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# Daxin Materials Corporation 2023 Annual Report

Printed on March 26, 2024

# Daxin Materials Corporation

## 2023 Annual Report

### Spokesperson

Name: Tsung-Hsing Kuo  
Title: President

### Deputy Spokesperson

Name: Yen-Chen Liu  
Title: Chief Financial Officer  
Tel: (04) 24608889  
Email: ir@daxinmat.com

### Location of Headquarters, Branch Office, and Factory Plants

Headquarters: No. 15 Keyuan 1st Rd., Central Taiwan Science Park, Taichung City  
Northern Area Branch: Rm. B502J, 5F.-2, No. 185, Kewang Rd., Longtan Dist., Taoyuan City  
Chungkang Branch: No.2, Jian 8th Rd., Wuqi Dist., Taichung City  
Plants: Chungke Plant - No. 15 Keyuan 1st Rd., Central Taiwan Science Park, Taichung City  
Chungkang Plant - No.2, Jian 8th Rd., Wuqi Dist., Taichung City  
Tel: (04)24608889

### Share Transfer Agency

Company Name: Stock Transfer Agent, Taishin Securities Co., Ltd.  
Address: Rm. B1, No. 96, Jianguo N. Rd., Zhongshan Dist., Taipei City  
Website: <https://www.tssco.com.tw>  
Tel: (02)25048125

### Auditing CPA and Accounting Firm

Name of CPA: CPA Chien-Hai Lu, CPA Jun-Yuan Wu  
Name of Accounting Firm: KPMG Taiwan  
Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City  
Website: <https://home.kpmg/tw>  
Tel: (02)81016666

### Names of stock exchanges where foreign securities are listed and method of inquiry on the information of foreign securities

Name of stock exchanges where foreign securities are listed: None

Method of inquiry on the information of foreign securities: None

The Company's website: <https://www.daxinmat.com>

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## Chapter 1 Letter to Shareholders

Dear Shareholders,

Throughout 2023, the global manufacturing landscape was substantially affected by various factors. Major economies continued to raise interest rates to curb inflation, geopolitical conflicts, and trade tensions led to disruptions in supply chain. The utilization rate of the display industry's production exhibited notable fluctuations. It sharply declined from 3Q'22 to its lowest point, experienced gradual recovery in each subsequent quarter until 3Q'23, and then rapidly decelerated in the fourth quarter, reflecting the industry's dynamic changes. The operating revenue in 2023 was 4.264 billion, marking a 9.6% growth from the previous year. Breaking down the revenue by industry applications, display materials reached 3.968 billion, an 8.0% year-over-year increase, semiconductor materials recorded 0.19 billion, a 61.9% year-over-year increase, and key raw materials generated 0.92 billion, a 20.7% year-over-year increase.

2024 will be a year full of challenges and opportunities for Daxin Materials. In display materials, our focus extends beyond simply improving product portfolios. We are actively exploring new business opportunities, introducing products to new clients and production lines with expected growth.

In semiconductor materials, geopolitical uncertainties and the dissolution of globalization has prompted major industrialized countries to regard semiconductors as strategic resources. Thus, there is a trend establishing comprehensive domestic upstream/downstream industry chains. This evolving situation also brings opportunities for Taiwan materials industries to capitalize on their local advantages. Daxin Materials has strategically allocated a substantial portion of the R&D resources developed over the past eighteen years to cater to the materials needs of advanced back-end packaging processes, advanced front-end processes, and mature processes. The growing demands from customers is creating unprecedented opportunities, prompting early collaboration in product development. In 2024, we anticipate mass production and market introduction of more semiconductor material products, becoming another key business for Daxin Materials.

### **Financial Performance**

#### 1. Operating revenue

Consolidated operating revenue in 2023 was NT\$4.264 billion, representing a NT\$375 million or 9.6% increase from NT\$3.889 billion in 2022.

#### 2. Operating income

Consolidated operating income in 2023 was NT\$611 million, representing a NT\$173 million or 39.4% increase from NT\$438 million in 2022.

#### 3. Profit after tax

Profit after tax in 2023 was NT\$523 million, representing a NT\$97 million or 22.8% increase from NT\$426 million in 2022.

### **Research and Development**

The Company's three major product markets include display materials, semiconductor materials, and key raw materials. In 2023, the Company's R&D expenditure reached NT\$480 million, underscoring our high investment in research and development and R&D workforce. Furthermore, we achieved certification for the Taiwan Intellectual Property Management Specification Verification (Level A, certified by Tips). We are committed to developing advanced materials and cutting-edge technologies, strategically positioning ourselves ahead of future market demands.

#### **Display Materials:**

Beyond advancing materials to meet higher specifications in LCDs, our focus extends to developing materials and processes that align with ESG requirements. Effective cost control is imperative to sustain a competitive edge in a saturated market.

Regarding MicroLED-related new materials, the Company is making significant investment in developing materials related to the mass transfer process, ensuring a strong market presence in emerging display technologies.



**Semiconductor Materials:**

The three operational models of the Company in the semiconductor industry are:

1. Independent research and development of materials
2. Collaborative development with top-tier semiconductor foundries
3. Collaborative development with top-tier semiconductor materials companies

Our focus in product development lies in the materials required for front-end, back-end, and advanced packaging processes. In addition to product development, we are also engaged in the innovation of key materials for critical photoresists used in both mature and advanced processes.

Currently, several new products for advanced processes below two nanometers and advanced packaging are undergoing joint development and verification with semiconductor customers. In 2024, multiple semiconductor materials will undergo verification on customer production lines. Our collaboration with international industry giants will diversify our product line, leading to a higher share of semiconductor revenue.

In addition to indirect materials for processes, we are also investing in the development of permanent materials with high barriers to entry, such as Photosensitive Polyimide. While the verification process for such materials is challenging and time-consuming, their market value becomes significantly high upon successful mass production and market entry.

**Key Raw Materials:**

The Company possesses extensive experience in the research, development, production, and sales of silicon-based polymers for green energy lithium batteries. We are actively exploring more opportunities for new materials in the upstream and downstream industries of batteries.

Furthermore, we have developed various functional monomers and specialty polymers suitable for applications in displays, semiconductors, and other electronic materials. These materials exhibit shared characteristics of high purity and low ion content. While the promotion of such products may take longer time, once successful, their sales lifespan is extended, with minimal impact from economic fluctuations.

**Outline of Business Plan**

The Company's major revenue came from the display industry. Over the past year, the industry has experienced rapid changes in capacity utilization, facing operational challenges. The Company will continue to optimize its product portfolio and production processes, increase the proportion of in-house raw materials, and reduce costs to enhance competitiveness. Additionally, we plan to expand our market presence by reaching out to new customers and exploring new product lines. Our goal is to develop materials for higher specifications and low-temperature processes that align with ESG (Environmental, Social, and Governance) principles to drive growth in future operations.

In advanced semiconductor packaging and wafer processes, abundant market opportunities await. Recent developments in new product launches have delivered promising results, with continuous expansion of production lines in collaboration with global industry leaders. In addition to investing in semiconductor material production lines in existing facilities, we have completed construction of a new semiconductor materials factory. It is equipped with high-purity production lines. Several new products are scheduled to enter mass production in 2024, with more materials in the pipeline expected to follow suit. The successful achievement of mass production in these developments is anticipated to have a significant impact on revenue.

To expedite the growth of semiconductor product revenue share, our company is simultaneously pursuing all three operational models in the semiconductor industry to explore diverse opportunities. It is anticipated that semiconductor materials will be the primary growth engine for the company in the coming years.

## **Future Outlook**

Looking forward, our focus in the display market will be advancing materials with higher-specification, low-temperature properties, and low-carbon footprints in alignment with the ESG sustainability trend, as well as MicroLED-related new materials to sustain our competitive advantage and bolster market presence. We aim to promote our mature, competitively priced products to a broader customer base, leading to increased profitability. Semiconductor materials are expected to yield positive outcomes and contribute to revenue growth. Taiwan's advanced semiconductor processes hold a unique and irreplaceable global advantage, underscoring the growing significance of the upstream materials supply chain in the semiconductor industry. We will advance simultaneously with our three business models, and future operational growth is expected. Lithium battery materials and other key raw materials require long-term investment and cultivation. These products extend across multiple segments of the industry chain, offering a broader scope and ample material opportunities in various industries. Moreover, we are dedicated to ensuring that the development of new materials adheres to low-carbon and low-pollution processes.

Daxin is committed to fulfilling its role as a responsible corporate citizen and supporting the United Nations' Sustainable Development Goals (SDGs). The Sustainable Development Committee promotes various sustainable initiatives. Our environmental efforts are primarily focused on addressing climate change. We have developed specific blueprints for carbon reduction pathways and actively implement diverse energy-saving solutions. Moreover, we are gradually implementing the RE100 renewable energy usage plan. Through annual greenhouse gas inventories and external verification, we regularly assess our energy-saving and carbon reduction performance, strengthening our low-carbon process capabilities. Furthermore, we prioritize waste reduction through process improvements and optimize solvent recovery rates, maximizing resource utilization. Our commitment extends to promoting product resource cycling, fostering opportunities for a circular economy.

As for social aspect, talents are the driving force for innovation. Daxin strives to foster the growth and development of our employees and establish a safe and healthy work environment. Daxin also cultivates future talents through several initiatives to support scientific education and nurture the next generation of innovators. With our dedication to drive sustainable social development, we aim to create value for the common good and expand our social impact.

In terms of governance, the Sustainability Committee operates under the supervision and guidance of the Board of Directors, actively driving the integration of sustainable initiatives into our operations. In 2023, we voluntarily published our first sustainability report following the GRI guidelines, providing stakeholders with insights into our sustainability progress. A Corporate Governance Officer has been appointed to oversee governance matters for both the Board of Directors and shareholders' meetings. Furthermore, the board has been fully re-elected, with half of the members being independent directors, reinforcing corporate governance and ensuring a balanced approach to shareholder rights.

Beyond 2024, we are prepared for the challenges and opportunities ahead in the coming years. Daxin will strive to foster innovations for sustainability, advance materials design technologies, and refine process technologies to provide high-quality and competitive solutions. We are enthusiastic about our future and remain committed to delivering strong returns for our shareholders.

Chairman:	<i>Cheng-Yih Lin</i>
President:	<i>Tsung-Hsing Kuo</i>
Chief Financial Officer	<i>Yen-Chen Liu</i>

## Chapter 2 Company Profile

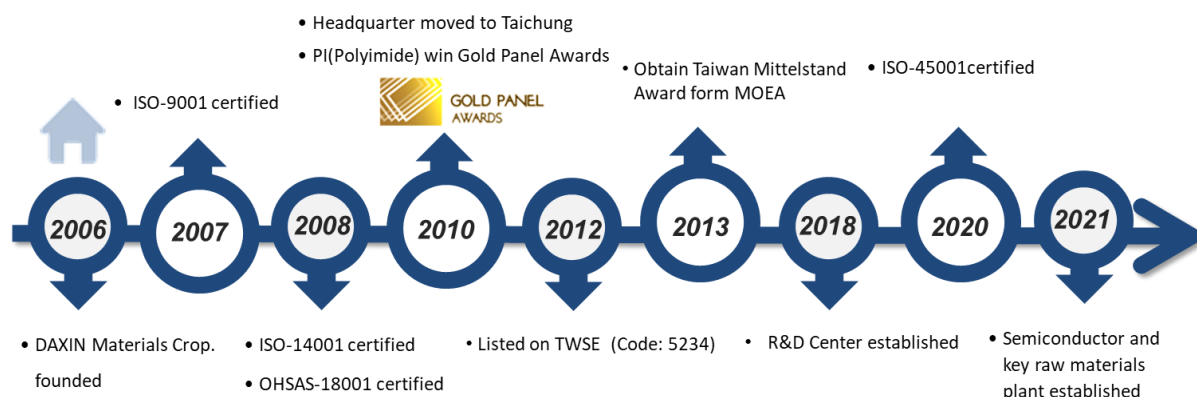
### 2.1 Company Profile

Founded on July 12, 2006, Daxin Materials Corporation started as a joint venture from AUO Corp. and Eternal Materials Co., Ltd., and headquartered in Central Taiwan Science Park. Daxin began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE) on July 16, 2012.

Focused on basic scientific knowledge, Daxin aims to be a design house for chemical materials. By integrating simulated analysis and experimental design, focusing on diverse materials R&D, and materials development and innovations, Daxin have always strived to deliver better solutions that meet our customers' needs. With business expansion needs, Daxin is continuously recruiting new R&D talent and investing in equipment while actively expanding toward European, American, Japanese, and Chinese markets.

Persisting in the management philosophy for innovation, Daxin integrates the core foundation in photochemistry with core technologies including color simulation, molecular structural simulation design, dispersion science, surface chemistry, organic and inorganic material hybrid technology, monomer synthesis, macromolecular synthesis, nano dispersion and silicon chemistry to provide the most advanced and customized chemical materials to the application fields of displays, semiconductors, and key raw materials.

### 2.2 Milestones



Jul. 2006	Joint venture by Konly Venture Corporation, a subsidiary of AUO Corp., and Eternal Materials Co. Ltd.
Oct. 2006	Hukou Laboratory was established.
Mar. 2007	Photo spacers (PS) began to produce.
Apr. 2007	Began production output of TNPI alignment layer.
Aug. 2007	ISO-9001 Quality Management System certified.

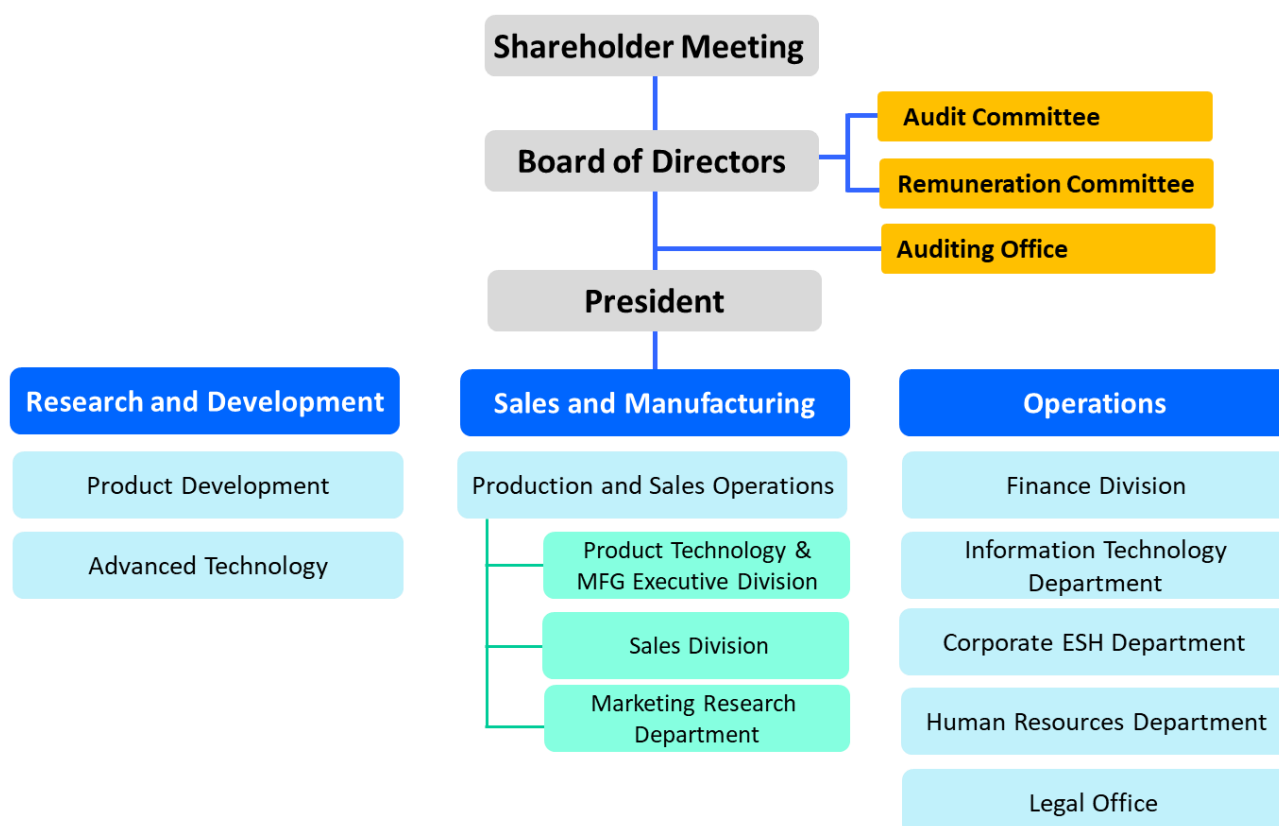
Jun. 2008	ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety certified.
Jun. 2010	LCD TNPI alignment layer received “Excellent Product Award” from the 10th Gold Panel Awards.
Nov. 2010	Relocated headquarters to Central Taiwan Science Park.
Nov. 2010	Japanese subsidiary LS Materials Corporation was established.
Nov. 2010	ISO 14064-1 Greenhouse Gas Inventories certified.
Jan. 2011	Received “Supplier GHG Inventories and Verification Demonstration Plan” Award and became a green partner to AUO Corp.
Jan. 2011	Established Chungke Plant.
Apr. 2011	Authorized for public listing and trading by Securities and Futures Bureau, FSC.
Jul. 2012	Began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE).
Dec. 2012	Established sales office in China.
Feb. 2013	Selected as the 1st Taiwan Mittelstand Award by MOEA.
Sep. 2014	Began production output of liquid crystal products.
Dec. 2014	Began production of 4K 2K display copper etchant.
Jan. 2015	Services commenced at the Instrument Analysis Lab.
Feb. 2015	Established Chungkang Branch.
Oct. 2016	Began production output of PSAPI alignment layer.
Jan. 2018	R&D Center established.
Nov.2018	Began production output of semiconductor material - Laser Release Layer.
Mar. 2020	Commenced construction of new plant for semiconductor and key raw materials
Jun. 2020	Obtained ISO 45001 Occupational Health and Safety System certification.
Aug. 2021	Semiconductor and key raw materials plant completed construction.
Jul. 2022	Began production output of semiconductor key raw material products.
Aug. 2022	ISO 14061-1 Greenhouse Gas Inventories certified.
Nov. 2022	Daxin was awarded “Outstanding Manufacturers of Waste Reduction and Resource Recycling” by Central Taiwan Science Park.
Aug. 2023	Published the 1st Sustainability Report.

## Chapter 3 Corporate Governance Report

### 3.1 Organization

#### 3.1.1 Organizational Chart

February 29, 2024



#### 3.1.2 Major Corporate Functions

Department	Roles and Responsibilities
Auditing Office	Internal control system management, with an independent risk assessment to ensure compliance with the Company's policies and procedures
Product Development	Advanced chemical materials technology, equipment technology, process technology development; new product design, strategies, and verification to offer innovative and value-added solutions for customers
Advanced Technology	Research and develop advanced technologies; strengthen intellectual property protection and management

Department	Roles and Responsibilities
Production and Sales Operations	<p>1. Product Technology &amp; MFG Executive Division Assurance of the quality and reliability of the Company's products; addressing customers' quality-related issues; procurement, warehousing, and logistics support; production and manufacturing</p> <p>2. Sales Division New product launch positioning, pricing, and sales strategies; strengthening customer relationship</p> <p>3. Marketing Research Department New business development; identification of market trends and analysis input for the company's product portfolio management</p>
Finance Division	Corporate finance, accounting, tax, treasury and asset, strategic investments, and investor relations
Information Technology Department	Information system management, infrastructure development and operation; ensuring IT security and service quality
Corporate ESH Department	Occupational health, industrial safety, and operating risk management
Human Resources Department	Attraction, development, and retention of an engaged workforce to build a long-term future with the company; implementation of organizational development aligned with corporate strategy
Legal Office	Corporate legal affairs including regulatory compliance, commercial transactions, contracts and management of other intellectual properties, and litigation

### 3.2 Information on the Company's Directors, President, Vice President, Associate Managers, and Managers of Each Departments and Divisions

#### 3.2.1 Information on the Directors

Unit: Shares; % March 26, 2024

Title / Name	Gender/ Age	Date Elected	Nationality/ Place of Registration	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Cheng-Yih Lin	Male/ 71-80	2023.6.15	R.O.C.	3 Years	2014.7.1	2,299	2.24	2,299	2.24	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Ph.D., Chemical Engineering, Carnegie Mellon University</li> <li>• Chairman &amp; Chief Strategy Officer, AUO Crystal Corp.</li> <li>• Senior Vice President, AUO Corp.</li> <li>• Director, AUO Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman &amp; Chief Executive Officer, Daxin Materials Corp.</li> </ul>
Director Tsung-Hsing Kuo	Male/ 61-70	2023.6.15	R.O.C.	3 Years	2006.6.30	232	0.23	232	0.23	830	0.81	0	0.00	<ul style="list-style-type: none"> <li>• B.S., Chemical Engineering, National Taiwan University</li> <li>• E.M.B.A., National Sun Yat-sen University</li> <li>• President, Eternal Chemical Industry (China) Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• President, Daxin Materials Corp.</li> </ul>
Director Eternal Materials Co. Ltd.	--	2023.6.15	R.O.C.	3 Years	2006.6.30	23,424	22.80	23,424	22.80	—	—	—	—	—	—
Representative: Chin-Cheng Pan	Male/ 51-60	—	R.O.C.	—	—	—	—	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• M.S., Chemistry, National Cheng Kung University</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Operating Officer of High Performance Materials Business Group and New Business Development, Eternal Materials Co. Ltd.</li> <li>• Chairman, Eternal Specialty Materials (Zhuhai) Co., Ltd.</li> <li>• Chairman, Eternal Specialty Materials (Suzhou) Co., Ltd.</li> <li>• Director, Eterkon Semiconductor Materials Co., Ltd.</li> <li>• Chairman, Eternal Materials India Private Limited.</li> </ul>

Title / Name	Gender/ Age	Date Elected	Nationality/ Place of Registration	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Konly Venture Corporation	-	2023.6.15	R.O.C.	3 Years	2006.6.30	19,114	18.61	19,114	18.61	—	—	—	—	—	—
Representative: Ting-Li Lin	Male/ 51-60	—	R.O.C.	—	—	—	—	7	0.01	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• M.S., Applied Chemistry, National Chiao Tung University</li> <li>• Senior Vice President, AUO Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• Senior Vice President, AUO Corp.</li> <li>• Director, AFPD Pte. Ltd.</li> <li>• Director, AUO Manufacturing (Shanghai) Co., Ltd.</li> <li>• Director, AUO (Xiamen) Co., Ltd.</li> <li>• Director, AUO (Suzhou) Co., Ltd.</li> <li>• Chairman, BriView (Xiamen) Corp.</li> </ul>
Independent Director Wei-Shun Cheng	Male/ 61-70	2023.6.15	R.O.C.	3 Years	2020.6.19	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• M.S., Accounting, Northern Illinois University</li> <li>• Chief Financial Officer and Senior Vice President, AUO Corp.</li> <li>• Director, Darwin Precisions Corporation</li> <li>• Director, Raydium Semiconductor Corporation</li> <li>• Director and Vice President, M.SETEK Co., Ltd.</li> <li>• Director, Lextar Electronics Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• Director, SHIRRE LAB Corp.</li> <li>• Independent Director, Raydium Semiconductor Corporation</li> <li>• Independent Director, Chenbro Micom Co., Ltd.</li> <li>• Independent Director, Unictron Technologies Corporation</li> </ul>
Independent Director Xin-Wu Lin	Male/ 51-60	2023.6.15	R.O.C.	3 Years	2020.6.19	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Ph.D., Economic, National Taiwan University</li> <li>• Committee Member, 6th term of the Fair Trade Committee, Executive Yuan</li> <li>• Director of Research Division III, Taiwan Institute of Economic Research</li> </ul>	<ul style="list-style-type: none"> <li>• Vice President &amp; Research Fellow, Taiwan Institute of Economic Research</li> <li>• Independent Director, Taiwan Business Bank, Ltd.</li> <li>• Independent Director, Fitech Co., Ltd.</li> <li>• Chief Consultant of Antitrust Compliance, AUO Corp.</li> </ul>



Title / Name	Gender/ Age	Date Elected	Nationality/ Place of Registration	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Chiao-Mou Cheng	Male/ 71-80	2023.6.15	R.O.C.	3 Years	2023.6.15	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• B.S., Chemical Engineering, Chung Yuan University</li> <li>• Assistant Vice President &amp; Vice Director of Research Division, Eternal Materials Co. Ltd.</li> </ul>	—
Independent Director Chih-Chun Tsai	Male/ 61-70	2023.6.15	R.O.C.	3 Years	2023.6.15	0	0.00	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• M.S., Computer Science, Utah State University</li> <li>• Senior Director, Asia/ Pac Business, Taiwan Semiconductor Manufacturing Company Limited</li> <li>• Assistant Researcher, Engineering Division, National Science Council</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director, Leadtrend Technology Corporation</li> <li>• Director, Coretech Optical Company, Ltd.</li> <li>• Chairman, Hua Jieh Investment Co., Ltd.</li> <li>• Director, Egis Technology Inc.</li> </ul>

Remark:

1. **Any Manager or Director who is a spouse or relative within the second degree of kinship:** None.
2. **If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:**

The major responsibilities of the Company's Chairman is to preside over Board of Directors meetings and to execute tasks authorized by the Board of Directors; the CEO is responsible for the Company's sustainable operation and the achievement of long-term development strategy; the President is responsible for the planning and management of the Company's daily operations. The powers and duties are clearly divided between the chairman and CEO, and the president, and no more than half of all Directors concurrently serve as either employees or managers. To enhance the independence of the board of directors, the company increased the number of independent director positions during the director election at the shareholders' meeting in June 2023. The number of independent directors has reached half of the total board seats.

## Major Shareholders of the Corporate Shareholders

Name of the Corporate Shareholder	Major Shareholders of the Corporate Shareholders
Konly Venture Corp.	AUO Corp. (100.00%)
Eternal Materials Co. Ltd. (Note)	Kwang Yang Motor Co., Ltd. (9.99%) Ying-Shih Kao (6.34%) Kuo-Lun Kao (4.35%) Kwang Hsing Industrial Co., Ltd. (3.87%) Taiwan Cooperative Bank, Ltd. (1.85%) CHINA F.R.P. Corp. (1.70%) LGT Bank AG in custody of Standard Chartered (1.64%) Jia-Cheng Co., Ltd. (1.42%) Ying-Chih Kao (1.42%) Huai-Kun Yang (1.24%)

Note: The shareholdings are as of Nov. 30 2023, the book closure date of Eternal Materials Co. Ltd.

## Major shareholders of corporation who are the major shareholders of the Company's corporate shareholders

Name of the corporate	Major shareholders of the corporation
AUO Corp. (Note 1)	Qisda Corporation (6.90%) Trust Holding for Employees of AUO Corporation (5.18%) Quanta Computer Inc. (4.61%) Yuanta Taiwan Dividend Plus ETF (4.17%) ADR of AUO Corp. (2.44%) Nan Shan Life Insurance Company, Ltd. (1.62%) New Labor Pension Fund (1.56%) Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (0.93%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.92%) iShares Core MSCI Emerging Markets ETF (0.76%)

Name of the corporate	Major shareholders of the corporation
Kwang Yang Motor Co., Ltd. (Note 2)	TrustWin Co., Ltd. (11.31%) SunBright Investment Co., Ltd. (7.99%) Kuang Chou Investment Co., Ltd. (6.66%) Daming Investment Co., Ltd. (6.33%) Kwang Hsing Industrial Co., Ltd. (5.39%) Chia-Cheng Ke (1.05%) Hung-Ming Ko (1.03%) Shu-Yuan Ko Wang (1.03%) Hsing-Lang Ko (1.00%) Hung Sheng Investment Co. Ltd. (1.00%)
Kwang Hsing Industrial Co., Ltd. (Note 3)	Kwang Yang Motor Co., Ltd. (100%)
Taiwan Cooperative Bank, Ltd (Note 3)	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
CHINA F.R.P. Corp. (Note4)	Ying-Shih Kao(21.26 %) Jia-Cheng Co., Ltd. (18.95%) Kuo-Lun Kao (13.42%) Chiang-Ting International Co., Ltd (8.89 %) Da-Ya International Co., Ltd.(4.09%) Chia-Jung Lee (3.48%) Fu-Ting Kao (2.8%) Fu-Yu Kao (2.7%) Fu-Cheng Kao (2.59%) Ching-Lan Yang (2.27%)
Jia-Cheng Co., Ltd. (Note4)	Seychelles New Genius Limited (61.65%) Kuo-Lun Kao (13.85%) Chia-Jung Lee (13.79%) Hong Kong Phuket Investments Limited (8.82%) Fu-Ting Kao (1.89%)

Note 1: Source: AUO Corp.'s website (date: March 28, 2023)

Note 2: Source: Eternal Materials Co. Ltd. 2022 Annual Report

Note 3: Source: Department of Commerce, MOEA Commerce Industrial Services Portal

Note 4: Source: Eternal Materials Co. Ltd.

**Professional Qualifications of the Directors and the Independent Directors' Independence:**

## 1. Directors' Professional Qualifications and Experiences:

Directors have a wide range of work experiences from the fields of chemistry, chemical engineering, business management, mechanical engineering, and financial management, and none are involved in any conditions stipulated by Article 30 of the Company Act. The professional qualifications and experiences of the Directors are as the following:

- **Chairman, Cheng-Yih Lin**

Cheng-Yih Lin graduated from Chemical Engineering Department of National Taiwan University and has obtained a Ph.D. degree in Chemical Engineering from Carnegie Mellon University in the U.S. He concurrently serves as Daxin's Chairman and CEO. After joining AUO in 2000, Lin joined Daxin Materials Corp. in 2006 and is committed to the development of key chemical materials. He is particularly focused on developing the skills and capacity of the R&D team. Daxin's R&D has gradually expanded from LCD chemical materials to touch panel materials, semiconductor materials, and key raw materials with even higher specifications under Lin's leadership.

- **Director, Tsung-Hsing Kuo**

Mr. Kuo graduated from Chemical Engineering Department of National Taiwan University and has obtained an E.M.B.A. degree from National Sun Yat-sen University. He joined Eternal Materials in 1981 and transfer to Daxin in 2006. Mr. Kuo is currently the President of Daxin, and has led our company to grow along with Chairman Cheng-Yih Lin by focusing on the R&D and innovations of specialty chemicals, thereby bringing diversified development and opportunities to Daxin.

