable managers of the Company's compensation preliminary review for 2023.</li> <li>3. Discussion on the Company's managers compensation adjustment of 2023.</li> </ol> <p>Audit Committee's resolution: All members of the Audit Committee approved the resolution.</p> <p>The Company's response to the Audit Committee's resolution: All motions were passed without objection by the Directors present and upon the recommendation of the Remuneration Committee, unless the stackholders recused themselves from discussion and voting.</p>
2023.08.03 6th Board 1st Meeting	<ol style="list-style-type: none"> <li>1. Discussion on reviewing the Company's method for payment of remuneration the directors, functional committee and managers.</li> <li>2. Discussion on the traveling expenditure for each meeting of the 9th Board of Directors (excluding independent directors) of the Company.</li> <li>3. Discussion on the remuneration for the 9th Board of Directors' Independent Directors.</li> </ol> <p>Audit Committee's Resolution: All members of the Audit Committee approved the resolution.</p> <p>The Company's response to the Audit Committee's resolution: All motions were passed without objection by the Directors present and upon the recommendation of the Remuneration Committee, unless the stackholders recused themselves from discussion and voting.</p>

2023.11.02 6th Board 2nd Meeting	1. Adoption of the Company's awarding principles of year-end bonus and the manager's compensation for 2023 2. Adoption of the manager's salary and compensation items to be implemented in 2024
	Audit Committee's Resolution: All members of the Audit Committee approved the resolution.
	The Company's response to the Audit Committee's resolution: All motions were passed without objection by the Directors present and upon the recommendation of the Remuneration Committee, unless the stakeholders recused themselves from discussion and voting.

Note:

- (1) Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual number of meetings attended during the term of service.
- (2) When an election is held for the Remuneration Committee before end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the "Remark(s)" column. The actual attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V) Promotion of Sustainable Development, Status, and Discrepancies and Reasons for Non-Compliance with Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Project	Implementation Status			Discrepancies and Reasons for Non-Compliance with Corporate Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Abstract Illustration	
I. Does the Company establish a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit for promoting sustainable development, with authorization from the Board of Directors for senior management to handle it, and oversight by the Board of Directors?		V	The Company has not set up a sustainable development dedicated (part-time) unit, but will set in the future based on demand.	Under evaluation
II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		V	The Company has not developed any policy and strategy regarding risk management, but will set in the future based on demand.	Under evaluation
III. Environmental issues		V	The Company is an IC design house. Although all products are manufactured by outsourcing, the Company still strictly require the outsourcing manufacturers to comply with the environmental management regulations of the government during the production process. We are committed to reducing the impact on the natural resources and reduce environmental pollution, and actively respond to climate change, taking action plan to reduce the consumption of natural resources, including the green supply chain management, raw material management, product packaging and waste reduction and recycling, reducing CO2 levels in office areas and improving energy efficiency.	No significant discrepancy
(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?				
(II) Is the Company committed to improving the energy efficiency and utilizing renewable materials with low environmental impact?				
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action?				
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on greenhouse gas reduction, water reduction, or waste management?		V	The company began greenhouse gas inventory-related operations at the board of directors meeting in May of the 2022. In the 2023 of the company, the emission factors from the IPCC Fifth Assessment Report (2013) were used to calculate the carbon dioxide equivalent emissions. The total greenhouse gas emissions of the photovoltaic company in the 2023 amounted to 114.6992 tons of CO <sub>2</sub> e.	No significant discrepancy

Project	Implementation Status						Discrepancies and Reasons for Non-Compliance with Corporate Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies	
	Yes	No	Abstract Illustration					
			Proportions of Emissions by Scope	Scope 1	Scope 2	Scope 3	Total	
			Greenhouse Gas Emissions (tCO <sub>2</sub> e/per year)	4.9868	109.1356	0.5768	114.6992	
			Percentage of Total Emissions	4.35%	95.15 %	0.50%	100.00 %	
IV. Social issues	V		(I) The Company has established relevant rules and regulations in accordance with the Labor Standards Act and relevant labor laws to protect the rights and interests of employees.  (II) The Company has formulated an employee handbook stating relevant employee benefits. The employee remuneration is paid by resolution of the Board of Directors.  (III) Our company periodically conducts employee safety briefings. During pandemic peak times, in addition to advocating for mask-wearing, we also provided disinfectant at entry and exit points. Necessary pandemic supplies have been provided for employee use when required.  (IV) The Company arranges on-the-job training based on employees' and job's needs from time to time.  (V) The Company has established procedures for handling customer complaints and established customer-oriented quality system, and assessed customer satisfaction with its products and services to achieve the goal of sustainable business operation. Our products and services are marketed and marked in accordance with regulations and international standards.  (VI) The Company has established a supplier management policy to evaluate the related qualification of supplier before entering into the cooperation contract. The Company regularly evaluates suppliers and those who have significant impact on social responsibility and the environment will be					No significant discrepancy
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?								
(II) Does the Company establish and implement reasonable employee benefits measures (including remuneration, leave and other benefits, etc.) and reflect the corporate business performance or achievements appropriately in the employee remuneration?								
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?								
(IV) Does the Company provide its employees with career development and training sessions?								
(V) Does the Company comply with relevant laws and international standards when it comes to the products and services of customer's health and safety, customer privacy, marketing and labeling, and establish related policies and grievance procedures regarding protection of consumer rights and interests?								
(VI) Does the Company establish a supplier management policy that requires suppliers to comply with the relevant standards on issues such as environmental protection, occupational safety								



Project	Implementation Status			Discrepancies and Reasons for Non-Compliance with Corporate Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies
	Yes	No	Abstract Illustration	
and health, or labor rights?			included in the evaluation.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainable development reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?		V	The Company has not yet prepared a corporate social responsibility report, which will be prepared according to the Company's needs in the future.	Prepared based on demand in the future.
VI. Where the Company has formulated its own corporate social responsibilities principles according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please state the discrepancies between its implementation and the principles formulated: The Company has established the Corporate Sustainable Development Best Practice Principles. The Company has performed its sustainable development in accordance with the meaning and relevant provisions of the Principles, and there is no discrepancy.				
VII. For a better understanding of the implementation of sustainable development of SOL, please refer to the following link: <a href="https://www.soinc.com.tw/csr">https://www.soinc.com.tw/csr</a>				

(VI) Climate-Related Information

Item	Implementation Status
I. Supervision and Governance of Climate-Related Risks and Opportunities by the Board of Directors and Management	The Company conducted a greenhouse gas inventory report during the board meeting on May 2, 2024.
II. The impact of identified climate-related risks and opportunities on the Company's business, strategies, and finances in the short-term, mid-term, and long-term.	The company issued the 2023 Greenhouse Gas Inventory Report on January 15, 2024.
III. The financial impact of extreme weather events and transitional actions.	Physical risks have not been identified as significant risks in the current assessment process, and climate change and extreme weather have no significant impact on the Company's overall operations.
IV. The integration of climate risk identification, assessment, and management processes into the overall risk management system.	The Company is currently in the process of evaluation and has not yet established a risk management policy.
V. When resilience to climate change is evaluated through scenarios analysis, the scenario, parameters, assumptions, analysis factors, and the main financial impacts shall be described.	The company issued the 2023 Greenhouse Gas Inventory Report on January 15, 2024.
VI. To address the transformation plan for managing climate-related risks, and provide an explanation of the plan's contents, as well as the indicators and objectives utilized to identify and manage both physical and transformation risks.	The company issued the 2023 Greenhouse Gas Inventory Report on January 15, 2024.
VII. Using internal carbon pricing as a planning tool, the basis for price setting shall be explained.	Not applicable.
VIII. Setting climate-related goals requires an explanation of the activities covered, the scope of greenhouse gas emissions, the planning schedule, and annual progress. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve these goals, the source and quantity of the carbon offset credits or the quantity of RECs shall be explained.	The company issued the 2023 Greenhouse Gas Inventory Report on January 15, 2024.
IX. Inventory and assurance of GHG emissions, reduction targets, strategies, and action plans.	2023 is the base year for SOI's greenhouse gas emission inventory and management. The inventory result of greenhouse gas emissions for 2023 has been verified in April 2024.

**(VII) The Company's Compliance with Ethical Corporate Management Practices, and Discrepancies and Reasons for Non-Compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.**

Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
<p><b>I. Establishment of ethical corporate management policies and programs</b></p> <p>(I) Does the Company establish its ethical management policy approved by the Board of Directors, clarify it in its regulations and external documents and the commit to the Board of Directors and senior management to active implementation?</p> <p>(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the behaviors as stipulated in Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company in the prevention programs for unethical conduct clearly prescribed the operation procedures, conduct guidelines and disciplinary and appeal system for violations of the ethical corporate management rules and implemented them, and conducted review and amendment on the aforementioned programs on a regular basis?</p>	V		<p>(I) The Company values and embraces the highest standards of conduct, honesty and integrity. Therefore, all managers and employees are required to comply with this code of conduct when they are involved in any activity.</p> <p>(II) The Company has established the Procedures for Ethical Management and Guidelines for Conduct and Employee Handbooks, which specifies the matters that the Company's personnel should pay attention to the implementation of their duties, and has established regulations governing employee rewards and punishments. The Company has established the Procedures for Ethical Management and Guidelines for Conduct and Employee Handbooks. When employees are committed to unethical conduct, they will be punished.</p> <p>(III) The Company strictly prohibits managers and all employees from engaging in any bribery and illegal activities. If there is any violation, they will be punished or transferred to the judicial authorities according to the actual situation.</p>	None
<p><b>II. Fulfill operations integrity policy</b></p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business</p>	V		<p>(I) Before the transaction, the Company would conduct credit check operations on the counterparty in accordance with the relevant internal control</p>	None

Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
<p>contracts?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(IV) Has the Company established an effective accounting system, internal control system to put ethical corporate management into practice. The internal auditors shall draw up the relevant audit plan to audit the compliance of the prevention programs for unethical conduct according to the risk valuation results of the unethical conduct, or audited by CPAs?</p> <p>(V) Does the Company regularly hold internal and external educational training on operational integrity?</p>			<p>procedures, trying to understand, by all means, whether they have had dishonest trading behavior.</p> <p>(II) The Company has adopted the "Corporate Ethics for Ethical Management and Guidelines for Conduct" by the resolution of Board of Directors approved, and has set up a dedicated unit for corporate integrity management.</p> <p>(III) In order to establish a corporate culture and sound development of integrity management, the Company implements a policy to prevent corporate conflicts of interest, and provides appropriate accompanying channels for all colleagues to explain whether they have potential conflicts of interest with the Company.</p> <p>(IV) To implement ethical corporate management, the Company has established effective systems for both accounting and internal control. Internal auditors also checked the compliance status according to the audit plan.</p> <p>(V) Through different channels, the Company has advocated its integrity management philosophy and norms to employees and clearly understands the Company's integrity management philosophy and standards.</p>	
<p>III. Operation of the whistleblowing channel</p> <p>(I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel?</p>	V		<p>(I) The Company's Board of Directors has approved the "Procedures for Ethical Management and Guidelines for Conduct" to clearly stipulate the reward and punishment, complaint and disciplinary actions.</p>	None

Evaluation Item	State of Operations			Discrepancies and Reasons for Non-Compliance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Illustration	
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?			(II) The Company has established the standard operating procedures for investigating the case being exposed by the whistle-blower.	
(III) Does the Company take measures to protect the whistleblower from improper disposal due to the report?			(III) The Company has not taken protection measures to protect the whistleblowers from inappropriate disciplinary actions.	
IV. Enhancing Information Disclosure Does the Company disclose the ethical corporate management policies and the results of its implementation on the Company website and MOPS?	V		The Company has established a website to disclose information on the Company and has dedicated personnel to update information. At present, it regularly and irregularly reports various financial and business information on the Market Observation Post System.	None
V. If the Company has established the corporate social responsibility principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: On March 8, 2017, the Company passed the "Corporate Ethics for Ethical Management and Guidelines for Conduct" by the Board of Directors, and no significant difference has been noted.				
VI. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (such as the Company's amendment to its ethical corporate management best practice principles): The company always pays attention to the relevant integrity management principles at home and abroad, reviews the relevant rules and regulations of the company, and urges all employees to abide by them.				

(VIII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

The Company's website provides a "Corporate Governance" section for investors to inquire and download the relevant rules and regulations of corporate governance.

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

1. Continuing Education of Directors in 2023:

Title	Name	Date of Appointment	Continuing Education Date		Organizer	Course Name	Training Hours
			From	To			
Chairman of the Board	James He	2023/06/16	2023/09/07	2023/09/07	Securities and Futures Institute	Explosion of new energy: technological development and business opportunities of electric vehicles and smart vehicles	3.0
			2023/11/10	2023/11/10	Taiwan Corporate Governance Association	Corporate Social Responsibility – Corporate Governance from Human Rights Policy	3.0
Directors	Sen-Chou Lo	2023/06/16	2023/08/09	2023/08/09	Taiwan Corporate Governance Association	Introduction of Evaluation and Related Evaluation Issues	3.0
			2023/10/16	2023/10/16	Corporate Operating and Sustainable Development Association	Executives of the listed companies with the understanding of supervision from governmental authority	3.0
			2023/11/08	2023/11/08	Taiwan Corporate Governance Association	Strategies and Legal Compliance Issues in A Hostile Takeover	3.0
Directors	Sophie Cheng	2023/06/16	2023/04/07	2023/04/07	Securities and Futures Institute	2030/2050 Green Industrial Revolution	3.0
			2023/12/21	2023/12/21	Securities and Futures Institute	Economic Outlook and Industry Trends in 2024	3.0
Independent Director	Hsin-Hsin Lee	2023/06/16	2023/04/26	2023/04/26	Taiwan Accounting Research and Development Foundation	Common Deficiencies of Internal Control Management in Enterprises and Practical Cases	6.0
			2023/04/28	2023/04/28	Taiwan Accounting Research and Development Foundation	The Legal Responsibility and Cases of "Tax Crimes"	3.0
			2023/04/28	2023/04/28	Taiwan Accounting Research and Development Foundation	Tax Regulations and Practices for Controlled Foreign Companies (CFC)	3.0
Independent Director	Chang-Chou Li	2023/06/16	2023/04/07	2023/04/07	Taiwan Insurance Institute	Strategies to Implement TCFD Climate Governance	3.0
			2023/07/14	2023/07/14	Taiwan Corporate Governance Association	The Business Risks and Opportunities of Climate Change and Net Zero Emission Policy	3.0
			2023/10/05	2023/10/05	Taiwan Insurance Institute	Analysis of the Principle of Fair Treatment to Customers - 17th Edition, 2023	3.0
			2023/10/30	2023/10/30	Taiwan Corporate Governance Association	AI Application, Legal Issues and Auditing	3.0
			2023/11/07	2023/11/07	Taiwan Insurance Institute	International Practices on Anti-corruption and Whistle-blower Protection	3.0
Independent Director	JJ Lin	2023/06/16	2023/04/14	2023/04/14	Taiwan Corporate Governance Association	Legal Risks and Responses to Enterprise Investment and Financing - From the Viewpoint of Corporate Directors' Responsibilities	3.0
			2023/05/12	2023/05/12	Taiwan Corporate Governance Association	ESG Trends and Epidemic Environment Talking about Global and Taiwan Tax Reform and Corporate Tax Governance	3.0
Independent Director	Jim Lai	2023/06/16	2023/07/31	2023/07/31	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3.0
			2023/09/08	2023/09/08	Taiwan Corporate Governance Association	Legacy Project Launched - Employee reward plan and equity inheritance	3.0

2. Continuing Education of Managers and Chief Corporate Governance Officer in 2023:

Title	Name	Continuing Education Date		Organizer	Course Name	Training Hours
		From	To			
President	James He	2023/09/07	2023/09/07	Securities and Futures Institute	Explosion of new energy: technological development and business opportunities of electric vehicles and smart vehicles	3.0
		2023/11/10	2023/11/10	Taiwan Corporate Governance Association	Corporate Social Responsibility — Corporate Governance from Human Rights Policy	3.0
Vice President and Chief Financial Officer	Steffi Huang	2023/06/30	2023/06/30	Taiwan Corporate Governance Association	Global Risks in Future & Opportunities of Sustainability Transitions	3.0
		2023/09/07	2023/09/07	Securities and Futures Institute	Explosion of new energy: technological development and business opportunities of electric vehicles and smart vehicles	3.0
		2023/10/13	2023/10/13	Securities and Futures Institute	Carbon Trading Mechanisms and Their Application in Corporate Management	3.0
		2023/11/10	2023/11/10	Taiwan Corporate Governance Association	U.S. Corporate Governance: History and the Latest Developments	3.0
Chief internal auditor	Joyce Lin	2023/08/18	2023/08/18	Taiwan Accounting Research and Development Foundation	The Development Trend of Internet Technology and the New Thinking of Internal Auditors	6.0
		2023/09/22	2023/09/22		Latest Regulations and Audit Cases in Information Security	6.0

(X) Status of Internal Control System:

1. Declaration of Internal Control:

Silicon Optronics, Inc.  
Statement of Internal Control System

Date: March 12, 2024

According to the self-evaluation results of internal control system by the Company in 2023, we hereby state as follows:

- I. The Company acknowledges and understands that the establishment, enforcement, and preservation of the internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets); the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
- II. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. Since the Company's internal control system is provided with a self-monitoring mechanism, the Company will take corrective actions in response to any identified deficiencies.
- III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the Guidelines for the Establishment of Internal Control Systems by Public Companies (the Guidelines). The Guidelines adopt a system of internal control assessment items, which are divided into five key components based on the process of management control. These components are: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring Activities. Each factor also includes several items. Please refer to the Guidelines for the preceding items.
- IV. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws.
- VI. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If any of the above disclosed contents contains false information or omits any material content, the Company will involve legal liability under Article 20, Article 32, Article 171 and Article 174 set forth in the Security and Exchange Act.
- VII. The Company hereby declares that this statement had been adopted by the Board of Directors on March 12, 2024. Among the 7 attending Directors, no one raised any objection and all consented to the content expressed in this Statement.

Silicon Optronics, Inc.

Chairman and President: James He Signature



2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.



- (XI) Any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the main shortcomings, and condition of improvement: None
- (XII) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

1. Major Resolutions of the 2023 Regular Shareholders' Meeting:

Date	Major Resolutions	Implementation Status
2023.06.16	1. Approval of the Company's 2022 Earning Distribution Plan.	Executed in accordance with the resolution of the shareholders' meeting.
	2. Approval of the Company's 2022 Business Reports and Financial Statements.	It has been approved by the Regular Shareholders' Meeting and announced
	3. Adoption of the "Corporate Governance Best-Practice Principles"	Executed in accordance with the resolution of the shareholders' meeting.
	4. Adoption of the general re-election of Directors and Independent Directors.	Executed in accordance with the resolution of the shareholders' meeting.
	5. Adoption of release the Prohibition on Directors from Participation in Competitive Business.	Executed in accordance with the resolution of the shareholders' meeting.

2. Major Resolutions of the Board Meetings:

Date	Major Resolutions
2023.03.15	1. Discussion on the Company's Distribution Plan of the Remuneration to Employees and Directors for the Year 2022. 2. Discussion on the Company's 2022 Business Reports and Financial Statements. 3. Discussion on the Company's 2022 Earning Distribution Plan. 4. Discussion on the Statement on Internal Control Systems for the Year 2022. 5. Discussion on the relevant affairs of the 2023 general shareholders' meeting.
2023.05.04	Discuss Consolidated Financial Statements for the first quarter of 2023 of the Company.
2023.06.16	Discussion on election of new Chairman.
2023.08.03	Discussion on the Consolidated Financial Statements for the second quarter of 2023 of the Company.
2023.11.02	1. Discuss Consolidated Financial Statements for the third of 2023 of the Company. 2. Proposal on the formulation the 2024 Annual Audit Plan.
2024.03.12	1. Discussion on the Company's 2023 Business Reports and Financial Statements. 2. Discussion on losses offset for the year 2023. 3. Discussion on the Statement on Internal Control Systems for the Year 2023. 4. Discussion on the Statement on Internal Control Systems for the Year 2024.

- (XIII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.
- (XIV) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, President, Heads of Accounting, Finance, Internal Audit and

R&D: None.

**V. Information on CPA Professional Fees:**

Amount Unit: NT\$1,000

Accounting Firm	Name of CPAs	Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Deloitte & Touche	Ming-Hui Chen	2023	2,620	180	2,800	Other main tax declaration certification
	Tung-Hui Yeh					

- (I) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None.

**VI. Information on Replacement of CPAs: None.**

**VII. The State of the Company's Chairperson, President, or any Manager in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm: None.**

**VIII. The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During The Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report**

- (I) Change of Equity

Unit: shares

Title	Name	2023		Ending on April 20, 2024	
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged
Chairman of the Board	Heritage Bay Limited	—	—	—	—
	Representative: James He	—	—	—	—
Directors	Heritage Bay Limited	—	—	—	—
	Representative: Sophie Cheng	—	—	—	—
Directors	Sen-Chou Lo	—	—	—	—
Independent Director	Hsin-Hsin Lee	—	—	—	—
Independent Director	JJ Lin	—	—	—	—
Independent Director	Jim Lai	—	—	—	—

Title	Name	2023		Ending on April 20, 2024	
		Addition (reduction) of shares held	Addition (reduction) of shares pledged	Addition (reduction) of shares held	Addition (reduction) of shares pledged
Independent Director	Chang-Chou Li	—	—	—	—
Vice President, R&D Center	Denis Luo	—	—	—	—
Vice President, Market Development Division	Peter Zung	(131,000)	—	(57,000)	—
VP of R&D and Chief Technology Officer	Ming Li	—	—	—	—
Vice President and Financial Officer	Steffi Huang	(106,000)	—	—	—
Director	Henry Chien	—	—	—	—

(II) Stock Trade with Related Party: None.

(III) Stock Pledge with Related Party: None.

**IX. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative Within the Second Degree of Kinship of Another**

April 20, 2024; Unit: shares; %

Name	Shareholding by himself		Spouse & Minor Shareholding		Shareholding under the Title of Third Party		The names and relationships of the top ten shareholders who are related to each other or are spouses or relatives within the second generation		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Company Name	Relation	
Heritage Bay Limited	17,691,413	22.55%	-	-	-	-	-	-	-
Representative: James He	150,000	0.19%	-	-	-	-	-	-	-
Heritage Bay Limited	17,691,413	22.55%	-	-	-	-	-	-	-
Representative: Sophie Cheng	-	-	-	-	-	-	-	-	-
Egis Technology Inc.	12,640,756	16.11%	-	-	-	-	-	-	-
Full Guest Investments Limited	4,875,458	6.21%	-	-	-	-	-	-	-
Representative: Charles Lu	59	-	-	-	-	-	-	-	-
Denis Luo	4,583,587	5.84%	-	-	-	-	-	-	-
Triumph Partners Limited	2,333,000	2.97%	-	-	-	-	-	-	-
Representative: Lin Hung	-	-	-	-	-	-	-	-	-
Peter Zung	1,123,000	1.43%	-	-	-	-	-	-	-
Treasury shares account of Silicon Optronics, Inc.	1,000,000	1.28%	-	-	-	-	-	-	-
Wang Tsung-Jen	409,000	0.52%	-	-	-	-	-	-	-
Lin Li Li-Chin	400,000	0.51%	-	-	-	-	-	-	-
Ming Li	396,000	0.51%	-	-	-	-	-	-	-

**X. The Number of Shares Held by the Company, by the Directors, Supervisors and Managers of the Company, and by any Entities either Directly or Indirectly Controlled by the Company in the Same Investee Enterprise, and the Calculation of the Consolidated Shareholding Ratio of the above Categories: None.**

## Chapter 4. Capital Overview

### I. Capital and Shares

#### (I) Source of Capital:

##### 1. Formation of capital

April 20, 2024; Unit: Share; NT\$

Year/Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2020.03	10	100,000,000	1,000,000,000	78,080,900	780,809,000	Employee subscription warrants conversion	—	Note 1
2020.05	10	100,000,000	1,000,000,000	78,105,900	781,059,000	Employee subscription warrants conversion	—	Note 2
2021.05	10	100,000,000	1,000,000,000	78,110,900	781,109,000	Employee subscription warrants conversion	—	Note 3
2021.11	10	100,000,000	1,000,000,000	78,150,900	781,509,000	Employee subscription warrants conversion	—	Note 4
202.03	10	100,000,000	1,000,000,000	78,152,900	781,529,000	Employee subscription warrants conversion	—	Note 5
2022.07	10	100,000,000	1,000,000,000	78,168,900	781,689,000	Employee subscription warrants conversion	—	Note 6
2022.11	10	100,000,000	1,000,000,000	78,218,900	782,189,000	Employee subscription warrants conversion	—	Note 7
2023.03	10	100,000,000	1,000,000,000	78,455,900	784,559,000	Employee subscription warrants conversion	—	Note 8

Note 1. Approved by the Zhu Shang Zi Letter No. 1090008351 issued on March 26, 2020.

Note 2. Approved by the Zhu Shang Zi Letter No. 1090013430 issued on May 14, 2020.

Note 3. Approved by letter Zhu-Shang-Zi No. 1100013586 issued on May 13, 2021.

Note 4. Approved by letter Zhu-Shang-Zi No. 1100033310 issued on November 12, 2021.

Note 5. Approved by letter Zhu-Shang-Zi No. 1110008986 issued on March 24, 2022.

Note 6. Approved by letter Zhu-Shang-Zi No. 1110020211 issued on July 1, 2022.

Note 7. Approved by letter Zhu-Shang-Zi No. 1110036346 issued on November 11, 2022.

Note 8. Approved by letter Zhu-Shang-Zi No. 1120009184 issued on March 24, 2023.

##### 2. Type of Stock

April 20, 2024; Unit: shares

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered common stock	78,455,900 (Including 1,000,000 treasury shares)	21,544,100	100,000,000	Note 1

Note 1. 6,000,000 shares of the authorized capital was reserved for the issuance of employee stock option certificates.

##### 3. Relevant information on the shelf registration: None.

## (II) Shareholder Structure

April 20, 2024; Unit: shares; people

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	-	-	162	16,844	31	17,037
Shareholding (shares)	-	-	13,929,555	33,514,483	31,011,862	78,455,900
Shareholding ratio	0.00%	0.00%	17.76%	42.72%	39.52%	100.00%

## (III) Distribution of Equity Ownership

April 20, 2024; par value of NT\$10 per share

Shareholding Range	Number of Shareholders	Shareholding (shares)	Shareholding ratio
1 — 999	7,204	367,856	0.47%
1,000 — 5,000	8,833	15,285,256	19.48%
5,001 — 10,000	576	4,438,092	5.66%
10,001 — 15,000	153	1,983,158	2.53%
15,001 — 20,000	92	1,716,590	2.19%
20,001 — 30,000	70	1,787,618	2.28%
30,001 — 40,000	35	1,244,803	1.59%
40,001 — 50,000	20	911,053	1.16%
50,001 — 100,000	23	1,659,260	2.11%
100,001 — 200,000	14	1,841,000	2.35%
200,001 — 400,000	9	2,565,000	3.27%
400,001 — 600,000	1	409,000	0.52%
600,001 — 800,000	-	-	0.00%
800,001 — 1,000,000	1	1,000,000	1.27%
1,000,001 or more	6	43,247,214	55.12%
Total	17,037	78,455,900	100.00%

## (IV) Major Shareholders

April 20, 2024; Unit: shares

Major shareholder	Shareholding (shares)	Shareholding ratio
Heritage Bay Limited	17,691,413	22.55%
Egis Technology Inc.	12,640,756	16.11%
Full Guest Investments Limited	4,875,458	6.21%
Denis Luo	4,583,587	5.84%
Triumph Partners Limited	2,333,000	2.97%
Peter Zung	1,123,000	1.43%
Treasury shares account of Silicon Optronics, Inc.	1,000,000	1.28%
Wang Tsung-Jen	409,000	0.52%
Lin Li Li-Chin	400,000	0.51%
Ming Li	396,000	0.51%

(V) Market Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information in the Most Recent 2 Fiscal Years

Unit: NT\$

Item \ Year		2022	2023	Current Fiscal Year up to March 31, 2024 (Note 5)
Market Price Per Share	Highest	138.50	122.50	147.50
	Lowest	62.00	69.10	98.50
	Average	95.26	83.78	120.60
Net Worth per Share	Before Distribution	33.49	30.35	-
	After Distribution (Note 1)	33.49	30.35	-
Earnings Per Share	Weighted Average Shares	78,455,900	78,455,900	-
	Earnings Per Share	1.59	(3.70)	-
Dividends per share	Cash Dividends		(註6)	-
	Stock dividends	Retained Earnings		-
		Capital Reserve		-
	Accumulated unpaid dividends		-	-
Analysis of POI	Price-to-Dividends Ratio (Note 2)		59.91	-
	Price-to-Earnings Ratio (Note 3)		-	-
	Yield on Cash Dividends (Note 4)		-	-

Note 1. It is adjusted based on the resolution of shareholders' meeting held in the following year.

Note 2. Price/earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 3. Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 4. Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal year.

Note 5. For net worth per share and earnings per share for the current fiscal year as of the publication date of this annual report, data from the first quarter of 2024 that has been reviewed by CPAs should be filled.

Note 6. No distribution for this year.

(VI) Dividend policy of the Company and its implementation status

1. Dividend policy

Dividend and dividend distribution policy, the distribution of earnings can be obtained by means of stock dividends or cash dividends. Considering the Company is at its operating growth stage and taking into account the interests of the Company's shareholders and long-term and short-term capital and business planning, when distributing distributable earnings, shareholders' dividends shall be no more than 90% of the accumulated distributable earnings, and the cash dividends shall be no less than 10% of the distributed dividends.

2. Execution status: The Company's Board of Directors resolved not to distribute shareholder dividend on March 12, 2024

(VII) Effects upon the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting: None.

(VIII) Remuneration to employees and Supervisors

1. The percentages or ranges of employee and Director compensation is as set forth in the Company's Articles of Incorporation.

According to the Company's Articles of Incorporation, if there is any profit for a specific fiscal year, the Company shall allocate no less than 0.005% and no more than 25% of the profit as employees' compensation and shall allocate at a maximum of 3% of the profit as remuneration to directors.

2. The basis for estimating the amount of employee and director remuneration for this

period, the calculation basis for the number of stock dividends distributed, and the accounting treatment when the actual distribution amount differs from the estimated amount: On March 15, 2023, our company approved the distribution of cash remuneration for employees for the fiscal year 2022, which was estimated and recorded at a certain rate based on the profit situation of that year. If the estimated amount differs from the actual amount distributed, it will be handled according to changes in accounting estimates and adjusted in the year of distribution.

3. Information on the proposed remuneration to employee and Director approved by the Board of Directors:

- (1) If the employee's remuneration and Director's remuneration distributed in cash or stock differs from the annual estimated amount of the recognized expenses, the difference, cause and treatment shall be disclosed:

Due to the loss incurred in 2023, no distribution was made for remuneration of employees and Directors.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: The company does not plan to distribute employee compensation in stock this year, so it is not applicable.

4. The actual distribution remuneration of employees and Directors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees and Directors, the discrepancy, cause, and how it is treated shall be stated:

	Resolutions of the Board Meeting on March 15, 2023	Actual distributed amount
	Amount (NT\$)	Amount (NT\$)
Directors' Remuneration	25,000,000	25,000,000
Employee Remuneration	13,440,000	13,440,000
Total	38,440,000	38,440,000

(IX) The State of the Company's Repurchases of its Own Shares:

The State of the Company's Repurchases of its Own Shares (executed):

March 31, 2024

Number of Repurchase	First Repurchase
The Resolution Date of the Board of Directors	August 12, 2019
Purpose of Repurchase	Shares Transferred to Employees
Repurchase Period	August 14, 2019 to October 09, 2019
Price Range of Shares to be Repurchased	NT\$53 to NT\$115
Estimated type and number of shares repurchased	1,000,000 common shares
Actual type and number of shares repurchased	1,000,000 common shares
Actual repurchase amount	NT\$ 96,925,600
Average repurchase price per share	NT\$96.93
Number of Retired Shares and Shares Transferred to Employees	None
Proportion of Cumulative Number of Shares Held to Total Number of Shares Issued (%)	1.28%

**II. Issuance of Corporate Bonds: None.**

**III. Issuance of Preferred Shares: None.****IV. Issuance of Global Depositary Receipts: None.****V. Employee Share Subscription Warrants:****(I) The Status of Employee Stock Options**

March 31, 2024

Type of Employee Stock Options		The Company's first employee stock options in 2021
Date of Effective Registration and Number of Options		July 22, 2021/5,000 units
Issuance Date		March 24, 2022
Number of Options Granted		3,500 units
Number Of Units Still Available For Issuance		1,500 units
Ratio of the number of shares available to subscribe to the total number of shares issued (Note 2)		4.46%
Option Duration		10 years
Type of shares underlying the options		Issue of new shares
Period and ratio in which subscription is restricted		2 years completion: 50%, 3 years completion: 75%, 4 years completion: 100%
Shares exercised		-
Value of Shares Exercised		-
Shares Unsubscribed		3,500,000 shares
Exercise Price Per Share	Original Price	NT\$ 103.5
	After adjustment	NT\$ 99.6
Percentage of Shares Unexercisable to Outstanding Common Shares (%) (Note 2)		4.46
Impact to Shareholders' Equity		The Company attracts and retains the professional talents required by the Company, and enhances the Company's coherence and sense of belonging among employees, jointly creating the interests of the Company and shareholders, and has a positive impact on shareholders' equity.

Note 1. Adopted with approval at the same time when the Company went public.

Note 2. Calculated based on the number of 78,455,900 issued shares.



- (II) The manager who obtained the employee stock option and the name, of the top ten employees who have obtained the stock option and amount of NT\$30 million or more.

1. List of Managers and Top 10 Employees Participating in Employee Stock Option Plan:

March 31, 2024; Unit: shares; NT\$

	Title	Name	Number of Options Shares	% of shares exercisable to outstanding Common Shares	Options Exercised				Options Unexercised			
					Number of shares subscribed	Subscription price	Total value of shares subscribed	% of shares subscribed to outstanding common shares	Number of shares subscribed	Subscription price	Total value of shares subscribed	% of shares subscribed to outstanding common shares
Managers	Chairman and President	James He	830,000	1.06%	0	0	0	0%	830,000	103.50	85,905,000	1.06%
	Chief Technology Officer	Ming Li										
	Vice President	Denis Luo										
	Vice President	Peter Zung										
	Vice President and Financial Officer	Steffi Huang										
	Director	Henry Chien										

2. The manager who obtained the employee stock option and the name, of the top ten employees who have obtained the stock option and amount of NT\$30 million or more: None.

(III) Restricted employee shares: None.

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

**VII. The State of Implementation of the Company's Capital Allocation Plans: Not Applicable.**

## Chapter 5. Operations Highlights

### I. Business Activities

#### (I) Business Scope

1. The Company's Major lines of Business
  - A. CC01080 Electronic Components Manufacturing Industry
  - B. F401010 International Trade
  - C. I501010 Product Designing
2. Proportion of each business

Unit: NT\$ thousand

Product \ Year	2022		2023	
	Amount	%	Amount	%
CMOS Image Sensor	1,995,249	98.33	1,644,786	98.88
Others	33,841	1.67	18,713	1.12
Total	2,029,090	100.00	1,663,499	100.00

3. Products (services) currently offered by the Company

The Company is a professional IC design company that develops and sells IC products based on CMOS Image Sensors (complementary metal oxide semiconductor image sensor), which are mainly used in target applications on Surveillance camera, Automotive camera, consumer image products and biological sensing chips. The Company is also actively developing a variety of CIS industrial applications, such as near infrared sensing applications and industrial detection and other related market applications.

4. New product development plan

The core competence of the Company is the research and development of the sensing circuit, analog, digital and mixed signal circuit design capability in the CMOS image sensors. The core competence of the Company is the research and development of the sensing circuit, analog, digital and mixed signal circuit design capability in the CMOS image sensors. Another key success factor is to provide customers with the best solution based on the own technical customization capabilities, from circuit design, wafer process technology, to optical simulation, developing and providing specific application CMOS image sensors. The Company has complete technical capabilities and works with leading wafer foundry partners to meet the needs of customers. Future technology roadmap includes:

- (1) High performance CMOS image sensor.
- (2) High resolution CMOS image sensor.
- (3) Global shutter CMOS image sensor.
- (4) Low power CMOS image sensor.

- (5) Design and development of sensors for special applications.

## (II) Industry Overview

### 1. Industry Status and Trends

#### A. Overview of the semiconductor market

Semiconductor products mainly include four types: integrated circuits (IC), discrete components (Discrete), sensing components (Sensors) and optoelectronic components (Optoelectronics). In the post-pandemic era, the global semiconductor market has shown significant demand growth in high-performance computing driven by AI servers and generative AI computing. However, there is an uneven development in mature processes due to substantial expansion, and overall semiconductor inventory adjustments have largely been completed amid the recovery in demand for smartphones and PCs.

#### B. Overview of the IC design industry

The number of IC design companies in Taiwan is stably growing due to the local comprehensive semiconductor ecosystem and the rich experience in the IC design industry. Taiwan is currently the top 3 region in the world, in terms of the number of IC design companies, second only to the United States and China. There are two main reasons why Taiwan's IC design industry is booming. Firstly, the semiconductor industry is complete and the industry scale is large. IC design companies can leverage Taiwan local semiconductor food chain such as wafer manufacturing, packaging, and testing. Besides, because it is closer to the local IT downstream industry chain, the IC design industry is naturally booming, and the IC design companies have more competitive advantages than foreign IC design companies. As a result, Taiwan's IC design output value has been ranked second in the world in recent years, second only to the United States.

#### C. Overview of CMOS Image Sensor Market

CMOS (Complementary Metal-Oxide-Semiconductor) is a basic component of the integrated circuits, which is by NMOS (n-type MOSFET) and PMOS (p-type MOSFET) on the silicon wafer. NMOS and PMOS have complementary physical properties, so they are called CMOS, which can be used to produce static random access memory (SRAM), MCU, microprocessors, digital electronic systems, and optical instruments .

CMOS has the advantage of consuming energy only when the transistor needs to be switched on and off, so it is very power-saving and generates less heat. CMOS is the most common semiconductor process. TechInsights, a semiconductor research institution, has released a recent study showing that despite a year-on-year decline in the global smartphone market in 2023, the sales of image sensors have slightly increased, reaching \$14 billion.

#### D. Overview of the biochip market

Biochip refers to different chemical materials such as glass, plastic, silicon conductor, etc. that use the modern electrical, mechanical and optical techniques to allow the biomolecules to be immobilized on the surface. and the biological experiments that previously needed to be performed in an entire laboratory can be performed on a single wafer now. The experimental method can greatly reduce the use of samples and experimental consumables, and the

accuracy of the experimental results is very good, so it can quickly generate a large amount of reliable data. Currently, the test methods have become mainstream for biomedical research.

The development of biochips began in the late 1980s, when scientists from many universities, research institutes, and companies in Europe and the United States devoted themselves to the development of related technologies. Biochips, as the name implies, have many similarities with computer chips, as they are miniaturized chips that can be synchronized and paralleled to perform a large number of analytical studies in a very short time, and many biochips are manufactured by the technologies used by computer chips.

For example, in the past, only one gene or a few genes could be detected at a time when scientists studied gene expression. If multiple genes or proteins need to be studied, the experimental procedure is time-consuming and requires a lot of human resources. With the invention of biochips, scientists can simultaneously detect tens of thousands of genes or proteins, so biochips have become a tool for genomics and proteomics research.

Biological detection chips are a very hot field of research and development at present, there are three main products: (1) DNA Microarrays, (2) Lab on a Chip, (LOAC), and (3) Protein Microarrays. In recent years, by the technology improvement and the cost reduction, the micro reaction space can be designed on the biochips to purify cells and other biochemical molecular, so the biochips have great potential.

With the growing demand for DNA sequencing, the high cost and time-consuming problems generated by the use of Sanger Method decoding limited research and development of DNA sequencing, so new sequencing techniques are being researched and developed. With the improvement of molecular biotechnology, a more efficient sequencing method has been developed, namely Next Generation Sequencing (NGS). In the Sanger sequencing method, the DNA in the target is amplified, and long fragments (about one thousand nucleobase pairs) are read. But the Next Generation DNA Sequencing (NGS) is to completely fragment the DNA (about 300-800 nucleobase pairs) and do the sequencing, and NGS becomes the major technology in DNA sequencing.

At present, Illumina and Thermo Fisher own the major market share in the global Next Generation DNA Sequencing market and followed by other manufacturers such as Roche and PacBio. Among them, Illumina had 71% of the overall market in 2014 as Illumina's sequencing technology was the most mature in the industry. The Ion Torrent technology platform's products, launched by Thermo Fisher after it acquired Life Technologies, had a 20% market share, followed by Roche's 5%, PacBio's 3%, and other suppliers account for 1%.

The new generation DNA sequencing drastically reduces DNA sequencing cost. The HiSeq X Ten sequencing device introduced by Illumina in early 2014, can resequence individual genome sequences at a cost of US\$1,000 within a day. The next generation of equipment is expected to reduce the cost to around US\$900. Research institutes, pharmaceutical companies, and testing service companies have been investing in related equipment purchases, allowing the next-generation DNA sequencing market to grow rapidly.

Another market driver is the FDA's regulations for new drug development to be accompanied by the development of companion diagnostic reagents.

Through the sequencing of DNA maps, it attempts to identify more relevant genes and improve the efficiency of new drug development and effective drug usage. Due to the development of next-generation DNA sequencing, non-intrusive prenatal fetal genomic detection has also developed rapidly. In the past, amniocentesis was required to obtain a prenatal examination of suspension cells. But by capturing fetal free cells or free DNA in the blood of pregnant women, the whole genome of the fetus can be obtained by DNA sequencing and analysis. The result can be obtained around the 10th week of pregnancy instead of previous 16th week, significantly reducing the risks that may occur. Additionally, another expected popular application is the cancer detection. Due to the complexity of cancer detection targets, multiple genetic locations need to be analyzed, and new genetic variants will appear between treatments. The next generation of DNA sequencing combined with liquid slicing technique can meet such continuous and extensive diagnostic and monitoring needs; however, because cancer diagnosis and treatment require long-term clinical verification, it is still mainly used in the patients failed with the first-line and second-line cancer drugs. However, the improved therapeutic benefits of this testing service still make the prospect of applying DNA sequencing services to cancer detection promising. This shows that, in the future, with a large number of applications of next generation DNA sequencing, there will be many changes in the clinic.