- **Representative of Eternal Materials Co. Ltd., Chin-Cheng Pan**

Mr. Pan holds an M.S. in Chemistry from National Cheng Kung University and is currently the Chief Operating Officer of Specialty Materials division of Eternal Materials Co., Ltd. He is in charge of the strategic planning and execution of the management and development of specialty materials. Additionally, he serves as the Chief Operating Officer for the New Business Development of Eternal Materials Co., Ltd., supervising strategic development, high-end product initiatives, and the cultivation of new ventures to ensure the achievement of strategic goals.

- **Representative of Konly Venture Corporation, Ting-Li Lin**

Mr. Ting-Li Lin holds an M.S. in Applied Chemistry from National Chiao Tung University and is currently the Senior Vice President of Manufacturing Operations of AUO. He is responsible for managing and coordinating the production and operational processes, driving value chain integration and development.

- **Independent Director, Wei-Shun Cheng**

Mr. Wei-Shun Cheng holds a Master's degree in Accounting from Northern Illinois University and is a Certified Public Accountant in Taiwan. He has expertise in both accounting and finance and has served at AUO from 1996 to 2018 in various key functions, including its Executive Vice President and Chief Financial Officer and more.

- **Independent Director, Xin-Wu Lin**

Mr. Xin-Wu Lin Holds a Ph.D. in Economics from National Taiwan University, and joined Taiwan Institute of Economic Research in 2000. He is currently its Vice President and Researcher and excels in innovative policy and strategies, including innovative policy, entrepreneurial policy, emerging industries, competitive laws and regulations, and legal compliance and more. He has expertise in multiple fields and concurrently serves as an Independent Director of Representative of Finance Department of Taiwan Business Bank and Senior Consultant of Competitive Legal Compliance at AUO.

- **Independent Director, Chiao-Mou Cheng**

Mr. Chiao-Mou Cheng graduated from Chemical Engineering Department of Chung Yuan University. He served as the Assistant Vice President of Research Institute at Eternal Materials Co., Ltd. from 1975 to 2016, with a dedicated focus on chemical materials research and development for many years, possessing extensive expertise in the field.

- **Independent Director, Chih-Chun Tsai**

Mr. Tsai holds an M.S. in Computer Science of Utah State University. He served at TSMC Company from 1987 to 2022, overseeing the Asia-Pacific operations in semiconductor markets, particularly in Taiwan and China. He has achieved remarkable success and accumulated extensive experience in the semiconductor field.

## 2. Independence of the Independent Directors:

- All Independent Directors have issued the "Statement of Compliance to Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies" during nomination, and the Board of Directors have reviewed that they have all met the criteria for independence.

- None of the Independent Directors serve as an employee, Director, or Supervisor of Daxin or its affiliates, none are holding Daxin's shares, and none are the spouses or relatives within the second degree of kinship to Daxin's managers and Directors.
- In the recent two years, neither Daxin or any of its affiliates have paid remunerations for other services to the Independent Directors.
- All Independent Directors meet the criteria for independence, their shareholding, position concurrently held in Daxin and other companies, and relations with members of Daxin, please refer to Page 9-10.

#### Diversification and Independence of the Board of Directors:

- Daxin's "Corporate Governance Principles" clearly stipulates that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed 1/3 of the total number of the board members, and that an appropriate policy on diversity based on the Company's operations, operating dynamics, and developmental needs be formulated and include, without being limited to, the following two general standards:
  - Basic requirements and values: Gender, age, nationality and culture etc.
  - Professional knowledge and skills: Professional background, professional skills, and industry experiences etc.
- Daxin has 8 Directors (including 4 Independent Directors). All members of the board have rich industry experiences including chemistry, chemical engineering, semiconductor, business management, and financial management and more. In order to achieve the goal of corporate governance, the Board of Directors shall possess abilities including operational Judgment, accounting and financial analysis, operation management, crisis management, knowledge of the industry, global market perspectives, leadership, and decision-making.

Approximately 25% of the Board of Directors concurrently serve as Daxin's employees. The ratio of Independent Directors to all Directors is 50%. There are no the spouses, or relatives within the second degree of kinship to Directors of the Company, and none of the Directors are involved in matters specified in Items 3 and 4 of Article 26 of the Securities and Exchange Act.

Name	Title	Basic criteria and values					Professional knowledge and skills							
		Gender	Employees Identification	Age 51 to 60	Age 61 to 70	Age 71 to 80	Operational Judgment	Accounting and Financial Analysis	Operation Management	Crisis Management	Knowledge of the Industry	Global Market Perspectives	Leadership	Decision Making
Cheng-Yih Lin	Chairman	Male	✓			✓	✓		✓	✓	✓	✓	✓	✓
Tsung-Hsing Kuo	Director	Male	✓		✓		✓		✓	✓	✓	✓	✓	✓
Chin-Cheng Pan	Director	Male		✓			✓		✓	✓	✓	✓	✓	✓
Ting-Li Lin	Director	Male		✓			✓		✓	✓	✓	✓	✓	✓
Wei-Shun Cheng	Independent Director	Male			✓		✓	✓	✓	✓	✓	✓	✓	✓
Xin-Wu Lin	Independent Director	Male		✓			✓	✓	✓	✓	✓	✓	✓	✓
Chiao-Mou Cheng	Independent Director	Male				✓	✓		✓	✓	✓	✓	✓	✓
Chih-Chun Tsai	Independent Director	Male			✓		✓		✓	✓	✓	✓	✓	✓

#### Management goals and achievements:

Management goal	Status
Each professional knowledge and skill be possessed by at least one director	Achieved
Including at least one female director	There are no female director on the Board of Directors yet, but we will strive towards this goal in the future.

### 3.2.2 President, Vice Presidents, Assistant Vice President, and Managers of Each Departments and Divisions

Unit: 1,000 Shares; % March 26, 2024

Title	Nationality	Name	Gender	Appointment Date	Shares Held		Shares Held by Spouse & Minors		Shares Held through Nominees		Experience (Education)	Other Positions	Managers Who are Spouses or Within the Second Degree of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief Executive Officer	R.O.C.	Cheng-Yih Lin	Male	2012.09.10	2,299	2.24	0	0.00	0	0.00	Ph.D., Chemical Engineering, Carnegie Mellon University Chairman & Chief Strategy Officer, AUO Crystal Corp. Senior Vice President, AUO Corp. Director, AUO Corp.	—	—	—	—
President	R.O.C.	Tsung-Hsing Kuo	Male	2006.06.30	232	0.23	830	0.81	0	0.00	B.S., Chemical Engineering, National Taiwan University E.M.B.A., National Sun Yat-sen University President, Eternal Chemical Industry (China) Co., Ltd.	—	—	—	—
Executive Vice President	R.O.C.	Feng-Yu Chuang	Male	2004.01.02	15	0.01	0	0.00	0	0.00	Ph.D., Electronic and Computer Engineering, National Taiwan University of Science and Technology President, Cando Corporation	—	—	—	—
Vice President	R.O.C.	Feng-Liang Chiu	Male	2015.05.06	3	0.00	0	0.00	0	0.00	M.S., Chemical Engineering, National Cheng Kung University President, Forhouse Corp.	—	—	—	—
Chief Finance Officer	R.O.C.	Yen-Chen Liu	Female	2009.11.13	168	0.16	215	0.21	0	0.00	E.M.B.A., National Tsing Hua University Accounting Manager, AUO Corp.	Representative Director, Frontier Materials (Samoa) Corporation	—	—	—
Assistant Vice President	R.O.C.	Yu-Tsain Hsieh	Male	2023.05.01	0	0	38	0.04	0	0.00	Ph.D., Chemistry, National Taiwan University Chief Researcher, Eternal Materials Co. Ltd.	—	—	—	—

**If the president or personnel with equivalent position (chief manager) and chairman are the same person, spouses, or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:**

The major responsibilities of the Company's Chairman is to preside over Board of Directors meetings and to execute tasks authorized by the Board of Directors; the CEO is responsible for the Company's sustainable operation and the achievement of long-term development strategy; the President is responsible for the planning and management of the Company's daily operations. The powers and duties are clearly divided between the chairman and CEO, and the president, and no more than half of all Directors concurrently serve as either employees or managers. To enhance the independence of the board of directors, the company increased the number of independent director positions during the director election at the shareholders' meeting in June 2023. The number of independent directors has reached half of the total board seats.

### 3.3 Remuneration to Directors, Supervisors, President, and Vice Presidents

#### 3.3.1 Remuneration to Directors and Independent Directors

Unit: NT\$ thousands; %

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and Ratio to Net Income (%)				Remuneration Received By Directors Who are Also Employees				Total Remuneration (A+B+C+D+E+F+G) and Ratio to Net Income (%)				Remuneration from Non-consolidated Affiliates or Parent Company				
		Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C)		Business Execution Expenses (D)		Salary, Bonuses, and Special Expenses (E)		Severance Pay and Pension (F)		Employee Remuneration (G)		Total Remuneration (A+B+C+D+E+F+G) and Ratio to Net Income (%)										
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities							
										Total	%	Total	%							Total	%		Total	%		
Director	Cheng-Yih Lin	6,912	6,912	0	0	4,949	4,949	240	240	12,101	2.31	12,101	2.31	31,554	31,554	108	108	3,840	0	3,804	0	47,603	9.09	47,603	9.09	0
	Tsung-Hsing Kuo																									
	Konly Venture Corp. Representative: Wei-Lung Liao (Note)																									
	Konly Venture Corp. Representative: Shih-Hung Liao (Note)																									
	Konly Venture Corp. Representative: Ting-Li Lin (Note)																									
	Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan																									
	Eternal Materials Co. Ltd. Representative: Chi-Kang Chang (Note)																									
Independent Director	Chia-Ching Tong (Note)	4,646	4,646	0	0	0	0	160	160	4,806	0.92	4,806	0.92	0	0	0	0	0	0	0	0	4,806	0.92	4,806	0.92	0
	Wei-Shun Cheng																									
	Xin-Wu Lin																									
	Chiao-Mou Cheng (Note)																									
	Chih-Chun Tsai (Note)																									

1. To describe the policy, system, standard, and structure of independent directors' remuneration, and the connection between the amount of remuneration and the factors, such as their job responsibilities, risks, and time input.  
 The remuneration to the Company's Independent Directors are evaluated based on the scale and operations of the Company, time input by the Independent Directors, their functions, and responsibilities and risks they took. The principles for determining remuneration of independent directors are as follows:  
 (1) Ensure that Daxin's remuneration complies with relevant laws and may attract and retain quality talent to serve as Independent Directors.  
 (2) The total remuneration to Independent Directors is based on a competitive level within the market and it is based on compensations only and does not include any bonuses.  
 (3) Directors who serve as members of various functional committees will be reasonably compensated based on their respective roles and responsibilities.

2. Other than disclosures in the table above, remuneration paid to directors for providing services (such as consulting services as a non-employee) to the Company and all consolidated entities in the most recent year: None

Note: Directors were re-elected during the shareholders' meeting on June 15th, 2023. Ting-Li Ling (representative of Konly Venture Corp.) was elected as a director, while Chiao-Mou Cheng and Chih-Chun Tsai were elected as independent directors. Wei-Lung Liao, Shih-Hung Liao (representative of Konly Venture Corp.) and Chi-Kang Chang (representative of Eternal Materials Co. Ltd.) had their tenures expired as directors. Chia-Ching Tong's tenure expired as an independent director.

## Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities and Non-consolidated Affiliates	The Company	All Consolidated Entities and Non-consolidated Affiliates
Less than NT\$1,000,000	Wei-Lung Liao, Shih-Hung Liao, Ting-Li Lin, Chin-Cheng Pan, Chi-Kang Chang, Chia-Ching Tong, Chiao-Mou Cheng, Chih-Chun Tsai	Wei-Lung Liao, Shih-Hung Liao, Ting-Li Lin, Chin-Cheng Pan, Chi-Kang Chang, Chia-Ching Tong, Chiao-Mou Cheng, Chih-Chun Tsai	Wei-Lung Liao, Shih-Hung Liao, Ting-Li Lin, Chin-Cheng Pan, Chi-Kang Chang, Chia-Ching Tong, Chiao-Mou Cheng, Chih-Chun Tsai	Wei-Lung Liao, Shih-Hung Liao, Ting-Li Lin, Chin-Cheng Pan, Chi-Kang Chang, Chia-Ching Tong, Chiao-Mou Cheng, Chih-Chun Tsai
NT\$1,000,000 –NT\$2,000,000	Wei-Shun Cheng, Xin-Wu Lin, Tsung-Hsing Kuo	Wei-Shun Cheng, Xin-Wu Lin, Tsung-Hsing Kuo	Wei-Shun Cheng, Xin-Wu Lin	Wei-Shun Cheng, Xin-Wu Lin
NT\$2,000,000 –NT\$3,499,999	Cheng-Yih Lin	Cheng-Yih Lin	—	—
NT\$3,500,000 –NT\$4,999,999	Konly Venture Corporation; Eternal Materials Co. Ltd.	Konly Venture Corporation; Eternal Materials Co. Ltd.	Konly Venture Corporation; Eternal Materials Co. Ltd.	Konly Venture Corporation; Eternal Materials Co. Ltd.
NT\$5,000,000 –NT\$9,999,999	—	—	—	—
NT\$10,000,000 –NT\$14,999,999	—	—	—	—
NT\$15,000,000 –NT\$29,999,999	—	—	Cheng-Yih Lin, Tsung-Hsing Kuo	Cheng-Yih Lin, Tsung-Hsing Kuo
NT\$30,000,000 –NT\$49,999,999	—	—	—	—
NT\$50,000,000 –NT\$99,999,999	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	14 (including 2 Corporate Directors)	14 (including 2 Corporate Directors)	14 (including 2 Corporate Directors)	14 (including 2 Corporate Directors)

## 3.3.2 Remuneration to Supervisors: Not applicable.



**3.3.3 Remuneration to President and Vice Presidents**

Unit: Unit: NT\$ thousands; 1,000 shares; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Special Expenses (C)		Employee Remuneration (D)				Total Remuneration (A+B+C+D) and Ratio to Net Income (%)				Remuneration from Non-consolidated Affiliates or Parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company		Consolidated Entities		
								Cash	Stock	Cash	Stock	Total	%	Total	%	
Chief Executive Officer	Cheng-Yih Lin	20,860	20,860	324	324	35,663	35,663	6,440	0	6,440	0	63,287	12.09	63,287	12.09	None
President	Tsung-Hsing Kuo															
Executive Vice President	Feng-Yu Chuang															
Vice President	Feng-Liang Chiu															

**Range of Remuneration**

Range of Remuneration Paid to the President and Vice President	Name of the President and Vice President	
	The Company	All Consolidated Entities and Non-consolidated Affiliates
Less than NT\$1,000,000	—	—
NT\$1,000,000 –NT\$2,000,000	—	—
NT\$2,000,000 –NT\$3,499,999	—	—
NT\$3,500,000 –NT\$4,999,999	—	—
NT\$5,000,000 –NT\$9,999,999	—	—
NT\$10,000,000 –NT\$14,999,999	Tsung-Hsing Kuo, Feng-Yu Chuang, Feng-Liang Chiu	Tsung-Hsing Kuo, Feng-Yu Chuang, Feng-Liang Chiu
NT\$15,000,000 –NT\$29,999,999	Cheng-Yih Lin	Cheng-Yih Lin
NT\$30,000,000 –NT\$49,999,999	—	—
NT\$50,000,000 –NT\$99,999,999	—	—
Over NT\$100,000,000	—	—
Total	4	4

### 3.3.4 Remuneration to Managers

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	CEO	Cheng-Yih Lin	0	7,892	7,892	1.51
	President	Tsung-Hsing Kuo				
	Executive Vice President	Feng-Yu Chuang				
	Vice President	Feng-Liang Chiu				
	Chief Finance Officer	Yen-Chen Liu				
	Assistant Vice President	Yu-Tsai, Hsieh (Note)				

Note: Yu-Tsai, Hsieh was promoted to Assistant Vice President on May 1<sup>st</sup>, 2023

### 3.3.5 Compare and Analyze the total Remuneration as a percentage of Net Income after Taxes Stated in the Parent Company Only or Individual Financial Reports, Paid to Directors, Supervisors, President, and Vice Presidents by the Company and All Other Companies of the Consolidated Financial Statements In the Past Two Fiscal Years. Describe the Policies, Standards, Packages, Procedure for Determining Remuneration, and the Correlation to Operating Performance and Future Risk Exposure.

- (1) The ratio of the total remuneration paid to the Directors, Supervisors, President, and Vice Presidents to the net income after taxes in the past two fiscal years

Item	2022		2023	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Ratio of Total Remuneration Paid to Directors to Net Income (%)	11.20	11.20	10.01	10.01
Ratio of Total Remuneration Paid to Supervisors to Net Income (%)	N/A	N/A	N/A	N/A
Ratio of Total Remuneration Paid to President and Vice Presidents to Net Income (%)	13.04	13.04	12.09	12.09

- (2) The policies, standards, and portfolios for the payment of remuneration to Directors, Supervisors, President and Vice President, the procedures for determining remuneration, and the correlation with business performance and future risk exposure
- According to Daxin's Article of Incorporation, the Board of Directors is authorized to determine the remuneration of the directors, considering domestic and international industry standards, and in accordance with the "Compensation Regulations for Directors and Functional Committee Members". The compensation is implemented after being approved by the Board. Daxin's Article of Incorporation also state that no more than 1% of our annual profits may be distributed as compensation to our directors. To maintain the independence of each independent director, they receive fixed compensation. The individual directors are compensated based on their involvement in the company's operations as well as business performance, risk management responsibilities. The Remuneration Committee regularly evaluate the Company's performance and future risks to review remuneration policy of directors. The ratio and payment amount of director's remuneration distribution is on the basis of the Company's operation profit and performance, and it shall be resolved by the Board of Directors every year.
  - The procedures for determining remuneration to the Company's President and Vice Presidents, are in accordance with the "Procedures of Remuneration to Managers" and "Procedures of Salary Distributions" formulated by the Remuneration Committee and Board of Directors. The remuneration includes fixed salary components such as monthly salary, holiday bonuses, etc., which are designed to be competitive in the market based on the industry standards. Additionally, there are variable remuneration components such as bonuses

and employee remuneration, which are comprehensively considered based on the roles and responsibilities served by the President and Vice Presidents, as well as the Company's operational performance. The criteria for consideration include financial and innovation indicators.

Financial indicators: Include the growth rate and achievement status of the Company's revenue and profit.

Innovation indicators: Include the status of the Company's new product and new market development.

Additionally, as the Company is research and development-oriented, investments in research and development in new areas are also considered evaluation targets.

The company regularly reviews its remuneration policies considering performance and risk management measures, and is committed to achieving a sustainable operations and delivering long-term growth for our shareholders and employees.

- The Remuneration Committee simultaneously considers the company's profit performance for 2023, as well as the contributions of directors and managers to the company's operational performance. Within the limits specified in the company's Articles of Incorporation (no more than 1% of annual profit as directors' remuneration; no less than 3% of annual profit as employees' remuneration). It is decided to allocate 0.75% of the annual profit for director remuneration and 7.5% for employee remuneration, subject to approval by the Board of Directors.

## 3.4 Implementation of Corporate Governance

### 3.4.1 Board of Directors

In 2023, the Board of Directors has convened 5 meetings with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	Cheng-Yih Lin	5	0	100	Re-elected
Director	Tsung-Hsing Kuo	5	0	100	Re-elected
Director	Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan	5	0	100	Re-elected
Director	Eternal Materials Co. Ltd. Representative: Chi-Kang Chang	2	0	100	Former
Director	Konly Venture Corporation Representative: Wei-Lung Liao	2	0	100	Former
Director	Konly Venture Corporation Representative: Shih-Hung Liao	2	0	100	Former
Director	Konly Venture Corporation Representative: Ting-Li Lin	3	0	100	New-elected
Independent Director	Chia-Ching Tong	2	0	100	Former
Independent Director	Wei-Shun Cheng	5	0	100	Re-elected
Independent Director	Xin-Wu Lin	4	1	80	Re-elected
Independent Director	Chiao-Mou Cheng	3	0	100	New-elected
Independent Director	Chih-Chun Tsai	2	1	67	New-elected

Note: Directors were re-elected during the shareholders' meeting on June 15th, 2023.

Other matters:

I. When one of the following situations occurred to the operations of the Board, state the dates and terms of the meetings, contents of proposals, opinions of all independent directors and the Company's response :

- (I) Matters included in Article 14-3 of the Securities and Exchange Act: Daxin has formulated an Audit Committee; please refer to the Operations of the Audit Committee - Other Matters.
- (II) Any other resolutions of the Board of Directors with dissent or qualified opinion by independent directors that were recorded or stated in writing statements: None

II. Regarding recusals of Directors due to conflicts of interests, the names of the directors, contents of proposals, reasons for recusal, and participation of voting shall be stated:

- (I) Meeting of the Board of Directors on Feb. 22, 2023  
Managers' remuneration - Besides Chairman Cheng-Yih Lin and Director Tsung-Hsing Kuo abstained themselves from the discussion and voting in line with relevant laws because they are involved in this proposal, the proposal was approved without dissent or rectification by all other attending Directors. (Managers related to this proposal had recused themselves)
- (II) Meeting of the Board of Directors on Aug. 10, 2023  
Appointment of Members of the Fifth Remuneration Committee - Besides 4 Independent Directors, Wei-Shun Cheng, Xin-Wu Lin, Chiao-Mou Cheng and Chih-Chun Tsai, abstained themselves from the discussion and voting in line with relevant laws because they are involved in this proposal, the proposal was approved without dissent or rectification by all other attending Directors.
- (III) Meeting of the Board of Directors on Nov. 9, 2023  
The 2023 managers' remuneration - Besides Chairman Cheng-Yih Lin and Director Tsung-Hsing Kuo abstained themselves from the discussion and voting in line with relevant laws because they are involved in this proposal, the proposal was approved without dissent or rectification by all other attending Directors. (Managers related to this proposal had recused themselves)

III. The self (peer) evaluation of the Board of Directors, including evaluation cycle, period, scope, method, contents and implementation:

Evaluation cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation contents
Annually	2023.01~ 2023.12	Board of Directors, individual directors, Audit Committee, Remuneration Committee	Internal self-evaluation	<ul style="list-style-type: none"> <li>The Board of Directors are assessed on the following five aspects: Degree of participation in the Company's operations, enhancement of the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, election and continuing education of the Directors, and internal control</li> <li>The individual directors are assessed on the following six aspects: Understanding of the Company's goals and missions, awareness of the directors' duties, degree of participation in the Company's operations, internal relationship and communication, professionalism and continuing education of the Directors, and internal control</li> <li>The Audit Committee is assessed on the following five aspects: Degree of participation in the Company's operations, awareness of the Audit Committee's duties, enhancement of the decision-making quality of the Audit Committee, composition of the Audit Committee and election of members, and internal control</li> <li>The Remuneration Committee is assessed on the following five aspects: Degree of participation in the Company's operations, awareness of the Remuneration Committee's duties, enhancement of the decision-making quality of the Remuneration Committee, composition of the Remuneration Committee and election of members, and internal control</li> </ul>

- IV. Goals for strengthening the function of the Board (including establishing the Audit Committee and enhancing information transparency) and results thereof:
- (I) Establishing functional committees: The Company has established the Audit Committee and the Remuneration Committee in 2011 upon resolution from the Board of Directors. The Audit Committee is responsible for exercising duties and obligations specified by the Securities and Exchange Act, the Company Act, and other applicable laws and regulations. The Remuneration Committee is responsible for evaluating the remuneration policy and system for Directors and managerial officers in a professional and objective manner, and for submitting its suggestions to the Board of Directors as a reference in the decision-making process. These two functional committees established under the Board of Directors are designed to strengthen the functions of the Board.
  - (II) Appointing the Corporate Governance Officer: On May 3, 2023, the Board of Directors appointed the Chief Financial Officer to concurrently hold the position of the Corporate Governance Officer. This appointment is intended to assist directors in their duties and improve the efficiency of the Board's operations.
  - (III) Adding the number of independent directors: On June 15, 2023, during the shareholders' meeting, 8 directors were elected, including 4 independent directors. The presence of independent directors has reached half of the total director seats, contributing to the enhancement of the supervisory function of the board of directors.
  - (IV) Enhancing information transparency: The Company has formulated the "Procedures of Material Information" to regulate the handling and disclosure mechanism of the Company's material information so as to ensure the consistency and accuracy of external information announcement. At the same time, a spokesperson system has been established to ensure that material information is disclosed in a timely and proper manner.  
Investor conference is organized annually to describe the Company's operational highlights to the investors and the public. All material information is also announced and reported on the Market Observation Post System (MOPS) in line with the laws. Daxin's website has also established a Stakeholder section and email to provide stakeholders with an unimpeded channel of communication with the Company.
  - (V) Promoting corporate sustainable development: While pursuing for operational development, Daxin also focus on communications and feedback with stakeholders and environmental protection and various social issues. We formulated an ESG project team in 2021, which was renamed the "Sustainability Committee" in 2022. Senior managers are in charge of promoting the relevant tasks from each functional group and reporting the operations of the Sustainability Committee to the Board of Directors. We issue the sustainability reports regularly every year.

### 3.4.2 Audit Committee

In 2023, the Audit Committee has convened 4 meetings with the following attendance record:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Independent Director (Convener)	Xin-Wu Lin	4	0	100	Re-elected
Independent Director	Wei-Shun Cheng	4	0	100	Re-elected
Independent Director	Chiao-Mou Cheng	2	0	100	New-elected
Independent Director	Chih-Chun Tsai	1	1	50	New-elected
Independent Director	Chia-Ching Tong	2	0	100	Former

Note: Directors (including 4 independent directors) were re-elected during the shareholders' meeting on June 15th, 2023.

Other matters:

- I. If any of the following circumstances occurs in the Audit Committee, the dates, terms of the meetings, contents of proposals, dissenting or reserved opinion or material recommendation from the Independent Director, Audit Committee's resolutions, and the Company's response to the Audit Committee's opinions shall be stated:
- Matters included in Article 14-5 of the Securities and Exchange Act : All proposals submitted to the Board of Directors were approved by all members of the Audit Committee. There were no resolutions which had not been approved by the Audit Committee but was approved by two-thirds or more of all Directors.

Date and term	Contents of Proposals	Resolutions and member opinions
Feb. 22, 2023 The 4th term 11th meeting	<ul style="list-style-type: none"> <li>2022 Statement on Internal Control System</li> <li>Appointment of the CPAs and evaluation of their Independence and Competence</li> <li>2022 Business Report and Financial Statements</li> <li>the proposal for the distribution of 2022 earnings</li> <li>The amendment of the "Procedures for Acquisition and Disposal of Assets"</li> </ul>	Approved and submitted to the Board of Directors for resolution
May 3, 2023 The 4th term 12th meeting	<ul style="list-style-type: none"> <li>2023 Q1 Financial Statements</li> </ul>	Approved and submitted to the Board of Directors for resolution
Aug. 10, 2023 The 5th term 1st meeting	<ul style="list-style-type: none"> <li>The amendment of the " Internal Control Systems" and "Internal Audit Implementation Rules"</li> <li>2023 Q2 Financial Statements</li> <li>The formulation of "Pre-approval of Non-assurance Service Policy"</li> <li>Dissolution and Liquidation of Japanese Subsidiary</li> </ul>	Approved and submitted to the Board of Directors for resolution
Nov. 9, 2023 The 5th term 2nd meeting	<ul style="list-style-type: none"> <li>Formulation of 2024 Audit Plan</li> <li>2023 Q3 Financial Statements</li> </ul>	Approved and submitted to the Board of Directors for resolution

- Other matters that were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None
- II. Regarding recusals of independent directors due to conflicts of interests, the names of the independent directors, contents of proposals, reasons for recusal, and participation of voting shall be stated: None
- III. Communications between the independent directors, the Company's chief internal auditor, and CPAs (shall include material matters, methods and results of communication on the finances and state of business of the Company, etc.).
- (I) Monthly audit reports and follow-up reports by the chief internal audit are delivered to the Audit Committee for review by the end of the following month. The chief internal audit attends the Audit

Committee and the Board of Director to present audit reports, follow-up reports, annual audit plans, and the result of self-assessments of internal control every quarter, and communicates the annual audit plan with independent directors individually every year.

- (II) The independent directors and CPAs have regular meetings at least four times a year. The CPAs present audit results of financial reports to independent directors to explain the important transactions and the audit results of internal control. CPAs communicate the Key Audit Matters, the annual audit plan, the method of audit tests and the audit procedures with independent directors individually every year. In case of material events, the aforementioned meetings may be convened at any time.
- (III) A summary of all communications between the independent directors, the chief internal auditor, and the CPAs, have been disclosed on the Company's website.

IV. Annual Key Tasks and Implementation Status:

(I) Annual Key Tasks:

1. Communicating the audit report with the chief internal auditor based on the annual audit plan.
2. Conducting assessment on the effectiveness of the internal control system
3. Reviewing financial statements
4. Appointment of the Company's CPAs and their remuneration
5. Evaluating the independence and suitability of the Company's CPAs
6. Reviewing material asset or derivative transactions
7. Legal compliance

- (II) Implementation Status: All proposals from the Audit Committee meetings have been approved by the Audit Committee, and no Independent Director has expressed any dissenting opinion.

### 3.4.3 Operation Status of the Remuneration Committee:

#### 1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

December 31, 2023

Title	Name	Number of Other Public Companies Where the Individual Concurrently Serves as a Remuneration Committee Member
Independent Director (Convener)	Wei-Shun Cheng	3
Independent Director	Xin-Wu Lin	2
Independent Director	Chiao-Mou Cheng	0
Independent Director	Chih-Chun Tsai	1

Please refer to Pages 13-14 in the Annual Report for professional qualification, experience, and status of independence.

#### 2. Roles and Responsibilities of the Remuneration Committee

The Remuneration Committee shall perform the following duties and present its recommendations to the Board of Directors for discussion.

- (1) Review organizational regulations periodically and propose amendments.
- (2) Establish and regularly review the performance evaluation of the directors and managers, and the remuneration policy, system, standard, and structure for the directors and managers.
- (3) Evaluate the performance of the directors and managers in view of goals and objectives, and based on this evaluation, recommending to the Board of Directors appropriate remuneration levels for the directors and managers.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- (1) Ensuring that the remuneration arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and remuneration levels of Directors and managerial officers shall take into account the industry standard, individual performance, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the remuneration paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
- (3) There shall be no incentive for the directors or managers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- (4) For directors and managers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the industry and the nature of the Company's business.
- (5) The committee are excused from the Committee's discussion and decision of their own remuneration.