## 2. Correlations between upstream, midstream and downstream Industries

The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain in Taiwan are as follows:

Structure	Steps	Contents
Upstream	IC design	Sensitive element design, analog circuit design, digital circuit design
Midstream	Mask and wafer manufacturing	Mask making: Metal splashing, photoresist coating, electron beam writing, chemical development, etching technology, photoresist removal Wafer fabrication: Oxidation, lithography, etching, ion implantation, vapor deposition, metal sputtering, wafer inspection
Downstream	Packaging and testing	Cutting, grinding, drilling, wiring, configuration, sealing, testing

## 3. Product Development Trends

The Area CMOS Image Sensor market is highly competitive. In addition to the good image quality, the price and customer service are key success factors. The main product development plans are recently, in the surveillance security systems, digital IP cameras and cHDtv are moving toward higher resolutions. The mainstream products are moving from 720P (HD) towards 1080P (FHD) and resolution of 4 million, 5 million, and 8 million pixels, driving the trend of HD surveillance in the future. Besides, in automotive electronics, the driving monitoring recorder, the whole vehicle landscape and driving safety assistance and smart cockpit platform are also moving towards higher resolution, and have gradually become the standard safety equipment in various types of automotive products, in order to provide a safer driving environment for drivers.

The Company will also develop higher technology products such as higher wide dynamic range and noise resistance, high temperature range and BSI and near

infrared sensing and other advanced processes used in related imaging products, in order to provide customers with more cost-effective products.

#### 4. Competitions:

In recent years, competition in the area of CMOS image sensors has intensified due to changes in the specifications of the smartphone market. Various manufacturers are exploring differentiating features for image recognition. These include the introduction of AI features, the development of higher pixel resolutions, the demand for low-light full color images, and better wide dynamic range performance. These areas have become a trend in which leading international companies are actively investing. Also this is expected to drive the demands and the higher specification requirement for sensors.

In surveillance applications, with the increasing use of cloud storage, webcams are also gradually moving towards more diverse product development. In addition to being equipped with a low-power AI detection mode, multi-camera setups are a new trend in product design. In 2023, SOI launched a series of higher cost-effective products, including 1:1 and 5-megapixel products suitable for low-power applications. We have also entered the high-end product market with a professional 1/1.8" optical size to meet market demand. The company hopes to deepen cooperation with customers by offering higher value-added products.

### (III) Technology and R&D Overview

#### 1. R&D expenditures during the most recent fiscal year

Unit: NT\$ thousand

Item \ Year	2022	2023	First Quarter of 2024
R&D Expenses	284,266	265,285	66,291
Operating revenues	2,029,090	1,663,499	346,792
%	14.01	15.95	19.12

#### 2. Developed and on-going technologies or products

- (1) BSI products.
- (2) Near-infrared sensing enhancement technology.
- (3) Vehicle specification AEC-Q100 certification.
- (4) High dynamic range products used in automotive and security monitoring and identification markets.
- (5) Global shutter products.
- (6) A new generation of FSI high-performance/cost optimized products.
- (7) Design and process development of sensors for special applications.

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

#### 1. Short-term marketing development plans

- (1) Expand the sales channels in existing markets and develop new potential markets.
- (2) Actively develop domestic and overseas major customers to increase market share.

- (3) Enhance the services of existing customers to maintain long-term relationships.
2. Long-term marketing development plans
  - (1) Strengthen the analysis of market change (consumer and product trends) to provide the customer-oriented products to strengthen the customer relationship
  - (2) Enhance international marketing capabilities and strive to cooperate with world-class companies.
  - (3) Develop new markets and new applications for more business opportunities.

## II. Market and Sales Overview

### (I) Market Analysis

1. Sales by regions for major products and services

Unit: NT\$1000; %

Region \ Year	2022		2023	
	Amount	%	Amount	%
External sales	1,858,512	91.59	1,466,792	88.18
Domestic Sales	170,578	8.41	196,707	11.82
Total	2,029,090	100.00	1,663,499	100.00

2. Market share

Benefit from the steady growth of the consumer webcams and surveillance market, and the fact that the Company's operation has stepped into the right track, with the introduction of more new products in 2023, we believe that we will be able to provide more comprehensive services for our customers' overall product planning and design, which will significantly increase our market share in the future.

3. Market supply and demand, and market growth in the future

The overall CMOS sensor industry still relies heavily on the smartphone market as its largest application. Although the sales of the smartphone market declined in 2023, after inventory adjustments, data analysis shows that CIS shipments will continue to decline by 3.2% in 2023. However, due to the continuous growth in demand for consumer electronics and the automotive industry, the global CMOS image sensor market is expected to continue growing. According to market statistics from IC Insight, the total value of the image sensor market is expected to maintain a compound annual growth rate (CAGR) of 12% from 2020 to 2025. The Company is also developing more new processes and technologies to provide customers with better product choices.

4. Competitive Niches

- (1) Excellent management and technical teams

The Company focuses on the design and development of CMOS Image Sensor and that R&D capacity and technical level have reached the same level as other world-wide leading CMOS manufacturers. The Company plans to provide the high quality and high performance products of Area CMOS Image Sensor for high-end surveillance and specific application sensors market.

- (2) Stable partners

All the Taiwan CMOS Image Sensor companies are fabless IC design companies. Therefore, in addition to the technical level of the design end, the wafer process technology and the yield of packaging and testing are the key factors that affect the IC mass production schedule. The Company works closely with Powerchip and TSMC in the CMOS Image Sensor area to provide the best technical and mass production support. The Company maintains good relationships with the IC testing and packaging companies and thus has more protection in product yield and delivery.

(3) Mutual benefits from long-term customers

The Company's sales model relies on cooperation with semiconductor distributors and direct sales to downstream system integrator customers. In addition to expanding marketing channels in existing markets and actively seeking more business in potential markets, the Company provides technical service team to help customers quickly introduce design and stable production to establish stable cooperative relations with customers for direct sales of assembly and manufacturing.

(4) Fast access to the market

The Company maintains a stable cooperative relationship with the major security monitoring manufacturers. Through the cooperation with the world's major manufacturers, we can learn more about the market trends, and develop new products in advance to meet the needs of customers and the market. In recent years, we have cooperated with international top medical equipment companies to develop gene sequencing testing chips. With our professional research and development team and the best production support from wafer foundry, our products can be quickly put into mass production and shipment in the year of establishment, and shorten the time to market of products.

(5) Global manufacturing base

Taiwan is a heart area for the production of electronic products in communications, information and consumer electronics sectors, such as mobile phones, tablet devices, PC cameras, security surveillance, and other products with large shipments and high global market share. For the Company, the customer service, delivery and cost are more competitive than those of the foreign CMOS Image Sensor design companies or the international Integrated Device Manufactures (IDM), so it has a competitive niche due to the production base is nearby.

5. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures

(1) Favorable development

A. The demand for image sensors market continues to increase

With the development and advancement of technology, the popularity of smart living and the Internet of Things has enabled countries to continue to have more demands for various video devices. Mobile devices, tablet PCs, wearable product applications (such as Google Glass, VR, AR) and other mobile devices are driving the demands for image sensors. The market of dash cams, surveillance cameras, etc. are also growing because of consumers' awareness of security. At the same time, with the technology breakthrough in ADAS, car image, DNA sequencing, and other application areas, the demand for image sensors will be expected to grow



year by year.

- B. Domestic semiconductor foundry supply chain is complete, providing local IC design companies with full logistics support.

Taiwan is the heart of global wafer foundry, with high market share, high capacity utilization, and complete process technology and experience. Taiwan's semiconductor industry is unique in its vertical integration. The entire IC industry supply chain features a very fine vertical integration and well-organized structure, which makes the Company's products have certain advantages in terms of timekeeping and cost control.

- C. Rich industry experience

The Company is a CMOS image sensor IC design company. The R&D team has rich experience and can adjust the product portfolio in time according to market trends. The Company is also actively expanding its high resolution market to provide customers products with higher cost-performance ratio, and to continue to increase the use of existing products and extend existing technologies.

(2) Unfavorable factors and countermeasures

- A. Market competition

With technology development, CMOS image sensors are becoming more and more widely used (such as mobile phones, consumer electronics, etc.). As the market demand continues to expand, the number of manufacturers entering this sector is increasing.

Response measures:

- a. Based on the Company's technological advantages, the Company would actively develop diversified, high value-added niche products to enrich product portfolio, increase profit margins, and strengthen its market competitiveness.
  - b. Since 2016, the Company's security monitoring products have been listed among the world's major suppliers in the TSR market survey report by the authoritative CIS survey agency, and the performance and quality of our products have been widely accepted by the market.
  - c. In addition to enhancing product technologies, the Company also provides after-sales services to understand the customer's needs for the future.
- B. The products are mainly exported abroad and would be exposed to the risk of exchange rate fluctuations.

Most of the Company's products are exported to mainland China and are mainly denominated in US dollars. The main purchase item is wafer and wafer fabrication is also denominated in US dollars. Therefore, the foreign currency receivables and payables could be offset and FX risk is hedged, except foreign exchange gains and losses on foreign currency net assets. The fluctuation in exchange rates can, therefore, have a certain degree of impact on the Company.

Response measures:

- a. Taking advantage of the characteristic of natural hedging, the foreign currency cash sales of foreign sales products should be used for

domestic and foreign procurement and outsourcing processing to generate foreign currency payables. Therefore, it is only necessary to assess the future exchange rate fluctuations against the foreign currency net assets. If there is a need for hedging, it is necessary to use various financial instruments such as currency forward contracts as needed to avert exchange rate fluctuation risks.

- b. The Finance department can instantly understand the changes in exchange rates and stay in close contact with the foreign exchange departments of financial institutions to fully grasp the trend and changes in exchange rates to actively respond to the negative impact of exchange rate fluctuations.

## (II) Important uses and production processes of major products

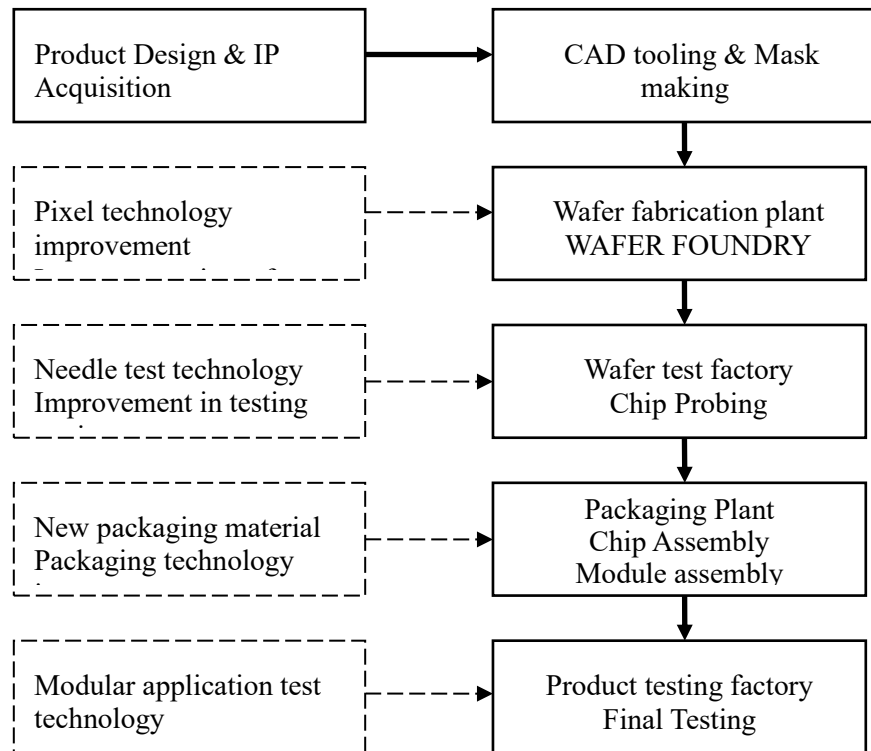
### 1. Major uses of the primary products

Main Product	Applications
CMOS Image Sensor	It is applied in monitoring and security equipment, driving video camera and circle-view application, gene sequencing detection chip and other imaging products

### 2. The production process of main products

#### (1) CMOS Image Sensors:

The Company is a IC design company. The overall manufacturing process includes product design, IP acquisition, wafers from wafer foundry, wafer testing, packaging, and product testing. In addition to product design and IP obtaining, we will outsource the production of wafer fabrication, wafer testing, product packaging, and product testing to dedicated OEMs. This not only reduces investment in production equipment but also increases production efficiency. Relevant engineering personnel can also focus more on the development and improvement of production technology to improve quality and yield rate.



### (III) Supply Status of Main Materials

Name of raw materials	Main Suppliers	Supply Situation
Wafer	Powerchip Semiconductor Manufacturing Corp.	Good

The main raw material of the Company is wafer, and the main supplier is Powerchip Semiconductor Manufacturing Corp. The product quality has been stable, and the production capacity and delivery capacity are highly consistent. The cooperation with each other is good, and no shortage of supply conditions.

(IV) Name of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their dollar amount and proportion of purchase (or sales) of goods in any one of the most recent two fiscal years, and an explanation of the reason for changes in these figures:

1. Information on Major Suppliers in the Recent Two Years

Unit: NT\$1000; %

Item	2022				2023				The Current Fiscal Year up to March 31, 2024			
	Name	Amount	% of Total Purchasing	Relationship with the Issuer	Company Name	Amount	% of Total Purchasing	Relationship with the Issuer	Name	Amount	Percentage of Net Purchase for the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	Supplier A	1,604,724	94.52	-	Supplier A	440,964	97.30	-	Supplier A	96,078	99.88	-
2	Others	93,038	5.48	-	Others	12,234	2.70	-	Others	113	0.12	-
	Net Purchases	1,697,762	100.00		Net Purchases	453,198	100.00		Net Purchases	96,191	100.00	

2. Information on Major Sales Customers in the Recent Two Years

Unit: NT\$1000; %

Item	2022				2023				The Current Fiscal Year up to March 31, 2024			
	Company Name	Amount	% of Total Sales	Relationship with the Issuer	Name	Amount	% of Total Sales	Relationship with the Issuer	Name	Amount	Percentage of Net Sales for the Current Year up to the Previous Quarter (%)	Relationship with the Issuer
1	Customer A	856,459	42.21	-	Customer B	540,488	32.49	-	Customer B	135,010	38.93	-
2	Customer B	613,666	30.24	-	Customer A	447,376	26.89	-	Customer A	69,773	20.12	-
3	Others	558,965	27.55	-	Customer C	181,530	10.91	-	Others	142,009	40.95	-
	—	-	-	-	Others	494,105	29.71	-	—	-	-	-
	Net sales	2,029,090	100.00		Net sales	1,663,499	100.00		Net sales	346,792	100.00	

(V) Production volume and value in the most recent two fiscal years

Unit: 1,000 pieces; NT\$1,000

Production volume and value Main Products (or Departments)	Year	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
CMOS Image Sensor		-	82,888	2,927,414	-	39,865	786,471

(VI) Sales volume and value in the most recent two fiscal years

Unit: 1,000 pcs; 1,000 pcs; NT\$ thousands

Sales volume and value Main Products (or Departments)	Year	2022				2023			
		Domestic Sales		External sales		Domestic Sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
CMOS Image Sensor		3,670	170,536	58,909	1,824,713	4,141	196,707	58,046	1,448,079
Others		-	42	-	33,799	-	-	-	18,713
Total		3,670	170,578	58,909	1,858,512	4,141	196,707	58,046	1,466,792

III. Employee Information

April 28, 2024; Unit: people

Year		2022	2023	As of April 28, 2024
Number of employees	R&D	40	45	43
	Managerial, Sales & Marketing	13	14	14
	Manufacturing	—	—	—
	Total	53	59	57
Average Age		37.07 years old	38.20 years old	39.65 years old
Average years of services		6.29 years old	7.66 years	8.15 years
Percentage Distribution of Academic Qualifications	Ph.D	1.89%	1.69%	1.75%
	Master's degree	56.6%	59.32%	59.65%
	Beachelor's degree	41.51%	38.98%	38.60%
	Senior high school	—	—	—
	Below senior high school	—	—	—

#### **IV. Environmental Protection Expenditures**

The Company is a fabless IC Design house that outsources its production activities to qualified wafer foundry, testing and packaging partners. No environmental penalties were incurred in the past years and there are no foreseeable environmental contamination risks in the future.

#### **V. Labor Relations**

(I) Employee benefits, continuing education and training, and the state of the retirement system and the status of implementation of the labor management agreements

1. Employee benefits

- (1) The Company established the employee welfare committee in June 2004, and the welfare matters are supervised by the employees and the members of employee welfare committee.
- (2) The Company plans employee group welfare insurance to make up for the shortage of labor insurance. The employees themselves benefit from the benefits, and they also benefit the spouses and children of the employees, so that both the colleagues themselves and the families can receive the benefits.
- (3) The Company has set an annual health examination plan for on-duty employees, and provides all benefits in accordance with relevant regulations.

2. Employee continuing education and training

To enhance the quality of human resources and development advantages, the Company has established educational and training methods to encourage employees to participate in various training courses and technical seminars to maintain the foundation of the Company's sustainable operation.

3. Retirement system and its implementation status

The retire system of employees of the Company shall be conducted in accordance with the provisions of the Labor Standards Act. The Labor Pension Supervisory Committee was established in June 2004, and the labor retirement reserve fund was set aside on a monthly basis in accordance with the law. In the name of the committee, it is deposited in the Supervisory Account of the Central Trust Bureau for its management and use. In accordance with the Labor Pension Act, starting from July 1, 2005, the Company would pay the labor retirement allowance monthly for the employees, choosing and applying the new system to the individual account of the Labor Insurance Bureau.

4. Agreements between the employer and employees

The harmonious labor relationship has always been one of the Company's directions. The Company has put great emphasis on employee welfare and provides excellent working environment. As of now, there is no loss arising from labor disputes, and the Company has smooth channels to maintain the employees' equity.

(II) Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided: None.

## **VI. Information & Communication Security Management**

- (I) Describe the information security risk management framework, information security policy, specific management policy and resource allocation for information security.

1. Information security risk management framework

At the Company, the unit in charge of information security is the MIS of the Operation Management Division, where the dedicated information personnel are appointed to formulate the Company's information security policy, plan and carry out information security activities, and promote and implement the information security policy.

2. Information security policy

- (1) To implement information security management, all employees are required to abide by the Company's information security policy. This is to ensure the confidentiality, integrity, and availability of the Company's information assets, thus achieve business sustainability.
- (2) The scope of the information security policy includes the following: device usage, media storage, access control, software usage, wireless network, account, password, and key, system development and maintenance, email and communication software, supplier and employee appointment, and information security incidents.

3. Specific management plans

- (1) Firewalls should be built at the portals of the Intranet and the external network to detect threats and effectively prevent illegal intrusion by hackers.
- (2) The use of the computer network is controlled by domain account and password.
- (3) The email server has built-in mechanisms such as anti-virus software and spam filters to prevent viruses or spam from entering an end user's computer.
- (4) The dedicated power sockets for computer servers should be used for computers only to avoid consuming the power of the uninterruptible power supply, affecting the normal operation of the computers due to a power failure.
- (5) Before logging in to the intranet remotely, employees should use a VPN to verify their identities. A complete entry and exit record of all remote logins is made for auditing purposes.
- (6) Operating systems and server software should be updated and patched in a timely and appropriate manner.
- (7) Anti-virus software should be installed and virus databases updated on a regular basis.
- (8) Before downloading a file through the Internet or using a USB flash drive, employees should scan for viruses immediately to make sure that the file or USB is safe and free of viruses.
- (9) Employees are updated with the knowledge of information security on a regular basis to increase their awareness of information security crises.
- (10) Software purchased and used should be legally authorized and in compliance with laws and regulations on intellectual property rights.

- (II) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant information security incidents, including the

losses, potential impacts, and response measures shall be stated. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## VII. Important Contracts

As of April 18, 2023, important contracts of the Company are as follows:

Nature of Contract	Principal	Contract Start/End Date	Main Content	Restrictive Provisions
Technology Service	Nueva Imaging Inc.	2023.01.01~ 2023.12.31	Design services of CMOS Image Sensor	None
Technology Service	Silicon Optonics (Shanghai) Co, Ltd.	2023.01.01~ 2025.12.31	Line Design Services of CMOS Image Sensor	None



## Chapter 6. Financial Summary

### I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

#### (I) Condensed Balance Sheet by adopting IFRSs - Consolidated

Unit: NT\$ thousand

Item \ Year		Financial Summary over The Last Five Years					As of March
		2019	2020	2021	2022	2023	31, 2024
Current assets		1,651,853	2,250,146	3,076,437	3,397,269	2,781,082	2,622,399
Property, plant and equipment		530,417	513,112	487,299	45,355	30,580	38,866
Intangible assets		211,280	207,012	204,686	202,515	200,468	207,799
Other assets		43,002	41,748	110,491	54,754	116,468	115,232
Total assets		2,436,552	3,012,018	3,878,913	3,699,893	3,128,598	2,984,296
Current Liability	Before distribution	339,054	446,595	889,812	763,590	546,191	403,502
	After distribution	493,266	662,492	1,159,847	763,590	546,191	403,502
Non-current liabilities		17,378	359,681	258,192	308,963	200,961	200,000
Total liabilities	Before distribution	356,432	806,276	1,148,004	1,072,553	747,152	603,502
	After distribution	510,644	1,022,173	1,418,039	1,072,553	747,152	603,502
Equity attributable to shareholders of the parent		2,080,120	2,205,742	2,730,909	2,627,340	2,381,446	2,380,794
Share capital		780,809	781,059	781,529	784,559	784,559	784,559
Capital surplus		1,131,702	1,131,714	1,132,749	1,167,789	1,209,326	1,219,234
Retained earnings	Before distribution	266,969	394,214	919,385	771,964	485,247	471,478
	After distribution	112,757	178,317	649,350	771,964	485,247	471,478
Other equity		(2,365)	(4,250)	(5,759)	23	(691)	2,518
Treasury stocks		(96,995)	(96,995)	(96,995)	(96,995)	(96,995)	(96,995)
Non-controlling Interests		-	-	-	-	-	-
Total equity	Before distribution	2,080,120	2,205,742	2,730,909	2,627,340	2,381,446	2,380,794
	After distribution	1,925,908	1,989,845	2,460,874	2,627,340	2,381,446	2,380,794

Note 1. The above financial data have been audited and attested by the CPAs.