### 3. Operation Status of the Remuneration Committee

- (1) The Company's Remuneration Committee is composed of 4 members.
- (2) The current term of office: August 10, 2023 to June 14, 2026; the Remuneration Committee has convened 2 meetings in the most recent fiscal year with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Convener	Chia-Ching Tong	1	1	100	Former
Convener	Wei-Shun Cheng	2	0	100	Re-elected
Committee Member	Xin-Wu Lin	2	0	100	Re-elected
Committee Member	Chiao-Mou Cheng	1	0	100	New-elected
Committee Member	Chih-Chun Tsai	0	1	0	New-elected

Note: The Board of Directors appointed members of the 5th Remuneration Committee on Aug 10, 2023.

#### Other matters:

- I. If the Board of Directors refuses to adopt or amend a recommendation from the Remuneration Committee, the dates, terms of the meetings, contents of the proposals, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the circumstances and cause for the difference if the remuneration approved by the Board of Directors exceeds the recommended amount by the Remuneration Committee) shall be stated:

All proposals at Remuneration Committee meetings have been submitted to the Board of Directors for approval after approval from members of the Remuneration Committee. There was no condition where a member has expressed dissent or reserved opinion with a record or written statement present.

- II. If there were resolutions by the Remuneration Committee to which members have dissenting or qualified opinions, and for which there is a record or declaration in writing, the dates, terms of the meeting, contents of the proposals, all members' opinions, and the response to members' opinions shall be stated: None.

**3.4.4 Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission:**

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		Daxin has established "Corporate Governance Principles", which aims at protecting the shareholders' rights, enhancing the functions of the Board of Directors, realizing the functions of the functional committees, respecting the rights and interests of stakeholder, and enhancing information transparency. Please refer to Daxin's website or the Market Observation Post System (MOPS) for relevant standards and regulations.	None.
2. Shareholding structure & shareholders' rights (1) Does the Company establish internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement based on the procedures?	V		Daxin has established "Procedures of Material Information", setting up a spokesperson and acting spokesperson system. In addition, a dedicated email for investors has been set up on the Stakeholder section of Daxin's website, and the finance division is the dedicated unit for handling suggestions, doubts, or disputes from the shareholders.	None.
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		Daxin tracks changes in shareholding of the directors, managerial officers, and major shareholders holding 10% or more of the Company's shares, and reported monthly to the MOPS in accordance with laws and regulations.	None.
(3) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		To formulate a firewall and risk control mechanism, Daxin has established "Rules Governing Financial and Business Matters between the Company and its Related Parties" and "Management Process for the Subsidiary".	None.
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		Daxin has established "Procedures of Material Information" and included the management of preventing insider trading and short-term trading in the internal control system, to prohibit internal personnel from buying or selling securities by using undisclosed information to the public, and as reference for the Company's handling and disclosure of material information.  In order to further prevent insider trading, our "Corporate Governance Principles" stipulates that prohibiting directors from trading the Company's shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. We also sent email in advance to remind the directors before each closed period, so as to prevent the directors from violating the regulations unintentionally.	None.
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors establish a diversification policy for the composition and specific management goals of its members and implement accordingly?	V		Daxin's "Corporate Governance Principles" clearly stipulates that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed 1/3 of the total number of the board members; moreover, an appropriate policy on diversity shall be formulated based on the Company's	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			business operations, operating dynamics, and developmental needs. Please refer to Page 14 of this Report for relevant diversification policy, specific management goals and implementations.	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	Daxin has set up the Remuneration Committee and the Audit Committee. We also set up the Sustainability Committee, responsible for the promotion of the company's sustainability activities and the issuance of Sustainability Report.	None.
(3) Dose the Company establish methodology for evaluating the performance of the Board and implement annually, and report the results of evaluations to the Board, and use them as a reference for directors' remuneration and renewal?	V		Daxin has established the "Rules for Board of Directors Performance Assessments" and conducts performance evaluation on the Board of Directors, the individual directors, the Audit Committee, and the Remuneration Committee annually. The evaluation results are scored as either "Outstanding, Good, Satisfactory, Somewhat Satisfactory, Needs Improvement", and the results will be used as the basis for nomination and renewal. The Company has conducted performance evaluation of the board of directors, director members, audit committee and the Remuneration Committee in Jan 2024, and the results of all performance evaluation were "Outstanding". The performance evaluation results indicate that the Board of Directors operates effectively, providing efficient oversight and guidance on company operations and governance. Both the Audit Committee and the Remuneration Committee function proficiently, fully leveraging their expertise and effectiveness. The company will continue to strengthen the operation of the Board of Directors, the Audit Committee, and the Remuneration Committee to enhance corporate governance effectiveness. The results has been submitted to the Board of Directors on Feb. 27, 2024, and disclosed to the MOPS. Please refer to Page 21 for the scope, method, and contents of evaluation.	None.
(4) Does the Company regularly evaluate the independence of CPAs?	V		The Company's Audit Committee regularly evaluates the independence and competency of CPAs every year. In addition to requesting CPAs to provide a Statement of Independence and Audit Quality Indicators (AQI), evaluating according to 13 AQIs. It is confirmed that CPAs have no other financial interests or business relations with the Company besides auditing and taxation cases. With reference to the AQI Interpretation Guidelines issued by the regulator, there is no indication that the CPAs' independence and competency would be significantly influenced. The last evaluation result of CPAs' independence and competency had been approved by the Audit Committee on February 27, 2024, then reported to and approved by the Board of Directors on February 27, 2024.	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		On May 3, 2023, the Board of Directors approved Ms. Yen-Chen Liu, the assistant vice president, as the Corporate Governance Officer, who is responsible for the executing affairs related to corporate governance, including handling of matters relating to Board and Shareholders' Meetings according to law, executing Company registration and revisions, recording minutes of board meetings and shareholders' meetings, supporting directors in their appointment and continuous education, providing directors with necessary information for carrying out their duties, assisting directors in compliance with laws and regulations, etc. Moreover they also review and improve upon the various indicators of corporate governance evaluation annually to ensure that affairs related to corporate governance are being executed in practice.	None.
5. Does the Company establish communication channels and build a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		Daxin values the opinions and suggestions of all stakeholders, besides actively interacting with stakeholders to understand their expectations for Daxin, we have also set up a Stakeholder section on our website. Moreover, to properly address the important corporate social responsibility issues and concerns from the stakeholders, a spokesperson and deputy spokesperson system have been set up, and various dedicated departments are also in charge of the dedicated mailboxes set up for different stakeholders. The Sustainability Committee annually summarizes stakeholder communications and reports to the Board of Directors at least once a year.	None.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		Daxin has appointed Stock Affairs Department, Taishin Securities Co. Ltd., to handle various stock affairs.	None.
7. Information disclosure (1) Does the Company establish a website to disclose information on the Company's financial, business and corporate governance status?	V		Daxin has established a website and set up an "Investors" section, which is regularly updated relevant information on the Company's finance and business, investor conference, product, and corporate governance for investors' reference.	None.
(2) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investor conferences etc.)?	V		Daxin has set up a corporate website that is both available in Chinese and English, and appointed dedicated personnel to handle information collection and disclosure. The information is also updated to latest for the public irregularly. A spokesperson system has been set up, in which President Tsung-Hsing Kuo is the spokesperson, and the CFO Yen-Chen Liu is the acting spokesperson. In addition, to ensure the timely and proper disclosure of material information, the presentation materials of investor conference are all uploaded to the Investors section of our website, as well as disclosed to the MOPS in line with regulations from the Taiwan Stock Exchange (TWSE).	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company announce and report annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second, and third quarter, as well as monthly operating conditions, before the prescribed deadline?	V		The Company's 2023 consolidated and Parent Company-only Financial report was announced and filed at the MOPS on February 27, 2024, and all quarterly financial reports and monthly operating status were also announced and filed before the prescribed deadline. The aforementioned information was uploaded to the Company's website as well.	None.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		<p>(1) Our most valuable differentiators are our employees. Daxin strives to provide a safe work environment, innovative and challenging tasks and missions, and competitive compensation to employees. The Company has formed an Employee Welfare Committee that organizes various benefits. Please refer to Chapter 5 of this Annual Report for employees' rights and interests, as well as executions of labor relations.</p> <p>(2) Each year, Daxin analyzes key stakeholders and the significant issues they care about to avoid differences in perspectives, which could lead to misunderstandings and pose operational risks. In addition to various methods employed in our daily operations to interact with stakeholders, our company has also established communication channels on the official website for stakeholders to express their reasonable expectations and needs.</p> <p>(3) Daxin has a "Supplier Management Procedure" to establish management specifications and evaluation standards for suppliers, and regularly audits and evaluates key and critical raw material suppliers. We maintain good cooperative and interactive relationships with suppliers and are committed to improving quality to strengthen competitiveness. We ensure a stable supply of raw materials and stable quality to achieve reliability and optimal quality of shipped products.</p> <p>(4) Daxin has established an internal control system, internal audit system, as well as various internal management standards and rules, which serve as the basis of Daxin's risk control as well as the standard for measuring risks while engaging in business activities.</p> <p>(5) Daxin facilitates Directors to participate in continuing studies of relevant professional knowledge. Directors must undergo at least 3 hours of training in their first year of office, as per the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers." Additionally, they are encouraged to follow the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." This guideline requires newly appointed directors to complete 12 hours of training in their first year, and a minimum of 6 hours per year in each following year. In 2023, all directors met or exceeded these training standards.</p> <p>(6) Daxin has filed liability insurance for Directors and officers and regularly evaluates the amount insured each year so that the Directors and officers may prudently execute their duties from the standpoint of the investors' rights and interests. The relevant insurance information is also reported to the Board of Directors after the insurance contract has been renewed.</p>	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
9. Does the Company establish a succession plan for board members and key management?	V		<p>The Company's "Articles of Incorporation" clearly stipulate that directors are elected through a candidate nomination system. Moreover, the "Corporate Governance Principles" and "Rules for the Election of Directors" specify the capabilities required for the board and emphasize that the selection of directors should consider the overall composition of the board. The structure of the board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs. Simultaneously, the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. Each board member shall have the necessary knowledge, skill, and experience to perform their duties. The company conducts annual performance evaluations of the board of directors according to the "Rules for Board of Directors Performance Assessments", and the results will be used as the basis for nomination and renewal.</p> <p>The Company's board succession plan considers operational and future development needs, as well as the overall professionalism, independence, and diversity of the board. We train senior managers to join and understand board operations. Candidates for succession are chosen, developed, and evaluated from current directors, senior managers, and external professionals, based on the existing board structure.</p> <p>The company's Human Resources Department oversees the establishment of a talent development mechanism. For succession planning in key management positions, we focus on talent and development efforts to cultivate core decision-making and management capabilities among senior executives. The Human Resources Department regularly reviews succession plans for management positions and reports to the management team. We consistently cultivate a talent pipeline for managerial roles, with department heads serving as mentors for successors. Our development initiatives aim to foster leadership qualities aligned with our business strategy. Moreover, we arrange new manager and internal training programs, and encourage mid- to senior-level managers to expand their professional expertise and experience to enhance their managerial qualifications.</p>	None.
<p>10. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange :</p> <p>In order to practice the philosophy of corporate governance, we reviews and proposes improvement measures based on the result of Corporate Governance Evaluation announced by the TWSE each year. The items of promotion in 2023 are as follows:</p> <ul style="list-style-type: none"> <li>- Protecting shareholder rights: To ensure equal treatment of shareholders, the Company's "Corporate Governance Principles" stipulates that prohibiting directors from trading the Company's shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.</li> <li>- Enhancing information transparency: We released material information in both Chinese and English to make the Company's information more accessible to international investors. Additionally, insiders' shareholdings were reported by the 10th of each month to provide investors with timely and accurate updates.</li> <li>- Promoting Sustainable Development: The Sustainability Committee led sustainable development activities throughout the organization and regularly reports outcomes to the Board of Directors. To increase stakeholders' awareness, we published the 2022 Sustainability Report following GRI guidelines, outlining our sustainable development efforts.</li> </ul>				

**3.4.5 Sustainable Development Implementation as Required by the Taiwan Financial Supervisory Commission:**

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company establish exclusively (or concurrently) dedicated units to implement sustainable development, and does the Board of Directors appoint the senior manager to take charge of sustainable development, and to report the status of the supervision to the Board of Directors?	V		<p>The Sustainability Committee including corporate governance, global strategic planning, R&amp;D and innovation, environmental sustainability, employee and social welfare and more. Senior managers supervise the promotions and implementations of each group, moreover we reported to the Board of Directors on Aug. 10, 2023.</p> <p>The report includes information about the organization of the Sustainability Committee, communication with stakeholders, major sustainability topics, management goals and policies, and the status of sustainability implementation in 2022. The Board of Directors will provide advice and supervision based on the report from the project team.</p>	None.
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish relevant risk management policies or strategies?	V		<p>Daxin conducted risk assessment based on the company. The Sustainability Committee has evaluated the ESG issues related to the company's operations in accordance with the principle of materiality, and identified 8 major sustainability issues including "Green Manufacturing", "Occupational Safety and Health", "Talent Attraction and Retention", "Social Engagement", "Ethical Management", "Supply Chain Management", "Customer Service" and "R&amp;D innovation". The Sustainability Committee has conducted risk assessments on each major issue, and discussed relevant management strategies through meetings, implemented them in the company's daily operations, and reported to the Board of Directors.</p> <p><b>Environmental</b></p> <ul style="list-style-type: none"> <li>Green Manufacturing: Daxin actively supports global climate action, prioritizing issues related to climate change. We have developed specific and viable carbon reduction pathways, designing comprehensive objectives based on scenarios and implementation schedules. Embracing diverse energy-saving initiatives, we promote various carbon reduction measures, including the establishment of green energy systems such as solar power, investments in process-related energy efficiency, and annual greenhouse gas inventories with external verification. Regular reviews of energy-saving and carbon reduction performance are conducted, aiming to strengthen our low-carbon competitiveness through continuous innovation and improvement.</li> </ul> <p>Furthermore, recognizing the global trend of the circular economy, Daxin is committed to achieving optimal resource circulation. We address this concern by implementing process improvements to minimize waste at the source, continually enhancing in-house solvent recovery for resource optimization. Additionally, we drive product resource cycling projects, seeking new business opportunities and enhancing company resilience. Through these initiatives, we strive to contribute to a sustainable and low-carbon future.</p> <p><b>Social</b></p> <ul style="list-style-type: none"> <li>Occupational Safety and Health: Talents are the driving force of the company's innovation. We continues to promote ISO 45001, build a friendly and balanced workplace environment to help</li> </ul>	None.

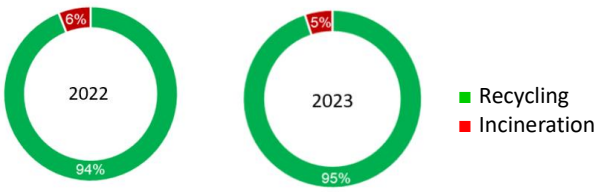
Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			<p>employees develop their strengths in a safe and secure environment.</p> <ul style="list-style-type: none"> <li>• Talent Attraction and Retention: To address the risk of talent shortages, the company utilizes diverse and innovative recruitment channels, offering competitive compensation and benefits to attract talents. We build an employee-centric culture and implement a "New Employee Care System" to consistently monitor the retention rate of new hires. The company has established an "Education and Training Procedure" as a guideline for employee training, aligning it with the company's development goals and incorporating various training and development plans for different job categories to ensure that employees are equipped with future knowledge and skills.</li> <li>• Social Engagement: We maintain positive relationships with all stakeholders and are devoted to making positive impacts on society to create a sustainable future with three initiatives: "Cultivate Scientific Talents", "Contribute to Local Communities and Society", and "Care for the Disadvantaged".</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Ethical Management: Daxin has formulated the "Ethical Corporate Management Best Practice Principles" and "Reporting Channels and Whistleblower Protection". Multiple reporting channels are available for internal and external voices. The Company holds ethical management training programs and conducts the ethics &amp; compliance risk assessment to reinforce our ethical culture. The company reports to the Board of Directors regularly (at least once a year).</li> <li>• Supply Chain Management: Conduct on-site or written audits on key raw material suppliers (top twenty suppliers in annual transactions) and annually selected key raw material suppliers, covering quality system certification, quality management, production and manufacturing management, environmental protection Safety and security, ESG and other projects use audit results to ensure that they have common sustainable business goals and codes of conduct with suppliers, and the results of the evaluation are listed as conditions for selecting suppliers, so as to work with suppliers to create a sustainable future.</li> <li>• Customer Service: Daxin provides high-quality products and delivers excellent service to customers. To create a stable cooperative relationship with customers, we have implemented the quality management system and established a rapid response mechanism for customer complaint.</li> <li>• Innovation, R&amp;D: We grasps the trends of market and technology in a timely manner, combines R&amp;D talents and products, and cooperates with world-class leading manufacturers to establish strong partnerships. While innovating, we encourage colleagues to cooperate and communicate with external parties actively, conduct technical discussions with various industry, government and academe from time to time, and participate in various exhibitions and seminars and international technical forums. Achieving product innovation and technology leadership through cooperating with external parties.</li> </ul>	



Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Environmental issues (1) Dose the Company establish environmental management systems based on its industry's characteristics?	V		We have deployed and obtained the ISO 14001 Environmental Safety Management system and the ISO 45001 Occupational Health and Safety Management Systems certificates; through regular internal and external audit verification in each year, the effectiveness of the safety, health and environment management system's operations can be ensured, thereby enhancing our internal safety, health and environment performance. Additionally, a dedicated safety, health and environment management unit has also been established to plan and supervise Daxin's internal safety, health and environment functions and to convene quarterly safety, health and environment review meetings, in which goals are established.	None.
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impacts on the environment?	V		Daxin strives to maximize the recycling efficiency of various energy and resources to realize our corporate social responsibility. To this means, the rainwater recycling system and water-saving equipment have been installed to reduce water wastage. We also monitor waste generation and engage in resource cycling by commissioning qualified vendors to recycle resources.	None.
(3) 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 to counter climate change issues?	V		Daxin implements the ISO 14001 Environmental Management System to evaluate our risks and opportunities which related to the environment, including climate issues, and adopts environmental responses measures accordingly. The impact from potential risks are mostly increased operating costs and losses from extreme weather conditions, such as: Resource shortage and unstable transportation needs could lead to increased operating costs and losses, and we will continue to increase productivity and develop green products, as well as strengthen the deployment of circular economy model to respond to these concerns and to mitigate possible effects. In terms of opportunities, compared with the annual GHG emissions disclosed on the open data of "Other optoelectronic materials and components manufacturing" from government, our annual carbon emissions related to operations are lower than others industry competitors. Therefore, the level of increased operating costs from carbon emissions will be smaller than others industry competitors in terms of restricted GHG emissions or carbon emission trading, which will be beneficial to our operations.	None.
(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and formulate policies on energy	V		Based on our emphasis for environmental friendliness, the "Management Procedures for Identifying Environmental Aspects and Risk Assessment" has been formulated and serves as a basis for comprehensive review over environmental factors that may impact the environment, and facilitates us to continuously promote environmental management system through policy, target, and objectives.	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)																																		
	Yes	No	Explanation																																			
efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			<p><u>Greenhouse Gases (GHG):</u></p> <p>We began to take inventories of our GHG emissions from operating activities in as early as 2009. Since 2022, we have introduced the ISO 14064-1:2018 standard for the first time to conduct greenhouse gas inventories. Annually, we conduct an inventory process and review the results for the previous year's emissions. We apply for third-party verification to ensure the accuracy of the data. This approach allows us to comprehensively understand both direct and indirect emissions across various facilities and the entire value chain. Building upon this foundation, we continuously enhance our carbon emission management and implement actions to reduce carbon footprint. Additionally, we closely monitor the impact of greenhouse gas emissions on the Earth's climate and environment:</p> <table border="1"> <thead> <tr> <th rowspan="2">Plant</th> <th rowspan="2">Emission Scope</th> <th colspan="2">GHG Emissions (Ton CO2e)</th> <th colspan="2">Average emissions per square meter (Ton CO2e/m2)</th> </tr> <tr> <th>2022</th> <th>2023</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Chungke Plant</td> <td>Scope1</td> <td>375.88</td> <td>205.63</td> <td rowspan="3">0.16</td> <td rowspan="3">0.15</td> </tr> <tr> <td>Scope2</td> <td>2,674.88</td> <td>2,635.68</td> </tr> <tr> <td><b>Total</b></td> <td><b>3,050.76</b></td> <td><b>2,841.31</b></td> </tr> <tr> <td rowspan="3">Chungkang Plant</td> <td>Scope1</td> <td>1,072.45</td> <td>1,287.87</td> <td rowspan="3">0.27</td> <td rowspan="3">0.22</td> </tr> <tr> <td>Scope2</td> <td>3,217.73</td> <td>3,487.37</td> </tr> <tr> <td><b>Total</b></td> <td><b>4,290.18</b></td> <td><b>4,775.24</b></td> </tr> </tbody> </table> <p>In 2023, efforts were made to implement process adjustments and energy optimization. The Chungke Plant witnessed a reduction in total electricity consumption compared to 2022, resulting in a noticeable decrease in overall emissions and emissions per unit area. Meanwhile, the Chungkang Plant, housing the semiconductor materials production line, officially began production in 2023. The activation of new production lines and a newly constructed facility led to an increase in total electricity consumption and emissions. However, when considering the entire Chungkang Plant, emissions per unit area also showed a reduction compared to 2022, indicating the effectiveness of the company's recent efforts in process improvement and energy-saving emissions reduction.</p> <p>Moreover, in comparison to the average annual greenhouse gas emissions of approximately 166,698 metric tons of CO2e reported by the 'Photovoltaic Materials and Components Manufacturing Industry' in Taiwan for the year 2022, Daxin's emissions across all plants accounted for only 3% of the industry average.</p> <p>Daxin continues to move towards greenhouse gas reduction, despite having lower emissions than other companies in the same industry. This commitment involves the use of renewable energy, implementing</p>	Plant	Emission Scope	GHG Emissions (Ton CO2e)		Average emissions per square meter (Ton CO2e/m2)		2022	2023	2022	2023	Chungke Plant	Scope1	375.88	205.63	0.16	0.15	Scope2	2,674.88	2,635.68	<b>Total</b>	<b>3,050.76</b>	<b>2,841.31</b>	Chungkang Plant	Scope1	1,072.45	1,287.87	0.27	0.22	Scope2	3,217.73	3,487.37	<b>Total</b>	<b>4,290.18</b>	<b>4,775.24</b>	
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			<p>energy-saving measures, promoting low-carbon plants, and other strategies to comprehensively reduce carbon emissions. We set a target to reduce emissions by 20% by 2030, based on the baseline emissions of 7,341 metric tons of CO<sub>2</sub>e in 2022 (combined from the Chungke and Chungkang Plants). This proactive approach aligns with regulatory expectations and customer demands for carbon reduction.</p> <p>In terms of utilizing renewable energy, the Chungkang Plant installed a 429.18 kW solar power generation system in 2020, generating 560,000 kWh in 2023. To achieve the 2030 carbon reduction goal, an additional investment was made in 2023 for a new solar power generation system with a capacity of 137.78 kW, surpassing regulatory requirements for expanding the use of renewable energy. The system is expected to be operational in the second half of 2024, with an estimated annual generation of around 180,000 kWh, resulting in a carbon reduction benefit of 90 metric tons of CO<sub>2</sub>e per year.</p> <p>Regarding energy-saving measures, Daxin implemented 12 listed measures across all plants in 2023, resulting in a combined energy savings of 257,000 kWh and an annual energy savings rate of 2.2%, leading to a carbon reduction of 127 metric tons of CO<sub>2</sub>e. The company encourages employees to contribute to energy conservation by turning off lights and reducing elevator usage, demonstrating its commitment to saving energy and reducing carbon emissions. Through the promotion of various energy-saving measures, the company aims to achieve an annual energy savings rate of &gt;1.5% starting in 2024, with a cumulative annual energy savings rate of &gt;12.5% by 2030, working towards the goal of a 20% carbon reduction by 2030.</p> <p><u>Water Consumption:</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>total water consumption (mt)</th> <th>Water consumption per unit area (mt/m<sup>2</sup>)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>119,001</td> <td>3.4</td> </tr> <tr> <td>2023</td> <td>131,302</td> <td>3.3</td> </tr> </tbody> </table> <p>The water consumption per unit area in 2023 have risen slightly near 3% compared with 2022. We will continue to recycle and reuse water sources; currently, the water recycling ratio is approximately 98% at our plants. Additionally, Daxin deployed the Reverse Osmosis Wastewater Recycling System (RORR) in 2021, which on average helps us to further reduce 33 tons of water consumption on a daily basis. We also continue to manage water consumption volume and have set a management goal of no longer using water-intensive processes.</p>	Year	total water consumption (mt)	Water consumption per unit area (mt/m <sup>2</sup> )	2022	119,001	3.4	2023	131,302	3.3	
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			<p><u>Waste:</u></p> <p>Daxin has joined the government’s call for environmental sustainability and continue to work toward reducing industrial waste and recycling. Our performance continues to improve in each year, the recycling rate of waste solvent in 2023 has reached 94.5% (total waste solvent was 402 tons, of which approximately 380 tons were recycled).</p> <div style="text-align: center;">  <p style="text-align: right;">■ Recycling ■ Incineration</p> <p>Unit: tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td><b>total amount of solvent disposal</b></td> <td>352</td> <td>433</td> </tr> <tr> <td><b>Incineration</b></td> <td>22</td> <td>22</td> </tr> <tr> <td><b>Recycling</b> (including material recovery and energy recovery)</td> <td>330</td> <td>411</td> </tr> </tbody> </table> </div> <p><u>Statistics on Total Waste:</u></p> <ol style="list-style-type: none"> <li>Hazardous industrial waste: Waste containers, waste solvent, waste acid and alkali mix, solid waste.</li> <li>Non-hazardous industrial waste: Waste solvent, solid waste, trash from industrial activities (including generic trash from employees), waste plastics, scrapped oil mixtures, waste water.</li> </ol> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Hazardous industrial waste (tons)</th> <th>Non-hazardous industrial waste (tons)</th> <th>Waste generation per square meter (ton/m2)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>593</td> <td>219</td> <td>0.023</td> </tr> <tr> <td>2023</td> <td>688</td> <td>251</td> <td>0.023</td> </tr> </tbody> </table>	Year	2022	2023	<b>total amount of solvent disposal</b>	352	433	<b>Incineration</b>	22	22	<b>Recycling</b> (including material recovery and energy recovery)	330	411	Year	Hazardous industrial waste (tons)	Non-hazardous industrial waste (tons)	Waste generation per square meter (ton/m2)	2022	593	219	0.023	2023	688	251	0.023	
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			In 2023, the total waste generation was approximately 939 tons, with a unit area output of 0.023 tons/m <sup>2</sup> , which remained consistent with the previous year. The main increase in waste volume was due to empty containers of raw materials. All waste containers were fully recycled and sent to recycling firms for reuse. Moreover, in 2023, our company completed the installation of solvent recovery equipment, effectively enhancing the solvent recycling rate. At least 6 to 8 tons of solvent can be recycled monthly, which helps in reducing waste generation. Our company will continue to promote waste reduction and recycling policies to contribute to environmental protection.	
<p>4. Social Issues</p> <p>(1) Dose the Company establish appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>Daxin is committed to the protection and advancement of human rights throughout the Company and its supply chain. We support the UN Universal Declaration of Human Rights (UDHR) and seek to treat all workers with dignity and respect as understood by international human rights standards, including those rights expressed in the United Nations International Bill of Human Rights, The International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of The United Nations Global Compact (UNGC). We also align our actions with the Responsible Business Alliance (RBA) Code of Conduct and the Labor Standards Act (LSA), and commit to conducting our business ethically and responsibly that supports and respects the protection of human rights of all workers, including regular, contract and temporary employees, and interns, and have also disclosed this policy on our corporate website.</p> <p>The guiding principles for Daxin’s Human Rights Policy are as follows:</p> <ol style="list-style-type: none"> <li>1. Free of violence, discrimination, and harassment to ensure quality in the workplace <ul style="list-style-type: none"> <li>• Strictly comply with government labor laws to implement internal rules and regulations.</li> <li>• Establish clear and fair regulations about promotion, rewards and training policy</li> <li>• From the beginning of recruitment, all hiring procedures are to comply with the law and eliminate discrimination</li> </ul> </li> <li>2. Provide a safe and healthy work environment <ul style="list-style-type: none"> <li>• Hold quarterly Safety Committee and Management System Review meetings to consolidate the results and shortcomings of environmental health and safety implementation, conduct reviews for improvement, and provide employees with a safe working environment.</li> <li>• Daxin has an occupational health nurse and on-site health services with doctors are available monthly to provide a personalized healthcare management program for employees engaged in high-risk operations</li> <li>• Implement Sexual Harassment Prevention Policies and establish employee report channels</li> <li>• Strengthen workplace safety management for contractors</li> </ul> </li> </ol>	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			<p>3. Forbid forced labor</p> <ul style="list-style-type: none"> <li>In strict compliance with government labor laws, Daxin will not force nor threaten any non-willing personnel to carry out work-related tasks</li> <li>Through the attendance system settings, we prevent illegal scheduling and lawfully provide overtime pay</li> <li>Forbid to withhold any employee certificates or ask for security deposits</li> </ul> <p>4. Foster a culture of open communication</p> <ul style="list-style-type: none"> <li>Establish several internal communication channels to ensure open and transparent communications between managers and employees</li> <li>Build mentoring program for new hires, including holding the first one-month and three-month check-ins to help them feel more engaged in the organization</li> </ul> <p>5. Zero tolerance for child labor</p> <ul style="list-style-type: none"> <li>Daxin only accepts applicants over 18 years old and will double-check the age to avoid any mistakes and omissions</li> </ul> <p>In 2023, we also provided human rights protection training to our employees and contractors; a cumulative total of 1,257 persons were trained with cumulative training hours of 1,540 hours. We will continue to focus on issues related to human rights protection and promote relevant training to reduce the occurrence of relevant risks.</p> <p>We accept comprehensive reviews from stakeholders (customers) based on the auditing standard of the Responsible Business Alliance (RBA), and require suppliers to conduct ESG self-assessment. Ten of these reviews were conducted, and no violation of forced labor or relevant grievances or child labor occurred in 2023.</p>	
(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflect on operating performance or results on employee compensation?	V		<p><u>Employee Compensation</u></p> <p>Daxin employees are entitled to competitive compensation and benefits program including base salary and performance-based bonus. Moreover, to attract, retain, develop, motivate and reward talented and performing employees, the Company’s operating profit is distributed to employees in accordance with employee performance. Employee compensation is implemented in line with Article 15 of our Articles of Incorporation, if the Company has gained profits within a fiscal year (i.e., pre-tax profit before deducting employees’ compensations and Directors’ remuneration), no less than 3% shall be appropriated as employee compensations to reflect our operating performance or results on the employees’ compensations.</p> <p>Compensation policy: The company annually reviews the salary structure and level of benchmark enterprises in the market, also considering industry-wide salary survey data, conducting salary competitiveness analysis, and formulating relevant compensation strategies.</p> <p>In 2023, the average annual salary adjustment (including structural salary adjustment) for both managerial officers and non-managerial positions was 6%.</p>	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			<p><u>Leave System</u> To provide sufficient support in their work and personal lives, the Company offers employees additional leaves that are better than the Taiwan Labor Standards Act, such as birthday leave, floating leave, and engagement leave. Employees who need to take long leaves of absence for childcare or severe injuries can also apply for unpaid leaves.</p> <p><u>Employee Welfare</u> Daxin has formed an Employee Welfare Committee, and each year, the Company appropriates over NT\$5 million in employee welfare funds. Employees serve as committee members and hold welfare committee meetings every quarter to decide on welfare policies and plan various high-quality benefits based on employee needs.</p> <ol style="list-style-type: none"> <li>1. Employee subsidies: In addition to holiday bonuses, and birthday and travel subsidies, the welfare design also includes various subsidy programs tailored to changes in employees' life roles and unexpected situations or accidents. These subsidies cover areas such as childbirth, marriage, education, funeral expenses, and emergency assistance.</li> <li>2. Employee engagement: We organize various activities, such as holiday celebrations, monthly afternoon tea parties, quarterly birthday celebrations, company trip, Family Days, and corporate volunteering activities. We also encourage employees to organize clubs to enrich the concept of work-life balance.</li> </ol> <p><u>Workplace Diversity and Equality</u> All employees have equal opportunity. Discrimination is prohibited in employee recruitment, promotion, performance evaluation, training, and reward systems. In 2023, the ratio of female employees accounted for 30% of all employees, while the ratio of female officers is 27%. We strive to foster a diverse and inclusive workplace. For example, the Company hires disabled workers in line with the government's policies and regulations; moreover, under the principles of maternity protection, pregnant employees undergo environmental and operational hazard assessments. Based on the assessment results, appropriate work arrangements are made, and pregnant or breastfeeding employees are not allowed to engage in night shifts.</p>	
(3) Does the Company provide a safe and healthy and safe work environment, and regularly implement safety and health education for employees?	V		<p>We have obtained ISO 14001 (environmental management system) and the ISO 45001 (occupational health and safety management system) certifications, and regularly implement external audits and continuous improvements and reviews. In terms of our work environment, an external professional agency is commissioned to undertake work environment monitoring every six months to ensure the safety of employees as well as to engage in preventive management of occupational health exposures. The Company is committed to providing employees with a safe and healthy work environment and implementing safety and health measures. Daxin encourages employees to exercise regularly by holding health seminars and sports events.</p>	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			<p><u>Training</u> New employees are required to undergo 6 hours of “occupational safety” course which introduces Daxin’s environmental and safety precautions and relevant regulations; general employees are required to participate in “work safety” course each year, while professional staff is required to participate in “chemical substance hazard and emergency relief” course and to regularly receive re-training. In addition, managers participate in “risk management course”. In 2023, a total of 880 persons were trained, with cumulative training hours reaching 1,489 hours.</p> <p><u>“iSports” Exercise Enterprise Certification</u> Daxin has been recognized as “iSports” certified company by the Sports Administration, Ministry of Education in 2018, 2020, and 2023, and has participated Corporate Health Responsibility (CHR) Commitment held by the Common Health magazine since 2022. We held on-site fitness assessment in 2023, and nearly 30% of employees participated in this activity. We continue to improve the health of our employees and create a wellness culture. A health discussion board has been set up internally to address health-related issues. In addition, the Company holds health seminars and sports events collaborating with sports clubs to promote the mental and physical well-being of employees.</p>	
(4) Does the Company provide its employees with career development and training sessions?		V	<p>We offer a comprehensive career development training program for all employees, including new employee training, professional training, and management training. With diverse training and development opportunities, employees can enhance their capabilities and improve personal performance. In 2023, a total of 2,408 persons have completed the career training, and cumulative training hours reached 5,358 hours.</p> <p>Performance reviews are conducted regularly for both managers and employees to assess individual growth, set goals for future performance, and facilitate employees to reach their potential.</p>	None.
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V		<p>Daxin’s points of contact from Sales and Product Realization departments both directly respond to customers, and all product problems voiced by customers will be immediately addressed and handled. To efficiently and effectively handle various customer complaints, the Procedure on Handling Complaints has been formulated to specify the responsibilities and handling procedures from relevant departments.</p>	None.
(6) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety	V		<p>In terms of supplier and contractor management, Daxin has formulated the Supplier Management Procedures, which specifies relevant management standards regarding the selection, audit, and evaluation of suppliers and contractors. Supplier audit and evaluation is conducted in each year, and the scope of which includes production processes, manufacturing environment, transportation management, and hazardous substance management etc. We also specify that suppliers shall meet the</p>	None.



Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
and health, or labor rights? If so, describe the results.			<p>Green Product (GP) certification, quality system (ISO 9001), Environmental Management System (ISO 14001), and Occupational Health and Safety System (ISO 45001) certifications.</p> <p>For all supplier management, the audit frequency was increased from annually to quarterly from the second quarter of 2023. From the second quarter to the fourth quarter of 2023, over 180 suppliers have been evaluated each quarter. Assessment content Including the quality of raw materials, delivery time and price competitiveness. We also provided guidance and improvement to suppliers (3 suppliers, 1.7%) that were rated below 80 points, and all improvements have been implemented.</p> <p>At the same time, at the end of each year, the joint audit team jointly selects a list of key raw materials, and lists the top 20 suppliers with the largest purchase amount in the previous year as key suppliers. An on-site audit plan or written audit will be arranged in the next year, and the audit will be carried out The results are included in the supplier evaluation.</p> <ul style="list-style-type: none"> <li>• Key Criteria in Suppler Evaluation: Implementation status of relevant certification (quality, occupational health and safety, and Green Product etc.), implementation status of the quality system, implementation status of the occupational health and safety system, and implementation of ESG.</li> <li>• Methodology of Suppler Evaluation: Evaluation will be conducted based on the result of supplier audit in each year, and evaluation results will be ranked either A, B, or C. A: Those who score 90 points or above will be determined as an Outstanding Supplier; procurement may continue and the volume of procurement will be increased accordingly. B: Those who score between 70 to 89 points will be determined as a Satisfactory Supplier; procurement may continue and Daxin will request for improvement. C: Those who score below 70 points will be disqualified, and either strategic coaching will be required or Daxin will no longer procure from this supplier.</li> <li>• Supplier coaching: If procurement from a supplier that receives a C rank in the evaluation has to continue, a coaching plan shall be formulated. In case no improvement is made in the following year, its supplier qualification will be forfeited. In terms of the coaching plan, the supplier will be required to formulate improvement plan and timeline on the deficiencies found in the audit report, and the deficiencies shall be improved one by one.</li> <li>• The evaluation of the top 20 suppliers and key raw material suppliers in 2023 has completed, with a total of 30 supplier audits conducted. The evaluation results are as follows: Grade A: 20 suppliers (66.7%); Grade B: 10 suppliers (33.3%). Additionally, five excellent suppliers will be selected for written commendation certificates this year.</li> </ul>	

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
5. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its Sustainability Reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?		V	Daxin compiled the "2022 Sustainability Report" in accordance with GRI guidelines, and referenced disclosure information from the Sustainability Accounting Standards Board (SASB). The report was published in 2023. This marks our company's inaugural sustainability report. Moving forward, we aim to issue this report annually to enhance stakeholders' understanding of our sustainability initiatives.	We plan to have the report verified by a third-party.
6. If the Company has established its own sustainability principles based on the "Sustainability Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the implementation and any discrepancies from the Principles: Not applicable.				
7. Other important information to facilitate better understanding of the Company's sustainable development practices: We have integrated sustainable development into our corporate strategies and daily operations, developing an environmentally and socially responsible business model, and communicating with stakeholders to fulfill shared values.				
<ul style="list-style-type: none"> <li>Green and Sustainable Deposits In 2023, Daxin deposited NT\$50 million with Mega Bank in a "Green and Sustainable Time Deposit" account. The bank will utilize this fund in green and socially responsible financing projects and initiatives, aiming to create positive environmental and social impacts, as well as long-term benefits through the deposit.</li> </ul> <p>The social engagement aspect of our sustainable development focuses on three initiatives: "Cultivate Scientific Talents", "Contribute to Local Communities and Society" and "Care for the Disadvantaged":</p> <ul style="list-style-type: none"> <li>Cultivate Scientific Talents <ol style="list-style-type: none"> <li>Daxin Graduate Scholarship Program: To support scientific education and encourage the young scientists in Taiwan to study for Ph.D. or Master's degrees related to chemistry, chemical engineering, material sciences, or other science-related fields, Daxin established the "Daxin Graduate Scholarship" in 2010. Since 2010, the program has awarded a total of NT\$17 million to 79 students. In addition to funds, the program provides the recipients with eligibility for summer internships and mentorship at Daxin to encourage them devoting into scientific research.</li> <li>Daxin Summer Internship Program: Daxin launched the summer internship program in 2015 to cultivate young academic talents and has dedicated over NT\$2.5 million. We provide opportunities for students to work on research projects, gain hands-on experience, and learn more about Daxin. As of the end of 2023, 36 interns have participated in this program, including 5 Ph.D., 22 graduate, and 9 undergraduate students.</li> <li>Daxin gives back to the alma maters of our employees: Daxin has been sponsoring scholarships and continues to strengthen industry-academia collaboration with tier 1 universities. In 2023, we dedicated nearly NT\$2 million to various campus activities to contribute to the growth of domestic scientific talents, including sponsoring scholarships for "Graduate Student Poster Exhibition of Department of Chemistry, National Taiwan University", "Graduate Student Poster Exhibition of Department of Chemical Engineering, National Taiwan University", "Graduate Student Poster Exhibition of Department of Applied Chemistry, National Yang Ming Chiao Tung University", and "2023 TwiChE Annual Meeting".</li> <li>The Next Generation Scientist Program: We held science education event at local elementary schools to promote scientific learning. By providing educational and entertaining science, children engaged in hands-on activities designed by our R&amp;D. We hope the event spark children's imaginative learning and interests for science, and will continue to give back to local community and cultivate the next-generation. In 2023, four sessions were held with a total of 80 elementary school students participating.</li> </ol> </li> </ul>				

- Contribute to Local Communities and Society
  1. Promote Arts and Culture: Daxin has been sponsoring Taichung City Symphony Orchestra (TCSO) musical events since 2015, and collaborating with TCSO to offer music courses (violin, flute, and guitar) to all employees, to support local musicians and enrich employees' appreciation of arts and culture.
  2. Support Local Businesses: Daxin continues to support local businesses to contribute to the circular economy and promote sustainable development. We partner with environmentally friendly stores for company events and swag, and have dedicated NT\$500,000 to local businesses in 2023.
  3. Our company has been deeply involved in central Taiwan. In 2023, the company organized two sessions of the Taichung City Sustainable Charity Run, actively encouraging employees and their families to cultivate a habit of exercise. A portion of the registration fees from participants was donated to the Taichung City Government's Social Affairs Bureau. A total of 200 participants took part, accumulating over 1,600 kilometers.
- Care for the Disadvantaged
  1. Corporate Volunteering: In 2014, Daxin was awarded in Taichung City Corporate Volunteer Competition, and we have been participating in corporate volunteer activities since 2015. We also continue to encourage employees to give back to the local community. We are committed to addressing issues of resource inequality and emergency assistance needs in Taiwan, as well as showing concern for environmental protection. In 2023, during Earth Month, Daxin charity club volunteered to beach cleanup at Wuqi beach area on Earth Day, removing over 75kg of litter and trash.
  2. Taiwan Fund for Children and Families (TFCF) Christmas Wish Sponsorship Program: Daxin has been participating in the TCFC Christmas Wish Sponsorship Program since 2011. As of 2023, we have fulfilled 1,310 children's Christmas wishes and have partnered with TCFC's different branches in Taiwan (Taichung, Yunlin, Penghu, and more), hoping to support more children in the future.
  3. Sustainable Partnerships: In 2023, Daxin advocated "Wish Scholarships" and "Wish Fund on dodoker fundraising platform" from AUO Foundation. 46 employees participated the events and donated over NT\$200,000. We continue to care for sustainability with our partners.
  5. Donate Receipts: We have been donating receipts to Sunshine Social Welfare Foundation since 2011. In response to the government's promotion of electronic invoices and paperless policies, the company has been promoting the "Love Code" e-invoices since the 2022. Employees can enter the charity code of social welfare units on the company vending machines to make cloud donations, contributing to sustainable public welfare initiatives.

- Climate-Related Information

1. Implementation Status of Climate-Related Information

Item	Implementation status
<p>(1) Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>The Sustainability Committee conducts annual assessments based on the materiality principle concerning environmental, social, and corporate governance issues related to the company's operations. It conducts risk assessments and management for each material issue, and annually reports the implementation to the Board of Directors.</p>
<p>(2) Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term)</p>	<p><u>Climate Risk Assessment</u></p> <p>(1) Short-term: In response to customers' green energy requirements for the supply chain, the Chungkang Plant has invested in solar power generation equipment in 2023. The generated power will be for self-use, and the plant will obtain Renewable Energy Certificates (T-REC). These certificates can offset the company's indirect energy emissions (Scope 2), taking the first step towards using clean energy and achieving the net-zero carbon emission goal.</p> <p>(2) Long-term: In response to climate change adaptation laws, carbon taxes, and the EU carbon border tax, an annual greenhouse gas inventory is conducted according to ISO 14064-1. The inventory is verified by a third party and includes Scope 3 indirect emissions, providing a more comprehensive understanding of greenhouse gas carbon emissions.</p> <p><u>Climate Opportunity Assessment</u></p> <p>(1) Promotion of energy-saving and carbon reduction projects to reduce electricity costs, leading to a decrease in financial costs. The identification of high-energy consumption areas within the plant is ongoing, with annual proposals and implementation of energy-saving measures. Through investments in equipment and improved management practices, the goal is to achieve an annual energy savings rate of <math>\geq 1.5\%</math> across all plants from 2023 onwards. This is in response to the potential impact of rising electricity prices and future carbon pricing.</p> <p>(2) Promotion of circular economy projects, focusing on the recycling of polyimide. This initiative significantly reduces waste disposal and raw material purchases. From 2021 to 2023, the overall supply chain has seen a reduction of 233.6 metric tons of CO<sub>2</sub>e emissions, generating an average annual carbon reduction benefit of 78 metric tons CO<sub>2</sub>e.</p>

Item	Implementation status
(3) Describe the financial impact of extreme weather events and transformative actions.	Climate change could intensify water scarcity issues. The company continues to focus on recycling water wherever possible. In 2021, the Reverse Osmosis Reclaimed Water Reuse System (RORR) was implemented. To date, it has led to an average daily reduction of 33 metric tons in water consumption. The company remains committed to water management, with the objective of avoiding water-intensive processes. The company plans to execute the TCFD (Task Force on Climate-related Financial Disclosures) project in 2024, at which time the impact of extreme weather events and transition actions on finances will be assessed concurrently.
(4) Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Establishing a comprehensive process for identifying climate change risks and opportunities based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD). This enables effective monitoring, control, and rapid response to various impacts of climate change. The company actively promotes climate change adaptation measures to continuously reduce risks and create opportunities for sustainable development.
(5) If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	At the current stage, there is no scenario assessment. It is anticipated that a complete assessment following the Task Force on Climate-related Financial Disclosures (TCFD) framework will be conducted in the year 2024, and a report will be issued. This assessment will adhere to the Science-Based Targets initiative (SBTi) carbon reduction pathways to comprehensively evaluate the financial impacts of climate risks.
(6) If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	At present, there is no transformation plan.
(7) If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	At present, there is no internal carbon pricing in place.
(8) If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Greenhouse gas reduction targets, strategies, specific action plans, and the progress towards achieving the reduction goals are detailed in the annual report on page 48.

## 1-1. Greenhouse Gas Inventory and Verification Status of the Past Two Years

1-1-1 Information of Greenhouse Gas Inventory: Specify the emissions (metric tons of CO<sub>2</sub>e), intensity (metric tons of CO<sub>2</sub>e per million dollars), and data coverage scope for the greenhouse gases in the most recent two years.

Scope		2022		2023	
		Total Emissions (metric tons of CO <sub>2</sub> e)	Intensity (metric tons of CO <sub>2</sub> e per million dollars)	Total Emissions (metric tons of CO <sub>2</sub> e)	Intensity (metric tons of CO <sub>2</sub> e per million dollars)
Scope1	Parent Company	1,448	0.37	1,494	0.35
	Subsidiary	0	0	0	0
	Total	1,448	0.37	1,494	0.35
Scope2	Parent Company	5,893	1.52	6,123	1.44
	Subsidiary	0	0	0	0
	Total	5,893	1.52	6,123	1.44

Coverage scope of data: Consistent with the company's financial statements, the coverage includes the headquarters (Chungke Plant and Chungkang Plant) and subsidiaries. The subsidiaries, which had no actual operations, have been excluded from the calculation.

1-1-2 Information of Greenhouse Gas Verification: Provide an explanation of the assurance status for the two most recent fiscal years as of the date of the annual report printing, including the scope of assurance, assurance provider, assurance standards, and the assurance opinion.

Annual		2022	2023
Item			
Assurance Scope		Consistent with the company's financial statements, the coverage includes the headquarters (Chungke Plant and Chungkang Plant) and subsidiaries. The subsidiaries, which had no operational activities, have been excluded from the calculation.	Consistent with the company's financial statements, the coverage includes the headquarters (Chungke Plant and Chungkang Plant) and subsidiaries. The subsidiaries, which had no operational activities, have been excluded from the calculation.
Assurance Provider		DNV	DNV
Assurance Standards		ISO14064-1:2018	ISO14064-1:2018
Assurance Opinion		Verification of reasonable assurance for Scope 1 and Scope 2 emissions.	Verification is expected to be completed by June 2024.

## 1-2. Greenhouse Gas Reduction Goals, Strategies, and Specific Action Plans

Provide details on the greenhouse gas reduction baseline year and its data, reduction targets, strategies, specific action plans, and progress towards achieving the reduction goals.

- Greenhouse Gas Reduction Baseline Year: 2022; Emissions 7,341 metric tons of CO<sub>2</sub>e (Combined total of Chungke Plant and Chungkang Plant)
- Greenhouse Gas Reduction Target <sup>(Note)</sup>: Reduce emissions by 20% in the year 2030 (not exceeding 5,873 metric tons of CO<sub>2</sub>e)
- Greenhouse Gas Reduction Strategies, Specific Action Plans, and Progress Towards Goals:

Strategies and Action Plans	2030 Medium to Long-Term Goals	2025 Short-Term Goals	2023 Execution Results
<p><b>Enhancing Energy Efficiency</b></p> <p>Implementing energy-saving measures annually by listing them in the management plan. This involves adopting energy-efficient equipment and operational improvements to enhance overall energy efficiency.</p>	<ul style="list-style-type: none"> <li>• Cumulative energy savings rate from 2022 to 2030 <math>\geq</math> 12.5%</li> </ul>	<ul style="list-style-type: none"> <li>• Annual energy savings rate <math>\geq</math> 1.5%</li> </ul>	<ul style="list-style-type: none"> <li>• A total energy savings of 256,970 kWh, with an annual energy savings rate of 2.2%</li> </ul>
<p><b>Utilizing Renewable Energy</b></p> <p>Expanding the use of renewable energy through investments in solar power generation equipment, procuring green energy from the market.</p>	<ul style="list-style-type: none"> <li>• The company's overall electricity usage from renewable energy reaches 10% (RE10)</li> </ul>	<ul style="list-style-type: none"> <li>• Office electricity usage sourced from renewable energy reaches 100% (RE100), while the new factory's electricity usage from renewable energy accounts for 10% (RE10)</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in a rooftop solar power plant with a capacity of 137.78 kW, expected to commence electricity generation and obtain green energy certification in the second half of the year 2024</li> </ul>
<p><b>Promoting Low-Carbon Manufacturing Facilities</b></p> <p>Completing greenhouse gas verification annually to identify carbon hotspots in the manufacturing facility. Implementing transformation actions such as introducing low-carbon refrigerants.</p>	<ul style="list-style-type: none"> <li>• Greenhouse gas reduction of 20% for existing factory buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously obtaining ISO14064-1 verification statements</li> <li>• 2. Completed the carbon footprint assessments for four products</li> </ul>	<ul style="list-style-type: none"> <li>• Obtained ISO14064-1 verification statements for all factory areas</li> <li>• 2. Completed the internal carbon management platform</li> </ul>

Note: The reduction target calculation is based on existing plant areas, excluding the newly constructed plant (Chungkang Plant, housing the semiconductor materials production line) that started full-scale production after 2023.

**3.4.6 Ethical Management Implementation as Required by the Taiwan Financial Supervisory Commission:**

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Has the Company formulated the ethical corporate management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the board and senior management’s commitment to actively implement the management policy?</p>	V		The company has established the “Ethical Corporate Management Best Practice Principles” and disclosed it on the Company’s website. Daxin upholds the principles of integrity, transparency, and accountability in its operations. We aim to extend integrity to our customers, suppliers, creditors, shareholders, employees, and the general public. In addition, Daxin strictly prohibits all forms of bribery and corruption. Each employee must comply with the “Employee Code of Conduct”, and sign the “Statement of Commitment to Ethical Conduct”. The “Code of Ethical Conduct for Directors and Managerial Officers” has been established to guide directors and managerial officers to act in line with ethical standards and to help stakeholders better understand the ethical standards of the Company.	None
<p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risks of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct accordingly and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		The “Employee Code of Conduct” has been established, and all employees are required to sign the “Statement of Commitment to Ethical Conduct”. Employees must act with integrity while performing various business activities. We also host ethical management training programs for new hires and company-wide training to reinforce our ethical culture. The responsible units have also formed a reward/punishment system to prevent any unethical conduct within the scope of our business.	None
<p>(3) Does the Company specify the operating procedures, code of conduct, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	V		The Company has established the “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Reporting Channels and Whistleblower Protection”, and “Codes of Ethical Conduct for Directors and Managerial Officers”, as well as “Employee Code of Conduct” to adopt preventive actions. These regulations cover operational procedures, behavioral guidelines, disciplinary actions for violations, and the complaint system. The policies are routinely reviewed and subject to amendment.	None



Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2. Fulfill ethical corporate management (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		To fulfill ethical business management, Daxin complies with the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, relevant standards and rules for companies listed on the TWSE/TPEx and other business acts, and we strive to strengthen ethical management and to build good business practices. The Company asks its suppliers or contractors to sign "An Undertaking of Transactions in Good Faith" and strictly implement high-standard anti-corruption policies as the premise for cooperation.	None
(2) Does the Company set up a special unit under the board of directors to promote corporate ethical management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?		V	The Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" in 2020, which designated Human Resources Development Department to make policy and monitor execution results. It is annually reported the implementation status to the Board and disclosed on the annual report and the company's website. The latest report date is August 10, 2023.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The "Codes of Ethical Conduct for Directors and Managerial Officers" and "Employee Code of Conduct" have been established and are regularly promoted to foster a culture of good governance with the focus on ethics. Moreover, the "Reporting Channels and Whistleblower Protection" have been formulated and multiple reporting channels are available for internal and external voices.	None
(4) Does the Company have effective accounting and internal control systems to implement ethical corporate management? Does the internal audit unit devise audit plans based on the results of unethical conduct risk assessments and audit the systems accordingly to prevent unethical conduct, or entrust an external accountant to perform the audit?	V		Daxin has established an effective accounting system and an internal control system that is constantly under review by internal auditors to ensure the system's design and execution remains effective.	None
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		The Company provides training on ethical corporate management for new hires and promotes the "Employee Code of Conduct" annually which all employees are required to complete the course and take the test. The passing rate of the test was 97% in 2023. In addition, the Company regularly holds ethical management training, covering the topics of trade secrete infringement prevention, patents and intellectual property, procurement laws and regulations, audit and internal control, and Code of Ethical Conduct and other relevant courses. Courses were participated by 429 employees for 1,744 hours cumulatively; each person received 4 hours of training related to ethical management training.	None

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Operation of the whistle-blowing system (1) Does the Company establish both a reward/punishment system and convenient whistle-blowing channels? Can the accused be reached by an appropriate person for follow-up?	V		The "Reporting Channels and Whistleblower Protection" states reporting channels and a mailbox ( <a href="mailto:integrity@daxinmat.com">integrity@daxinmat.com</a> ) and a hotline (+886-4-2460-8889) are available on the company's website for external stakeholders. Employees can report violations of integrity through internal mailbox and suggestion boxes. Cases reported through the channels will be investigated and reviewed by designated committee members, in line with the "Reporting Channels and Whistleblower Protection" and the "Employee Code of Conduct".	None
(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		The company has established a "Reporting Channels and Whistleblower Protection." Reports should contain sufficient and specific information, and whistleblowers have the option to remain anonymous. The internal audit unit is responsible for investigating reported cases. If it is confirmed that there is a violation of relevant laws or the company's integrity and operating policies, immediate cessation of the related actions is demanded, and appropriate measures are taken based on the severity of the situation. When necessary, reports are made to the competent authority, cases are referred to judicial authorities for investigation, or legal procedures are initiated to seek compensation, all aimed at safeguarding the company's reputation and interests. All whistleblowing information and investigation documents are properly recorded and retained. Except as otherwise provided by law, personal data obtained by the investigative unit in the course of performing its duties shall not be used for purposes other than whistleblowing events, and the identity and content of the whistleblower shall be kept confidential.	None
(3) Does the Company provide proper whistleblower protection??	V		Our "Reporting Channels and Whistleblower Protection" has stated that the personal data and reporting information of the informant should be kept confidential. The reporting mailbox is handled by responsible persons. Any such reporting will be treated as confidential to the extent permitted by law. Daxin has established proper procedures where employees can bring issues forward without concern or fear of retaliation. In 2023, we didn't receive any report related to ethics matters.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" in 2020, and relevant information is disclosed on the company's website. Integrity and honesty are our operational principles. The implementation status is annually reported to the Board of Directors and disclosed on the company's website ( <a href="https://www.daxinmat.com">https://www.daxinmat.com</a> ) and sustainability report.	None

<p>5. If the company has established the ethical corporate management policies based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation.</p> <p>The “Ethical Corporate Management Best Practice Principles” were approved by the Board of Directors in 2020, and no discrepancies occurred regarding the implementation status of ethical management from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. Failure to comply with the standards may result in termination of the business relationship.</p>
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies):</p> <p>Daxin is committed to acting with innovation and integrity and aims to be a leading company for materials innovations.</p> <p>(1) Employees sign the “Statement of Commitment to Ethical Conduct” to understand the company’s ethical principles.</p> <p>(2) The Company provides training on ethical corporate management for new hires and promotes the “Employee Code of Conduct” annually. Additionally, relevant regulatory training sessions are organized to continually deepen the company’s culture of integrity and honesty.</p> <p>(3) Suppliers are required to sign our “An Undertaking of Transactions in Good Faith” pledging their commitment to uphold the obligations of integrity and the principles of honesty, ensuring trustworthy transactions.</p> <p>(4) Our company’s contracts with suppliers include clauses on integrity and honesty, requiring both parties to abide by them. Failure to comply with the standards may result in termination of the business relationship.</p> <p>For further information on our company’s integrity management, please refer to the content in our sustainability report or visit our official website at <a href="https://www.daxinmat.com">https://www.daxinmat.com</a>.</p>

### 3.4.7 If the Company has established Corporate Governance Principles and relevant standards shall disclose the inquiry method:

Daxin has established the Corporate Governance Principles, and relevant contents can be found at the MOPS or our corporate website (<https://www.daxinmat.com>).

### 3.4.8 Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance:

1. Daxin has established an effective accounting system and an internal control system, and internal auditors audit the compliance of aforesaid systems regularly.
2. We arrange Senior Managers, Accounting Manager, Corporate Governance Manager, and Chief Auditing Officer to participate in courses related to Securities and Exchange Act, Corporate Governance, Sustainable Development, and Internal Controls from time to time. The managerial officers' training courses in 2023 are as follows:

Title	Name	Date	Organizer	Course	Training Hours
Chief Executive Officer	Cheng-Yih Lin	Oct. 6, 2023	Accounting Research and Development Foundation	The Latest Sustainable Development Action Plan and The Impact of Net Zero Carbon Emissions on Financial Reports	6
President	Tsung-Hsing Kuo	Oct. 20, 2023	Securities & Futures Institute	Prevention of Insider Trading Propaganda Seminar of 2023	3
		Oct. 27, 2023	Taiwan Corporate Governance Association	Family Charter and Family Office	3
Chief Finance Officer	Yen-Chen Liu	Jun. 7, 2023	Accounting Research and Development Foundation	Compilation and Disclosure Fundamentals of Sustainability Reports - Key Analysis of IFRS ISSB S1, S2 Standards	3
		Jun. 12, 2023	Accounting Research and Development Foundation	Driving Corporate Sustainability through "Risk Management"	6
		Dec. 5, 2023	The Allied Association for Science Park Industries	Unlocking Key Insights in Financial Statements	3
Chief Auditing Officer	Sz-Wen You	Mar. 10, 2023	Taiwan Development & Research Academia of Economic & Technology	Audit of compliance with laws and regulation	6
		May 29, 2023	Accounting Research and Development Foundation	Audit of compliance with establish "Corporate Governance officer"	6
		Oct. 17, 2023	The Institute of Internal Auditors-Chinese Taiwan	Analysis of laws and regulations of the board of directors and functional committees (Audit, Remuneration) and key points in auditing	6

### 3.4.9 Implementation of Internal Control System:

- Statement of Internal Control System

Daxin Materials Corporation Statement of Internal Control System	
February 27, 2024	
Based on the findings of a self-assessment, Daxin Materials Corporation(hereinafter "the Company") states the following with regard to its internal control system during the year 2023:	
I.	The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
II.	An internal control system has inherent limitations. No matter how perfectly designed, an effective the internal control system can provide only reasonable assurance of accomplishing its stated objective; Moreover, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company take immediate actions in response to any identified deficiencies.
III.	The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provide in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial control: 1). Control environment 2). Risk assessment 3). Control activities 4). Information and communication, and 5) Monitoring activities. Each component also includes several items which can be found in the Regulations.
IV.	The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
V.	Based on the finding of such evaluation, the Company believes that, as of December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance of achievement of operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and applicable rulings, laws and regulations.
VI.	This statement is an integral part of the Company's annual report and the prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
VII.	This statement was approved by the Board of Directors in their meeting held on February 27, 2024, with none of the eight attending director expressing dissenting opinions, and the remainder all affirming the contents of this Statement.
Daxin Materials Corporation	
Chairman: <i>Cheng-Yih Lin</i>	
President: <i>Tsung-Hsing Kuo</i>	

- If a CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System: None.