Note 2. No distribution for this year.

## (II) Condensed Income Statement adopting IFRSs -Consolidated

Unit: NT\$ thousand

Item \ Year	Financial Summary over The Last Five Years					As of March 31, 2024
	2019	2020	2021	2022	2023	
Sales revenue	2,294,110	3,328,695	3,996,496	2,029,090	1,663,499	346,792
Gross Profit	457,531	672,210	1,387,380	494,522	(43,527)	21,176
Operating Income	156,051	321,577	883,959	138,490	(371,452)	(59,615)
Non-operating revenue and expenses	26,059	5,662	10,489	14,968	23,140	45,912
Profit before income tax	182,110	327,239	894,448	153,458	(348,312)	(13,703)
Earnings from continuing operations	156,010	281,438	741,050	122,558	(286,716)	(13,769)
Income from discontinued operations	-	-	-	-	-	-
Net income for the current period	156,010	281,438	741,050	122,558	(286,716)	(13,769)
Other comprehensive income (loss) (Income after tax)	(1,793)	(1,866)	(1,491)	5,838	(715)	3,209
Total comprehensive income	154,217	279,572	739,559	128,396	(287,431)	(10,560)
Net income attributable to shareholders of the parent	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings Per Share (NT\$)	2.01	3.65	9.61	1.59	(3.70)	(0.18)

Note 1. The above financial data have been audited and attested by the CPAs.

## (III) Condensed Balance Sheets – IFRS (Parent Company Only)

Unit: NT\$ thousand

Item \ Year		Financial Summary over The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		1,601,440	2,179,733	2,961,844	3,301,868	2,692,501
Property, plant and equipment		529,833	512,650	486,952	45,088	30,251
Intangible assets		516	103	980	2,809	140
Other assets		291,091	301,017	384,035	337,975	403,653
Total assets		2,422,880	2,993,503	3,833,811	3,687,740	3,126,545
Current Liability	Before distribution	333,339	432,637	845,219	753,989	544,394
	After distribution	487,551	648,534	1,115,254	753,989	544,394
Non-current liabilities		9,421	355,124	257,683	306,411	200,705
Total liabilities	Before distribution	342,760	787,761	1,102,902	1,060,400	745,099
	After distribution	496,972	1,003,658	1,372,937	1,060,400	745,099
Equity attributable to shareholders of the parent		2,080,120	2,205,742	2,730,909	2,627,340	2,381,446
Share capital		780,809	781,059	781,529	784,559	784,559
Capital surplus		1,131,702	1,131,714	1,132,749	1,167,789	1,209,326
Retained earnings	Before distribution	266,969	394,214	919,385	771,964	485,247
	After distribution	112,757	178,317	649,350	771,964	485,247
Other equity		(2,365)	(4,250)	(5,759)	23	(691)
Treasury stocks		(96,995)	(96,995)	(96,995)	(96,995)	(96,995)
Non-controlling Interests		-	-	-	-	-
Total equity	Before distribution	2,080,120	2,205,742	2,730,909	2,627,340	2,381,446
	After distribution	1,925,908	1,989,845	2,460,874	2,627,340	2,381,446

Note 1. The above financial data have been audited and attested by the CPAs.

Note 2. No distribution for this year.

## (IV) Condensed Statements of Comprehensive Income - IFRS (Parent Company only)

Unit: NT\$ thousand

Item \ Year	Financial Summary over The Last Five Years				
	2019	2020	2021	2022	2023
Sales revenue	2,294,110	3,328,695	3,996,496	2,029,090	1,663,499
Gross Profit	457,531	672,210	1,387,380	494,522	(43,527)
Operating Income	162,058	310,741	872,357	130,124	(378,910)
Non-operating revenue and expenses	19,793	14,185	20,494	22,042	29,646
Profit before income tax	181,851	324,926	892,851	152,166	(349,264)
Earnings from continuing operations	156,010	281,438	741,050	122,558	(286,716)
Income from discontinued operations	-	-	-	-	-
Net income for the current period	156,010	281,438	741,050	122,558	(286,716)
Other comprehensive income (loss) (Income after tax)	(1,793)	(1,866)	(1,491)	5,838	(715)
Total comprehensive income	154,217	279,572	739,559	128,396	(287,431)
Net income attributable to shareholders of the parent	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings Per Share (NT\$)	2.01	3.65	9.61	1.59	(3.70)

Note 1. The above financial data have been audited and attested by the CPAs.

## (V) Name of CPAs and Their Opinions for Most Recent 5 Years

Year	Name of CPA	Audit opinion
2019	Deloitte & Touche Ming-Yuan Chung, Cheng-Chih Lin	Unqualified opinion
2020	Deloitte & Touche Ming-Yuan Chung, Cheng-Chih Lin	Unqualified opinion
2021	Deloitte & Touche Ming-Yuan Chung, Tung-Hui Yeh	Unqualified opinion
2022	Deloitte & Touche Ming-Hui Chen, Tung-Hui Yeh	Unqualified opinion
2023	Deloitte & Touche Ming-Hui Chen, Tung-Hui Yeh	Unqualified opinion

## II. Financial Analysis for the past 5 years

### (I) Consolidated financial analysis

Analysis item \ Year		Financial Analysis for the past 5 years					As of March 31, 2024
		2019	2020	2021	2022	2023	
Capital structure (%)	Liability-to-assets ratio	14.63	26.77	29.60	28.99	23.88	20.22
	Ratio of long-term capital to property, plant and equipment	395.44	499.97	613.40	6,474.04	8,444.76	6,640.24
Solvency	Current ratio (%)	487.19	503.84	345.74	444.91	509.18	649.91
	Quick ratio (%)	203.97	299.87	165.53	104.44	197.94	263.99
	Interest coverage ratio	604.01	117.75	248.56	32.17	(30.27)	(5.08)
Operating capacity	Receivables turnover ratio (times)	65.13	150.95	168.20	81.90	41.06	31.94
	Average days of collection	6	2	2	4	9	11
	Inventory turnover ratio (times)	2.37	3.22	2.20	0.78	0.87	0.90
	Payables turnover ratio (times)	8.36	9.94	8.32	4.94	9.55	14.97
	Average inventory turnover days	154	117	166	468	420	406
	Property, plant and equipment turnover ratio (times)	7.92	6.38	7.99	7.62	43.81	39.95
	Total assets turnover (times)	0.94	1.22	1.16	0.54	0.49	0.45
Profitability	Return on assets (%)	6.41	10.41	21.59	3.34	(8.14)	(0.39)
	Return on equity (%)	7.34	13.13	30.02	4.57	(11.45)	(0.58)
	Income before tax to paid-in capital ratio (%)	23.32	41.90	114.45	19.56	(44.40)	(1.75)
	Net profit margin (%)	6.80	8.45	18.54	6.04	(17.24)	(3.97)
	Earnings per share (NT\$) (Note 2)	2.01	3.65	9.61	1.59	(3.70)	(0.18)
Cash flow (%)	Cash flow ratio	38.01	113.65	58.30	-	66.23	27.57
	Cash flow adequacy ratio	30.06	54.79	45.94	36.12	45.99	61.28
	Cash reinvestment ratio	(1.42)	14.69	10.50	(7.24)	15.61	4.82
Leverage	Operating leverage	9.75	7.48	3.63	10.00	(4.20)	(23.64)
	Financial leverage	1.00	1.01	1.00	1.04	0.96	0.86
Reasons for changes in financial ratios for the most recent two years:							
1. Increase in ratio of long-term capital to property, plant and equipment: Due to the reduction in purchasing R&D equipment.							
2. The increase in quick ratio: Due to an decrease in inventory and payments payable.							
3. Increase in interest coverage ratio: Due to the decrease in operating net profit.							
4. Decrease in receivables turnover ratio: Due to increase in monthly account customers.							
5. Decrease in receivables turnover ratio: Due to decrease in payments payable.							
6. Increase in property, plant and equipment turnover ratio: Due to the sale of R&D equipment in the previous two years, there has been a decrease in R&D equipment funds.							
7. Decrease in profitability ratio over 2022: Due to the decrease in operating net profit.							
8. Increase in cash flow ratio: Due to decrease in inventory.							

## (II) Individual financial analysis

Analysis item		Financial Analysis for the past 5 years				
		2019	2020	2021	2022	2023
Capital structure (%)	Liability-to-assets ratio	14.15	26.32	28.77	28.75	23.83
	Ratio of long-term capital to property, plant and equipment	394.38	499.53	613.73	6,506.72	8,535.75
Solvency	Current ratio (%)	480.42	503.82	350.42	437.92	494.59
	Quick ratio (%)	205.30	302.79	166.91	100.36	190.85
	Interest coverage ratio	1,181.85	120.99	252.29	32.25	(30.52)
Operating capacity	Receivables turnover ratio (times)	65.13	150.95	168.2	81.90	41.06
	Average days of collection	6	2	2	4	9
	Inventory turnover ratio (times)	2.37	3.11	2.2	0.78	0.87
	Payables turnover ratio (times)	8.51	10.08	8.42	5.00	9.77
	Average inventory turnover days	154	117	166	468	420
	Property, plant and equipment turnover ratio (times)	7.94	6.39	8.00	7.63	44.16
	Total assets turnover (times)	0.94	1.23	1.17	0.54	0.49
Profitability	Return on assets (%)	6.42	10.47	21.79	3.36	(8.15)
	Return on equity (%)	7.34	13.13	30.02	4.57	(11.45)
	Income before tax to paid-in capital ratio (%)	23.29	41.60	114.24	19.40	(44.52)
	Net profit margin (%)	6.80	8.45	18.54	6.04	(17.24)
	Earnings per share (NT\$) (Note 2)	2.01	3.65	9.61	1.59	(3.70)
Cash flow (%)	Cash flow ratio	39.24	111.11	56.69	-	64.00
	Cash flow adequacy ratio	30.39	53.63	43.80	34.16	43.73
	Cash reinvestment ratio	(1.19)	12.49	8.52	(9.15)	13.84
Leverage	Operating leverage	8.94	6.47	2.92	8.67	(2.91)
	Financial leverage	1.00	1.01	1.00	1.04	0.97
Reasons for changes in financial ratios for the most recent two years:						
1. Increase in ratio of long-term capital to property, plant and equipment: Due to the reduction in purchasing R&D equipment.						
2. The increase in quick ratio: Due to an decrease in inventory and payments payable.						
3. Decrease in interest coverage ratio: Due to the decrease in operating net profit.						
4. Decrease in receivables turnover ratio: Due to increase in monthly account customers.						
5. Decrease in receivables turnover ratio: Due to decrease in payments payable.						
6. Increase in property, plant and equipment turnover ratio: Due to the sale of R&D equipment in the previous two years, there has been a decrease in R&D equipment funds.						
7. Decrease in profitability ratio over 2022: Due to the decrease in operating net profit.						
8. Increase in cash flow ratio: Due to decrease in inventory.						

Note 1. The above financial data have been audited and attested by the CPAs.

Note 2. The formulas of the above table are as follows:

### 1. Financial structure

(1) Liabilities-to-asset ratio = Total liabilities/Total assets.

(2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities)/(Total net value of property, plant, and equipment).

### 2. Solvency

(1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current assets - inventory - prepaid expenses)/Current liabilities

(3) Interest coverage ratio = Income before income tax and interest expense/Interest expense of the current period

### 3. Operating capacity

(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net sale/average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2) Average collection days = 365/Receivables turnover

(3) Inventory turnover = cost of sales/average inventories

(4) Payable (including accounts payable and business-related notes payable) turnover ratio = net sales revenue/average balance of payable of the period (including accounts payable and business-related notes payable).

- (5) Average days for sale =  $365/\text{inventory turnover}$
- (6) Property, plant and equipment turnover =  $\text{Net sales}/\text{Average property, plant and equipment}$
- (7) Total asset turnover =  $\text{Net sales}/\text{Average total assets}$

4. Profitability

- (1) Return on assets =  $[\text{net income after taxes} + \text{interest expense} \times (1 - \text{tax rate})]/\text{average total assets}$
- (2) Return on equity =  $\text{net income after taxes}/\text{average equity}$
- (3) Net profit margin =  $\text{net income after taxes}/\text{net sales}$
- (4) Earnings per share =  $(\text{net income (loss) attributable to owners of the parent company} - \text{preferred stock dividend})/\text{weighted average number of shares outstanding. (Note 4)}$

5. Cash flows

- (1) Cash flow ratio =  $\text{Net cash provided by operating activities}/\text{Current liabilities}$
- (2) Net cash flow adequacy ratio =  $\text{net cash flow rising from operating activities in the most recent five years}/(\text{capital expenditure} + \text{inventory increase} + \text{cash dividend})$  in the most recent five years.
- (3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{cash dividend})/(\text{gross fixed assets value} + \text{long-term investment} + \text{other assets} + \text{working capital}).$  (Note 5)

6. Leverage:

- (1) Operating leverage =  $(\text{net operating income} - \text{changing operating costs and expenses}) / \text{operating profit (Note 6)}$
- (2) Degree of Financial Leverage (DFL) =  $\text{operating profit}/(\text{operating income} - \text{interest expense})$

Note 3. The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

- 1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
- 2. Where there is cash replenishment or treasury stock transaction, its circulation period should be considered when calculating the weighted average number of shares.
- 3. Where capital increase transferred from surplus or capital reserves exists, when calculating the earnings per share of previous years and half years, it shall be retroactively adjusted according to the proportion of capital increase, need not to consider the issuance period of such capital increase.
- 4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 4. The following items should be noted for the analysis of cash flow:

- 1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
- 2. Capital expenditures refer to the annual cash flow used in capital investment.
- 3. The increase in inventory is only included when the ending balance is higher than the opening balance. If the inventory is reduced at the end of the year, it shall be treated as zero.
- 4. Cash dividends include the cash dividends of common stocks and preferred stocks.
- 5. Gross amount of real estate, plant and equipment refers to the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 5. The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 6. Where company shares have no par value or where the par value per share is not NT\$ 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent company of the asset balance sheet.

Note 7. For companies that have prepared parent company only financial statements shall also prepare an analysis of the Company's parent company only financial ratios.

### **III. 2023 Audit Committee's Review Report**

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

The Board of Directors prepared the Company's 2023 Business Report, Financial Report (including consolidated financial statements), and proposal for deficit compensation. Of which the Financial Statement was audited by Deloitte & Touche Taipei, Taiwan Republic of China with Audit Report issued.

The Business Report, Financial Statement (including the consolidated financial statements), and proposal for deficit compensation have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to the Securities and Exchange Act and the Company Act. Please kindly approve.

To Silicon Optronics, Inc. 2024 Annual Shareholders' Meeting

**Silicon Optronics, Inc.**

Chairman of the Audit Committee: Joseph Li

March 12, 2024



#### **IV. 2023 Independent Auditors' Report and Consolidated Financial Statements**

##### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Silicon Optronics, Inc.

By:

Xinping He  
Chairman

March 12, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Silicon Optronics, Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Silicon Optronics, Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are described as follows:

#### Sales Revenue

The Group's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Group's sales transactions; therefore, we identified the validity of sales revenue from the key customers as a key audit matter for the year ended December 31, 2023. For the accounting policies on revenue recognition, refer to Note 4(m) to the consolidated financial statements.

Our main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We obtained an understanding of the design and implementation of internal controls on revenue recognition and tested the effectiveness of these controls.
2. We confirmed the occurrence of sales revenue as follows: we selected samples and inspected the relevant supporting documents and accounting records, and we verified the accuracy of the amounts and revenue

recognized.

### Inventory Valuation

As of December 31, 2023, the Group's inventory balance was \$1,524,493 thousand, accounting for 49% of the combined total assets. For the related accounting policies, refer to Note 4(g) to the consolidated financial statements. Since the amount of inventory is significant and the assessment of net realizable value involves significant management judgments, we considered the inventory valuation a key audit matter.

Our main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. Based on our understanding of the industry and nature of the products of the Group, we verified the appropriateness of the method of inventory aging management, and we also selected samples of and tested the appropriateness of the aging classification.
2. We performed recalculations and determined that the assessment of the net realizable value was reasonable, and we verified that the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data. We also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.
3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and we analyzed the reasons for the differences in the provision for loss in 2022 compared to 2021. We also assessed that the provision for inventory valuation and obsolescence losses was appropriate.

### **Other Matter**

We have also audited the parent company only financial statements of Silicon Optronics, Inc. as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

### **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 IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2023 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.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Hui Chen and Tung-Hui Yeh.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# SILICON OPTRONICS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022		LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,034,994	33	\$ 762,636	21	Short - term loan (Notes 4 and 15)	\$ 200,000	7	\$ 150,000	4
Accounts receivable - net (Notes 4 and 8)	46,151	1	34,869	1	Contract liabilities - current (Note 19)	38,995	1	69,012	2
Inventories (Notes 4, 5 and 9)	1,524,493	49	2,410,944	65	Accounts payable (Note 4)	88,391	3	269,262	7
Prepayments and other current assets (Notes 4, 14 and 25)	<u>175,444</u>	<u>6</u>	<u>188,820</u>	<u>5</u>	Accrued expenses and other current liabilities (Notes 4 and 16)	31,932	1	62,818	2
Total current assets	<u>2,781,082</u>	<u>89</u>	<u>3,397,269</u>	<u>92</u>	Current tax liabilities (Notes 4 and 21)	1,129	-	51,774	1
NON-CURRENT ASSETS					Lease liabilities - current (Notes 4 and 12)	6,478	-	6,783	-
Financial assets at amortized cost - noncurrent (Notes 4, 7, 25 and 27)	3,549	-	3,528	-	Current portion of long - term borrowing (Note 15)	100,000	3	100,000	3
Property, plant and equipment (Notes 4, 11 and 27)	30,580	1	45,355	1	Refund liabilities - current (Note 16)	<u>79,266</u>	<u>3</u>	<u>53,941</u>	<u>2</u>
Right-of-use assets (Notes 4 and 12)	7,661	-	14,482	1	Total current liabilities	<u>546,191</u>	<u>18</u>	<u>763,590</u>	<u>21</u>
Goodwill (Note 4)	199,228	7	199,228	5	NON-CURRENT LIABILITIES				
Intangible assets (Notes 4 and 13)	1,240	-	3,287	-	Long-term loan (Notes 4 and 15)	200,000	6	300,000	8
Deferred tax assets (Notes 4 and 21)	96,592	3	31,490	1	Deferred income tax liabilities (Notes 4 and 21)	-	-	1,509	-
Other non-current assets (Notes 4, 14 and 17)	<u>8,666</u>	<u>-</u>	<u>5,254</u>	<u>-</u>	Lease liabilities - non-current (Notes 4 and 12)	<u>961</u>	<u>-</u>	<u>7,454</u>	<u>-</u>
Total non-current assets	<u>347,516</u>	<u>11</u>	<u>302,624</u>	<u>8</u>	Total non-current liabilities	<u>200,961</u>	<u>6</u>	<u>308,963</u>	<u>8</u>
					Total liabilities	<u>747,152</u>	<u>24</u>	<u>1,072,553</u>	<u>29</u>
					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
					Ordinary shares	784,559	25	784,559	21
					Capital surplus	1,209,326	39	1,167,789	32
					Retained earnings				
					Legal reserve	180,425	6	168,164	5
					Special reserve	-	-	5,759	-
					Unappropriated earnings	304,822	9	598,041	16
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	(691)	-	23	-
					Treasury shares	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>
					Total equity	<u>2,381,446</u>	<u>76</u>	<u>2,627,340</u>	<u>71</u>
TOTAL	<u>\$ 3,128,598</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>	TOTAL	<u>\$ 3,128,598</u>	<u>100</u>	<u>\$ 3,699,893</u>	<u>100</u>

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

# SILICON OPTRONICS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 30)	\$ 1,663,499	100	\$ 2,029,090	100
OPERATING COSTS (Notes 9 and 20)	<u>1,707,026</u>	<u>102</u>	<u>1,534,568</u>	<u>76</u>
GROSS PROFIT	<u>(43,527)</u>	<u>(2)</u>	<u>494,522</u>	<u>24</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	18,629	1	18,805	1
General and administrative expenses	44,011	3	52,961	2
Research and development expenses	<u>265,285</u>	<u>16</u>	<u>284,266</u>	<u>14</u>
Total operating expenses	<u>327,925</u>	<u>20</u>	<u>356,032</u>	<u>17</u>
OPERATING INCOME	<u>(371,452)</u>	<u>(22)</u>	<u>138,490</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	35,892	2	10,424	1
Other income	104	-	303	-
Other gains and losses	(1,717)	-	9,164	-
Financial costs	<u>(11,139)</u>	<u>(1)</u>	<u>(4,923)</u>	<u>-</u>
Total non-operating income and expenses	<u>23,140</u>	<u>1</u>	<u>14,968</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	(348,312)	(21)	153,458	8
INCOME TAX EXPENSE (Notes 4 and 21)	<u>61,596</u>	<u>4</u>	<u>(30,900)</u>	<u>(2)</u>
NET INCOME	<u>(286,716)</u>	<u>(17)</u>	<u>122,558</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	(1)	-	56	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	<u>(714)</u>	<u>-</u>	<u>5,782</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(715)</u>	<u>-</u>	<u>5,838</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (287,431)</u>	<u>(17)</u>	<u>\$ 128,396</u>	<u>6</u>
EARNINGS PER SHARE (Note 22)				
Basic	\$ <u>(3.70)</u>		\$ <u>1.59</u>	
Diluted	\$ <u>(3.70)</u>		\$ <u>1.58</u>	

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

# SILICON OPTRONICS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Ordinary Share Capital			Retained Earnings			Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2022	78,153	\$ 781,529	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 821,078	\$ (5,759)	\$ (96,995)	\$ 2,730,909
Appropriation of 2021 earnings									
Legal reserve	-	-	-	74,107	-	(74,107)	-	-	-
Special reserve	-	-	-	-	1,509	(1,509)	-	-	-
Cash dividends distributed.	-	-	-	-	-	(270,035)	-	-	(270,035)
Net profit for the year ended December 31, 2022	-	-	-	-	-	122,558	-	-	122,558
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	56	5,782	-	5,838
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	122,614	5,782	-	128,396
Issuance of ordinary shares under employee share options	303	3,030	3,091	-	-	-	-	-	6,121
Share-based payment	-	-	31,949	-	-	-	-	-	31,949
BALANCE, DECEMBER 31, 2022	78,456	784,559	1,167,789	168,164	5,759	598,041	23	(96,995)	2,627,340
Appropriation of 2022 earnings									
Legal reserve	-	-	-	12,261	-	(12,261)	-	-	-
Special reserve	-	-	-	-	(5,759)	5,759	-	-	-
Dividends not received by shareholders beyond the deadlines	-	-	1	-	-	-	-	-	1
Net profit for the year ended December 31, 2023	-	-	-	-	-	(286,716)	-	-	(286,716)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(1)	(714)	-	(715)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(286,717)	(714)	-	(287,431)
Issuance of ordinary shares under employee share options	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	41,536	-	-	-	-	-	41,536
BALANCE, DECEMBER 31, 2023	78,456	\$ 784,559	\$ 1,209,326	\$ 180,425	\$ -	\$ 304,822	\$ (691)	\$ (96,995)	\$ 2,381,446

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



# SILICON OPTRONICS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ (348,312)	\$ 153,458
Adjustments for:		
Depreciation expenses	51,754	71,144
Amortization expenses	2,468	5,902
Finance costs	11,139	4,923
Interest income	(35,892)	(10,424)
Share-based payment	41,536	31,949
Gain on disposal of property, plant and equipment	-	(4,408)
Net loss (gain) on foreign currency exchange	15,298	(1,872)
Loss from lease modification	-	333
Changes in operating assets and liabilities		
Accounts receivable	(12,523)	(20,101)
Inventories	886,451	(893,883)
Prepayments and other current assets	18,406	(92,304)
Contract liabilities	(28,887)	33,031
Accounts payable	(184,240)	(79,271)
Accrued expenses and other current liabilities	(25,082)	(164,382)
Refund liabilities	25,325	36,823
Net defined benefit assets	(44)	(33)
Cash generated from (used in) operations	417,397	(929,115)
Income tax paid	(55,660)	(144,576)
Net cash generated from (used in) operating activities	<u>361,737</u>	<u>(1,073,691)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(21)	(16)
Proceeds from financial assets at amortized cost	-	539,508
Payments of property, plant and equipment	(33,845)	(35,991)
Disposal of property, plant and equipment	-	417,891
Increase in refundable deposits	(3,469)	-
Decrease in refundable deposits	-	80,225
Payments for intangible assets	(2,679)	(3,373)
Payments for right-of-use assets	(2,288)	(1,735)
Interest received	<u>33,070</u>	<u>8,415</u>
Net cash generated from investing activities	<u>(9,232)</u>	<u>1,004,924</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	780,000	150,000
Repayments of short-term loans	(730,000)	-
Proceeds from long-term loans	-	400,000
Repayments of long-term loans	(100,000)	(350,000)
Repayments of guarantee deposits received	-	(6,977)
Repayment of the principal portion of lease liabilities	(6,802)	(6,724)

(Continued)

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
Dividends paid	\$ -	\$ (270,035)
Exercise of employee share options	-	6,121
Interest paid	(11,143)	(4,924)
Overdue failure to receive dividends converted into capital surplus	<u>1</u>	<u>-</u>
Net cash used in financing activities	<u>(67,944)</u>	<u>(82,539)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(12,203)</u>	<u>(5,692)</u>
NET (DECREASE) INCREASE IN CASH	272,358	(156,998)
CASH AT THE BEGINNING OF THE YEAR	<u>762,636</u>	<u>919,634</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,034,994</u>	<u>\$ 762,636</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# SILICON OPTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 12, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2023

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by International Accounting Standards Board</u></b>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRS Accounting Standards</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
  - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period, and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Group's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit

shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement category

Financial assets are classified as financial assets at amortized cost.

#### i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposit with original maturities of more than 3 months and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).



The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Share-based payment arrangements

Employee share options granted

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of [the recent development of the COVID-19 in Taiwan and its economic environment implications when making its material accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 154	\$ 85
Bank deposits	574,265	424,741
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits in banks	<u>460,575</u>	<u>337,810</u>
	<u>\$ 1,034,994</u>	<u>\$ 762,636</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	December 31	
	2023	2022
Time deposits	5.17%-5.80%	4.72%-5.20%

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Non-current</u>		
Pledged time deposits (a and c)	<u>\$ 3,549</u>	<u>\$ 3,528</u>

- Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

## 8. ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
<u>Accounts receivable - unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 46,151	\$ 34,869
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 46,151</u>	<u>\$ 34,869</u>

The average credit period of sales of goods is 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

### December 31, 2023

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 46,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,151
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 46,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,151</u>

### December 31, 2022

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 31,519	\$ 3,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,869
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 31,519</u>	<u>\$ 3,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,869</u>

## 9. INVENTORIES

The movements in the allowance for doubtful accounts were as follows:

	December 31	
	2023	2022
Finished goods	\$ 995,794	\$ 1,660,740
Work in progress	522,383	746,774
Raw materials	<u>6,316</u>	<u>3,430</u>
	<u>\$ 1,524,493</u>	<u>\$ 2,410,944</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,386,892	\$ 1,445,300
Inventory write-downs (reversed) (a)	<u>320,134</u>	<u>89,268</u>
	<u>\$ 1,707,026</u>	<u>\$ 1,534,568</u>

a. Inventory write-downs were reversed as a result of sale has been recognized inventory obsolescence.

## 10. SUBSIDIARIES

Investor	Investee	Main Business	Percentage% of Ownership December 31	
			2023	2022
Silicon Optronics, Inc.	NUEVA IMAGING, INC. ("NUEVA")	Research and development and design of high order CMOS Image Sensor products	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. ("Silicon Cayman")	Investment business	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, the remaining entities are non-major subsidiaries. The financial reports of the above subsidiaries had been audited by accountants.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
Cost							
Balance at January 1, 2023	\$ 1,071	\$ -	\$ 12,404	\$ 1,561	\$ 1,791	\$ 92,991	\$ 109,048
Additions	-	-	-	204	-	27,782	27,986
Disposal	-	-	(36,401)	-	-	(59,495)	(63,139)
Effect of exchange rate changes	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(2)</u>	<u>-</u>	<u>(31)</u>
Balance at December 31, 2023	<u>\$ 1,065</u>	<u>\$ -</u>	<u>\$ 8,760</u>	<u>\$ 1,742</u>	<u>\$ 1,789</u>	<u>\$ 60,508</u>	<u>\$ 73,864</u>

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ 561	\$ -	\$ 7,020	\$ 1,064	\$ 1,710	\$ 52,155	\$ 62,510
Depreciation expense	180	-	2,587	242	29	39,625	42,663
	(						
	1						
	8						
	0						
Disposal	) -	-	(35,457)	-	-	(59,495)	(63,040)
Effect of exchange rate changes	(6)	-	-	(24)	(2)	-	(32)
Balance at December 31, 2023	<u>\$ 735</u>	<u>\$ -</u>	<u>\$ 6,062</u>	<u>\$ 1,282</u>	<u>\$ 1,737</u>	<u>\$ 32,285</u>	<u>\$ 42,101</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2023 and December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2023	<u>\$ 330</u>	<u>\$ -</u>	<u>\$ 1,515</u>	<u>\$ 460</u>	<u>\$ 52</u>	<u>\$ 28,223</u>	<u>\$ 30,580</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 1,246	\$ 473,084	\$ 13,659	\$ 1,109	\$ 1,623	\$ 124,048	\$ 614,769
Additions	-	-	1,058	438	-	32,726	34,222
Disposal	(180)	(473,084)	(2,313)	-	-	(64,553)	(540,130)
Effect of exchange rate changes	5	-	-	14	168	-	187
Balance at December 31, 2022	<u>\$ 1,071</u>	<u>\$ -</u>	<u>\$ 12,404</u>	<u>\$ 1,561</u>	<u>\$ 1,791</u>	<u>\$ 92,221</u>	<u>\$ 109,048</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ 535	\$ 52,564	\$ 5,867	\$ 856	\$ 1,519	\$ 64,946	\$ 126,287
Depreciation expense	202	7,037	3,466	196	33	51,762	62,696
	(						
	1						
	8						
	0						
Disposal	) (180)	(59,601)	(2,313)	-	-	(64,553)	(126,647)
Effect of exchange rate changes	4	-	-	12	158	-	174
Balance at December 31, 2022	<u>\$ 561</u>	<u>\$ -</u>	<u>\$ 7,020</u>	<u>\$ 1,064</u>	<u>\$ 1,710</u>	<u>\$ 52,155</u>	<u>\$ 62,510</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2022 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2022	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ 4,201</u>	<u>\$ 497</u>	<u>\$ 81</u>	<u>\$ 40,066</u>	<u>\$ 45,355</u>

(Concluded)

The Group's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

**December 31**



	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Buildings	\$ 7,661	\$ 14,482
	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Additions to right-of-use assets	\$ 2,288	\$ 1,735
Depreciation charge for right-of-use assets		
Buildings	\$ 9,091	\$ 8,448

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<b><u>December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
<u>Carrying amount</u>		
Current	\$ 6,478	\$ 6,783
Non-current	\$ 961	\$ 7,454

The discount rate for lease liabilities was as follows:

	<b><u>December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Buildings	1.46%	1.46%

c. Material lease activities and terms

The Group did not have significant new lease contracts in 2023 and 2022. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiration of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b><u>December 31</u></b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
Expenses relating to short-term leases	\$ 466	\$ 450
Expenses relating to low-value asset leases	\$ 34	\$ 38
Total cash outflow for leases	\$ (7,465)	\$ (7,361)

### 13. INTANGIBLE ASSETS

	<b>Patents</b>	<b>Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2023	\$ 15,278	\$ 27,572	\$ 42,850
Additions	-	2,679	2,679

Transfer	-	(2,249)	(2,249)
Effect of exchange rate changes	<u>(2)</u>	<u>(42)</u>	<u>(44)</u>
Balance at December 31, 2023	<u>\$ 15,276</u>	<u>\$ 27,960</u>	<u>\$ 43,236</u>

	<b>Patents</b>	<b>Software</b>	<b>Total</b>
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Accumulated amortization

Balance at January 1, 2023	\$ 15,278	\$ 24,285	\$ 39,563
Amortization expense	-	2,468	2,468
Effect of exchange rate changes	<u>(2)</u>	<u>(33)</u>	<u>(35)</u>

Balance at December 31, 2023	<u>\$ 15,276</u>	<u>\$ 26,720</u>	<u>\$ 41,996</u>
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Carrying amounts at December 31, 2023	<u>\$ -</u>	<u>\$ 1,240</u>	<u>\$ 1,240</u>
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Cost

Balance at January 1, 2022	\$ 13,771	\$ 21,936	\$ 35,707
Additions	-	3,373	3,373
Effect of exchange rate changes	<u>1,507</u>	<u>2,263</u>	<u>3,770</u>

Balance at December 31, 2022	<u>\$ 15,278</u>	<u>\$ 27,572</u>	<u>\$ 42,850</u>
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Accumulated amortization

Balance at January 1, 2022	\$ 11,246	\$ 19,003	\$ 30,249
Amortization expense	2,718	3,184	5,902
Effect of exchange rate changes	<u>1,314</u>	<u>2,098</u>	<u>3,412</u>

Balance at December 31, 2022	<u>\$ 15,278</u>	<u>\$ 24,285</u>	<u>\$ 39,563</u>
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Carrying amounts at December 31, 2022	<u>\$ -</u>	<u>\$ 3,287</u>	<u>\$ 3,287</u> (Concluded)
---------------------------------------	-------------	-----------------	--------------------------------

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended December 31, 2023 and 2022.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	3-7 years
Software	1-6 years

#### 14. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Prepayments for purchases	\$ 87,780	\$ 88,397
Prepaid income tax	46,094	54,571
Tax receivables of business tax	35,414	26,280
Overpaid sales tax	-	16,565

Others	<u>6,156</u>	<u>3,007</u>
	<u>\$ 175,444</u>	<u>\$ 188,820</u>
		(Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Refundable deposits	\$ 7,107	\$ 3,738
Net defined benefit assets	<u>1,559</u>	<u>1,516</u>
	<u>\$ 8,666</u>	<u>\$ 5,254</u>
		(Concluded)

## 15. BORROWINGS

### a. Short-term loan

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>

#### Unsecured loan

Bank loan	<u>\$ 200,000</u>	<u>\$ 150,000</u>
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The range of weighted average effective interest rates on bank loans was 2.08%-2.50% per annum on December 31, 2022.

### b. Long-term loan

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>

#### Unsecured loan

Bank loan (1)	\$ 300,000	\$ 400,000
Less: Current portion	<u>100,000</u>	<u>100,000</u>
Long-term loan	<u>\$ 200,000</u>	<u>\$ 300,000</u>

- 1) The Group acquired a new bank loan with a floating interest rate of 2.03% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments starting in July 2023. The loan is to be repaid before July 5, 2025.

## 16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>

#### Current

Other payables

Payables for bonuses	\$ 18,905	\$ 29,166
Payables for purchases of equipment	2,571	8,371
		(Continued)
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Payables for employees' compensation	\$ -	\$ 13,440
Payables for remuneration of directors	-	2,500
Others	<u>10,277</u>	<u>9,142</u>
	31,753	62,619
Other liabilities		
Receipts under custody	<u>179</u>	<u>199</u>
	<u>\$ 31,932</u>	<u>\$ 62,818</u>
Refund liabilities (a)	<u>\$ 79,266</u>	<u>\$ 53,941</u>
		(Concluded)

- a. Sales revenue is measured at the fair value of the consideration received or receivable, and deducted from estimated customer returns, discounts and other similar discounts. Based on historical experience and considering different contract conditions, the combined company estimates the possible sales discounts and recognizes the refund liabilities accordingly.

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Silicon Optronics (Shanghai) Co., Ltd. is a member of a state-managed retirement benefit plan operated by the government of the People's Republic of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's benefit plans are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 375	\$ 365
Fair value of plan assets	<u>(1,934)</u>	<u>(1,881)</u>
Net defined benefit assets	<u>\$ (1,559)</u>	<u>\$ (1,516)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance at January 1, 2023	<u>\$ 365</u>	<u>\$ (1,881)</u>	<u>\$ (1,516)</u>
Net interest expense (income)	<u>5</u>	<u>(26)</u>	<u>(21)</u>
Recognized in profit or loss	<u>5</u>	<u>(26)</u>	<u>(21)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	4	-	4
Actuarial loss - experience adjustments	<u>1</u>	<u>(6)</u>	<u>(5)</u>
Recognized in other comprehensive loss (income)	<u>5</u>	<u>(6)</u>	<u>(1)</u>
Contributions from the employer	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Balance at December 31, 2023	<u>\$ 375</u>	<u>\$ (1,935)</u>	<u>\$ (1,560)</u>
Balance at January 1, 2022	<u>\$ 291</u>	<u>\$ (1,718)</u>	<u>\$ (1,427)</u>
Net interest expense (income)	<u>3</u>	<u>(14)</u>	<u>(11)</u>
Recognized in profit or loss	<u>3</u>	<u>(14)</u>	<u>(11)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(31)	-	(31)
Actuarial loss - experience adjustments	<u>102</u>	<u>(127)</u>	<u>(25)</u>
Recognized in other comprehensive loss (income)	<u>71</u>	<u>(127)</u>	<u>(56)</u>
Contributions from the employer	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Balance at December 31, 2022	<u>\$ 365</u>	<u>\$ (1,881)</u>	<u>\$ (1,516)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.3%	1.4%
Expected rate of salary increase	3.0%	3.0%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	\$ (12)	\$ (12)
0.25% decrease	\$ 12	\$ 12
Expected rate of salary increase		
0.25% increase	\$ 11	\$ 11
0.25% decrease	\$ (11)	\$ (11)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	\$ 22	\$ 22
Average duration of the defined benefit obligation	13 years	14 years

## 18. EQUITY

### a. Common stock

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	\$ 1,000,000	\$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,456	78,456
Shares issued	\$ 784,559	\$ 784,559

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 1,118,553	\$ 1,118,553
Arising from employee share options exercised price	12,754	12,754
<u>May not be used to offset a deficit only</u>		
Shareholders's overdue dividends not received	1	-
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>78,018</u>	<u>36,482</u>
	<u>\$ 1,209,326</u>	<u>\$ 1,167,789</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	<b>Premium on Issue of Shares</b>	<b>Arising from Employee Share Options</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2022	\$ 1,115,462	\$ 17,287	\$ -	\$ 1,132,749
Share-based payment	-	31,949	-	31,949
Issuance of ordinary shares under employee share options	<u>3,091</u>	<u>-</u>	<u>-</u>	<u>3,091</u>
Balance at December 31, 2022	1,118,553	49,236		1,167,789
Issuance of ordinary shares under employee share options	-	41,536	-	41,536
Share-based payment	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 1,118,553</u>	<u>\$ 90,772</u>	<u>\$ 1</u>	<u>\$ 1,209,326</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, however, when the statutory surplus reserve has exceeded 50% of the total capital, it may not be set aside any more. When the special surplus reserve is set aside in accordance with Article 41 of the Securities and Exchange Law, the insufficient amount of the "net amount of other equity deductions accumulated in the previous period" shall be set

aside the same amount of special surplus reserve from the undistributed earnings of the previous period before the distribution of earnings, Items other than the current after tax net profit added to the current after tax net profit are included in the current undistributed earnings. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the Company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

The appropriations of earnings for 2022 and 2021, which had been approved in the shareholders' meetings on June 16, 2023 and June 23, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 12,261	\$ 74,107
Special reserve	\$ (5,759)	\$ 1,509
Cash dividends	\$ -	\$ 270,035
Dividends per share (NT\$)	\$ -	\$ 3.5

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' in their' meeting to be held on June 18, 2024.

d. Other equity items

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 23	\$ (5,759)
Exchange differences on translation of the financial statements of foreign operations	(714)	5,782
Balance, end of year	\$ (691)	\$ 23

e. Treasury shares

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Treasury shares (In thousands of shares)	1,000	1,000

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$53 to



NT\$115 per share. In October 2019, the Company completed the repurchase of 1,000 thousand shares for \$96,995 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 19. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,663,480	\$ 2,021,104
Others	<u>19</u>	<u>7,986</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>

### a. Contract balances

	<b>December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Accounts receivable (Note 8)	<u>\$ 46,151</u>	<u>\$ 34,869</u>	<u>\$ 14,680</u>
Contract liabilities - current			
Sale of goods	<u>\$ 38,995</u>	<u>\$ 69,012</u>	<u>\$ 35,139</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 65,890</u>	<u>\$ 29,311</u>

### b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Primary geographical markets</u>		
Hong Kong	\$ 1,223,819	\$ 1,620,387
Taiwan (the Group's operating location)	196,707	170,578
Others	<u>242,973</u>	<u>238,125</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>
<u>Major goods</u>		
CMOS	\$ 1,644,786	\$ 1,995,249
Others	<u>18,713</u>	<u>33,841</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposit	\$ 35,831	\$ 9,489
Financial assets at amortized cost	48	928
Others	<u>13</u>	<u>7</u>
	<u>\$ 35,892</u>	<u>\$ 10,424</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Others	<u>\$ 104</u>	<u>\$ 303</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange gain	\$ (2,205)	\$ 5,158
Gain on disposal of property, plant and equipment	-	4,408
Other gain	498	-
Other losses	<u>(10)</u>	<u>(402)</u>
	<u>\$ (1,717)</u>	<u>\$ 9,164</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 10,976	\$ 4,774
Interest on lease liabilities	<u>163</u>	<u>149</u>
	<u>\$ 11,139</u>	<u>\$ 4,923</u>