**3.4.10 If the Company and Its Employees have been Punished by Law, or the Company has Undertaken Disincentive Measures for Its Personnel for the Violation of the Internal Control System Policy During the Most Recent Fiscal Year and as of the Date of this Annual Report. If Such Penalties May Have a Significant Impact on the Shareholders' Equity or the Price of Securities, the Contents of the Penalties, Principal Deficiencies, and Improvements Shall Be Stated:** None.

**3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year and as of the Date of this Annual Report:**

1. Major Resolutions from the Annual Shareholders' Meeting in 2023

- Elected eight directors (including four independent directors)  
Implementation: The newly elected directors were Cheng-Yih Lin, Tsung-Hsing Kuo, Chin-Cheng Pan (Representative of Eternal Materials Co., Ltd.), Ting-Li Lin (Representative of Konly Venture Corp.), Wei-Shun Cheng (independent director), Xin-Wu Lin (independent director), Chiao-Mou Cheng (independent director), and Chih-Chun Tsai (independent director). Their term is from June 15, 2023 to June 14, 2026.
- Accepted of 2022 Business Report and Financial Statements  
Implementation: Approved.
- Accepted the proposal for the distribution of 2022 earnings  
Implementation: Approved and had distributed in line with the resolution from the Shareholders' Meeting. (Each share was distributed with cash dividend of NT\$3.3; date of distribution was July 31, 2023.)
- Approved the amendment of the "Procedures for Acquisition and Disposal of Assets"  
Implementation: Approved; the amended "Procedures for Acquisition and Disposal of Assets" was enacted as of June 15, 2023.
- Approved to lift the non-competition restriction on directors  
Implementation: Approved to lift Eternal Materials Co. Ltd and its representative-Chin-Cheng Pan, Konly Venture Corporation and its Representatives-Ting-Li Lin, and Independent Directors-Xin-Wu Lin, Wei-Shun Cheng and Chih-Chun Tsai from the non-competition restriction, and to announce accordingly on the MOPS.

2. Major Resolutions of the Board Meetings:

Meeting Date	Major Resolutions
Feb. 22, 2023	<ul style="list-style-type: none"> <li>* Approved the 2022 Statement on Internal Control System</li> <li>* Approved the distribution of employees' and directors' remuneration of 2022</li> <li>* Approved the ratio of employees' and directors' remuneration distribution in 2023</li> <li>* Approved the remuneration for senior managers</li> <li>* Approved the appointment of the Certified Public Accountant and assessment of independence and suitability</li> <li>* Approved the 2022 Business Report and Financial Statements</li> <li>* Approved the proposal for the distribution of 2022 earnings</li> <li>* Approved the amendment of the "Procedures for Acquisition and Disposal of Assets"</li> <li>* Approved the Company's re-election of Directors</li> <li>* Approved the meeting date and agenda of the 2023 Annual Shareholders' Meeting</li> <li>* Approved the 2023 Business Plan</li> </ul>
May 3, 2023	<ul style="list-style-type: none"> <li>* Approved the 2023 Q1 (first quarter) Financial Statements</li> </ul>

Meeting Date	Major Resolutions
	<ul style="list-style-type: none"> <li>* Approved the bank credit limit</li> <li>* Approved the appointment of Corporate Governance Officer</li> <li>* Approved the nomination of director candidates and qualification review of independent director candidates</li> <li>* Approved to lift the non-competition restriction on directors</li> <li>* Approved the amendment of the “Standard Operational Procedures for Responding to Requests from Directors”, “Corporate Governance Principles”, and “Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises”</li> </ul>
Jun. 15 2023	<ul style="list-style-type: none"> <li>* Approved the election of the Chairman</li> </ul>
Aug. 10, 2023	<ul style="list-style-type: none"> <li>* Approved the amendment of the " Internal Control Systems" and "Internal Audit Implementation Rules"</li> <li>* Approved the 2023 Q2 (second quarter) Financial Statements</li> <li>* Approved the formulation of “Pre-approval of Non-assurance Service Policy”</li> <li>* Approved the dissolution and liquidation of Japanese Subsidiary</li> <li>* Approved the appointment of members of the fifth Remuneration Committee</li> </ul>
Nov. 9, 2023	<ul style="list-style-type: none"> <li>* Approved the 2024 Audit Plan</li> <li>* Approved the 2023 Q3 (third quarter) Financial Statements</li> <li>* Approved the bank credit limit</li> <li>* Approved the 2023 remuneration for senior managers</li> </ul>
Feb. 27, 2024	<ul style="list-style-type: none"> <li>* Approved the 2023 Statement on Internal Control System</li> <li>* Approved the distribution of employees’ and directors’ remuneration of 2023</li> <li>* Approved the ratio of employees’ and directors’ remuneration distribution in 2024</li> <li>* Approved the remuneration for senior managers</li> <li>* Approved the 2023 Business Report and Financial Statements</li> <li>* Approved the proposal for the distribution of 2023 earnings</li> <li>* Approved evaluation of the independence and of suitability of the Certified Public Accountant</li> <li>* Approved the 2024 services and fees of the Certified Public Accountant</li> <li>* Approved to lift the non-competition restriction on directors</li> <li>* Approved the meeting date and agenda of the 2024 Annual Shareholders’ Meeting</li> <li>* Approved the 2024 Business Plan</li> </ul>

**3.4.12 Any Dissenting Opinion Expressed by a Director or Supervisor with Respect to a Major Resolution Passed by the Board of Directors During the Most Recent Fiscal Year and as of the Date of this Annual Report, Where Said Dissenting Opinion Has Been Recorded or Prepared as a Written Declaration, and Its Main Content:** None.

**3.4.13 Summary of Resignations and Dismissals of the Company’s Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, or Research and Development Officer During the Most Recent Fiscal Year and as of the Date of this Annual Report:** None.

### 3.5 Information on CPA(Certified Public Accountant) Fees

#### 3.5.1 CPA Fees

Monetary unit: Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Note
KPMG Taiwan	Chien-Hui Lu	2023.01.01~2023.12.31	2,120	350	2,470	The non-audit fee included the fees for tax compliance audit and scrapped inventory taking.
	Jun-Yuan Wu					

**3.5.2 Replacement of Accounting Firm and the Audit Fees in the Replacing Year Less Than That in the Previous Year:** Not applicable.

**3.5.3 When Audit Fees Were Reduced More Than 10% Compared With the Previous Year, the Reduction in Audit Fee, Ratio, and Reason Thereof Shall Be Disclosed:** Not applicable.



### 3.6 Information on Replacement of CPAs

#### 3.6.1 Former CPAs:

Date of replacement	February 22, 2023		
Reasons for replacement and explanations	Due to internal adjustment from the accounting firms, as of the first quarter (Q1) in 2023, the Company's CPAs have been changed from CPA Chien-Hui Lu and CPA Mei-Yu Tseng to CPA Chien-Hui Lu and CPA Jun-Yuan Wu.		
State whether the appointment is terminated or rejected by the consignor or CPAs	Counterparty		Consignor
	Condition	CPA	
	Appointment terminated automatically	✓	
	Appointment rejected (discontinued)		
The opinions other than unmodified opinion issued in the last two years and the reasons for the said opinions	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Financial statement disclosure
			Audit scope or procedures
			Others
	None	✓	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

#### 3.6.2 Succeeding CPAs:

Accounting firm	KPMG Taiwan
Name of CPA	CPA Chien-Hui Lu and CPA Jun-Yuan Wu
Date of engagement	February 22, 2023
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting Principles of specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written opinions from the succeeding CPAs that differs from the former CPA's opinions	None

#### 3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: Not applicable.

### 3.7 The Company's Chairman, President, or Managers in Charge of Finance or Accounting Matters Hold any Positions within the Company's CPA Accounting Firm or Its Affiliates in the Most Recent Fiscal Year: None.

### 3.8 Any Equity Transfer or Changes to Equity Pledge of Directors, Supervisors, Managers or Shareholders Holding More than 10% of Company Shares in the Most Recent Year and as of the Date of this Annual Report

#### 3.8.1 Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders:

Unit: 1,000 Shares

Title	Name: (Note 1)	2023		As of Feb. 29, 2024	
		Shares Held +(-)	shares pledged +(-)	Shares Held +(-)	shares pledged +(-)
Chairman	Cheng-Yih Lin	0	0	0	0
Director	Tsung-Hsing Kuo	0	0	0	0
Director and Major Shareholder	Konly Venture Corporation	0	0	0	0
Representative of Institutional Director	Konly Venture Corporation Representative: Ting-Li Lin (Note 2)	0	0	0	0
Director and Major Shareholder	Eternal Materials Co. Ltd.	0	0	0	0
Representative of Institutional Director	Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan	0	0	0	0
Independent Director	Wei-Shun Cheng	0	0	0	0
Independent Director	Xin-Wu Lin	0	0	0	0
Independent Director	Chiao-Mou Cheng (Note 2)	0	0	0	0
Independent Director	Chih-Chun Tsai (Note 2)	0	0	0	0
Executive Vice President	Feng-Yu Chuang	0	0	0	0
Vice President	Feng-Liang Chiu	0	0	0	0
Chief Finance Officer	Yen-Chen Liu	0	0	0	0
Assistant Vice President	Yu-Tsai, Hsieh	(85)	0	0	0

Note 1: Refers to increases (decreases) in shareholding during their term of service as Daxin's Directors or managers who has been on serve.

Note 2: New directors were elected at the 2023 shareholder meeting, and they took office on June 15, 2023.

Note 3: Yu-Tsai, Hsieh was promoted to Assistant Vice President on May 1, 2023.

#### 3.8.2 Counterparty of equity transfer is a related party:

Name	Reason for equity transfer	Transaction date	Transaction counterparty	Counterpart and the Company and Its Directors, Supervisors and Shareholders with Shareholding Ratio of 10% or More	Number of shares (thousand shares)	Transaction price
Yu-Tsai, Hsieh	Gift	June 21, 2023	Hsiu-Yu, Lin	Spouse	85	—

#### 3.8.3 Counterparty of equity pledge is a related party: None.

### 3.9 Relationships between TOP 10 Shareholders are Related Parties

Unit: 1,000 shares; March 26, 2024

Name	Current Shareholding		Shares Held by Spouse & Minors		Shares Held through Nominee		Relationship Between Top 10 Shareholders Who are either Related Parties, Spouses or Relatives Within the Second Degree of Kinship		Note
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation	
Eternal Materials Co. Ltd. Representative: Kuo-Lun Kao	23,424	22.80%	—	—	—	—	—	—	—
Konly Venture Corp. Representative: Shuang-Lang Peng	19,114	18.61%	—	—	—	—	Ronly Venture Corp.	the chairman is the same person	—
Ronly Venture Corp. Representative: Shuang-Lang Peng	6,312	6.15%	—	—	—	—	Konly Venture Corporation	the chairman is the same person	—
Cheng-Yih Lin	2,299	2.24%	—	—	—	—	Huan-Tsai Su	the Second Degree of Kinship	—
Merrill Lynch International Main Trading - FIA	2,149	2.09%	—	—	—	—	—	—	—
YuanHan Materials Inc. Representative: Yung-Heng Chen	1,138	1.11%	—	—	—	—	—	—	—
Japan Securities Finance Co., Ltd.	992	0.97%	—	—	—	—	—	—	—
Fen-Chuan Chin	830	0.81%	232	0.23%	—	—	—	—	—
Chung-Tse Yao	780	0.76%	—	—	—	—	—	—	—
Huan-Tsai Su	641	0.62%	—	—	—	—	Cheng-Yih Lin	the Second Degree of Kinship	—

Note 1: The top 10 shareholders shall be all specified, and for any institutional shareholder, the name of the institutional shareholder's name and the name of its representative shall be separately specified.

Note 2: Calculations of the shareholding ratio refers to separately calculating the shareholding ratio of shares held by the shareholders and their spouses, minors, and held through nominees.

Note 3: Relations among the shareholders shall be disclosed in line with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, whether the aforementioned shareholders are institutional shareholders or natural persons.

### 3.10 Total Number of Shares and Combined Shareholding Percentage in the Same Investment Business by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Shares; %  
December 31, 2023

Investment Business (Note 1)	Investment by the Company		Investment by directors, supervisors, and directly or indirectly controlled businesses		Comprehensive investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Frontier Materials (Samoa) Corporation (Note 2)	—	—	—	—	—	—

Note 1: It is a long-term equity investment from the Company.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

## Chapter 4. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of Capital

Unit: NT\$ thousands

Month/Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
Jul. 2006	10	70,000	700,000	40,000	400,000	Establishment	None	Note 1
Dec. 2007	12	70,000	700,000	60,000	600,000	Capital increase by cash	None	Note 2
Dec. 2007	10	70,000	700,000	60,766	607,660	Employee stock options convert to shares	None	Note 3
Jan. 2009	10	70,000	700,000	61,570	615,700	Employee stock options convert to shares	None	Note 4
Aug. 2009	15	70,000	700,000	61,670	616,700	Capital increase by cash	None	Note 5
Mar. 2010	11.32	100,000	1,000,000	64,134	641,340	Employee stock options convert to shares	None	Note 6
Aug. 2010	10	100,000	1,000,000	67,013	670,126	Capital increase by retained earnings	None	Note 7
	12.57					Capital increase by employees' compensation		
	12					Employee stock options convert to shares		
Jan. 2011	12.29	100,000	1,000,000	68,480	684,796	Employee stock options convert to shares	None	Note 8
Mar. 2011	10	100,000	1,000,000	78,607	786,065	Capital increase by retained earnings	None	Note 9
	16					Capital increase by employees' compensation		
Aug. 2011	12.63	100,000	1,000,000	80,234	802,335	Employee stock options convert to shares	None	Note 10
Jul. 2012	30	100,000	1,000,000	88,932	889,315	Capital increase by cash	None	Note 11
Aug. 2014	10	100,000	1,000,000	93,378	933,781	Capital increase by retained earnings	None	Note 12
Jul. 2018	10	150,000	1,500,000	102,716	1,027,159	Capital increase by retained earnings	None	Note 13

Note 1: Central Region Office, Ministry of Economic Affairs, 07.12.2006 Certificate No. 09532495280.

Note 2: Central Region Office, Ministry of Economic Affairs, 12.14.2007 Certificate No. 09601305760.

Note 3: Central Region Office, Ministry of Economic Affairs, 12.31.2007 Certificate No. 09601317680.

Note 4: Central Region Office, Ministry of Economic Affairs, 01.06.2009 Certificate No. 09701331270.

Note 5: Central Region Office, Ministry of Economic Affairs, 08.20.2009 Certificate No. 09801187490.

Note 6: Central Region Office, Ministry of Economic Affairs, 03.19.2010 Certificate No. 09901052680.

Note 7: Central Region Office, Ministry of Economic Affairs, 08.03.2010 Certificate No. 09901174760.

Note 8: Central Taiwan Science Park Bureau 01.20.2011 Certificate No. 1000001912.

Note 9: Central Taiwan Science Park Bureau 03.24.2011 Certificate No. 1000007038.

Note 10: Central Taiwan Science Park Bureau 08.30.2011 Certificate No. 1000022132.

Note 11: Central Taiwan Science Park Bureau 07.27.2012 Certificate No. 1010017224.

Note 12: Central Taiwan Science Park Bureau 08.12.2014 Certificate No. 1030018731.

Note 13: Central Taiwan Science Park Bureau 07.09.2018 Certificate No. 1070016699.

Unit: Shares  
Feb. 29, 2024

Type of Stock	Authorized Capital			Note
	Outstanding (Note)	Un-Isued	Total	
Registered Common Shares	102,715,911	47,284,089	150,000,000	—

Note: The Company's shares are listed on Taiwan Stock Exchange.

Shelf Registration: Not applicable.

#### 4.1.2 Shareholder Structure

Shareholding Record Date: Mar. 26, 2024

Unit: Shares

Shareholding Structure Number	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	30	51	7,128	60	7,272
Shareholding (Shares)	736,000	2,259,691	52,867,430	39,904,847	6,947,943	102,715,911
Shareholding Ratio	0.72%	2.20%	51.47%	38.85%	6.76%	100.00%

#### 4.1.3 Shareholding Distribution

Shareholding Record Date: Mar. 26, 2024

Type: Common stock

Unit: Persons; Shares

Range of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio
1 to 999	2,086	315,628	0.31%
1,000 to 5,000	4,174	7,579,635	7.38%
5,001 to 10,000	428	3,379,193	3.29%
10,001 to 15,000	143	1,850,376	1.80%
15,001 to 20,000	95	1,751,141	1.71%
20,001 to 30,000	84	2,190,317	2.13%
30,001 to 40,000	53	1,912,888	1.86%
40,001 to 50,000	34	1,571,549	1.53%
50,001 to 100,000	90	6,357,371	6.19%
100,001 to 200,000	39	5,557,659	5.41%
200,001 to 400,000	26	7,535,987	7.34%
400,001 to 600,000	9	4,419,887	4.30%
600,001 to 800,000	3	2,036,231	1.98%
800,001 to 1,000,000	2	1,822,400	1.77%
1,000,001 or more	6	54,435,649	53.00%
1,000,000,000 or more	0	0	0.00%
Total	7,272	102,715,911	100.00%

Note: The Company did not issue any preference shares.

#### 4.1.4 List of Major Shareholders

Shareholding Record Date: Mar. 26, 2024

Unit: Shares

Shareholder's Name	Shares	Shareholding (Shares)	Shareholding Ratio
Eternal Materials Co., Ltd.		23,423,812	22.80%
Konly Venture Corp.		19,113,730	18.61%
Ronly Venture Corp.		6,312,075	6.15%
Cheng-Yih Lin		2,298,832	2.24%
Merrill Lynch International- Main Trading - FIA		2,149,200	2.09%
YuanHan Materials Inc.		1,138,000	1.11%
Japan Securities Finance Co., Ltd.		992,000	0.97%
Fen-Chuan Chin		830,400	0.81%
Chung-Tse Yao		780,000	0.76%
Huan-Tsai Su		641,231	0.62%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: Thousand shares; NT\$ thousands

Item		Year	2022	2023 (Note1)	As of Feb. 29, 2024 (Note 8)
Market Price per Share (Note 2)	Highest		163.00	155.00	132.00
	Lowest		55.80	64.60	95.40
	Average		88.10	98.98	114.03
Net Worth per Share (Note 3)	Before Distribution		28.71	30.52	—
	After Distribution		25.41	26.42	—
Earnings per Share(EPS)	Weighted Average Number of Shares		102,716	102,716	102,716
	EPS (Note 4)		4.15	5.10	—
Dividend per Share	Cash Dividend		3.30	4.10	—
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital reserve	—	—	—
	Cumulative Unpaid Dividends		—	—	—
Return on Investment	Price/Earnings Ratio (Note 5)		21.23	19.41	—
	Price/Dividend Ratio (Note 6)		26.70	24.14	—
	Cash Dividend Yield (Note 7)		3.75%	4.14%	—

Note 1: The cash dividend amount for 2023 was approved by the Board of Directors on Feb. 27, 2024.

Note 2: The highest and lowest market prices are listed, and the average market price are calculated based on the trading value and volume.

Note 3: It shall be calculated based on outstanding shares at the end of the year and the distribution resolution by the shareholders' meeting in the following year.

Note 4: Retroactive adjustment is required due to distribution of stock dividends, the EPS before and after adjustment shall be entered.

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

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

Note 7: Cash Dividend Yield = Cash dividend per share / Average closing price per share for the year.

Note 8: Net worth per share and EPS: As of the publication date of this Annual Report, there is no information audited (reviewed) by CPAs released.

#### 4.1.6 Dividend Policy and Implementation

- (1) The dividend policy stipulated in the Company's Articles of Incorporation:

The Company adopts the residual dividend policy considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions, and capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. When the dividends are distributed, at least 30% of the retained earnings available for distribution of the current year shall be distributed as dividend, which may be distributed by way of cash dividend and/or stock dividend, and the ratio for cash dividend shall not be less than 10% of total distribution.

- (2) Distribution of Dividends Proposed in the Shareholders' Meeting:

The Company distributed cash dividends of NT\$421,135,235 (NT\$4.1 per common share), have been approved by the meeting of the Board of Directors held on February 27, 2024, which will be reported at the 2024 Annual Shareholders' Meeting

- (3) Material Change Expected in the Dividend Policy: None.

#### 4.1.7 Effect of Stock Dividend Distribution Proposed by the Shareholders' Meeting on the Company's Operation Performance and Earnings per Share:

The Company did not disclose the financial forecast, hence not applicable.

#### 4.1.8 Remuneration to Employees and Directors

- (1) The percentages or ranges of compensations for employees and directors base on the Company's Articles of Incorporation.

If the Company has a profit (income before tax, excluding remuneration to employees and Directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining in accordance with the ratio as follows:

- I. No less than 3% as employees' remuneration.
- II. No more than 1% as directors' remuneration.

The remuneration of employees and directors shall be resolved by the Board of Directors and reported to the shareholders' meeting.

- (2) The accounting procedure used to handle differences between the basis for estimating the amount of employees' and directors' remuneration, basic for calculating the shares to be distributed as employees' remuneration and the actual distributed amount for this period:

The employees' and directors' remuneration were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

- (3) Employees' and directors' remuneration approved by the Board of Directors:

- The amount of any employees' and directors' remuneration distributed in cash or stock:  
The Company's 2023 employees' and directors' remuneration distribution proposal was approved by the Board of Directors on February 27, 2024. The employee's remuneration is NT\$49,491,732 and the director's remuneration is NT\$4,949,173; both shall be paid in cash.  
If there is any difference between the distributed amounts and the estimated amounts for the fiscal year, the difference, its cause, and the status of treatment shall be disclosed: No discrepancy.
- Sum of employees' remuneration in stock and its proportion of the net income after tax provided in the Individual Financial Statement and the total sum of employees' remuneration: Not applicable.

- (4) Actual distribution of employees' and Directors' remuneration in the previous year, and If there any difference between the actual distributed amounts and the estimated amounts, the difference, its cause, and the status of treatment shall be disclosed :

The Company's 2022 employees' and directors' remuneration distribution proposal was approved by the Board of Directors on February 22, 2023. The employee's remuneration to be distributed in cash was in the amount of NT\$39,661,379 and the director's remuneration NT\$3,966,138. It was reported to the shareholders' meeting on June 15, 2023. There was no difference between the actual amounts of employees' and directors'



remuneration distributed and the approved amounts by the Board of Directors.

- 4.1.9 Repurchases of Company's Shares:** The Company did not repurchase its shares in the most recent year and as the date of this annual report.
- 4.2 Status of Corporate Bonds:** None.
- 4.3 Status of Preference Shares:** None.
- 4.4 Status of Overseas Depository Shares:** None.
- 4.5 Status of Employee Stock Option:** None.
- 4.6 Status of Restricted Stock Issuance:** None.
- 4.7 Issuance of New Shares in Connection with Mergers or Acquisitions:** None.
- 4.8 Funding Plans and Implementation:** None.

## Chapter 5 Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

(1) Major Contents

The Company mostly operates in the research, design, development, manufacturing, and sales of chemical materials. The main products include specialty chemicals in three major sectors: display materials, semiconductor materials, and key raw materials.

(2) Business Proportion and Current Products

Unit: NT\$ thousands

Product Categories	Major Products	2023	
		Operating Revenue	Revenue Ratio (%)
Display materials	Photoresists, PI alignment layer, photo overcoat, optical clear resin, copper (Cu) etchant, liquid crystal, and wet chemicals etc.	3,967,875	93.05%
Semiconductor materials, key raw materials and others	Organic release layer, high-purity solvents, photoresist stripper, ingot bond, silicon based anode materials of lithium ion batteries and raw materials etc.	296,246	6.95%
Total		4,264,121	100.00%

(3) New Products to Be Developed

New Products to Be Developed	
Display industry materials	Low-temperature materials and new generation etchants for LCD processes Adhesives, planarization layers, and photoresists for MicroLED processes
Semiconductor industry materials	High-purity cleaners, surface treatment chemicals, and new generation etchants for wafer processes Adhesives and high-resolution photosensitive dielectrics for packaging processes Protection materials for specialty processes
Key raw materials	High-purity polymers for photoresists

#### 5.1.2 Industry Overview

(1) Current Status and Development

A. Display Industry

In the first half of 2023, although inflation eased somewhat, the subdued demand for consumer electronics persisted due to the continued impact of the pandemic from the previous year. LCD manufacturers across the board reduced their capacity utilization rates to accelerate inventory reduction, leading to lackluster revenue for panel manufacturers. In the latter half of 2023, while panel prices showed slight signs of stabilization, the overall economic downturn and incomplete recovery of major consumer markets continued to hamper demand. Prices of displays across various applications did not exhibit a stable upward trend. In efforts to enhance overall operational efficiency, panel manufacturers undertook measures to restructure by consolidating factories and adjusting production line configurations, while cautiously controlling capacity utilization rates to stabilize display prices.

In 2024, estimates for the targeted shipment volumes of televisions vary among major panel manufacturers, but all strive for growth in area. With the support of sporting events in 2024, panel manufacturers anticipate a surge in demand due to potential replacement cycles. However, the diminishing marginal benefits of price for volume exchange are becoming evident, leading panel

manufacturers to gradually normalize production cuts. To achieve long-term improvement in the marginal benefits of price competition and to advance towards incorporating AI-driven intelligent display technologies for ultra-high definition, the Company continues to develop higher specification materials and strategically positions itself in the high-end, high-performance LCD materials market.

Market expectations anticipate that MicroLED displays will enter a growth phase starting in 2025. The Company has proactively invested in the development of materials related to MicroLED, accelerating technological research and product promotion to seize new opportunities in the development of MicroLED displays. Additionally, we actively respond to global sustainability ESG issues by focusing on energy-saving and carbon-reducing processes in materials design. We are committed to developing materials that can be used in low-temperature processes by our customers, aligning with both customers and societal expectations, and contributing to environmental sustainability efforts.

#### B. Semiconductor Industry

In the semiconductor market, the trends from the latter half of 2022 continued into the first half of 2023, characterized by high inflation, sluggish demand in end markets, and supply chain adjustments to manage inventory levels. According to statistics from the World Semiconductor Trade Statistics (WSTS), the global semiconductor market value for 2023 was revised downward to \$520 billion due to oversupply and soft prices. Despite the overall market downturn and weak end-demand, major semiconductor manufacturers remained steadfast in advancing technological nodes and positioning themselves for mid-to-long-term capacity needs, anticipating a rapid response to future application trends once market conditions improve.

Looking ahead to the 113th year, the World Semiconductor Trade Statistics (WSTS) forecasts a 13.1% growth in global semiconductor revenue, reaching \$588 billion. Three key directions are worth noting: Firstly, in terms of inventory consumption in end markets, semiconductor industry inventories and shipments are expected to gradually return to normal levels in the latter half of 2024. Secondly, observing end-demand trends, the four major application chip markets - smartphones, servers, automotive, and PCs - are all expected to show positive growth in 2024. Thirdly, in terms of opportunities for emerging semiconductor companies, applications related to Artificial Intelligence (AI) and High-Performance Computing (HPC) are in high demand. Customized AI computation chips and network chips assisting AI computation are expected to experience significant growth. Taiwan possesses advanced processes and packaging technologies, providing it with competitive advantages in riding the new wave of AI growth.

Under the influence of geopolitical and economic risks, and in order to enhance our capability to independently master key material technologies, we are continuously promoting the localization of the semiconductor material supply chain. This initiative provides opportunities for local material factories to collaborate on developing new materials and to localize production. With the advancement of cutting-edge technologies, the demand for specialty materials with higher performance, specifications, and purity is also increasing. Leveraging our geographical advantages and research and development innovation, we are committed to collaborating with international giants to develop new materials required for advanced packaging (wafer-level/panel-level) and advanced processes (BEOL/FEOL). These materials include high-purity surface treatment chemicals, high-purity specialty removers, high-selectivity etchants, and more. We are dedicated to providing Integrated Total Solutions for the materials required by advanced processes to our customers.

#### C. Key raw materials

In recent years, disruptions in the supply chain due to the pandemic, geopolitical tensions, and the US-China tech rivalry have prompted countries to review their policies regarding key industry supply chains. Japan, South Korea, and China have all actively invested in developing high-level research and manufacturing centers as part of their strategies. Priority policies include independent technology research and development, third-generation semiconductors and materials, next-generation batteries and materials, and smart manufacturing digital transformation. Among these, the semiconductor industry holds a key position in the development strategy of high-level manufacturing centers. Electric vehicles (EVs) may emerge as the next geopolitical battleground after semiconductors, particularly in the battery sector.

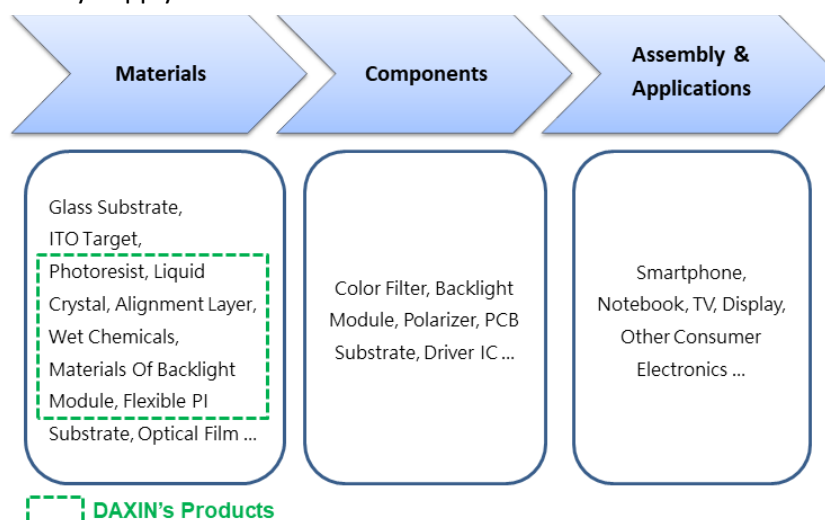
Taiwan's semiconductor industry still heavily relies on foreign suppliers for key upstream raw materials. To mitigate the risk of supply chain disruptions, strengthening the resilience of the semiconductor supply chain for critical raw materials is imperative. The Company is actively involved in the development of upstream functional monomers and specialty polymer materials to fill gaps in the industry chain. This effort not only enhances the resilience of Taiwan's semiconductor industry but also contributes to the

transformation towards higher technological barriers and value-added upgrades in specialty materials industries in Taiwan. In the battery industry, upstream raw materials are mostly imported from Japan, South Korea, and China. There is an urgent need for collaboration with downstream and midstream players to develop and fill gaps in the industry chain. The Company is committed to ongoing communication and collaboration with domestic battery industry players to provide customized materials solutions tailored to various product applications and process requirements. Together, we aim to enhance the competitiveness of Taiwan's battery industry globally.

(2) Relationship Amongst Upstream, Midstream, and Downstream Sections of the Industry

A. Display Industry

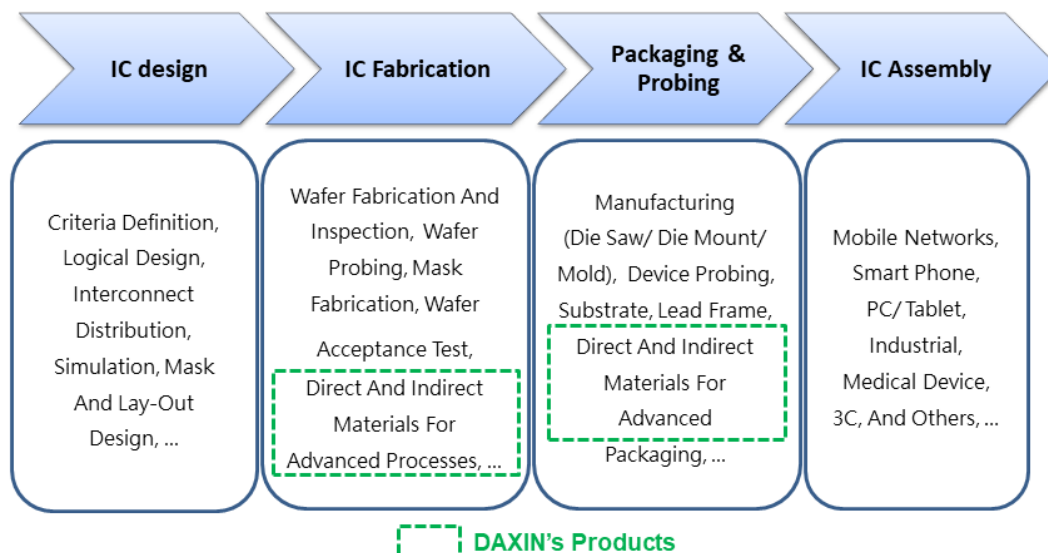
- LCD Display Industry Supply Chain



Source: compiled by the Company

B. Semiconductor Industry

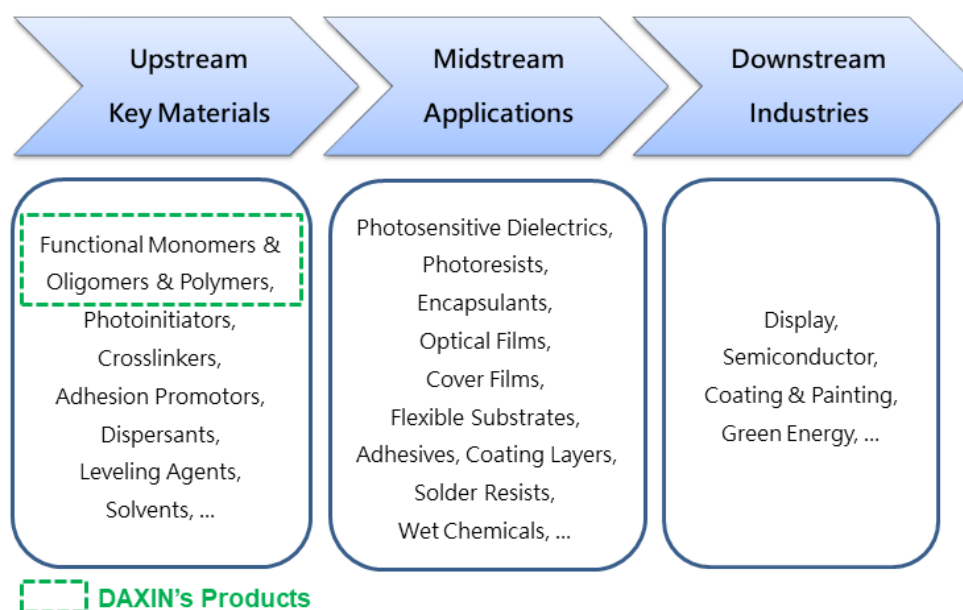
- Semiconductor Industry Supply Chain



Source: compiled by the Company

### C. Key raw materials

- Key Raw Materials Industry Supply Chain



Source: compiled by the Company

### (3) Product Development Trends and Competition

#### A. Display materials

The Company is one of the leading suppliers of LCD materials, with a track record of mass production spanning many years. Several of our products have captured significant market share and we possess the capability to set new standards for next-generation products. With a strong presence in the display industry, we have established excellent channels and platforms, allowing us to stay abreast of market trends and technological advancements. Through collaboration with major display customers, we are proactively developing next-generation, higher-specification LCD materials, including high-resolution photoresists and high-resolution etchants. While investing in research and development for high-tech, high-profit new products, we also strive to optimize cost structures to enhance the profitability of mature products. In terms of MicroLED, we also actively collaborate with our major customers to develop customized materials, including mass transfer adhesives and photoresists, among others.

While pursuing high specifications and performance in our products, our company ensures that the raw materials used in each product comply with the latest EU green procurement regulations. In recent years, in response to the global trend of ESG energy saving and carbon reduction, we have been investing in the development of low-temperature curing, low-energy-consumption materials. We have also advanced ahead of other manufacturers in verifying these materials with customers. These materials include low-temperature photoresists for Color Filter processes and low-temperature materials for Cell processes. We are committed to contributing to the sustainable development of the Earth's environment.

#### B. Semiconductor materials

##### Wafer fabrication process

Future semiconductor materials continue to evolve towards higher purity, quality, lower particle counts (19nm < 20EA/wafer), and lower ion contamination (<0.1ppb). The Company is consistently investing substantial resources in the development of higher-purity semiconductor-grade chemicals and raw materials, including those used in wet processes, nanolithography processes, and specialty applications. Currently, several new products for next-generation advanced processes are undergoing joint development and verification with customers, with some already achieving Process of Record (POR) status. Additionally, we are dedicating efforts to develop multiple products for mature processes with the goal of replacing existing materials that still exhibit insufficient characteristics. Our aim is not only to provide superior product performance but also to deliver more cost-effective materials to our customers.

### Packaging processes

The Company has accumulated years of experience and a proven track record in providing indirect materials for advanced packaging technologies such as Fan-Out, 2.5D, and 3DIC. Looking ahead, we are committed to developing novel materials for heterogeneous integration required by various packaging processes and high-frequency, high-speed transmission-related permanent materials with low dielectric and low dielectric loss. These materials will play a crucial role in meeting the diverse needs of packaging processes and facilitating high-speed transmission in the future.

The European Union proposed to gradually phase out Per/Poly fluoro alkyl substances (PFAS) in 2023, with legislation expected to be implemented as early as 2025 to 2026. This move will have a significant impact on the semiconductor industry. The Company, from raw materials to end products, does not utilize PFAS. Furthermore, we are actively collaborating with semiconductor customers to seek alternative solutions to address the challenges posed by the elimination of PFAS.

After years of collaboration with international semiconductor giants, the Company's research and development capabilities have gradually gained recognition. We have also been establishing a foothold in the materials market, which was previously dominated by international material giants. In the future, our main objectives lie in the development of materials required for next-generation processes and enhancing the resilience of the semiconductor supply chain. To further strengthen the resilience of our local supply chain, we have introduced more diverse strategic cooperation models with international material giants to actualize the local manufacturing of semiconductor materials.

#### C. Key Raw Materials

The Company has established and mastered the in-house production technology for upstream critical raw materials. Apart from enhancing cost competitiveness, this also strengthens the autonomy throughout the value chain of materials, increasing supply flexibility by enhancing autonomy and reducing dependency. These capabilities are applied to materials for displays, including acrylic polymers and polyimide monomers, as well as materials for semiconductors, including specialty low-ion-content monomers, inhibitors, surface modifiers, and polyimide monomers. The electronics industry places extreme importance on the purity of raw materials, particularly for advanced semiconductor processes. The Company will continuously refine our synthesis capabilities and establish various purification technologies to achieve purity levels down to parts per trillion (ppt) ion content. These key raw materials are predominantly controlled and formulated into products by international material giants, making it challenging to obtain raw materials with completely consistent quality specifications in the market.

### 5.1.3 Technology and R&D Overview

The three main markets our company focuses on are display materials, semiconductor materials, and key raw materials. In 2023, DAXIN Company's R&D expenditure reached NT\$480 million, maintaining a high investment in research and development and a high proportion of R&D manpower policy. We also obtained the Taiwan Intellectual Property Management Specification Verification Certificate (Level A, certified by Tips). We are committed to developing advanced materials and cutting-edge technologies, strategically positioning ourselves ahead of future market demands.

#### **Display materials:**

In addition to developing materials to meet higher specifications in LCDs, our focus also includes the development of materials and processes that comply with ESG requirements. Cost control is crucial to maintain a competitive edge in a saturated market.

Regarding MicroLED-related new materials, the Company is investing heavily in the development of mass transfer process-related materials to ensure a presence in the market for emerging display technologies.

#### **Semiconductor materials:**

The three operational models of the Company in the semiconductor industry are:

1. Independent materials research and development
2. Collaborative development with top-tier semiconductor foundries
3. Collaborative development with top-tier semiconductor materials companies

Our focus in product development lies in the materials required for front-end, back-end, and advanced packaging processes. In addition to product development, we also undertake the development of key

materials for certain important photoresists. These materials are used in both mature and advanced processes.

Currently, several new products for advanced processes below two nanometers and advanced packaging are under joint development and verification with semiconductor customers. In 2024, multiple semiconductor materials will undergo verification on customer production lines. Collaboration with international giants will diversify our product line, contributing to an increased share of semiconductor revenue.

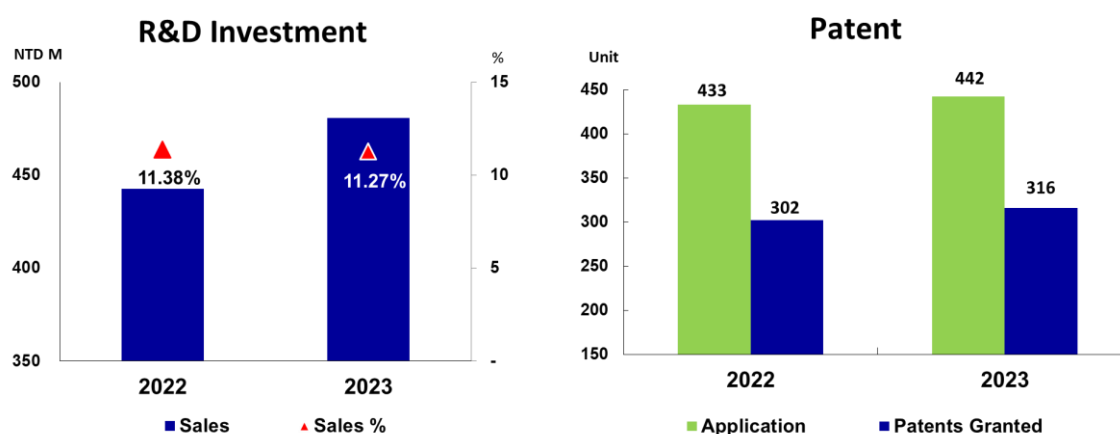
In addition to indirect materials for processes, we are also investing in the development of permanent materials with high barriers to entry, especially materials like Photosensitive Polyimide. While the verification process for such materials is challenging and time-consuming, once they are ready for mass production and marketing, their market value is significantly high.

#### Key Raw Materials:

The Company has accumulated years of experience in the research, development, production, and sales of silicon-based polymer for green energy lithium batteries. We are also planning to explore more opportunities for new materials in the upstream and downstream industries of batteries.

Additionally, we have developed various functional monomers and specialty polymers that can be applied in displays, semiconductors, and other electronic materials. These materials share common characteristics of high purity and low ion content. While the promotion of such products may take longer time, once successful, their sales lifespan is extended, with minimal impact from economic fluctuations.

#### R&D Investment in the Most Recent Fiscal Year and As the Date of this Annual Report



- Technology or Product Successfully Developed

Technology or product successfully developed	
Display materials	Low-temperature photoresists for color filter process High-resolution etchants for array process Low-temperature materials for cell process
Semiconductor materials	Strippers for wafer processes High-resolution etchants for advanced packaging Protection materials for specialty processes
Key raw materials	High-purity polymers for photoresists

## 5.1.4 Long- and Short-Term Business Development Plans

### Short-Term Business Development Plan

In 2024, The Company's product layout spans across three major areas: semiconductor, display, and key raw materials. Leveraging our accumulated technical expertise in display materials, we are extending our product development efforts into semiconductor materials, with promising results expected. Taiwan's advanced semiconductor processes possess unparalleled competitiveness globally, and the semiconductor upstream materials supply chain will play an increasingly vital role in this landscape.

#### (1) Display materials:

In response to the rapidly changing challenges in the LCD industry's capacity utilization, the Company will continue optimizing its product portfolio and production processes. We aim to increase competitiveness by mastering the proportion of in-house materials, reducing costs, and further expanding our market presence by reaching new customers and product lines. Additionally, we will develop higher-specification and ESG-compliant low-temperature process materials to align with sustainable practices. For next-generation display technology like MicroLED, including critical mass transfer process materials, we will continue investing in research and development to maintain our long-term competitive advantages.

#### (2) Semiconductor materials:

There are numerous market opportunities for semiconductors in advanced packaging (wafer-level/panel-level) and wafer fabrication processes (advanced/mature processes). Recent developments in new product development have shown promising results, with ongoing expansion of product lines through collaborations with international giants. Apart from the semiconductor production lines already operational in existing facilities, several high-purity production lines have been established in the new semiconductor materials plant. As a result, multiple new products are scheduled for mass production in 2024, with ongoing developments expected to yield more new materials in the future.

To accelerate the expansion of the semiconductor product revenue share, the Company is simultaneously pursuing three major operational pillars:

- Independent material research and development:
  - Enhance responsiveness to semiconductor material verification issues on customer production lines.
  - Develop new materials required for next-generation advanced processes and advanced packaging.
- Collaborative development with top-tier semiconductor foundries: Expand strategic cooperation projects and models with international giants.
- Collaborative development with top-tier semiconductor materials companies: Improve semiconductor-grade chemical synthesis and purification manufacturing capabilities, develop new methods, and synthesize new raw materials to meet the demand for advanced process photoresists

#### (3) Key raw materials:

Green energy battery materials have been a focus of the Company for many years. Recently, we have seen success in the introduction of high-energy-density materials for electric vehicle and industrial machinery applications. We plan to allocate more resources to explore opportunities in the green materials market. Key raw materials include various functional monomers and specialty polymers, which can be applied in the display, semiconductor, and other electronics materials industries. The promotion of such products is more long-term in nature, with a longer sales lifecycle and minimal susceptibility to economic fluctuations.

### Long-Term Business Development Plan

The Company is committed to becoming a world-leading materials innovator, leveraging diverse technologies and fostering open innovation. We focus on high-performance materials, process optimization, and equipment development to achieve autonomy in key raw materials. Our goal is to collaborate with the semiconductor and display industries to build resilient material supply chains and develop green sustainable products. From upstream suppliers, we strictly control raw materials, implement environmentally friendly and energy-efficient processes, and prevent pollution. We closely collaborate with downstream customers to develop sustainable products, collectively reducing the environmental and social impact throughout the process of technological innovation and product lifecycle. We strive for mutual prosperity with the environment, continuously boosting revenue and profitability, and expanding product marketing into new markets and sectors.



## 5.2 Analysis of the Market as well as Production and Marketing Situation

### 5.2.1 Market Analysis

#### (1) Geographical Information of Sales

Item \ Year	2022		2023	
	Amount	%	Amount	%
Domestic	2,258,151	58.06%	2,419,439	56.74%
Overseas - Asia	1,628,417	41.87%	1,843,896	43.24%
Overseas - Others	2,668	0.07%	786	0.02%
Total	3,889,236	100.00%	4,264,121	100.00%

#### (2) Market Share

##### ■ Display materials:

The Company is one of the major suppliers of LCD materials, maintaining a leading market share in several key areas. Our copper etchants continuously hold a leading position in market share for 8K third-generation used in array copper processes. Our PSA PI alignment layers for cell processes in LCD successfully penetrate major panel manufacturers with substantial volume production, break the dominance of the two major Japanese suppliers and firmly establish ourselves among the top global suppliers. Accumulating years of production experience, the Company maintains a leading global market share in photo spacer used in color filters, with plans to expand market share further with the introduction of thermal overcoat. In order to maintain our leadership in technologies and to increase market share, we continue to invest in development of even higher-spec next-gen materials and green products that meet ESG trends. We are continuing steady supply of planarization layer for Array process to the world's largest e-paper display manufacturer, while also seeking for new applications and business opportunities.

##### ■ Semiconductor materials:

The Company's products roadmap include advanced packaging (wafer level/panel level) and wafer processes (advanced processes/mature processes). In terms of advanced packaging process, our organic release layer has achieved high-volume manufacturing and steady supplied to wafer-level and panel-level key clients, making us a major supplier in the market. For photosensitive dielectrics permanent materials used in advanced packaging, which possess high technical entry barrier and long verification process, we accelerate material features verification and products adoption by completing the Angstrom Semiconductor Initiative of the Ministry of Economic Affairs (MOEA) and co-developing with international semiconductor manufacturers. The high-purity solvent used in the wafer process has been mass-produced stably, and the introduction of new customers is carried out in parallel to expand the market share. The two kinds of strippers in cooperation with global material manufacturers used in advanced process technology have been officially mass-produced and achieved local supply, which will increase shipments and market share simultaneously, also extend to applications in the next-generation process node. Additionally, we have introduced two high-selectivity copper etchants for advanced processes and advanced packaging, positioning ourselves as the major supplier for these new products and new tech nodes. Furthermore, we have several new products undergoing verification for next-generation advanced processes. After obtaining Process of Record (POR) and entering mass production, we will gain a competitive advantage in the market.

##### ■ Key raw materials:

The Company's own patented PI functional monomer CBDA is applied to LCD alignment layer PI and colorless PI, making Daxin one of the major market suppliers. In partnership with major international materials manufacturers, we develop and manufacture high-purity polymers for advanced lithography processes. As one of the few domestic material suppliers with the capabilities of synthesis and purification, we ensure stable mass production supply. Moving forward, we anticipate more opportunities for localizing upstream raw materials to expand our market share.

**(3) Future Market Supply, Demand, and Growth Potential**

Looking ahead, the overall environment remains fraught with uncertainty due to various factors such as uncertain economic prospects in the US and China, ongoing geopolitical crises, and worsening climate change, which continue to impact energy and raw material supply and demand, as well as prices, thereby constraining the speed of global economic recovery.

In the display market, amidst ongoing adjustments in the global economic environment and supply chains, the Company has witnessed fluctuations in display panel prices, rapid product iterations, and swift adjustments in utilization rates and market structures. With the introduction of AI and the arrival of replacement cycles, technological upgrades will be inevitable, and the competitive landscape may undergo reshaping. In the future, display performance will no longer be the sole focus of competition, as the demand for smart displays gradually strengthens, and panels are expected to see incremental growth. The Company is actively positioning itself in the cutting-edge high-spec materials required for high-end, high-resolution, large-size LCDs, continuously optimizing product portfolios and production processes to enhance profitability and maintain market leadership. In response to the long-term sustainable development goals of ESG, we are introducing low-temperature process carbon reduction materials. Additionally, we are early adopters in the next-generation display technology MicroLED, ensuring our long-term competitive advantage.

In the semiconductor market, as the US-China confrontation prolongs, industries in the US, Japan, and Europe also face intense competition in emerging fields. Southeast Asia and India also aspire to rise in the semiconductor sector. It is expected that the global semiconductor supply chain will form even more complex competitive and cooperative relationships in the future. Emerging applications will be the main growth drivers, particularly the development of AI chips in cloud and edge computing, as well as the penetration rate of semiconductor chips in electric vehicles and autonomous driving. The Taiwanese semiconductor industry must increase its layout and strengthen the resilience of its upstream supply chain to maintain its long-term advantage. The Company is comprehensively enhancing resilience and adaptability, continuing to develop in three major operational axes: independent material research and development, collaborative development with international semiconductor material companies and international semiconductor foundries. We are proactively investing in the development of multiple next-generation advanced process nodes and new materials required for front-end, middle-end, and back-end processes. We are expanding diversified development paths and strategically cooperating with international material giants and international semiconductor manufacturers to construct localized production supply chains. The Company's overall revenue growth in the future is promising.

**(4) Competitive Niches****■ Display materials:**

Armed with comprehensive LCD product line and years of production experience, the Company has achieved long-term partnership with major display manufacturers, which helps us to seize new product development opportunities much faster than foreign materials manufacturers. By seizing market trend and technological advancement, we can rapidly adjust product strategies and business model. In addition, by combining our strengths in research and development with diverse core competence, we can lead the market in launching pioneering materials with even higher specifications that meet the needs of next-gen, high-spec displays. Daxin is equipped with upstream key raw materials production capacity, which helps us to maintain competitive advantages among in spite of intense market competition.

**■ Semiconductor materials:**

The Company has gained recognition from domestic and international customers for its research and development and mass production capabilities in indirect materials used in advanced packaging (wafer-level/panel-level). This has led to securing more opportunities for early-stage collaboration. In the wafer fabrication process (advanced process/mature process), we have obtained Process of Record (POR) for new materials in wet processes and specialty applications. As one of the few local material suppliers capable of holding market positions based on technical capabilities in markets controlled by foreign companies, we have gained trust from key customers and deepened strategic cooperation to jointly develop next-generation materials. Compared to foreign companies, our company benefits from geographical advantages and local partnerships with various process equipment providers. Unlike other local material manufacturers who rely heavily on purchased raw

materials and focus mainly on formulation development, we are equipped to quickly respond to the needs of advanced processes requiring ultra-high purity semiconductor-grade specialty materials, even those with special molecular structures or extremely high purity halogen-free raw materials requirements that are difficult to procure externally. With years of research and development experience and expertise in chemical synthesis and molecular design simulation, we can rapidly provide solutions for advanced process requirements.

■ Key raw materials:

We have been developing electronic chemical products for downstream applications for many years, and we are highly sensitive toward trends and movements in the electronic chemicals market. Our upstream key raw material development relies on early stage simulation and computation of molecule structures as well as synthesis technologies that utilizes in-house design and development. We can provide monomers with even higher purity and special design of molecule structure, and at the same time, we can also expand to potential markets with high-end applications through industry collaboration.

(5) Favorable and Unfavorable Factors of Development Prospects and Countermeasures

A. Favorable factors:

- Since its establishment, the Company has maintained a high level of research and development manpower and investment, which has enabled us to accumulate extensive experience in product development in the display field. Leveraging our core competitiveness in in-house raw materials, we have been able to extend our expertise to next-generation displays such as MicroLED, as well as into the semiconductor, green energy battery, and other electronic and non-optoelectronic materials applications. This allows us to shorten the learning curve in the early stages of new product development, increase customer trust, and accelerate the establishment of product performance records.
- In response to geopolitical and economic risks, our company is committed to enhancing our capability to independently develop key materials technology. We are actively promoting the localization of the semiconductor materials supply chain to ensure Taiwan's self-sufficiency in key raw materials. This initiative creates opportunities for local material manufacturers to collaborate with us in developing new materials and establishing localized production. With numerous market opportunities in the advanced packaging and wafer fabrication processes, the Company continues to advance its three major operational axes: independent material research and development, collaborative development with international material giants and semiconductor manufacturers. These efforts will help us maintain our long-term competitive advantages. Additionally, given the localization goals of various countries in the semiconductor industries, the Company also anticipates expanding our market presence in Europe, America, and Japan in the long run.

B. Unfavorable Factors and Countermeasures :

- In 2024, the panel market continues to face challenges with uncertain prospects for consumer and commercial demand. Overall, there is a lack of confidence in the supply chain, resulting in limited growth in panel shipments. Both display panel manufacturers and brands are struggling to find opportunities for growth in a sluggish market. With increasing costs of upstream materials and rising shipping prices, the overall cost of display machines and panels is further elevated. While the fluctuation in panel prices has become more moderate, the marginal benefits of trading price for volume, whether in the terminal or panel market, are diminishing.

Countermeasures:

During the period when panel makers adjust their inventory levels, the Company devotes to optimize costs, improve performance, and adjust product portfolio to strengthen a more competitive R&D strategy. We have also achieved independent supply of upstream key raw materials to increase products profits. In response to the energy conservation and carbon reduction initiatives, the Company has invested in developing low-temperature process materials that comply with ESG (Environmental, Social, and Governance) standards for low-carbon sustainability. We have also taken the lead in introducing even more advanced and higher-spec materials to maintain market share. Additionally, we have proactively engaged in research and development for new materials related to the next-generation display technology MicroLED, aiming to sustain our long-term competitive advantage.

- Taiwan's semiconductor industry continues to maintain a leading position in the development of advanced processes and advanced packaging technologies, which has driven business opportunities such as technological evolution and localized production for local material suppliers in Taiwan.

Although the Company has geographical advantages and R&D capabilities, we still face the challenges of ultra-high purity, low-ion content, and low-particle production technologies and clients' technology diversification within limited period of time for materials development. Although the Company has invested numerous resources in collaborating with clients to develop various new products, there are still high uncertainties in whether it can be introduced into mass production and reduced time to market.

**Countermeasures:**

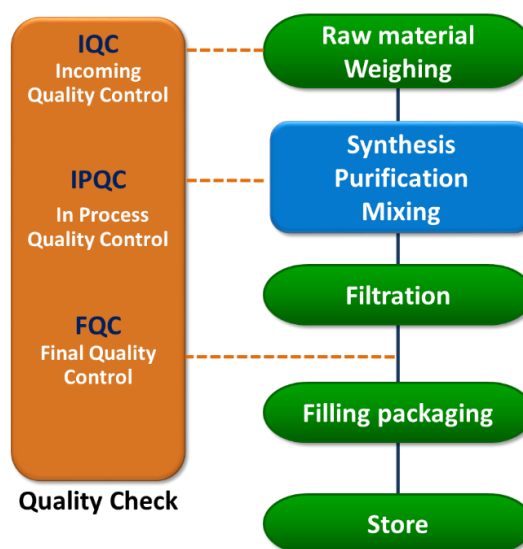
Continuously collaborating strategically with international industry leaders, we aim to enhance our capabilities in synthesis, formulation, purification, and quality control of ultra-high purity chemicals. This effort is aimed at shortening the learning curve in research and development and establishing expertise in analyzing and detecting ultra-trace impurities and nanoparticles. By improving our abilities to address issues in semiconductor material verification on customer production lines, we seek to enhance response times effectively. Furthermore, by integrating market insights to anticipate customer technology trends and implement new product introduction plans, we collaborate with customers, suppliers, and partners to build a trusted and resilient supply chain, to ensure operational efficiency and increase hit rates.

### 5.2.2 Functions and Manufacturing Processes for Main Products

- Important Functions of Main Products

Major Products	Functions
Display materials	Direct materials and indirect materials of processes for LCD array, cell and color filter.
Semiconductor materials	Direct materials and indirect materials for wafer fabrication and packaging processes.
Key raw materials	Upstream key raw materials for display, semiconductor, green energy industries, chemical-related application industries.

- Manufacturing Process of Main Products



### 5.2.3 Supply of Major Raw Materials

Daxin's main products are display-related key materials (including photoresists, alignment layer, and copper etching solutions), key monomers, and products in semiconductor-related fields. The main key raw materials are purchased through more than two suppliers and are closely related to the suppliers. Maintaining good cooperative relationships with suppliers improves supply stability; at the same time, it also increases localization ratio of raw materials and self-made raw materials to achieve the purpose of shortening material preparation time, reducing inventory risks, and quickly providing customer service. Additionally, it can contribute to the local area and fulfill local corporate responsibility while meeting the needs of customers.

## 5.2.4 List of Major Customers and Suppliers Accounting for 10% or More of Total Sales(Purchases) Amount in the Most Recent Two Years, and Reasons for Increase or Decrease

(1) Major customers for the past two years:

Unit: NT\$ thousands

Item	2022				2023			
	Company Name	Amount	Proportion to Annual Net Sales (%)	Relationship with Issuer	Company Name	Amount	Proportion to Annual Net Sales (%)	Relationship with Issuer
1	AUO Corporation	1,886,226	48.50%	Investments accounted for using equity method	AUO Corporation	2,029,711	47.60%	Investments accounted for using equity method
2	Others	2,003,010	51.50%		Others	2,234,410	52.40%	
-	Net Sales	3,889,236	100.00%		Net Sales	4,264,121	100.00%	

Reasons for increase or decrease: Mostly attributable to changes in product portfolios.

(2) Major suppliers for the past two years:

Unit: NT\$ thousands

Item	2022				2023			
	Company Name	Amount	Proportion to Annual Net Purchases (%)	Relationship with Issuer	Company Name	Amount	Proportion to Annual Net Purchases (%)	Relationship with Issuer
1	Company A	389,365	18.44%	None	Company A	296,401	14.05%	None
2	Others	1,721,663	81.56%	None	Others	1,812,694	85.95%	None
	Net Purchase	2,111,028	100.00%		Net Purchase	2,109,095	100.00%	

Reasons for increase or decrease: Mostly attributable to changes in the procurement of raw materials caused by differences in sales product portfolios.