### e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 42,663	\$ 62,696
Right-of-use assets	9,091	8,448
Intangible assets	<u>2,468</u>	<u>5,902</u>
Total	<u>\$ 54,222</u>	<u>\$ 77,046</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 10,262	\$ 14,485
Operating expenses	<u>41,492</u>	<u>56,659</u>
	<u>\$ 51,754</u>	<u>\$ 71,144</u>
An analysis of amortization by function		
Research and development expenses	<u>\$ 2,468</u>	<u>\$ 5,902</u>
		(Concluded)

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plans	\$ 3,860	\$ 3,529
Defined benefit plans	<u>(21)</u>	<u>(11)</u>
	3,839	3,518
Other employee benefits	<u>228,064</u>	<u>244,540</u>
Total employee benefits expense	<u>\$ 231,903</u>	<u>\$ 248,058</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 231,903</u>	<u>\$ 248,058</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. Due to 2023 being net loss, the employee's compensation and remuneration were not proposed. The employees' compensation and remuneration of directors for the years ended December 31, 2022, which were resolved in the board of directors' meetings on March 15, 2023, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	-	7.99%
Remuneration of directors and supervisors	-	1.49%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	\$ -	\$ 13,440
Remuneration of directors and supervisors	-	2,500

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021, and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ (1,516)	\$ 25,916
Income tax on unappropriated earnings	5,805	19,771
Adjustments for prior years	<u>726</u>	<u>1,275</u>
	5,015	46,962
Deferred tax		
In respect of the current year	<u>(66,611)</u>	<u>(16,062)</u>
Income tax expense recognized in profit or loss	<u>\$ (61,596)</u>	<u>\$ 30,900</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ (348,312)</u>	<u>\$ 153,458</u>
Income tax expense calculated at the statutory rate	\$ (69,627)	\$ 30,743
Income tax on unappropriated earnings	5,805	19,771
Nondeductible expenses in determining taxable income	(1,196)	(1,442)
Unrecognized deductible temporary differences	66,611	16,062
Unrecognized loss deductible	4,438	-
Investment credits of the current year	(1,745)	(19,447)
Deferred tax		
Temporary differences	(66,611)	(16,062)
Adjustments for prior years' tax	<u>726</u>	<u>1,275</u>
Income tax expense recognized in profit or loss	<u>\$ (61,596)</u>	<u>\$ 30,900</u>

### b. Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,129</u>	<u>\$ 51,774</u>

### c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Year Ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 31,490	\$ 64,026	\$ 95,516
Foreign exchange loss	<u>-</u>	<u>1,076</u>	<u>1,076</u>
	<u>\$ 31,490</u>	<u>\$ 65,102</u>	<u>\$ 96,592</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ 1,509</u>	<u>\$ (1,509)</u>	<u>\$ -</u>

For the Year Ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 13,636	\$ 17,854	\$ 31,490
Foreign exchange loss	<u>283</u>	<u>(283)</u>	<u>-</u>
	<u>\$ 13,919</u>	<u>\$ 17,571</u>	<u>\$ 31,490</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ -</u>	<u>\$ 1,509</u>	<u>\$ 1,509</u>

d. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

**22. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ (3.70)</u>	<u>\$ 1.59</u>
Diluted earnings per share	<u>\$ (3.70)</u>	<u>\$ 1.58</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Earnings used in the computation of basic earnings per share	\$ (286,716)	\$ 122,558
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ (286,716)</u>	<u>\$ 122,558</u>

Number of shares

**Unit: In Thousands of Shares**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,456	77,206
Effect of potentially dilutive ordinary shares:		
Employee share options	-	198
Bonuses issued to employees	<u>-</u>	<u>355</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,456</u>	<u>77,759</u>

The Group may settle the bonuses to employees in cash or shares; therefore, the Company assumes the entire amount of the bonus will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## **23. SHARE-BASED PAYMENT ARRANGEMENTS**

### **a. Employee share option plan**

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Qualified employees of the Company were granted 5,000 options on July 22, 2021, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 5,000 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

<b>2021 Employee Share Option Plan</b>		
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>For the year ended December 31, 2023</u>		
Balance at January 1	3,500	\$ 99.60
Options exercised	<u>-</u>	-
Balance at December 31	<u>3,500</u>	99.60
Options exercisable, end of the year	<u>-</u>	

	<b>2021 Employee Share Option Plan</b>		<b>2013 Employee Share Option Plan</b>		<b>2012 Employee Share Option Plan</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>For the year ended December 31, 2022</u>						
Balance at January 1	-	\$ -	55	\$ 32.21	603	\$ 17.20
Options granted	3,500	99.60	-	-	-	-
Options exercised	-	-	(55)	31.00	(248)	17.79
Option forfeited	<u>-</u>	-	<u>-</u>	-	<u>(355)</u>	15.81
Balance at December 31	<u>3,500</u>	99.60	<u>-</u>	-	<u>-</u>	-
Options exercisable, end of the year	<u>-</u>		<u>-</u>		<u>-</u>	

Information on outstanding options as follows:

<b>December 31, 2023</b>			<b>December 31, 2022</b>		
<b>Share Option Plan</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (In Years)</b>	<b>Share Option Plan</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted- average Remaining Contractual Life (In Years)</b>
2021 Employee share option plan	\$ 99.60	10.23	2021 Employee share option plan	\$ 99.60	11.23
2013 Employee share option plan	-	-	2013 Employee share option plan	-	-
2012 Employee share option plan	-	-	2012 Employee share option plan	-	-

The resolution for the granting of the 2021 employee share options was passed in the board of directors' meeting on July 1, 2021, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$ 103.5
Exercise price (NT\$)	\$ 103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

The cost of share-based compensation for the year ended December 31, 2023 and 2022, are \$41,536 thousand and \$31,949 thousand.

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

### b. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,091,801	\$ 804,771
<u>Financial liabilities</u>		
Amortized cost (Note 2)	590,962	827,633

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposits and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loan, accounts payable, other payables, current portion of long-term borrowing, long-term loan and guarantee deposits.

### c. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.



## 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Group's exposure to market risks or the manner in which these risks were managed and measured.

### a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 92% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 98% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

#### Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2023 and 2022 would decrease/increase by \$6,956 thousand and \$2,545 thousand, respectively.

### b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets and financial liabilities at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 464,124	\$ 341,338
Cash flow interest rate risk		
Financial assets	574,255	424,731
Financial liabilities	500,000	550,000

#### Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had been 0.5% higher/lower, pre-tax profit for the years ended December 31, 2023, and 2022 would have increased/decreased by \$371 thousand and \$(626) thousand, respectively.

## 2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations and resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group transacts with a large number of unrelated customers, thus, no concentration of credit risk was observed.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Group. For the Group's unutilized financing facilities, please refer to (b) Financing facilities below.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 577	\$ 1,154	\$ 4,811	\$ 963
Accounts payable	71,662	16,729	-	-
Payables for purchases of equipment	-	2,571	-	-
Variable interest rate liabilities	<u>509</u>	<u>201,017</u>	<u>103,899</u>	<u>202,712</u>
	<u>\$ 72,748</u>	<u>\$ 221,471</u>	<u>\$ 108,710</u>	<u>\$ 203,675</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 6,542	\$ 963	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>305,425</u>	<u>202,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 311,967</u>	<u>\$ 203,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	\$ 579	\$ 1,158	\$ 5,209	\$ 7,519
Accounts payable	177,839	90,700	723	-
Payables for purchases of equipment	5,975	2,396	-	-
Variable interest rate liabilities	<u>150,650</u>	<u>1,301</u>	<u>105,041</u>	<u>307,318</u>
	<u>\$ 335,043</u>	<u>\$ 95,555</u>	<u>\$ 110,973</u>	<u>\$ 314,837</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 6,946	\$ 7,519	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>256,992</u>	<u>307,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 253,938</u>	<u>\$ 314,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 500,000	\$ 550,000
Amount unused	<u>250,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Secured bank overdraft facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>250,000</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	2023	2022
Short-term employee benefits	<u>\$ 37,671</u>	<u>\$ 95,969</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee based on with individual performance and market trends.

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	<u>\$ 3,549</u>	<u>\$ 3,528</u>

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

### December 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 29,434	30.705 (USD:NTD)	\$ 903,785
CNY	300	4.327 (CNY:NTD)	<u>1,299</u>
			<u>\$ 905,084</u>

### Financial liabilities

Monetary items			
USD	6,781	30.705 (USD:NTD)	<u>\$ 208,202</u>

### December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,119	30.71 (USD:NTD)	\$ 679,287
CNY	2,309	4.408 (CNY:NTD)	<u>10,178</u>
			<u>\$ 689,465</u>

### Financial liabilities

Monetary items			
USD	13,833	30.71 (USD:NTD)	<u>\$ 424,820</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ (1,276)	1 (NTD:NTD)	\$ 4,738
CNY	4.396 (CNY:NTD)	(790)	4.422 (CNY:NTD)	226
USD	31.155 (USD:NTD)	<u>(199)</u>	29.805 (USD:NTD)	<u>194</u>
		<u>\$ (2,205)</u>		<u>\$ 5,158</u>

## 29. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

- 1) Financing provided to others: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investments in subsidiaries): None;
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 1;
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- 9) Information about the derivative instruments transaction: None;
- 10) Intercompany relationships and significant intercompany transactions: See Table 1;

### b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): See Table 2.

### c. Information on investments in mainland China: See Table 3.

### d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 4.

### 30. SEGMENT INFORMATION

#### a. Operation segment information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The segment revenues and operating results for the years ended December 31, 2023 and 2022 are shown in the consolidated income statements for the years ended December 31, 2023 and 2022. The segment assets as of December 31, 2023 and 2022 are shown in the consolidated balance sheets as of December 31, 2023 and 2022.

#### b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Complementary metal-oxide semiconductors	\$ 1,644,786	\$ 1,995,249
Others	<u>18,713</u>	<u>33,841</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>

#### c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Hong Kong	\$ 1,223,819	\$ 1,620,387	\$ -	\$ -
Taiwan (the Group's operating location)	196,707	170,578	36,165	58,426
Others	<u>242,973</u>	<u>238,125</u>	<u>10,423</u>	<u>8,436</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>	<u>\$ 46,588</u>	<u>\$ 66,862</u>

Non-current assets exclude financial assets at amortized cost non-current, deferred tax assets, post-employment benefit assets and goodwill.

#### d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Customer A	\$ 540,488	\$ 613,666
Customer B	447,376	856,459
Customer C	181,530	163,028

**TABLE 1**

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
			Financial Statement Item	2023		Percentage of Consolidated Total Gross Sales or Total Assets
				Amount	Terms (Note 2)	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 55,619	-	3%
	NUEVA IMAGING INC.	1	Other payable from related parties	3,865	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	66,545	-	4%
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	4,417	-	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

**TABLE 2**

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**DECEMBER 31, 2023**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2023			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 257,085	\$ 2,662	\$ 2,662	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	39,094	3,320	3,320	Subsidiary



**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment (%)	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,373 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,373 (US\$ 175 thousand)	\$ 3,320	100	\$ 3,320	\$ 39,094	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,373 (US\$ 175 thousand)	Note 1	\$ 1,428,868

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.’s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US\$ 175 thousand.

Note 2: Amount was recognized on the basis of the audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2023.

**TABLE 4****SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	17,691,413	22.54
Egis Technology Inc.	12,640,756	16.11
Samoa Full Guest Investment Limited	4,875,458	6.21
Xiao Dong Luo	4,583,587	5.84

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

## **V. 2023 Independent Auditors' Report and Unconsolidated Financial Statements**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Silicon Optronics, Inc.

#### **Opinion**

We have audited the accompanying parent company only financial statements of Silicon Optronics, Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023 are described as follows:

##### Sales Revenue

The Company's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Company's sales transactions; therefore, we identified the validity of sales revenue from the key customers as a key audit matter for the year ended December 31, 2023.

For the accounting policies on the revenue recognition, refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We obtained an understanding of the design and implementation of internal controls on revenue recognition and tested the effectiveness of these controls.
2. We confirmed the occurrence of sales revenue as follows: we selected samples and inspected the relevant supporting documents and accounting records, and we verified the accuracy of the amounts and revenue recognized.

#### Inventory Valuation

As of December 31, 2023, the Company's inventory balance was \$1,524,493 thousand, accounting for 49% of the combined total assets. For the related accounting policies, please refer to Note 4 (e) to the parent company only financial statements. Since the amount of the inventory is significant and the assessment of net realizable value involves significant management judgments, we considered the inventory valuation as a key audit matter.

Our main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. Based on our understanding of the industry and nature of the products of the Company, we verified the appropriateness of the method of inventory aging management, and we also selected samples of and tested the appropriateness of the aging classification.
2. We performed recalculations and determined that the assessment of the net realizable value was reasonable, and we verified that the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data. We also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.
3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and we analyzed the reasons for the differences in the provision for loss in 2023 compared to 2022. We also assessed that the provision for inventory valuation and obsolescence losses was appropriate.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 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.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Hui Chen and Tung-Hui Yeh.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2024

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022		LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 992,813	32	\$ 721,827	20	Short-term loan (Notes 4 and 15)	\$ 200,000	6	\$ 150,000	4
Accounts receivable - net (Notes 4 and 8)	46,151	1	34,869	1	Contract liabilities - current (Note 19)	38,995	1	69,012	2
Inventories (Notes 4, 5 and 9)	1,524,493	49	2,410,944	65	Accounts payable (Note 4)	84,354	3	265,258	7
Prepayments and other current assets (Notes 4, 14 and 25)	<u>129,044</u>	<u>4</u>	<u>134,228</u>	<u>4</u>	Accrued expenses and other current liabilities (Notes 4 and 16)	28,219	1	53,135	2
Total current assets	<u>2,692,501</u>	<u>86</u>	<u>3,301,868</u>	<u>90</u>	Other payables to related parties (Notes 4 and 26)	8,282	-	6,744	-
NON-CURRENT ASSETS					Current tax liabilities (Notes 4 and 21)	1,081	-	51,763	1
Financial assets at amortized cost - noncurrent (Notes 4, 7, 25 and 27)	3,549	-	3,528	-	Lease liabilities - current (Notes 4 and 12)	4,197	-	4,136	-
Investment accounted for using the equity method (Notes 4 and 10)	296,179	10	290,911	8	Current portion of long - term borrowing (Note 15)	100,000	3	100,000	3
Property, plant and equipment (Notes 4, 11 and 27)	30,251	1	45,088	1	Refund liabilities - current (Note 16)	<u>79,266</u>	<u>3</u>	<u>53,941</u>	<u>2</u>
Right-of-use assets (Notes 4 and 12)	4,849	-	9,005	-	Total current liabilities	<u>544,394</u>	<u>17</u>	<u>753,989</u>	<u>21</u>
Intangible assets (Notes 4 and 13)	140	-	2,809	-	NON-CURRENT LIABILITIES				
Deferred tax assets (Notes 4 and 21)	96,592	3	31,490	1	Long-term loan (Notes 4 and 15)	200,000	7	300,000	8
Other non-current assets (Notes 4, 14 and 17)	<u>2,484</u>	<u>-</u>	<u>3,041</u>	<u>-</u>	Deferred income tax liabilities (Notes 4 and 21)	-	-	1,509	-
Total non-current assets	<u>434,044</u>	<u>14</u>	<u>385,872</u>	<u>10</u>	Lease liabilities -non-current (Notes 4 and 12)	<u>705</u>	<u>-</u>	<u>4,902</u>	<u>-</u>
					Total non-current liabilities	<u>200,705</u>	<u>7</u>	<u>306,411</u>	<u>8</u>
					Total liabilities	<u>745,099</u>	<u>24</u>	<u>1,060,400</u>	<u>29</u>
					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
					Ordinary shares	784,559	25	784,559	21
					Capital surplus	1,209,326	39	1,167,789	32
					Retained earnings				
					Legal reserve	180,425	6	168,164	5
					Special reserve	-	-	5,759	-
					Unappropriated earnings	304,822	9	598,041	16
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	(691)	-	23	-
					Treasury shares	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>
					Total equity	<u>2,381,446</u>	<u>76</u>	<u>2,627,340</u>	<u>71</u>
TOTAL	<u>\$ 3,126,545</u>	<u>100</u>	<u>\$ 3,687,740</u>	<u>100</u>	TOTAL	<u>\$ 3,126,545</u>	<u>100</u>	<u>\$ 3,687,740</u>	<u>100</u>

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

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 1,663,499	100	\$ 2,029,090	100
OPERATING COSTS (Notes 9 and 26)	<u>1,707,026</u>	<u>103</u>	<u>1,534,568</u>	<u>76</u>
GROSS PROFIT	<u>(43,527)</u>	<u>(3)</u>	<u>494,522</u>	<u>24</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	15,237	1	15,546	1
General and administrative expenses	44,011	3	52,961	3
Research and development expenses	<u>276,135</u>	<u>16</u>	<u>295,891</u>	<u>14</u>
Total operating expenses	<u>335,383</u>	<u>20</u>	<u>364,398</u>	<u>18</u>
OPERATING INCOME	<u>(378,910)</u>	<u>(23)</u>	<u>130,124</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	35,866	2	10,369	1
Other income (Note 20)	104	-	137	-
Other gains and losses (Note 20)	(1,226)	-	9,195	-
Financial costs (Note 20)	(11,080)	(1)	(4,869)	-
Share of income of subsidiaries (Notes 4 and 10)	<u>5,982</u>	<u>1</u>	<u>7,210</u>	<u>-</u>
Total non-operating income and expenses	<u>29,646</u>	<u>2</u>	<u>22,042</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	(349,264)	(21)	152,166	7
INCOME TAX EXPENSE (Notes 4 and 21)	<u>62,548</u>	<u>4</u>	<u>(29,608)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>(286,716)</u>	<u>(17)</u>	<u>122,558</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	(1)	-	56	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	<u>(714)</u>	<u>-</u>	<u>5,782</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(715)</u>	<u>-</u>	<u>5,838</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (287,431)</u>	<u>(17)</u>	<u>\$ 128,396</u>	<u>6</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ (3.70)</u>		<u>\$ 1.59</u>	
Diluted	<u>\$ (3.70)</u>		<u>\$ 1.58</u>	

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



# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Ordinary Share Capital			Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2022	78,153	\$ 781,529	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 821,078	\$ (5,759)	\$ (96,995)	\$ 2,730,909
Appropriation of 2021 earnings									
Legal reserve	-	-	-	74,107	-	(74,107)	-	-	-
Special reserve	-	-	-	-	1,509	(1,509)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(270,035)	-	-	(270,035)
Net profit for the year ended December 31, 2022	-	-	-	-	-	122,558	-	-	122,558
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	56	5,782	-	5,838
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	122,614	5,782	-	128,396
Issuance of ordinary shares under employee share options	303	3,030	3,091	-	-	-	-	-	6,121
Share-based payment	-	-	31,949	-	-	-	-	-	31,949
BALANCE, DECEMBER 31, 2022	78,456	784,559	1,167,789	168,164	5,759	598,041	23	(96,995)	2,627,340
Appropriation of 2022 earnings									
Legal reserve	-	-	-	12,261	-	(12,261)	-	-	-
Special reserve	-	-	-	-	(5,759)	5,759	-	-	-
Dividends not received by shareholders beyond the deadline	-	-	1	-	-	-	-	-	1
Net profit for the year ended December 31, 2023	-	-	-	-	-	(286,716)	-	-	(286,716)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(1)	(714)	-	(715)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(286,717)	(714)	-	(287,431)
Issuance of ordinary shares under employee share options	-	-	41,536	-	-	-	-	-	41,536
BALANCE, DECEMBER 31, 2023	78,456	\$ 784,559	\$ 1,209,326	\$ 180,425	\$ -	\$ 304,822	\$ (691)	\$ (96,995)	\$ 2,381,446

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

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ (349,264)	\$ 152,166
Adjustments for:		
Depreciation expenses	46,676	66,687
Amortization expenses	420	1,544
Finance costs	11,080	4,869
Interest income	(35,866)	(10,369)
Share-based payment	41,536	31,949
Share of profit of subsidiaries	(5,982)	(7,210)
Gain on disposal of property, plant and equipment	-	(4,408)
Net loss (gain) on foreign currency exchange	15,882	(7,155)
Gain from lease modification	-	(49)
Changes in operating assets and liabilities		
Accounts receivable	(12,523)	(20,101)
Inventories	886,451	(893,883)
Prepayments and other current assets	10,213	(90,186)
Contract liabilities	(28,887)	33,031
Accounts payable	(184,273)	(79,677)
Other payables to related parties	1,538	(4,768)
Accrued expenses and other current liabilities	(19,112)	(124,242)
Refund liabilities	25,325	36,823
Net defined benefit liabilities	(44)	(33)
Cash generated from (used in) operations	403,170	(915,012)
Income tax paid	(54,745)	(143,075)
Net cash generated from (used in) operating activities	348,425	(1,058,087)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(21)	(16)
Proceeds from financial assets at amortized cost	-	539,508
Payments for property, plant and equipment	(33,641)	(35,921)
Proceeds from disposal of property, plant and equipment	-	417,891
Decrease in refundable deposits	600	81,547
Payments for intangible assets	-	(3,373)
Interest received	33,045	8,359
Net cash generated from investing activities	(17)	1,007,995
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	780,000	150,000
Repayments of short-term loans	(730,000)	-
Proceeds from long-term loans	-	400,000
Repayments of long-term loans	(100,000)	(350,000)
Repayments of guarantee deposits received	-	(6,977)
Repayment of the principal portion of lease liabilities	(4,136)	(4,145)

(Continued)

## **SILICON OPTRONICS, INC.**

### **PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)**

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	<b>2023</b>	<b>2022</b>
Dividends paid	\$ -	\$ (270,035)
Exercise of employee share options	-	6,121
Interest paid	(11,084)	(4,869)
Overdue failure to receive dividends converted into capital surplus	<u>1</u>	<u>-</u>
Net cash used in financing activities	<u>(65,219)</u>	<u>(79,905)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(12,203)</u>	<u>(5,692)</u>
NET INCREASE (DECREASE) IN CASH	270,986	(135,689)
CASH AT THE BEGINNING OF THE YEAR	<u>721,827</u>	<u>857,516</u>
CASH AT THE END OF THE YEAR	<u>\$ 992,813</u>	<u>\$ 721,827</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

# SILICON OPTRONICS, INC.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 12, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2023

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by International Accounting Standards Board</b>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

NNote 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Except for the above impact, as of the date the parent company only financial statements were authorized

for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRS Accounting Standards</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

- a. Statement of compliance

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

- b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent company in the consolidated financial statements, the differences in the accounting treatments between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

At the time of the preparation of the parent company only financial statements, the assets and liabilities of the Company and its foreign operations (including subsidiaries operating in other countries or those using currencies which are different from the Company's functional currency) are converted into NT dollars at each balance sheet date. Income and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary refers to an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's share of other equity in the subsidiary are recognized based on its shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of loss in the subsidiary is equal to or exceeds its interest in the subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss according to the shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates

accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.



## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement category

Financial assets are classified as financial assets at amortized cost.

#### i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposits with original maturities of more than 3 months and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will

result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this

delivery does not involve a transfer of control.

## 2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

## l. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### The Company as lessee

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right of-use assets are presented on a separate line in the parent company only balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets.

## m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Share-based payment arrangements

Employee share options granted

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its material accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key Sources of Estimation Uncertainty

#### a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 154	\$ 85
Bank deposits	532,084	383,932
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits in banks	<u>460,575</u>	<u>337,810</u>
	<u>\$ 992,813</u>	<u>\$ 721,827</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Time deposits	5.17%-5.80%	4.72%-5.20%

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Pledged time deposits (b)	<u>\$ 3,549</u>	<u>\$ 3,528</u>

- a. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- b. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

## 8. ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
<u>Accounts receivable-unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 46,151	\$ 34,869
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 46,151</u>	<u>\$ 34,869</u>

### At amortized cost

The average credit period for sales of goods is 30 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past-due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

### December 31, 2023

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 46,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,151
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 46,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,151</u>

### December 31, 2022

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 31,519	\$ 3,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,869
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 31,519</u>	<u>\$ 3,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,869</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 995,794	\$ 1,660,740
Work in progress	522,383	746,774
Raw materials	<u>6,316</u>	<u>3,430</u>
	<u><b>\$ 1,524,493</b></u>	<u><b>\$ 2,410,944</b></u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 1,386,892	\$ 1,445,300
Inventory write-downs (reversed) (a)	<u>320,134</u>	<u>89,268</u>
	<u><b>\$ 1,707,026</b></u>	<u><b>\$ 1,534,568</b></u>

a. Inventory write-downs were reversed as a result of sale has been recognized inventory obsolescence.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in subsidiaries

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
NUEVA IMAGING, INC.	\$ 257,085	\$ 254,407
Silicon Optronics (Cayman) Co., Ltd.	<u>39,094</u>	<u>36,504</u>
	<u><b>\$ 296,179</b></u>	<u><b>\$ 290,911</b></u>

### Name of subsidiary

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
NUEVA IMAGING, INC.	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	100%	100%

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2023 and 2022 was recognized based on the subsidiaries' financial statements audited by the accountants for the same periods.



## 11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Photomasks	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 730	\$ -	\$ 12,404	\$ 486	\$ 92,221	\$ 105,841
Additions	-	-	-	-	27,782	27,782
Disposal	-	-	(3,644)	-	(59,495)	(63,139)
Balance at December 31, 2023	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ 8,760</u>	<u>\$ 486</u>	<u>\$ 60,508</u>	<u>\$ 70,484</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ 268	\$ -	\$ 7,020	\$ 127	\$ 52,155	\$ 59,570
Depreciation expense	146	-	2,587	162	39,625	42,520
Disposal	-	-	(3,545)	-	(59,495)	(63,040)
Balance at December 31, 2023	<u>\$ 414</u>	<u>\$ -</u>	<u>\$ 6,062</u>	<u>\$ 289</u>	<u>\$ 32,285</u>	<u>\$ 39,050</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2023 and December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2023	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 1,515</u>	<u>\$ 197</u>	<u>\$ 28,223</u>	<u>\$ 30,251</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 910	\$ 473,084	\$ 13,659	\$ 118	\$ 124,048	\$ 611,819
Additions	-	-	1,058	368	32,726	34,152
Disposal	(180)	(473,084)	(2,313)	-	(64,553)	(540,130)
Balance at December 31, 2022	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ 12,404</u>	<u>\$ 486</u>	<u>\$ 92,221</u>	<u>\$ 105,841</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 281	\$ 52,564	\$ 5,867	\$ 26	\$ 64,946	\$ 123,684
Depreciation expense	167	7,037	3,466	101	51,762	62,533
Disposal	(180)	(59,601)	(2,313)	-	(64,553)	(126,647)
Balance at December 31, 2022	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ 7,020</u>	<u>\$ 127</u>	<u>\$ 52,155</u>	<u>\$ 59,570</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2022 and December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2022	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ 4,201</u>	<u>\$ 359</u>	<u>\$ 40,066</u>	<u>\$ 45,088</u>

The Company's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Photomasks	2 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amounts</u>		
Buildings	\$ 4,849	\$ 9,005
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Depreciation charge for right-of-use assets		
Buildings	\$ 4,156	\$ 4,154

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amounts</u>		
Current	\$ 4,197	\$ 4,136
Non-current	\$ 705	\$ 4,902

The discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.46%	1.46%

### c. Material lease activities and terms

The Company did not have significant new lease contracts in 2023 and 2022. The Company leases buildings for the use of offices with lease terms of 2-3 years. The Company does not have bargain purchase options to acquire the buildings at the expiration of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

### d. Other lease information

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ 466	\$ 450
Expenses relating to low-value asset leases	\$ 34	\$ 38
Total cash outflow for leases	\$ (4,740)	\$ (4,728)

### 13. INTANGIBLE ASSETS

#### Software

#### Cost

Balance at January 1, 2023	\$ 4,632
Additions	<u>(2,249)</u>
Balance at December 31, 2023	<u>\$ 2,383</u>

#### Accumulated amortization

Balance at January 1, 2023	\$ 1,823
Amortization expense	<u>420</u>
Balance at December 31, 2023	<u>\$ 2,243</u>
Carrying amounts at December 31, 2023	<u>\$ 140</u>

#### Cost

Balance at January 1, 2022	\$ 1,259
Additions	<u>3,373</u>
Balance at December 31, 2022	<u>\$ 4,632</u>

#### Accumulated amortization

Balance at January 1, 2022	\$ 279
Amortization expense	<u>1,544</u>
Balance at December 31, 2022	<u>\$ 1,823</u>
Carrying amounts at December 31, 2022	<u>\$ 2,809</u>

Except for the recognition of amortization expense, there were no significant addition, disposal and impairment of the Company's other intangible assets for the year ended December 31, 2023 and 2022.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years
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### 14. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayments for purchases	\$ 87,780	\$ 88,397
Overpaid sales tax	-	26,280
Tax receivables	35,414	16,565
Others	<u>5,850</u>	<u>2,986</u>
	<u>\$ 129,044</u>	<u>\$ 134,228</u>

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Refundable deposits	\$ 925	\$ 1,525
Net defined benefit assets	<u>1,559</u>	<u>1,516</u>
	<u>\$ 2,484</u>	<u>\$ 3,041</u>
		(Concluded)

## 15. BORROWINGS

### a. Short-term loan

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Unsecured loan</u>		
Bank loan	<u>\$ 200,000</u>	<u>\$ 150,000</u>

The range of weighted average effective interest rates on bank loans was 2.08%-2.5% per annum on December 31, 2022.

### b. Long-term loan

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Unsecured loan</u>		
Bank loan	\$ 300,000	\$ 400,000
Less: Current portion	<u>100,000</u>	<u>100,000</u>
Long-term loan	<u>\$ 200,000</u>	<u>\$ 300,000</u>

The Company acquired new bank loan with a floating interest rate of 2.03% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments starting from July 2023. The loan is to be repaid before July 5, 2025.

## 16. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Other payables		
Payables for bonuses	\$ 15,416	\$ 19,863
Payables for employees' compensation	-	13,440
		(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Payables for purchases of equipment	\$ 2,571	\$ 8,371
Payables for remuneration of directors	-	2,500
Others	<u>10,053</u>	<u>8,762</u>
	28,040	52,936
Other liabilities		
Receipts under custody	<u>179</u>	<u>199</u>
	<u>\$ 28,219</u>	<u>\$ 53,135</u>
Refund liabilities (a)	<u>\$ 79,266</u>	<u>\$ 53,941</u>
		(Concluded)

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (“LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and the average monthly salary for the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company’s benefit plans are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 375	\$ 365
Fair value of plan assets	<u>(1,934)</u>	<u>(1,881)</u>
Net defined benefit assets	<u>\$ (1,559)</u>	<u>\$ (1,516)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance at January 1, 2023	\$ 365	\$ (1,881)	\$ (1,516)
Net interest expense (income)	5	(26)	(21)
Recognized in profit or loss	5	(26)	(21)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	4	-	4
Actuarial loss - experience adjustments	1	(6)	(5)
Recognized in other comprehensive loss (income)	5	(6)	(1)
Contributions from the employer	-	(22)	(22)
Balance at December 31, 2023	\$ 375	\$ (1,935)	\$ (1,560)
Balance at January 1, 2022	\$ 291	\$ (1,718)	\$ (1,427)
Net interest expense (income)	3	(14)	(11)
Recognized in profit or loss	3	(14)	(11)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(31)	-	(31)
Actuarial loss - experience adjustments	102	(127)	(25)
Recognized in other comprehensive loss (income)	71	(127)	(56)
Contributions from the employer	-	(22)	(22)
Balance at December 31, 2022	\$ 365	\$ (1,881)	\$ (1,516)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.3%	1.4%
Expected rate of salary increase	3.0%	3.0%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	\$ (12)	\$ (12)
0.25% decrease	\$ 12	\$ 12
Expected rate of salary increase/decrease		
0.25% increase	\$ 11	\$ 11
0.25% decrease	\$ (11)	\$ (11)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	\$ 22	\$ 22
Average duration of the defined benefit obligation	13 years	14 years

## 18. EQUITY

### a. Common stock

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	\$ 1,000,000	\$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,456	78,456
Shares issued	\$ 784,559	\$ 784,559

A total of 15,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	\$ 1,118,553	\$ 1,118,553
Arising from exercise of employee share options	12,754	12,754
<u>May be used to offset a deficit only</u>		
Shareholder's overdue dividends not received	1	-
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>78,018</u>	<u>36,482</u>
	<u>\$ 1,209,326</u>	<u>\$ 1,167,789</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	<b>Premium on Issue of Shares</b>	<b>Arising from Employee Share Options</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2022	\$ 1,115,462	\$ 17,287	\$ -	\$ 1,132,749
Share-based payment	-	31,949	-	31,949
Issuance of ordinary shares under employee share options	<u>3,091</u>	<u>-</u>	<u>-</u>	<u>3,091</u>
Balance at December 31, 2022	1,118,553	49,236	-	1,167,789
Issuance of ordinary shares under employee share options	-	41,536	-	41,536
Shareholder's overdue dividends not received	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Balance at December 31, 2023	<u>\$ 1,118,553</u>	<u>\$ 90,772</u>	<u>\$ 1</u>	<u>\$ 1,209,326</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, however, when the statutory surplus reserve has exceeded 50% of the total capital, it may not be set aside any more. When the special surplus reserve is set aside in accordance with Article 41 of the Securities and Exchange Law, the insufficient amount of the "net amount of other equity deductions accumulated in the previous period" shall be set aside the same amount of special surplus reserve from the undistributed earnings of the previous period before the distribution of earnings, Items other than the current after tax net profit added to the current after tax net profit are included in the current undistributed earnings. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any



undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the Company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

The appropriations of earnings for 2022 and 2021 which had been approved in the shareholders in their meetings on June 16, 2023 and June 23, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 12,261	\$ 74,107
Special reserve	\$ (5,759)	\$ 1,509
Cash dividends	\$ -	\$ 270,035
Dividends per share (NT\$)	\$ -	\$ 3.5

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' in their meeting to be held on June 18, 2024.

d. Other equity items

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 23	\$ (5,759)
Exchange differences on translation of the financial statements of foreign operations	(714)	5,782
Balance, end of year	\$ (691)	\$ 23

e. Treasury shares

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Treasury shares (in thousands of shares)	1,000	1,000

The Company's board of directors held a meeting on August 12, 2019 and resolved to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$53 to NT\$115 per share.

In October 2019, the Company completed the repurchase of 1,000 thousand shares for \$96,995 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise

shareholders' rights on these shares, such as the rights to dividends and to vote.

## 19. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,663,480	\$ 2,021,104
Others	<u>19</u>	<u>7,986</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>

### a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2021</b>
Accounts receivable (Note 8)	<u>\$ 46,151</u>	<u>\$ 34,869</u>	<u>\$ 14,680</u>
Contract liabilities - current			
Sale of goods	<u>\$ 38,995</u>	<u>\$ 69,012</u>	<u>\$ 35,139</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 65,890</u>	<u>\$ 29,311</u>

### b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Primary geographical markets</u>		
Hong Kong	\$ 1,223,819	\$ 1,620,387
Taiwan (the Company's operating location)	196,707	170,578
Others	<u>242,973</u>	<u>238,125</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>
<u>Major goods</u>		
CMOS	\$ 1,644,786	\$ 1,995,249
Other	<u>18,713</u>	<u>33,841</u>
	<u>\$ 1,663,499</u>	<u>\$ 2,029,090</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 35,805	\$ 9,434
Financial asset at amortized cost	48	928
Others	<u>13</u>	<u>7</u>
	<u>\$ 35,866</u>	<u>\$ 10,369</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Others	<u>\$ 104</u>	<u>\$ 137</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange gain	\$ (1,216)	\$ 4,738
Gain on disposal of property, plant and equipment	-	4,408
Other gains	-	49
Other expenses	<u>(10)</u>	<u>-</u>
	<u>\$ (1,226)</u>	<u>\$ 9,195</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 10,976	\$ 4,774
Interest on lease liabilities	<u>104</u>	<u>95</u>
	<u>\$ 11,080</u>	<u>\$ 4,869</u>

### e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 42,520	\$ 62,533
Right-of-use assets	4,156	4,154
Intangible assets	<u>420</u>	<u>1,544</u>
Total	<u>\$ 47,096</u>	<u>\$ 68,231</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 10,262	\$ 14,485
Operating expenses	<u>36,414</u>	<u>52,202</u>
	<u>\$ 46,676</u>	<u>\$ 66,687</u>
An analysis of amortization by function		
Research and development expenses	<u>\$ 420</u>	<u>\$ 1,544</u>
		(Concluded)

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plans	\$ 3,860	\$ 3,529
Defined benefit plans	<u>(21)</u>	<u>(11)</u>
	3,839	3,518
Other employee benefits	<u>130,507</u>	<u>159,206</u>
Total employee benefits expense	<u>\$ 134,346</u>	<u>\$ 162,724</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 134,346</u>	<u>\$ 162,724</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25% and remuneration of directors and supervisors at a rate of no higher than 3%. Due to 2023 being not loss, the employee's compensation and remuneration were not proposed. The employees' compensation and remuneration of directors for the years ended December 31, 2022 were resolved in the board of directors' meetings on March 15, 2023, respectively.

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	-	7.99%
Remuneration of directors and supervisors	-	1.49%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	\$ -	\$ 13,440
Remuneration of directors and supervisors	-	2,500

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ (1,742)	\$ 25,606
Income tax on unappropriated earnings	5,805	19,771
Adjustments for prior years	<u>-</u>	<u>(293)</u>
	4,063	45,670
Deferred tax		
In respect of the current year	<u>(66,611)</u>	<u>(16,062)</u>
Income tax expense recognized in profit or loss	<u>\$ (62,548)</u>	<u>\$ 29,608</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ (349,264)</u>	<u>\$ 152,166</u>
Income tax expense calculated at the statutory rate	\$ (69,853)	\$ 30,433
Nondeductible expenses in determining taxable income	(1,196)	(1,442)
Income tax on unappropriated earnings	5,805	19,771
Unrecognized deductible temporary differences	66,611	16,062
Unrecognized loss deductible	4,438	-
Investment credits of the current year	(1,742)	(19,447)
Deferred tax		
Temporary differences	(66,611)	(16,062)
Adjustments for prior years' tax	<u>-</u>	<u>(293)</u>
Income tax expense recognized in profit or loss	<u>\$ (62,548)</u>	<u>\$ 29,608</u>

### b. Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,081</u>	<u>\$ 51,763</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 31,490	\$ 64,026	\$ 95,516
Foreign exchange loss	<u>-</u>	<u>1,076</u>	<u>1,076</u>
	<u>\$ 31,490</u>	<u>\$ 65,102</u>	<u>\$ 96,592</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ 1,509</u>	<u>\$ (1,509)</u>	<u>\$ -</u>

For the Year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 13,636	\$ 17,854	\$ 31,490
Foreign exchange loss	<u>283</u>	<u>(283)</u>	<u>-</u>
	<u>\$ 13,919</u>	<u>\$ 17,571</u>	<u>\$ 31,490</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ -</u>	<u>\$ 1,509</u>	<u>\$ 1,509</u>

d. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ (3.70)</u>	<u>\$ 1.59</u>
Diluted earnings per share	<u>\$ (3.70)</u>	<u>\$ 1.58</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Earnings used in the computation of basic earnings per share	\$ (287,431)	\$ 122,558
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ (287,431)</u>	<u>\$ 122,558</u>

Number of shares

**Unit: In Thousands of Shares**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,456	77,206
Effect of potentially dilutive ordinary shares:		
Employee share options	-	198
Bonuses issued to employees	<u>-</u>	<u>355</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,456</u>	<u>77,759</u>

The Company may settle the bonuses to employees in cash or shares; therefore, the Company assumes the entire amount of the bonus will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## **23. SHARE-BASED PAYMENT ARRANGEMENTS**

### **a. Employee share option plan**

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2013. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share options is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

		<b>2021 Employee Share Option Plan</b>	
		<b>Number of Options (In Thousands)</b>	<b>Weighted - Average Exercise Price (NT\$)</b>
<u>For the year ended December 31, 2023</u>			
Balance at January 1		3,500	\$ 99.60
Options exercised		-	-
Balance at December 31		<u>3,500</u>	99.60
Options exercisable, end of period		<u>-</u>	-

		<b>2021 Employee Share Option Plan</b>		<b>2013 Employee Share Option Plan</b>		<b>2013 Employee Share Option Plan</b>	
		<b>Number of Options (In Thousands)</b>	<b>Weighted - Average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted - Average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted - Average Exercise Price (NT\$)</b>
<u>For the year ended December 31, 2022</u>							
Balance at January 1		-	\$ 99.60	55	\$ 32.21	603	\$ 17.20
Options granted		3,500	99.60	-	-	-	-
Options exercised		-	-	(55)	31.00	(248)	17.79
Options forfeited		-	-	-	-	(355)	15.81
Balance at December 31		<u>3,500</u>	99.60	<u>-</u>	-	<u>-</u>	-
Options exercisable, end of period		<u>-</u>	-	<u>-</u>	-	<u>-</u>	-

Information on outstanding options as follows:

<b>December 31, 2023</b>			<b>December 31, 2022</b>		
<b>Share Option Plan</b>	<b>Range of Exercise Price(NT\$)</b>	<b>Weighted-average Remaining Contractual Life (In Years)</b>	<b>Share Option Plan</b>	<b>Range of Exercise Price(NT\$)</b>	<b>Weighted-average Remaining Contractual Life (In Years)</b>
2021 Employee share option plan	\$ 99.60	10.23	2021 Employee share option plan	\$ 99.60	11.23
2013 Employee share option plan	-	-	2013 Employee share option plan	-	-
2012 Employee share option plan	-	-	2012 Employee share option plan	-	-

The resolution for the granting of the 2021 employee share options was passed in the board of directors' meeting on July 1, 2021, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$103.5
Exercise price (NT\$)	\$103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

The cost of share-based compensation for the year ended December 31, 2022, is \$31,949 thousand.



## 24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that will be able to continue as a going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Company is not subject to any externally imposed capital requirements.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

### b. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,043,438	\$ 761,749
<u>Financial liabilities</u>		
Amortized cost (Note 2)	595,207	830,373

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, other accounts receivables, refundable deposit and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loan, accounts payable, other payables (including related parties), current portion of long-term borrowing, long-term loan and guarantee deposits.