## 5.2.5 Production for the Past Two Years

Unit : Capacity/Output(KG) ; Amount(NT\$ thousands)

Major Products	Year Output	2022			2023		
		Capacity	Output	Amount	Capacity	Output	Amount
Display materials		Note 1	Note 1	1,747,626	Note 1	Note 1	1,834,120
Semiconductor materials and key raw materials		Note 1	Note 1	124,317	Note 1	Note 1	162,415
Total		Note 1	Note 1	1,871,943	Note 1	Note 1	1,996,535

Note 1: Products produced by the Company are customized in line with customers' required specifications and flexibly adjusted to meet customer needs. Our production capacity and "output volume" are not comparable, hence this is not applicable.

## 5.2.6 Shipments and Operating Revenue for the Past Two Years

Unit : Shipments(KG) ; Operating revenue(NT\$ thousands)

Shipments & Sales Major Product	Year	2022				2023			
		Domestic		Overseas		Domestic		Overseas	
		Shipments	Operating revenue	Shipments	Operating revenue	Shipments	Operating revenue	Shipments	Operating revenue
Display materials		28,026,923	2,113,371	6,013,822	1,561,921	31,515,013	2,209,239	7,145,298	1,758,636
Semiconductor materials and key raw materials		444,846	144,780	6,472	69,164	587,896	210,200	9,336	86,046
Total		28,471,769	2,258,151	6,020,294	1,631,085	32,102,909	2,419,439	7,154,634	1,844,682

### 5.3 Workforce Structure

Unit: Person

Year		2022	2023	As of Feb. 29, 2024
Number of Employees	Management	32	33	33
	R&D	196	218	220
	Sales & Marketing	16	16	16
	Manufacturing	147	162	162
	Total	391	429	431
Average Age		35.5	35.6	35.8
Average Years of Services		7.3	7.4	7.6
Education	Ph.D.	12.0%	11.2%	10.9%
	Master's	34.3%	35.4%	35.5%
	University & College	53.7%	53.4%	53.6%
	High School	0	0	0

### 5.4 Disbursements for Environmental Protection

During the current fiscal year and as of the date of this Annual Report, Daxin has not incurred any environmental pollution related losses (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the contents of law violated, and the content of the dispositions).

## 5.5 Human Capital

### 5.5.1 Employee Benefits, Training and Development, Retirement Policy, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

#### (1) Employee Benefits

The Company believes that talent is the key to innovation, and is committed to creating a workplace that encourages innovation. The Company has formed an Employee Welfare Committee to provide various benefits. Our current benefit plans:

- A. Compensation: Our compensation program includes base salary, performance-based bonuses, and profit sharing based on annual profits.
- B. Extra paid days off: Besides legal annual leave, paternity leave, and menstrual leave, we offer birthday leave, engagement leave, and flexible paid times off.
- C. Comprehensive insurance: In addition to the legally required labor insurance and national health insurance, we provide a comprehensive free group insurance including life insurance, casualty insurance, medical insurance, cancer insurance, infectious disease insurance, overseas travel insurance, international SOS, and more. We also offer insurance benefits to employees' dependents.
- D. Employee subsidies: The Company has formed an Employee Welfare Committee to provide various benefits for employees. In addition to holiday bonuses, and birthday and travel subsidies, the welfare design also includes various subsidy programs tailored to changes in employees' life roles and unexpected situations or accidents. These subsidies cover areas such as childbirth, marriage, education, funeral expenses, and emergency assistance.
- E. Comprehensive health management program: We provide free health examinations for new and current employees. For employees involved in high-risk operations, we arrange special health examinations for them annually. In addition, Daxin has the occupational health nurse at our wellness center to promote health and well-being; on-site health services with doctors are available monthly to provide personalized healthcare management; workplace health programs are implemented to promote employee wellness. Daxin has participated Corporate Health Responsibility (CHR) Commitment held by the Common Health magazine since 2022. We also encourage employees and their families to exercise regularly. Daxin has been recognized as "iSports" certified company by the Sports Administration, Ministry of Education in 2018, 2020 and 2023.
- F. Employee engagement: We organize various activities and encourage employees to participate various clubs (e.g., sports club, wine tasting club, baking club) to boost employee engagement and foster connectivity.
- G. Family-friendly benefits: Daxin strives to create an environment of support and understanding for employees. We offers additional bonuses to support family, including NT\$60,000 for each newborn baby (double for twins), designated childcare services, family days, and so on.
- H. Convenient on-site services and amenities: We offer employee dormitories (3-month free accommodations for new hires), parking lots, electric vehicle charging stations, cafeteria, nursing room, and other services.

#### (2) Training and Development

The Company is committed to supporting the growth and development of all of its team members. To align with Daxin's goal of becoming an advanced foundry for materials innovations, we offer a diverse set of training and development opportunities throughout the year, aiming to equip employees with future knowledge and skills to drive innovation.

Daxin provides the following training programs:

##### A. New employee:

Each employee will receive basic training and job orientation. Sessions include company introduction, human rights/integrity policies, intellectual property, information security, and environmental health and safety regulations. In addition, a mentor program is established to support new hires. We conduct the first-week questionnaire, first-month tea talk and health care sessions are arranged with medical professionals, and three-month check-ins to help them feel more engaged and adapted to corporate culture and work requirements.

**B. Management:**

The management training is tailored to the needs of managers of all levels based on their managerial capabilities and responsibilities to reinforce the management and skills. In line with the global service operating model and talent development objectives, we offer business English, Japanese, and business negotiation courses. This is aimed at continually cultivating the capabilities of key talents.

**C. General/Professional:**

Daxin offers "Advanced Technology Courses" and "Advanced Process Courses" to enhance professional technical knowledge, continually delve into fundamental knowledge, and expand expertise in advanced processes. Both internal and external training resources are available for all employees in response to organizational development requirements and goals. For instance, we arrange lectures by university professors and industry experts, conduct seminars on fundamental knowledge topics, and host domestic and international consultant meetings for advanced technology discussions.

**D. General:**

Daxin is committed to cultivating a diverse learning environment and promoting self-learning to encourage employees to learn on their own to further improve their performance and reach their potential. From the "hard skills" of developing innovative professional knowledge to the "soft skills" of critical thinking, analysis, and problem-solving, employees can continuously enhance their personal effectiveness to meet the organizational growth demands. The company also consistently offers innovative courses (e.g., music classes) to unleash potential.

**(3) Retirement Policy**

Daxin's retirement policy is set according to the Labor Pension Act, and the company has set up individual accounts for employees' retirement pensions at the Bureau of Labor Insurance. The company makes monthly reserves of 6% of the employee's monthly salary. Employees may also voluntarily allocate additional pension funds within 6% of their monthly salaries. As of the date of publication of this Annual Report, no employee has retired yet.

**(4) Labor-Management Agreements**

Daxin values employee opinions and strives to foster a culture of open communication. The company hosts quarterly labor-management meetings in compliance with legal requirements. Labor representatives are elected directly by all employees for a four-year term and can be re-elected consecutively. The entire election process is conducted through electronic voting, and this online voting format will be maintained in the future, encouraging active employee participation. Several internal communication channels are also established, such as employee opinion box, Sexual Harassment electronic-Box, integrity box, and complaint hotline. These channels are promptly and confidentially addressed, and any such reporting will be treated as confidential to the extent permitted by law.

**5.5.2 During the current fiscal year and as of the date of this Annual Report, Daxin has not incurred any labor-dispute related losses (including any violations of the Labor Standards Act found in labor inspection, the disposition dates, reference numbers, the articles of law violated, the contents of law violated, and the content of the dispositions).**



## 5.6 Information and Communications Security Management

### 5.6.1 Information and Communications Security Management Structure, Information and Communications Security Policy, Substantial Management Proposals, and Resources Invested in Information and Communications Security Management

- (1) Information and Communications Security Management Structure
- Information Technology Department is responsible for the Company's information security. An Information Officer and several professional IT personnel have been set up at aforesaid department to establish, promote, and implement the information security policy.
  - The Company's Auditing Office is in charge of auditing information security risks. An Audit Manager has been set up at the aforesaid department to supervise and audit the status of internal information security implementations. In line with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the Company has included "control over verifications of information and communications security" into the annual audit plan, and conducts information security audit as scheduled. In case deficiencies are found, the unit being audited will be immediately asked to propose relevant improvement plans and substantive actions. The improvement effectiveness will also be regularly monitored to reduce risks of internal information security.
  - Organizational operating model: The Information Technology Department will formulate, promote, and implement the Company's information security policy and to provide personnel training. To introduce and implement the information security policy, all internal departments are required to comply with the information security policy while carrying out internal procedures. The Auditing Office will audit the information security risks. In case deficiencies are found, the unit being audited will be asked to propose relevant, substantive improvement plans. The improvement effectiveness will also be regularly monitored.



- (2) Information and Communications Security Policy
- To strengthen information security management and to build a safe and reliable operating environment so as to ensure the safety of information, systems, equipment, and networks to protect the rights and interests of employees, shareholders, suppliers, and clients and to achieve corporate sustainable management, the Information and Communications Security Policy has been formulated to serve as a reference for implementing various information security measures.

#### Key policies

- While executing various operations, relevant laws decreed by the competent authority (e.g., intellectual property laws and Personal Data Protection Act) as well as Company regulations, shall be followed.
- Separation of duties shall be taken into consideration when delegating tasks; the scope of responsibilities and obligations shall be clearly defined to prevent unauthorized revisions to or misuse of information.
- All transacting suppliers, contractors, consultants, or clients shall be requested to sign confidentiality agreement as needed based on the nature of the transaction.

- Information security training and advocacy shall be conducted to all internal employees to foster employees' awareness to information security and to improve the level of the Company's information security.
- All employees are responsible for protecting the Company's confidential and sensitive information. Employees are prohibited from coming into contact with or using unauthorized information, or disclosing or announcing such information to employees, suppliers, and other clients not related to the business.
- To prevent computer viruses and malware from affecting the Company's operations, with the exception of legally authorized software, no unauthorized software may be used.
- To prevent attacks from computer viruses and malware, legal antivirus software and firewall shall be purchased and installed, and the virus pattern and software shall be continuously updated.
- A comprehensive backup mechanism shall be established for important information, and a redundancy mechanism shall be set up for important systems.
- The Company shall request for the formulation of business continuity plan (BCP) based on business needs. In addition, the BCP shall be regularly tested to maintain its appropriateness.
- In case an employee violates an information security regulation, the information security liability that she/he shall bear shall be determined by internal procedures.

### (3) Substantive Management Proposals

Management Item	Substantive Management Measures
Network Security Management	<ul style="list-style-type: none"> <li>• Set up enterprise-level firewall to prevent external attacks and intrusions</li> <li>• Formulate Internet access policy and filters to prevent personnel from visiting harmful sites</li> </ul>
System Access Control	<ul style="list-style-type: none"> <li>• Login account and password shall be required for all information systems; the password shall meet the safety policy and be regularly changed</li> <li>• Access rights to application systems shall be set based on positions</li> </ul>
Computer and Mainframe Management	<ul style="list-style-type: none"> <li>• An automatic update system shall be set to automatically dispatch updates to personal computers and mainframes</li> <li>• Antivirus software shall be installed on personal computers and mainframe, and the virus pattern shall be regularly updated</li> <li>• USB storage device cannot be used on personal computers without permission</li> </ul>
Mail Security	<ul style="list-style-type: none"> <li>• Anti-spam system shall be set up</li> <li>• Install multiple antivirus software on email system</li> </ul>
Information Backup	<ul style="list-style-type: none"> <li>• Daily backup of important databases</li> <li>• Daily backup of important data/information</li> <li>• Regularly conduct backup restore drill</li> </ul>
System Reliability Management	<ul style="list-style-type: none"> <li>• Establish high-availability mechanisms for important information systems</li> <li>• Daily complete backup on application systems and programs</li> </ul>
Training and Promotions	<ul style="list-style-type: none"> <li>• Regularly conduct employee information security training</li> <li>• Strengthen social engineering promotion and training to enhance the information security awareness in employees</li> </ul>

### (4) Resources Invested in Information and Communications Security Management

Item	Resources Invested
Software/Hardware Upgrades	<ul style="list-style-type: none"> <li>• Continuously update and upgrade next-generation firewall</li> <li>• Persistently replace computers operating systems that have ceased receiving security updates (a total of 90 systems replaced in 2023)</li> <li>• Implement the Managed Detection and Response (MDR) solution.</li> </ul>
Education and Training	<ul style="list-style-type: none"> <li>• Conducted social engineering training to all employees (rate of completion 100%)</li> <li>• Published 10 promotional articles on information security</li> <li>• Conducted orientation information security training for new employees (rate of completion 100%)</li> <li>• Information security officers and dedicated personnel have completed the IS27001:2022 LA course and obtained certification</li> </ul>
Safety Tests	<ul style="list-style-type: none"> <li>• Conduct a backup and restoration drill once</li> <li>• Perform system vulnerability scanning quarterly</li> </ul>

**5.6.2 Any losses incurred as a result of major information and communications safety incident in the most recent fiscal year and as of the date of this Annual Report, and an estimate of possible expenses that could be incurred currently and in the future and countermeasures being or to be taken shall be disclosed. If a reasonable estimate cannot be made, an explanation shall be provided:**

The Company did not experience any major information and communications safety incident in the most recent fiscal year and as of the date of this Annual Report; however, the methods of cyberattacks are continuously changing and there are various vulnerabilities in information products, and the Company will continue to strengthen management, operation, system and equipment, as well as education and training to face various information security threats.

**5.7 Important Contracts Still Effective as of the Publication Date of the Annual Report and Those That Expired in the Most Recent Fiscal Year**

Type of Contract	Counterparty	Contract Period	Major Contents	Restrictions
Lease contract	Central Taiwan Science Park, Ministry of Science and Technology	2008.03.01-2027.12.31	Land lease for Central Taiwan Science Park	None
Lease contract	Chungkang Branch, Export Processing Zone Administration, MOEA	2017.12.01-2027.11.30	Land lease for the plant at Taichung Port	Compliance with the investment proposal approved by the Export Processing Zone Administration, MOEA
Insurance	Fubon Insurance Co., Ltd.	2023.06.30-2024.06.30	Commercial fire insurance	None
Financing	Mega International Commercial Bank Co., Ltd.	2020.09.15-2027.09.15	Replenish mid-term working capital	None
Financing	E.Sun Bank	2020.08.07-2027.08.15	Plant construction and acquisition of machinery and equipment	None
Engineering	ACTER GROUP CORPORATION LIMITED	As per contract agreement	Clean room construction contract for Chungkang Plant	None
Sale/purchase	ACTER GROUP CORPORATION LIMITED	As per contract agreement	Purchase contract for clean room construction equipment	None

## Chapter 6 Financial Highlights

### 6.1 Condensed Financial Summary for the Most Five Recent Years

#### 6.1.1 Condensed Balance Sheet

##### (1) Consolidated Financial Statements

Unit: NT\$ thousands

Item	Year	Financial data for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,507,008	2,782,061	2,871,798	2,689,857	2,901,622
Property, plant and equipment		1,350,474	1,354,262	1,574,842	1,610,314	1,544,647
Right-of-use assets		200,405	189,502	180,150	173,108	163,676
Intangible assets		2,776	3,352	2,792	2,314	1,992
Other assets		17,741	19,992	19,976	24,494	30,124
Total assets		4,078,404	4,349,169	4,649,558	4,500,087	4,642,061
Current liabilities	Before distribution	1,101,823	1,105,387	1,207,031	1,108,221	1,087,574
	After distribution	1,615,403	1,618,967	1,751,425	1,447,184	1,508,709 (Note 2)
Non-current liabilities		193,895	343,374	375,308	442,927	419,847
Total liabilities	Before distribution	1,295,718	1,448,761	1,582,339	1,551,148	1,507,421
	After distribution	1,809,298	1,962,341	2,126,733	1,890,111	1,928,556 (Note 2)
Equity attributable to shareholders of the parent		2,782,686	2,900,408	3,067,219	2,948,939	3,134,640
Capital stock		1,027,159	1,027,159	1,027,159	1,027,159	1,027,159
Capital surplus		41,814	41,814	41,814	41,814	41,814
Retained earnings	Before distribution	1,714,996	1,832,720	1,999,550	1,881,276	2,065,667
	After distribution	1,201,416	1,319,140	1,455,156	1,542,313	1,644,532 (Note 2)
Other equity interest		(1,283)	(1,285)	(1,304)	(1,310)	0
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,782,686	2,900,408	3,067,219	2,948,939	3,134,640
	After Distribution	2,269,106	2,386,828	2,522,825	2,609,976	2,713,505 (Note 2)

Note 1: The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: The amount was approved by the Board of Directors on February 27, 2024.

## (2) Parent Company Only Financial Statements

Unit: NT\$ thousands

Item	Year	Financial data for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,506,844	2,781,899	2,871,655	2,689,720	2,901,622
Long-term investments		164	162	143	137	0
Property, plant and equipment		1,350,474	1,354,262	1,574,842	1,610,314	1,544,647
Right-of-use assets		200,405	189,502	180,150	173,108	163,676
Intangible assets		2,776	3,352	2,792	2,314	1,992
Other assets		17,741	19,992	19,976	24,494	30,124
Total assets		4,078,404	4,349,169	4,649,558	4,500,087	4,642,061
Current liabilities	Before distribution	1,101,823	1,105,387	1,207,031	1,108,221	1,087,574
	After distribution	1,615,403	1,618,967	1,751,425	1,447,184	1,508,709 (Note 2)
Non-current liabilities		193,895	343,374	375,308	442,927	419,847
Total liabilities	Before distribution	1,295,718	1,448,761	1,582,339	1,551,148	1,507,421
	After distribution	1,809,298	1,962,341	2,126,733	1,890,111	1,928,556 (Note 2)
Capital stock		1,027,159	1,027,159	1,027,159	1,027,159	1,027,159
Capital surplus		41,814	41,814	41,814	41,814	41,814
Retained earnings	Before distribution	1,714,996	1,832,720	1,999,550	1,881,276	2,065,667
	After distribution	1,201,416	1,319,140	1,455,156	1,542,313	1,644,532 (Note 2)
Other equity interest		(1,283)	(1,285)	(1,304)	(1,310)	0
Treasury stock		0	0	0	0	0
Total equity	Before distribution	2,782,686	2,900,408	3,067,219	2,948,939	3,134,640
	After distribution	2,269,106	2,386,828	2,522,825	2,609,976	2,713,505 (Note 2)

Note 1: The financial data for the most recent five years has been audited and attested by CPAs.

Note 2: The amount was approved by the Board of Directors on February 27, 2024.

## 6.1.2 Condensed Statement of Comprehensive Income

### (1) Consolidated Financial Statements

Unit: NT\$ thousands

Item	Year				
	2019	2020	2021	2022	2023
Operating revenue	4,530,841	4,296,103	4,513,434	3,889,236	4,264,121
Gross profit	1,572,926	1,538,771	1,610,726	1,246,078	1,479,091
Operating income	752,438	733,386	767,609	438,040	610,788
Non-operating income and expenses	(464)	(11,904)	4,004	47,151	(5,339)
Profit before tax	751,974	721,482	771,613	485,191	605,449
Net income (loss) from continuing operations	650,421	631,304	680,410	426,120	523,354
Loss from discontinued operations	0	0	0	0	0
Net income for the Year	650,421	631,304	680,410	426,120	523,354
Other comprehensive income (loss) (net, after tax)	(2)	(2)	(19)	(6)	1,310
Total comprehensive income	650,419	631,302	680,391	426,114	524,664
Net income attributable to shareholders of the parent	650,421	631,304	680,410	426,120	523,354
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to shareholders of the parent	650,419	631,302	680,391	426,114	524,664
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	6.33	6.15	6.62	4.15	5.10

Note: The financial data for the most recent five years has been audited and attested by CPAs.

## (2) Parent Company Only Financial Statements

Unit: NT\$ thousands

Item \ Year	Financial data for the most recent five years (Note)				
	2019	2020	2021	2022	2023
Operating revenue	4,530,841	4,296,103	4,513,434	3,889,236	4,264,121
Gross profit	1,572,926	1,538,771	1,610,726	1,246,078	1,479,091
Operating income	752,438	733,386	767,609	438,040	610,788
Non-operating income and expenses	(464)	(11,904)	4,004	47,151	(5,339)
Profit before tax	751,974	721,482	771,613	485,191	605,449
Net income (loss) from continuing operations	650,421	631,304	680,410	426,120	523,354
Loss from discontinued operations	0	0	0	0	0
Net income for the Year	650,421	631,304	680,410	426,120	523,354
Other comprehensive income (loss) (net, after tax)	(2)	(2)	(19)	(6)	1,310
Total comprehensive income	650,419	631,302	680,391	426,114	524,664
Earnings per share	6.33	6.15	6.62	4.15	5.10

Note: The financial data for the most recent five years has been audited and attested by CPAs.

## 6.1.3 The name of CPAs and Audit Opinions for the Most Five Recent Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2019	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion Added "an emphasis of matter" paragraph
2020	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion
2021	KPMG Taiwan	CPA Chien-Hui Lu, CPA Mei-Yu Tseng	Unmodified opinion
2022	KPMG Taiwan	CPA Chien-Hui Lu, CPA Mei-Yu Tseng	Unmodified opinion
2023	KPMG Taiwan	CPA Chien-Hui Lu, CPA Jun-Yuan Wu	Unmodified opinion

## 6.2 Financial Analyses for the Most Five Recent Years

### 6.2.1 Consolidated Financial Ratios

Item		Year				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	31.77	33.31	34.03	34.47	32.47
	Ratio of long-term capital to property, plant and equipment	220.41	239.52	218.60	210.63	230.12
Solvency (%)	Current ratio	227.53	251.68	237.92	242.72	266.80
	Quick ratio	199.22	223.10	205.39	207.57	233.02
	Interest coverage ratio	206.51	172.25	194.97	95.73	85.63
Operating performance	Receivable turnover rate (times)	3.26	3.33	3.47	3.24	3.97
	Average collection days(Note 1)	112	110	106	113	92
	Inventory turnover rate (times)	10.62	9.64	9.04	7.34	7.93
	Payables turnover rate (times)	4.95	5.07	4.98	4.90	6.22
	Average days for sales (Note 1)	35	38	41	50	47
	Property, plant and equipment turnover rate (times)	3.39	3.18	3.08	2.44	2.70
	Total asset turnover rate (times)	1.14	1.02	1.00	0.85	0.93
Profitability	Return on assets (%)	16.40	15.06	15.19	9.40	11.57
	Return on equity (%)	23.96	22.22	22.80	14.17	17.21
	Ratio of pre-tax income to paid-in capital (%)	73.21	70.24	75.12	47.24	58.94
	Net Profit margin (%)	14.36	14.69	15.08	10.96	12.27
	Earnings per share (NT\$)	6.33	6.15	6.62	4.15	5.10
Cash Flow	Cash flow ratio (%)	75.71	91.37	65.21	66.09	66.68
	Cash flow adequacy ratio (%)	112.72	118.39	106.71	105.47	105.27
	Cash reinvestment ratio (%)	8.05	11.14	5.62	3.75	7.12
Leverage	Operating leverage	1.27	1.30	1.28	1.51	1.43
	Financial leverage	1.00	1.01	1.01	1.01	1.01
Reasons for changes in financial ratios in the most two recent years (Not required if the deviation is not over 20%):						
1. Increase in receivable turnover rate: Mainly due to the increase in operating revenue in 2023.						
2. Increase in payables turnover rate: Mainly due to the increase in operating revenue in 2023, the corresponding increase in operating costs, and the decrease in payables.						
3. Increase in return on assets, return on equity, ratio of pre-tax income to paid-in capital, earnings per share: Mainly due to the increase in operating revenue and profit in 2023.						
4. Increase in cash reinvestment ratio: Mainly due to the decrease in cash dividends distribution in 2023.						

Note 1: Dates are unconditionally rounded up.

Note 2: Please refer to Page 91 for calculation formula used in this table.



## 6.2.2 Parent Company Only Financial Ratios

Item		Year				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	31.77	33.31	34.03	34.47	32.47
	Ratio of long-term capital to property, plant and equipment	220.41	239.52	218.60	210.63	230.12
Solvency (%)	Current ratio	227.52	251.67	237.91	242.71	266.80
	Quick ratio	199.20	223.08	205.38	207.56	233.02
	Interest coverage ratio	206.51	172.25	194.97	95.73	85.63
Operating performance	Receivables turnover rate (times)	3.26	3.33	3.47	3.24	3.97
	Average collection days (Note 1)	112	110	106	113	92
	Inventory turnover rate (times)	10.62	9.64	9.04	7.34	7.93
	Payables turnover rate (times)	4.95	5.07	4.98	4.9	6.22
	Average days for sales (Note 1)	35	38	41	50	47
	Property, plant and equipment turnover rate (times)	3.39	3.18	3.08	2.44	2.70
	Total asset turnover rate (times)	1.14	1.02	1.00	0.85	0.93
Profitability	Return on total assets (%)	16.40	15.06	15.19	9.40	11.57
	Return on equity (%)	23.96	22.22	22.80	14.17	17.21
	Ratio of pre-tax income to paid-in capital (%)	73.21	70.24	75.12	47.24	58.94
	Profit margin (%)	14.36	14.69	15.08	10.96	12.27
	Earnings per share (NT\$)	6.33	6.15	6.62	4.15	5.10
Cash Flow	Cash flow ratio (%)	75.71	91.37	65.21	66.09	66.80
	Cash flow adequacy ratio (%)	112.80	118.43	106.71	105.47	105.30
	Cash reinvestment ratio (%)	8.05	11.14	5.62	3.75	7.14
Leverage	Operating leverage	1.27	1.30	1.28	1.51	1.43
	Financial leverage	1.00	1.01	1.01	1.01	1.01
Reasons for changes in financial ratios in the most two recent years (Not required if the deviation is not over 20%):						
1. Increase in receivable turnover rate: Mainly due to the increase in operating revenue in 2023.						
2. Increase in payables turnover rate: Mainly due to the increase in operating revenue in 2023, the corresponding increase in operating costs, and the decrease in payables.						
3. Increase in return on assets, return on equity, ratio of pre-tax income to paid-in capital, earnings per share: Mainly due to the increase in operating revenue and profit in 2023						
4. Increase in cash reinvestment ratio: Mainly due to the decrease in cash dividends distribution in 2023.						

Note 1: Dates are unconditionally rounded up.

Note 2: Please refer to Page 91 for calculation formula used in this table.

**Glossary:**

1. Financial structure
  - (1) Debt ratio = Total liabilities/Total assets
  - (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment
2. Solvency
  - (1) Current ratio = Current assets/Current liabilities
  - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities
  - (3) Interest coverage ratio = Earnings before interest and taxes/Interest expenses
3. Operating performance
  - (1) Receivables turnover rate (including accounts receivable and notes receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from business activities)
  - (2) Average collection days = 365/ Receivables turnover rate
  - (3) Inventory turnover rate= Cost of goods sold/Average inventory
  - (4) Payables turnover rate (including accounts payable and notes payable from business activities) = Cost of goods sold/Balance of average accounts payable in each period (including accounts payable and notes payable from business activities)
  - (5) Average days for sales = 365/Inventory turnover rate
  - (6) Property, plant and equipment turnover rate = Net sales/Average net property, plant, and equipment
  - (7) Total asset turnover rate = Net sales/Average total assets
4. Profitability
  - (1) Return on assets = [Net income + Interest expenses × (1 - Tax rate)]/Average total assets
  - (2) Return on equity = Net income/Average total equity
  - (3) Profit margin =Net income/Net sales
  - (4) Earnings per share = (Net income attributable to shareholders of the parent - Preferred stock dividends)/Weighted average number of shares outstanding
5. Cash Flow
  - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory additions + Cash dividends) for the most recent five years
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage
  - (1) Operating leverage = (Net sales - Variable operating costs and expenses)/Operating income
  - (2) Financial leverage = Operating income/(Operating income - Interest expenses)

**6.3 Audit Committee Report for the Most Recent Fiscal Year's Financial Statement:**

Please refer to Page 92.

**6.4 Consolidated Financial Statements with Independent Auditors' Report for the Most Recent Fiscal Year:** Please refer to Appendix I (pages 100 to 151).**6.5 Parent Company Only Financial Statements with Independent Auditors' Report for the Most Recent Fiscal Year:** Please refer to Appendix II (pages 152 to 202).**6.6 During the Most Recent Fiscal Year and as of the date of this Annual Report, any Financial Difficulties Experienced by the Company and Its Affiliates need to be stated as well as the impact on the Company's Financial Situation need to be outlined:** None.

**Daxin Materials Corporation**  
**Audit Committee's Review Report**

The Board of Directors of the Company has prepared and submitted the Company's 2023 Business Report, earnings distribution proposal and Financial Statements (including the parent company only and consolidated financial statements). Among them, Chien-Hui Lu and Jun-Yuan Wu, Certified Public Accounts of KPMG, have audited the Financial Statements (including the parent company only and consolidated financial statements). The aforementioned business report, earnings distribution proposal, and financial statements (including the parent company only and consolidated financial statements) have been reviewed by the Audit Committee and no discrepancy is found. The report is in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and we hereby submit this report.

To

2024 Annual Shareholders' Meeting of Daxin Materials Corporation

Convener of the Audit Committee: *Xin-Wu Lin*

February 27, 2024

## Chapter 7 Review and Analysis of Financial Conditions, Operating Result, and Risk Management

### 7.1 Financial Conditions

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,901,622	2,689,857	211,765	7.87
Property, plant and equipment	1,544,647	1,610,314	(65,667)	(4.08)
Right-of-use assets	163,676	173,108	(9,432)	(5.45)
Intangible assets	1,992	2,314	(322)	(13.92)
Other assets	30,124	24,494	5,630	22.99
Total assets	4,642,061	4,500,087	141,974	3.15
Current liabilities	1,087,574	1,108,221	(20,647)	(1.86)
Non-current liabilities	419,847	442,927	(23,080)	(5.21)
Total liabilities	1,507,421	1,551,148	(43,727)	(2.82)
Capital stock	1,027,159	1,027,159	0	-
Capital surplus	41,814	41,814	0	-
Retained earnings	2,065,667	1,881,276	184,391	9.80
Other equity interest	0	(1,310)	1,310	(100.00)
Total equity	3,134,640	2,948,939	185,701	6.30
The main reasons and impacts of material changes (with deviation over 20% and amount changes NT\$10 million): Not applicable.				