### c. Financial risk management objectives and policies

The Company's major financial instruments included accounts receivable, accounts payable and borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company has foreign currency sales and purchases, which expose the Company to foreign currency risk. Approximately 88% of the Company's sales is denominated in currencies other than the functional currency of the Company, whilst almost 97% of costs is denominated in the Company's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2023 and 2022 would decrease/increase by \$6,943 thousand and \$2,532 thousand, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk arising from financial assets and financial liabilities at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 464,124	\$ 341,338
Cash flow interest rate risk		
Financial assets	532,074	383,922
Financial liabilities	500,000	550,000

Sensitivity analysis

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date.

If interest rates had been 0.5% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$160 thousand and \$(830) thousand, respectively.

2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of

counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company transacts with a large number of unrelated customers; thus, no concentration of credit risk was observed.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Company. For the Company's unutilized financing facilities, please refer to (b) Financing facilities below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 707
Accounts payable	71,617	12,737	-	-
Other payables - related parties	8,282	-	-	-
Payables for purchase of equipment	-	2,571	-	-
Variable interest rate liabilities	<u>509</u>	<u>201,017</u>	<u>103,899</u>	<u>202,712</u>
	<u>\$ 80,761</u>	<u>\$ 217,032</u>	<u>\$ 107,079</u>	<u>\$ 203,419</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 4,240	\$ 707	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>305,425</u>	<u>202,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 309,665</u>	<u>\$ 203,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 4,947
Accounts payable	177,827	86,708	723	-
Other payables - related parties	6,744	-	-	-
Payables for purchase of equipment	5,975	2,396	-	-
Variable interest rate liabilities	<u>150,650</u>	<u>1,301</u>	<u>105,041</u>	<u>307,318</u>
	<u>\$ 341,549</u>	<u>\$ 91,112</u>	<u>\$ 108,944</u>	<u>\$ 312,265</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 4,240	\$ 4,947	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>256,992</u>	<u>307,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 261,232</u>	<u>\$ 312,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 500,000	\$ 550,000
Amount unused	<u>250,000</u>	<u>200,000</u>
	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Secured bank overdraft facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>250,000</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Silicon Optronics (Shanghai) Co., Ltd.	Subsidiaries
NUEVA IMAGING, INC.	Subsidiaries

b. Technical service expense

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	\$ 66,545	\$ 59,206
NUEVA IMAGING, INC.	<u>55,619</u>	<u>51,889</u>
	<u>\$ 122,164</u>	<u>\$ 111,095</u>

The technical service contracts between the Company and its related parties are based on the prices and terms agreed upon by both parties, therefore no other appropriate transaction counterparties are available for comparison.

c. Other payables to related parties

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
NUEVA IMAGING, INC.	\$ 4,417	\$ 3,580
Silicon Optronics (Shanghai) Co., Ltd.	<u>3,865</u>	<u>3,164</u>
	<u>\$ 8,282</u>	<u>\$ 6,744</u>

d. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 6,150</u>	<u>\$ 71,174</u>

The remuneration of directors and other key management personnel departments is determined by the remuneration committee based on individual performance and market trends.

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged time deposits (classified as financial assets at amortized cost-noncurrent)	<u>\$ 3,549</u>	<u>\$ 3,528</u>

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 29,394	30.705 (USD:NTD)	\$ 902,546
CNY	300	4.327 (CNY:NTD)	<u>1,299</u>
			<u>\$ 903,845</u>

Financial liabilities

Monetary items			
USD	6,781	30.705 (USD:NTD)	<u>\$ 208,202</u>

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,079	30.71 (USD:NTD)	\$ 678,047
CNY	2,309	4.408 (CNY:NTD)	<u>10,178</u>
			<u>\$ 688,225</u>

Financial liabilities

Monetary items			
USD	13,833	30.71 (USD:NTD)	<u>\$ 424,820</u>

The significant unrealized foreign exchange gains (losses) were as follows:

<b>For the Year Ended December 31</b>				
<b>2023</b>			<b>2022</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	30.705 (USD:NTD)	\$ (5,313)	30.71 (USD:NTD)	\$ 7,861
CNY	4.327 (CNY:NTD)	<u>(66)</u>	4.408 (CNY:NTD)	<u>(317)</u>
		<u>\$ (5,379)</u>		<u>\$ 7,544</u>

## 29. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
  - 1) Financing provided to others: None;
  - 2) Endorsements/guarantees provided: None;
  - 3) Marketable securities held (excluding investments in subsidiaries): None;
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
  - 9) Information about the derivative instruments transaction: None;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 1 attached;
- c. Information on investments in mainland China: Please see Table 2 attached.
- d. Information on major shareholders: The name, amount and proportion of shareholders with a shareholding ratio of 5% or more: Please see Table 3 attached.

**TABLE 1**

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**DECEMBER 31, 2023**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2023			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 257,085	\$ 2,662	\$ 2,662	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	39,094	3,320	3,320	Subsidiary



**TABLE 2**

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment (%)	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 5,373 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,373 (US\$ 175 thousand)	\$ 3,320	100	\$ 3,320	\$ 39,094	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 5,373 (US\$ 175 thousand)	Note 1	\$ 1,428,868

Note 1: Through Silicon Optronics (Cayman) Co., Ltd. investment Silicon Optronics (Shanghai) Co., Ltd., the Amount of Investment Stipulated was approved by Investment Commission, MOEA approved investment amount US\$175 thousands.

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2023.

**TABLE 3****SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	1,7691,413	22.54
Egis Technology Inc.	12,640,756	16.11
Samoa Full Guest Investment Limited	4,875,458	6.21
Xiao Dong Luo	4,583,587	5.84

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

**VI. The effect of insolvency of the company and affiliates on the financial Status of the Company: None.**

## Chapter 7. Review of Financial Status, Operating Results, and Risk Management

### I. Financial Position

Major reasons for material changes in assets, liabilities and shareholders' equity, as well as related effects in the most recent two fiscal years, and response measures in the future if such effects are significant.

(I) Analysis of changes in financial positions for the most recent two years:

Unit: NT\$1000; %

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,781,082	3,397,269	(616,187)	(18.14)
Property, plant and equipment	30,580	45,355	(14,775)	(32.58)
Intangible assets	200,468	202,515	(2,047)	(1.01)
Other assets	116,468	54,754	61,714	112.71
<b>Total assets</b>	<b>3,128,598</b>	<b>3,699,893</b>	<b>(571,295)</b>	<b>(15.44)</b>
Current Liability	546,191	763,590	(217,399)	(28.47)
Non-current liabilities	200,961	308,963	(108,002)	(34.96)
<b>Total liabilities</b>	<b>747,152</b>	<b>1,072,553</b>	<b>(325,401)</b>	<b>(30.34)</b>
Share capital	784,559	784,559	-	-
Capital surplus	1,209,326	1,167,789	41,537	3.56
Retained earnings	485,247	771,964	(286,717)	(37.14)
Other equity	(691)	23	(714)	(3104.35)
Treasury stocks	(96,995)	(96,995)	-	-
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>2,381,446</b>	<b>2,627,340</b>	<b>(245,894)</b>	<b>(9.36)</b>
Reasons for changes in the two periods:				
1. Decrease in other assets: Mainly due to the allowance to reduce inventory to market.				
2. Decrease in current liabilities: Mainly due to the significant decrease in tape-out volume.				
3. Decrease in non-current liabilities: Mainly due to the decrease in net profit for the period, resulting in a decrease in the estimated figure for income tax expense.				
4. Decrease in other equity: Mainly due to a reduction in the exchange differences of the financial statements of our foreign operations.				

(II) Impact of changes in the financial status for the most recent two fiscal years: No significant impact.

(III) Future response plans: Not applicable.

### II. Financial Performance

The main reasons for the material changes in operating revenues, operating profit and net profit before tax in the most recent two years, a sales volume forecast and the basis therefor, and the possible impact on the Company's financial operations, and response plans:

(I) Analysis of changes in operating results for the most recent two years:

Unit: NT\$1000; %

Item \ Year	2023	2022	Amount of increase/decrease	Change (%)
Sales revenue	1,663,499	2,029,090	(365,591)	(18.02)
Gross Profit	(43,527)	494,522	(538,049)	(108.80)
Operating profits	(371,452)	138,490	(509,942)	(368.22)
Non-operating revenue and expenses	23,140	14,968	8,172	54.60
Profit before income tax	(348,312)	153,458	(501,770)	(326.98)
Earnings from continuing operations	(286,716)	122,558	(409,274)	(333.94)
Income from discontinued operations	-	-	-	-
Net profit (loss) for the current period	(286,716)	122,558	(409,274)	(333.94)
Other comprehensive income (loss) (Income after tax)	(715)	5,838	(6,553)	(112.25)
Total comprehensive income	(287,431)	128,396	(415,827)	(323.86)
Net income attributable to shareholders of the parent	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-
Comprehensive income or loss attributable to the shareholders of the parent	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-
Earnings Per Share (NT\$)	(3.70)	1.59	(5.29)	(332.70)

Reasons for changes in the two periods:

1. Decrease in sales revenue: Mainly due to market demand is slowing down, resulting in lower sales than expected
2. Decrease in gross profit on sales: Mainly due to the decrease in average selling price (ASP), the provision for dead stock and inventory write-down.
3. Decrease in operating profit: Due to the decrease in gross profit on sales in 2023.
4. Increase in non-operating expenses: Mainly due to the increase in interest income in 2023.
5. Decrease in net profit for the period and consolidated net profit for the period: Due to the decrease in gross profit on sales for 2023 and the decrease in overall profit.

(II) Expected sales volume and its possible impact on the Company's future financial operations:

Expected sales volumes and revenue growth are of great help for future profitability.

(III) Future response plan: Actively develop new products and markets.

### III. Cash flows

Analysis of cash flow changes during the most recent fiscal year, improvement plan for liquidity and provide a liquidity analysis for the coming year:

(I) Analysis of changes in cash flow for the most recent year is as follows:

Unit: NT\$1000; %

Item \ Year	2023	2022	Change (%)
Cash flow ratio	66.23	-	-
Cash flow adequacy ratio	45.99	36.12	27.33
Cash reinvestment ratio	15.61	-7.24	(315.61)
Analysis of the changes in cash flow:			
Decrease in cash flow ratio and cash reinvestment ratio: Mainly due to inventory increase.			

(II) Improvement plan with insufficient cash: There are no concerns about liquidity and shortage of cash.

(III) Cash liquidity analysis for the coming fiscal year.

Unit: NT\$ thousand

Cash and cash equivalents at beginning of year A	Projected net cash flow from operating activities for the year B	Projected cash outflow for the year C	Expected cash surplus (inadequacy) amount A + B - C	Remedial measures for cash inadequacy	
				Investment plans	Financial plans
1,034,994	529,222	(87,509)	1,476,707	-	-
Analysis of the changes in cash flow:					
1. Operating activities: Due to inventory decrease.					
2. Investment activities: Due to capital expenditure.					
3. Financing activities: Decrease in long-term and short-term borrowings.					

**IV. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company: None.**

**V. Direct Investment Policy, Reasons for Profit or Loss, Correction Plan and Investment Plan for the Coming Year: None.**

#### **VI. Risk Analysis and Evaluation**

(I) The impact of interest rate fluctuations, exchange rate fluctuations, and inflation on the Company's earnings and coping strategies

1. Interest rate:

The Company estimates that there is no NT dollar or foreign currency borrowing demand in the upcoming fiscal year, so there is no need to evade the risk of interest expenses arising from interest rate hikes. The Company has appropriate funding channels to meet the needs of business development and maintain good relationship with each correspondent bank. The Company will consider the available facilities from various sources of capital and their cost of capital, as well as making a comprehensive consideration for the business development plans, so as to raise the required funds. Therefore, the impact on the Company's profit and loss is not significant.

2. Foreign exchange rates:

As the Company's receivables and payables are mainly denominated in foreign currency (US dollars), the exchange rate risk caused by exchange rate fluctuations can be largely avoided. However, depending on the trend of the global economy as a whole, appropriate measures should be taken to avoid the risk of foreign currency fluctuations.

3. Inflation:

The impact of inflation does not currently have a significant impact on the Company's profits and business operations. If the Company's purchase cost is affected by inflation, the incremental cost can be marked up on the sales price, so inflation has no significant effect on the Company's profit and loss.

(II) High leverage/high risk investment, loans to third parties, endorsements and guarantees, and policies in derivatives transactions, reasons for profits/losses and coping strategies

The Company currently does not engage in high-risk, high-leveraged investments, lending or endorsement guarantees, and derivative transactions. The Company has established the "Procedures Governing the Acquisition and Disposal of Assets", "Procedures Governing Making of Endorsements and Guarantees" and "Procedures Governing Loaning of Funds to Other Parties" to regulate the transactions of high-risk, high-leveraged investments, loaning of funds to other parties, endorsements and guarantees, and derivatives trading in accordance with relevant laws and regulations.

(III) Future Development Plan and Expected R&D Expenditure

1. Future R&D plans

The Company's most important core technology is the development of CMOS image sensor related sensing circuits, analog, digital and mixed signals, from circuit design, process technology, to optical simulation, etc., providing customers with the best solution and exclusive design and process for customer needs. Developing CMOS image sensor for special applications in combination with high-precision processing technology in Taiwan's semiconductor industry; the future R&D plans include:

- (1) High-performance CMOS Image Sensor.
- (2) High-resolution CMOS Image Sensor.
- (3) Global Shutter CMOS Image Sensor.
- (4) Low Power Consumption CMOS Image Sensor.
- (5) Design and development of sensors for special applications.

2. Estimated R&D expenditure

The R&D expenses that the Company expects to invest in the future will be listed according to the Company's internal research plans, and depending on the research and development progress, the technology involved, and the staged results, the R&D expenses budget will be increased or decreased after discussion at the Company's internal supervisory meetings.

(IV) Potential Impact associated with Domestic or International Political/Regulatory Changes and the Response Measures

The Company's daily operations are handled in accordance with the relevant domestic and foreign laws and regulations, and at any time pay attention to the development trend of domestic and foreign policies and changes in regulations and collect relevant information to provide operational decision-making reference to adjust the Company's relevant operational strategies. As of now, the Company's financial operation has not been affected by important changes of domestic and foreign policies and laws.

(V) Potential Impact associated with Domestic or International Industry/Technology Evolution and the Response Measures

Through the close strategic cooperation with suppliers in the past, and the Company's own research and development capabilities, the Company can quickly grasp the industry dynamics and obtain market information ahead of its peers. Therefore, technological and industrial changes have a positive impact on the Company.

The Company's main products have been widely accepted by customers, and market demand continues to expand. The Company also actively enhances research and development capabilities and strengthens outsourcing capacity, and grasps industry dynamics and the market information, adopting a robust financial management strategy to maintain market competitiveness.

In the future, the Company will continue to pay attention to the situation of technological changes and evaluate its impact on the operations of the Company, and adjust the Company's business development and financial status accordingly.

(VI) Potential Impact on Crisis Management associated with Changes in Corporate Image and the Response Measures

Since its incorporation, the Company has been committed to maintaining its corporate image and complying with the laws and regulations, and there has not been enough to affect the corporate image so far. In the future, while pursuing revenue growth and maximizing shareholders' equity, the Company will also comply with the government regulations and fulfill corporate social responsibility to continuously maintain good corporate image of the Company.

(VII) Potential Impact associated with Mergers/Acquisitions and the Response Measures: Not Applicable.

(VIII) Potential Impact associated with Capacity Expansion and the Response Measures: Not Applicable.

(IX) Risks of purchasing and sales concentration and coping strategies

1. Procurement

The Company is a fabless professional IC design company, the main purchase project is wafer procurement. In the value chain of the semiconductor industry, IC design houses tend to maintain long-term cooperation with specific foundries in order to achieve reliable and stable production capacity, as well as factors such as process technology, yield, capacity and delivery. This is a common phenomenon among IC design houses. The Company has been in good relationship with Powerchip and A Supplier for many years. The relationship between the two parties is good. In the future, we will continue to cooperate on fields such as new product development and mass production in order to reduce the risk of concentrated purchase.

## 2. Turnover

The Company's main sales market and end-users are both in mainland China. Mainland China has a vast territory, and there are differences in business activities and trading habits. The Company evaluates the market characteristics and connections of dealers, and has the service experience of end-product applications. It can quickly serve end-customers and develop new markets. The Company fully grasps the operation of the dealers, and adopts the advance payment as the dealer's payment terms to increase the working capital turnover rate and reduce the overdue risk of accounts receivable in mainland China. The Company's technical support directly serves the end customers, keeps abreast of customer needs, and reduce the risk that sales of goods will be concentrated in the dealers. At the same time, with the introduction of future image sequencing wafers and other related image sensing chip products, the product sales and operation scale will be expanded, and the concentration of customers should be reduced in the future.

- (X) The impact and risk of the transfer of shares in huge volumes by Directors, Supervisors, or major shareholders on the Company, and the Coping Strategies: None.
- (XI) The impact and risk of change in management on the Company, and the measures to cope with: None.
- (XII) Risks Associated with Litigation
  - 1. Material litigious, non-litigious or administrative disputes that are currently still open: None.
  - 2. The Company's Directors, Supervisors, Presidents, substantive Directors, shareholders holding more than 10% of the shares and subordinate companies have decided to determine or are still in the system of material litigation, non-litigation or administrative litigation. The result may have a significant influence on shareholders' equity or securities prices: None.
- (XIII) Other material risks: None.

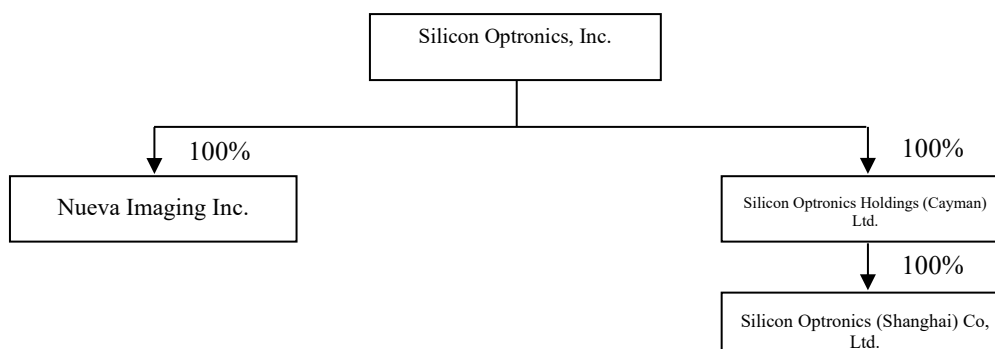
## **VII. Other important matters: None.**



## Chapter 8. Special Notes

### I. Information Regarding Affiliated Companies

#### (I) Structure of affiliated enterprises



#### (II) Basic information of related companies:

Unit: US\$

Name	Date of Incorporation	Address	Actual Paid-in Capital	Main Business Projects
Nueva Imaging Inc.	2010.05.27	4030 Moorpark Ave Ste 248 San Jose, CA95117 U.S.A	60	R&D design of high-end CMOS Image Sensor products
Silicon Optronics Holdings (Cayman) Ltd.	2013.04.26	4F, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103	177,550	Investment holding
Silicon Optronics (Shanghai) Co, Ltd.	2013.12.25	Room 603, Building 1, No. 2966 Jinke Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai	175,000	Design development of integrated circuit and related electronic products and testing along with technical service consulting and transfer of research and development results

#### (III) Shareholders in common of companies presumed to have a relationship of control and subordination: Please refer to paragraph (II).

#### (IV) Industries covered by related companies: Please refer to paragraph (II).

(V) Information on Directors, Supervisors, Managerial Officers, and Managerial Officers

Name of Company	Title	Name or representative	Shareholding (shares)	Shareholding Ratio
Nueva Imaging Inc.	Chairman of the Board	Silicon Optronics, Inc. (Representative: James He)	6,000,000	100%
Silicon Optronics Holdings (Cayman) Ltd.	Chairman of the Board	Silicon Optronics, Inc. (Representative: James He)	170,000	100%
Silicon Optronics (Shanghai) Co, Ltd.	Executive Director Supervisors	Silicon Optronics, Inc. (Representative: Terry Li) Silicon Optronics, Inc. (Representative: Steffi Huang)	175,000	100%

(VI) Operating status of each related company:

December 31, 2023; Unit: NT\$ thousand

Name of Company	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profits	Current profit and loss (after income tax)	Earnings per share (NT\$) (After income tax)
Nueva Imaging Inc.	18	63,626	5,769	57,857	54,770	4,240	2,662	0.44
Silicon Optronics Holdings (Cayman) Ltd.	5,237	43,662	4,568	39,094	-	-	3,320	19.53
Silicon Optronics (Shanghai) Co, Ltd.	5,373	43,662	4,568	39,094	66,489	3,218	3,320	18.97

(VII) Consolidated business report: Please refer to pages 76 to 173.

(VIII) Relationship report: Please refer to page 76.

**II. Private Placement of Securities of the Most Recent Year up to the Publication Date of the Annual Report: None.**

**III. Holding or Disposal of the Company's Shares by the Subsidiaries of the most recent year up to the print date of the annual report: None.**

**IV. Other Matters that Require Additional Description: None.**

**V. Matters that Materially Affect Shareholders' Equity or the Price of the Company's Securities Specified in Subparagraph 2, Paragraph 2, Article 36 of Securities and Exchange Act, Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report:**

# **Silicon Optronics, Inc.**



Chairman and President: James He