## 7.2 Operating Result

### 7.2.1 Operating Result Analysis

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Operating revenue	4,264,121	3,889,236	374,885	9.64
Operating costs	2,785,030	2,643,158	141,872	5.37
Gross Profit	1,479,091	1,246,078	233,013	18.70
Operating expenses	868,303	808,038	60,265	7.46
Operating income	610,788	438,040	172,748	39.44
Non-operating income and expenses	(5,339)	47,151	(52,490)	(111.32)
Profit Before Tax	605,449	485,191	120,258	24.79
Income tax expenses	82,095	59,071	23,024	38.98
Net income for the Year	523,354	426,120	97,234	22.82
Other comprehensive income	1,310	(6)	1,316	(21,933.33)
Total comprehensive income	524,664	426,114	98,550	23.13
The main reasons and impacts of major changes (with deviation changes over 20% amount and changes reaching NT\$10 million):				
1. The increase in operating income, profit before tax, income tax expenses, net income for the year, total comprehensive income are mainly due to the increase in operating revenue and the corresponding increase in profit and income tax expenses.				
2. The decrease in non-operating income and expenses is mainly due to the decrease in foreign exchange gain.				

### 7.2.2 Estimated Sales Volume and the Basis to the Potential Impact and Response Plans for the Company's Future Finance and Operation:

The Company's major products are LCD display and semiconductor related fine chemicals. Based on the sales forecast of current products developing, progress of new products, customers' product progress and market demand, production capacity planning and business strategies, our company expected that sales volume will continue to grow in the future. In terms of financing, we mostly enter into long-term financing arrangements to invest in capital expenditures and no signs of liquidity deficit in the short-run.

## 7.3 Cash Flow

Changes in consolidated cash flows in 2023:

Unit: NT\$ thousands

Cash balance at the beginning of the period (1)	Net cash flows from operating activities (2)	Net cash inflow (outflow) (3)	Cash balance (1)+(2)+(3)	Remedy for cash shortfall	
				Investment plan	Financing plan
210,906	725,213	(692,316)	243,803	—	—

### 7.3.1 Analysis of Changes in Consolidated Cash Flows:

- (1) Operating activities: Net cash inflow was NT\$725,213 thousand, mainly due to operating profits.
- (2) Investing activities: Net cash outflow was NT\$328,768 thousand, primarily for capital expenditures.
- (3) Financing activities: Net cash outflow was NT\$364,858 thousand, mostly attributable to distributions of cash dividends.

**7.3.2 Remedial Plan for Liquidity Shortfall:** As a result of positive operating cash flows, remedial actions are not required.

**7.3.3 Cash Liquidity Analysis for the Coming Year:**

On the premise of steady and robust cash liquidity, the Company prudently plans and controls relevant cash disbursements related to investment and operations while taking cash balances on accounts, cash flows from operating and investing activities.

**7.4 Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year:**

All significant capital expenditures of the company shall undergo appropriate evaluation and assessment. There were no major capital expenditures in the most recent fiscal year.

**7.5 Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, the Improvement plan, and Investment Plans for Coming Year**

**7.5.1 Investment Policy:**

The Company's management team conducts detailed evaluations on organizational model, market conditions, business development, and financial position based on operating needs and the Company's future strategic developments, so as to understand and stay on top of the business development and financial positions of investment targets at all times, and to provide a basis of consideration to the Company's management team pertaining to investment analysis and decisions.

**7.5.2 Main Reasons for Profit or Loss and Remedial Plan:**

Unit: NT\$ thousands

Investee businesses	%	Recognition of profit or loss of investee in the most recent year	Main reasons for profit or loss	Remedial plan
LS Materials Corporation (LS)	-%	-	(Note 1)	
Frontier Materials (Samoa) Corporation	-%	-	(Note 2)	

Note 1: The liquidation process was completed in November 2023.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

**7.5.3 Investment Plan for the Coming Year:**

As for the Company's investment plan for the coming year, we will engage in external investments based on the needs of future operations and decisions from the management team.

**7.6 Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Date of this Annual Report**

**7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates fluctuation and Inflation**

(1) The Impact of Interest Rate Changes

Most of the Company's interest rate risks come from financial investments and bank borrowings with variable interest rates. In terms of asset, the Company's capital allocations are founded on the prudent principle and are mostly stored as bank deposits and government bonds with high liquidity in order to safeguard its safety and maintain liquidity. In terms of borrowings, the Company maintains positive interactions with multiple financial Institutions to obtain more competitive financing terms. Moreover, interest expenses on the operating net profit is a tiny percentage; hence, interest rate changes will not bring a significant impact on the Company's profit or loss.

(2) The Impact of Foreign Exchange Rate Changes

Most of the Company's exchange rate risks come from cash and cash equivalents and accounts payable and receivables denoted in foreign currencies. Therefore, changes in foreign exchange rate may impact operating revenues measured in foreign currencies or profitability. The Company uses forward exchange agreement (FXA) to hedge against such risks in transactions to reduce the

negative impacts of foreign exchange changes on the Company's operating results. In addition, our Finance department is also constantly collecting information on foreign exchange rates to understand the trend of such changes in order to plan and hedge relevant risks.

### (3) The Impact of Inflation

According to the Directorate-General of Budget, Accounting and Statistics, the Executive Yuan, R.O.C. (Taiwan), the Consumer Price Index (CPI) annual growth rate is 2.71% as of December 2023, indicating that there is no significant inflation. Hence, inflation should not pose significant impacts on the Company's profit or loss in 2023. The Company closely monitors changes in market prices at all times and also properly adjusts selling prices and raw materials and inventory volume as needed. The Company has not experienced significant impacts from inflation.

### **7.6.2 The Company's Policy to Engage in High-Risk, Highly Leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Transactions; The Main Reasons for the Profits/Losses Generated Thereby; And Response Measures to Be Taken in the Future**

The Company does not engage in high-risk or highly leveraged investments, nor does the Company provide loans to others or endorsements/guarantees.

The Company engages in derivative transactions for the purpose of hedging against changes in foreign exchange rates of assets denoted in foreign currencies. Such transactions are carried out in accordance with the "Procedures of Engaging in Derivative Transactions". Going forward, the Company will regularly assess and adjust our hedging strategies based on operating status and market changes.

### **7.6.3 Research and Development(R&D) in the Future, and the R&D Expenses Expected to be Invested**

Our R&D team accounts for more than one-half of all Daxin employees, and our annual R&D expenses approximately 10% of our revenues. The Company's expected R&D budget is gradually designated based on new product and new technology development, and it continues to grow at certain levels based on operating status. For 2024, we expect to invest another NT\$520 Million in R&D; however, this figure will be properly and timely adjusted based on industry environment and the Company's actual business operations so as to secure our competitive advantage.

Please refer to page 67 for details on the Company's upcoming new product development plans: "New Product to be developed".

### **7.6.4 Effect on the Company's Financial Operations of Changes in Domestic and Foreign Policies and Regulations, and the Company's Response Measures**

The Company's day-to-day operations comply with all relevant domestic and foreign laws and regulations; in addition, a Legal Office has also been set up to monitor both policy developments and legal changes/updates at home and abroad at all times and to propose response measures on a timely basis. In the most recent year and as of the date of this Annual Report, the Company's finances and business have not been affected by major policies and legal changes at home and abroad.

### **7.6.5 Effect on the Company's Financial Operations of Changes in Technology and the Industry ,and the Company's Response Measures**

With rapid technological changes and the accelerated market movements in the industry, we expect that downstream products and technologies will continuously change, and we will also continue to face challenges in their market prices. Besides constantly monitoring industry supply/demand, analyzing product market trends and technical changes, and obtaining a timely understanding of the impacts of technology and industry changes on the Company, we also actively seek for technical innovations and to develop new products by collaborating with customers and related professional institutions. Daxin continuously enhances R&D skills and actively expands future market applications to expand the uses of our products in response to the effects of technical and industry changes on the Company.

### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The Company has held true to a management principle founded on professionalism and integrity from the beginning. We also focus on corporate image and risk control in order to achieve employee cohesion and customers recognition. There have been no corporate crisis as a result of changes in corporate image in the most recent fiscal year and as of the date of this Annual Report.

**7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no plan to acquire other companies in the most recent year and as of the publication date of the Annual Report.

**7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

The Company engages in prudent and moderate benefits analysis for all factory expansion plans; in addition, we are also committed to strengthening internal management and enhancing overall management performance to address all possible changes.

**7.6.9 Risks Associated With Any Concentration of Sales or Procurement, and Measures to Be Taken****(1) Purchases:**

Our company's main raw material suppliers are large international chemical companies with whom we have established long-term, stable relationships. They are also the main purchasing targets of the global industry. Therefore, our procurement remains steady and without any abnormalities. At the same time, we are actively seeking other excellent suppliers. The raw material procurement strategy is to maintain key raw materials from more than two suppliers. This should effectively reduce the risk of excessive concentration of raw material purchases, and maintain good relations with each supplier. In the cooperative relationship, since the establishment of the company, the quality and delivery time of each supplier have been normal, and there has been no shortage or interruption of material sources.

**(2) Sales**

Currently, the majority of Company's operating revenues come from chemical materials for displays. As the global display industry has developed into an oligopolistic market, major display manufacturers are the Company's target clients. The Company is equipped with R&D and manufacturing capabilities of specialty chemical materials, which have been expanded to new markets, new customers, and new products in both semiconductor and key raw materials fields. Furthermore, relevant new products have been developed stage by stage, and are being verified and launched by customers respectively. Our sales in semiconductor and key raw materials markets will effectively help the Company to reduce the risk of high customer concentration in the display industry.

**7.6.10 Risks Associated with Sales of Significant Numbers of Shares by the Company's Directors and Major Shareholders Who Own 10% or more of the Company's Total Outstanding Shares**

There were no sales of significant number of shares by the aforementioned persons in the most recent fiscal year and as of the date of this Annual Report.

**7.6.11 Risks Associated with the Changes in Management Rights: None****7.6.12 Litigious and non-litigious matters**

Disclosure of the fact in dispute, amount in dispute, commencement date, main parties involved, and current status of the case, if there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceedings or administrative dispute involving the company that was finalized or remained pending in the most recent fiscal year and as of the date of this Annual Report.

- The Company:

The Company has not had any other pending or ongoing litigious and non-litigious matters, or administrative disputes, in the most recent fiscal years and as the date of this Annual Report.

- Directors, General Manager, de facto person in charge, shareholders with 10% or more share ownership, or affiliated companies : None.

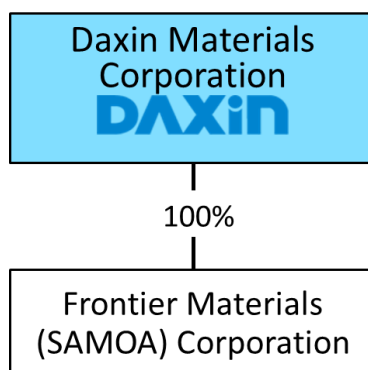
**7.6.13 Other Important Risks and Mitigation Measures: None.****7.7 Other Important Matters: None.**



## Chapter 8 Special Disclosure

### 8.1 Information about Affiliates

#### 8.1.1 Organization Chart of Affiliates



#### 8.1.2 Basic Information of Affiliates

December 31, 2023

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
Frontier Materials (Samoa) Corporation	2017.08.09	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach road, Apla, Samoa	(Note)	Holding company of affiliate

Note: The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

#### 8.1.3 Information on the shareholders of companies presumed to have controlling and subordinate relations: None

#### 8.1.4 Industries Covered by the Operations of the Affiliates:

Industries covered by the operations of the Company's affiliates mostly include research, design, development, manufacturing, and sales of the following products:

- (1) Various photo resist, alignment layer, liquid crystal, and other related chemicals used in the manufacturing process of displays
- (2) Overcoat, optical clear resin and other related chemicals for touchscreen display
- (3) Cutting fluids, anti-glare and other chemicals used by the energy industry
- (4) Dielectrics, adhesives and other related chemicals for the semiconductor industry
- (5) Packaging adhesives and other related chemicals for the lighting industry
- (6) Specialty chemicals for other electronic products
- (7) Chemical composition analysis
- (8) Product characteristics test

#### 8.1.5 Information on Directors, Supervisors, and General Managers of Affiliates

Unit: Shares; %  
December 31, 2023

Name of Affiliate	Title	Name or Representative	Shareholding	
			Shares	%
Frontier Materials (Samoa) Corporation	Director	Representative of Daxin Materials Corporation Yen-Chen Liu	-	-

#### 8.1.6 Overview of Operations of Affiliates

Unit: thousands; December 31, 2023

Name of Affiliate	Currency	Capital	Total assets	Total liabilities	Net Worth	Operating revenue	Operating income	Net income (after tax)	Earnings per Share (after tax)
Frontier Materials (Samoa) Corporation	USD	-	-	-	-	-	-	-	-

**8.2 Consolidated Financial Statement of Affiliates:****Representation Letter**

The entities that are required to be included in the combined financial statements of Daxin Materials Corporation as of and for the year ended December 31, 2023 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", as endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Daxin Materials Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Daxin Materials Corporation

Chairman: *Cheng-Yih Lin*

Date: February 27, 2024

**8.3 Reports on Affiliates:** Not applicable.

**8.4 Private Placement of Securities During the Most Recent Fiscal Year and as of the Date of this Annual Report, Shall Disclose the Date of Resolution from the Shareholders' Meeting or Board of Directors Meeting, the Amount of Securities, Basis for Price Setting and Reasonableness, Method for Selecting Specific Persons, Reason for the Necessity of the Private Placement, Object of the Private Placement, Criteria, Quantity of Subscriptions, Relations with the Company, Participation in the Company's Management, Actual Subscription (or Transfer) Price, any Variance between Actual Price, and Effects of the Private Placement on the Shareholders' Equity, Completion of Fund Utilization Plan from Placement, Capital Utilization Status of the Private Placement, Progress of Planned Executions, and Realization of Expected Benefits:** None

**8.5 Holding or Disposal of the company's Shares by the Subsidiaries During the Most Recent Fiscal Year and as of the Date of this Annual Report:** None.

**8.6 Other Supplementary Information:** None.

**8.7 Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or Prices of the Company's Securities Occurring During the Most Recent Fiscal Year and as of the Date of this Annual Report:** None.

## Appendix I Consolidated Financial Statement for the Most Recent Fiscal Year and Independent Auditors' Report

### Independent Auditors' Report

To the Board of Directors of Daxin Materials Corporation:

#### Opinion

We have audited the consolidated financial statements of Daxin Materials Corporation and its subsidiaries ( “the Group” ), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ), Interpretations developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “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 Accountant and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

##### 1. Revenue recognition

Refer to Note 4(13) “Revenue recognition” and Note 6(16) “Operating revenue” to the consolidated financial statements.

Description of the key audit matter:

Revenue generation is a key operating activity of a company, and the Group's major portion of revenue is composed of related party transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Group's controls surrounding revenue recognition; understanding the Group's revenue types, its sales terms, related sales agreements and other supporting documents, to assess whether revenue recognition policies are applied appropriately; evaluating the trend of revenue; understanding the nature of related party transactions; performing the circularization of related party transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before and after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Refer to Note 4(8) "Inventories" ; Note 5 for uncertainty of accounting estimation and assumptions for inventory valuation, and Note 6(5) "Inventories" to the consolidated financial statements.

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to rapid product innovation and keen market competition, the Group's products may no longer meet market demand in short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Group's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Group's accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Group's disclosures of its inventory valuation policy and other related disclosures.

**Other Matter**

Daxin Materials Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Daxin Materials Corporation and subsidiaries

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(16) and 7)	\$ 4,264,121	100	3,889,236	100
5000	<b>Operating costs</b> (notes 6(5), (6), (7), (8), (12), (17) and 7)	<u>2,785,030</u>	<u>65</u>	<u>2,643,158</u>	<u>68</u>
	<b>Gross profit from operations</b>	<u>1,479,091</u>	<u>35</u>	<u>1,246,078</u>	<u>32</u>
	<b>Operating expenses</b> (notes 6(4), (6), (7), (8), (12), (17) and 7):				
6100	Selling expenses	185,786	5	186,184	5
6200	Administrative expenses	204,749	5	176,171	5
6300	Research and development expenses	480,768	11	442,683	11
6450	Expected credit losses (gains)	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
		<u>868,303</u>	<u>21</u>	<u>808,038</u>	<u>21</u>
	<b>Operating income</b>	<u>610,788</u>	<u>14</u>	<u>438,040</u>	<u>11</u>
	<b>Non-operating income and expenses</b> (notes 6(11) and (18)):				
7020	Other gains and losses	(12,943)	-	45,458	1
7100	Interest income	14,758	-	6,815	-
7510	Interest expense	<u>(7,154)</u>	<u>-</u>	<u>(5,122)</u>	<u>-</u>
		<u>(5,339)</u>	<u>-</u>	<u>47,151</u>	<u>1</u>
	<b>Profit before income tax</b>	605,449	14	485,191	12
7950	<b>Less: Income tax expenses</b> (note 6(13))	<u>82,095</u>	<u>2</u>	<u>59,071</u>	<u>1</u>
	<b>Net income</b>	<u>523,354</u>	<u>12</u>	<u>426,120</u>	<u>11</u>
8300	<b>Other comprehensive income (loss)</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	1,310	-	(6)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>1,310</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss)</b>	<u>1,310</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 524,664</u>	<u>12</u>	<u>426,114</u>	<u>11</u>
	<b>Earnings per share</b> (NT dollars) (note 6(15))				
	Basic earnings per share	<u>\$ 5.10</u>		<u>4.15</u>	
	Diluted earnings per share	<u>\$ 5.07</u>		<u>4.12</u>	



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Daxin Materials Corporation and subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
<b>Balance at January 1, 2022</b>	\$ 1,027,159	41,814	475,597	1,285	1,522,668	1,999,550	(1,304)	3,067,219
Net income	-	-	-	-	426,120	426,120	-	426,120
Other comprehensive income (loss)	-	-	-	-	-	-	(6)	(6)
Total comprehensive income	-	-	-	-	426,120	426,120	(6)	426,114
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	68,041	-	(68,041)	-	-	-
Special reserve appropriated	-	-	-	18	(18)	-	-	-
Cash dividends to shareholders	-	-	-	-	(544,394)	(544,394)	-	(544,394)
<b>Balance at December 31, 2022</b>	<b>1,027,159</b>	<b>41,814</b>	<b>543,638</b>	<b>1,303</b>	<b>1,336,335</b>	<b>1,881,276</b>	<b>(1,310)</b>	<b>2,948,939</b>
Net income	-	-	-	-	523,354	523,354	-	523,354
Other comprehensive income (loss)	-	-	-	-	-	-	1,310	1,310
Total comprehensive income	-	-	-	-	523,354	523,354	1,310	524,664
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	42,612	-	(42,612)	-	-	-
Special reserve appropriated	-	-	-	7	(7)	-	-	-
Cash dividends to shareholders	-	-	-	-	(338,963)	(338,963)	-	(338,963)
<b>Balance at December 31, 2023</b>	<b>\$ 1,027,159</b>	<b>41,814</b>	<b>586,250</b>	<b>1,310</b>	<b>1,478,107</b>	<b>2,065,667</b>	<b>-</b>	<b>3,134,640</b>

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

**Daxin Materials Corporation and subsidiaries****Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 605,449	485,191
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	256,996	218,182
Amortization	2,927	3,240
Expected credit losses (gains)	(3,000)	3,000
Net gain on financial instruments at fair value through profit or loss	(5,333)	(1,052)
Interest expense	7,154	5,122
Interest income	(14,758)	(6,815)
Gain on disposal of property, plant and equipment	(285)	-
Provisions for inventory obsolescence and devaluation loss	15,121	16,999
Others	999	555
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(20,887)	102,688
Accounts receivable due from related parties	(31,777)	202,293
Inventories	11,025	(25,103)
Other current assets	(4,063)	11,277
Other financial assets – current	(31,470)	(21,244)
Financial assets measured at amortized cost – current	127	(159)
Accounts payable	(56,527)	(121,594)
Accounts payable to related parties	603	(6,397)
Other current liabilities	62,712	(43,753)
Cash generated from operations	795,013	822,430
Interest received	14,471	6,686
Interest paid	(7,133)	(5,020)
Income taxes paid	(77,138)	(91,722)
<b>Net cash provided by operating activities</b>	<u>725,213</u>	<u>732,374</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at amortized cost – current	(108,595)	(110,250)
Disposal of financial assets at amortized cost – noncurrent	1,550	-
Acquisition of property, plant and equipment	(217,542)	(228,969)
Disposal of property, plant and equipment	346	-
Decrease (increase) in refundable deposits	(2,400)	1
Acquisition of intangible assets	(2,605)	(2,762)
Decrease (increase) in other noncurrent assets	478	(185)
<b>Net cash used in investing activities</b>	<u>(328,768)</u>	<u>(342,165)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	195,000	120,000
Repayments of short-term borrowings	(195,000)	(120,000)
Proceeds from long-term borrowings	60,000	181,500
Repayments of long-term borrowings	(77,405)	(22,703)
Decrease in guarantee deposits received	-	(132)
Repayment of the principal portion of lease liabilities	(8,490)	(8,366)
Cash dividends paid	(338,963)	(544,394)
<b>Net cash used in financing activities</b>	<u>(364,858)</u>	<u>(394,095)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>1,310</u>	<u>(6)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	32,897	(3,892)
<b>Cash and cash equivalents at beginning of period</b>	210,906	214,798
<b>Cash and cash equivalents at end of period</b>	<u>\$ 243,803</u>	<u>210,906</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Daxin Materials Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

Daxin Materials Corporation ( “the Company” ) was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The address of its registered office and principle place of business is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company’ s common shares were listed and traded on the Taipei Exchange ( “TPEX” ) since May 12, 2011; officially listed on Taiwan Stock Exchange ( “TWSE” ) since July 16, 2011, and delisted from the TPEX at the same date.

The Company and its subsidiaries (together referred to as the “Group” ), are mainly engaged in the research, development, production, and sale of display semiconductor related fine chemicals.

**2. The authorization of the consolidated financial statements**

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 27, 2024.

**3. Application of new standards, amendments and interpretations**

- (1) Impact of adoption of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” )

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (2) Impact of the IFRSs endorsed by the FSC but not yet in effect

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”
- Amendments to IAS 1 “Noncurrent Liabilities with Covenants”

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
  - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (3) The IFRSs issued by International Accounting Standards Board ( “IASB” ) but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

#### 4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the IFRSs, the International Accounting Standards, the International Financial Reporting Interpretation Committee Interpretations, and the Standing Interpretations Committee Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the “IFRSs endorsed by the FSC” ).

(2) Basis of preparation

A. Basis of measurement

Except for financial assets at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars ( “NTD” ), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

## (3) Basis of consolidation

## A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Total profit and loss in a subsidiary is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

## B. List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements was as follows:

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership</b>	
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
Daxin	LS Materials Corporation (LS) (Note 1)	R&D, manufacturing and sales company of fine chemicals	-	100%
Daxin	Frontier Materials (Samoa) Corporation (FMSA)	Investment and shareholding	(Note 2)	(Note 2)

Note 1: The liquidation process was completed in November 2023.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

## C. Subsidiaries excluded from the consolidated financial statements: None.

## (4) Foreign currencies

## A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the individual entities of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

## B. Foreign operations

The assets and liabilities of foreign operations are translated into the individual entities of the Group at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the individual entities of the Group at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

### (5) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

- A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period;
- D. Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period;
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

## (6) Cash and cash equivalent

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

## (7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

## A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## (a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

## (b) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost mentioned above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend or interest income, are recognized in profit or loss.

## (c) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, guarantee deposits paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.



ECL are a probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets to another entity, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

## B. Financial liabilities and equity instruments

### (a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### (b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

### (c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

### (d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

### (e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- (a) Buildings and improvements: 5~25 years
- (b) Machinery and equipment: 5 years
- (c) R&D equipment: 5 years
- (d) Office and other equipment: 3~5 years

Buildings constitute mainly building, mechanical and electrical power equipment, and air-conditioning system and fire protection engineering, etc. Each such part is depreciated based on its useful life of 25 years, 10 years, and 10 years, correspondingly.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(10) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- A. Fixed payments, including in-substance fixed payments;
- B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. Amounts expected to be payable under a residual value guarantee; and
- D. Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- A. There is a change in future lease payments arising from the change in an index or a rate; or
- B. There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- C. There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- D. There is a change of its assessment on whether it will exercise an extension or termination option; or
- E. There are any lease modifications.

When the lease liability is remeasured, other than lease modifications a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the balance sheets.

The Group has elected not to recognize right of use assets and lease liabilities for short-term leases of dormitory, office, and transportation equipment that have a lease term of 12 months or less, and low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (11) Intangible assets

##### A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

##### B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

##### C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

A. Sale of goods

The Group engages mainly in the research, development, production, design, and sales of display and semiconductor related fine chemicals. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Government grants

When the Group has reasonable assurance that they will comply with the conditions attaching to the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recognized in profit or loss on a systematic basis in the period in which they are incurred.

C. Financing components

The Group expects that the length of time when the Group transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which the employees service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(16) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee stock option and employee remuneration that has not been resolved by the shareholders' meeting and could be issued in the form of stock.

(17) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.



## 5. Critical accounting judgments and key sources of estimation and uncertainty

In preparing the consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments, estimates and assumptions in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements is valuation of inventories. Inventories are measured at the lower of cost or net realizable value. The product/ technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

## 6. Description of significant accounts

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand, demand deposits	<u>\$ 243,803</u>	<u>210,906</u>

Please refer to Note 6(19) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Group.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Financial assets mandatorily measured at FVTPL:</b>		
Forward exchange contracts	<u>\$ 7,800</u>	<u>2,738</u>
<b>Financial liabilities mandatorily measured at FVTPL:</b>		
Forward exchange contracts	<u>\$ -</u>	<u>271</u>

The Group uses derivative instruments to hedge certain currency risk arising from the Group's operating activities. The Group held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss and held for trading financial liabilities.

As of December 31, 2023 and 2022, the Group's outstanding foreign currency forward contracts were as follows:

				<b>December 31, 2023</b>			
				<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>	<b>Book value</b>
<b>Derivative financial assets:</b>							
	Forward exchange contracts sold	\$	7,633	USD to NTD	January 2024 ~ March 2024		<u>\$ 7,800</u>
				<b>December 31, 2022</b>			
				<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>	<b>Book value</b>
<b>Derivative financial assets:</b>							
	Forward exchange contracts sold	\$	4,559	USD to NTD	January 2023 ~ March 2023		<u>\$ 2,738</u>
<b>Derivative financial liabilities:</b>							
	Forward exchange contracts sold	\$	3,037	USD to NTD	March 2023 ~ April 2023		<u>\$ (271)</u>

(3) Financial assets measured at amortized cost – current and noncurrent

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time Deposits	\$ 1,168,795	1,061,750
Others	633	473
Less: Loss allowance	-	-
	<u>\$ 1,169,428</u>	<u>1,062,223</u>
Current	<u>\$ 1,160,628</u>	<u>1,051,873</u>
Noncurrent	<u>\$ 8,800</u>	<u>10,350</u>

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- A. As of December 31, 2023 and 2022, time deposits held by the Group with annual interest rates ranging from 1.25% to 3.45% and 0.22% to 1.55%, respectively; and will be matured during Feb 1, 2024~ Dec 1, 2024 and Jan 12, 2023~ Dec 1, 2023.
- B. For the disclosure of credit risk, please refer to note 6(19).
- C. For details of the financial assets mentioned above as performance guarantee and collateral, please refer to note 8.

## (4) Accounts receivable, net (including related parties)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 1,100,289	1,047,625
Less: Loss allowance	<u>(31,000)</u>	<u>(34,000)</u>
	<u><b>\$ 1,069,289</b></u>	<u><b>1,013,625</b></u>

The Group applied the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on credit risk characteristics and insurance coverage, as well as incorporated forward looking information.

The loss allowance provisions were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross amount of accounts receivable</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 1,096,753	2%~5%	30,823
1 to 30 days past due	<u>3,536</u>	2%~5%	<u>177</u>
	<u><b>\$ 1,100,289</b></u>		<u><b>31,000</b></u>
	<u>December 31, 2022</u>		
	<u>Gross amount of accounts receivable</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 1,011,802	2%~5%	32,937
1 to 30 days past due	33,374	2%~5%	849
31 to 60 days past due	1,829	2%~5%	90
61 to 90 days past due	<u>620</u>	5%~20%	<u>124</u>
	<u><b>\$ 1,047,625</b></u>		<u><b>34,000</b></u>

The movements of the loss allowance for accounts receivable was as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 34,000	31,107
Loss allowance	-	3,000
Allowance reversal	(3,000)	-
Amounts written off	<u>-</u>	<u>(107)</u>
Balance on December 31	<u><b>\$ 31,000</b></u>	<u><b>34,000</b></u>

Except for those that have been individually identified for impairment losses, the Group has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Loss allowance for accounts receivable is used to record the bad debt losses. However, if the Group is convinced that the relevant receivable may not be recoverable, the loss allowance and financial assets shall be offset directly when it believes that it cannot be recovered.

None of the Group's accounts receivable mentioned above was pledged as collateral.

The Group entered into a non-recourse factoring agreement with the financial institution to sell its accounts receivable. Under the agreement, except those necessary agreed expenses, the Group is not required to bear the default risk of the transferred accounts receivable. The Group's accounts receivables, which were sold, as well as derecognized, and have been transferred to other receivables (recognized as other financial assets – current), were as follows:

(Unit: USD in Thousands)

<b>December 31, 2023</b>					
<b>Underwriting bank</b>	<b>Factoring limit</b>	<b>Amount sold and derecognized</b>	<b>Amount advanced</b>	<b>Range of handling fees rate (%)</b>	<b>Principal terms</b>
Taipei Fubon Commercial Bank	USD 3,000	USD 1,717	-	0.3%	Notes 1~3
<b>December 31, 2022</b>					
<b>Underwriting bank</b>	<b>Factoring limit</b>	<b>Amount sold and derecognized</b>	<b>Amount advanced</b>	<b>Range of handling fees rate (%)</b>	<b>Principal terms</b>
Taipei Fubon Commercial Bank	USD 3,000	USD 690	-	0.3%	Notes 1~3

Note 1: The above amount has been reclassified to other receivables. Under the facility, the Group transferred its accounts receivable to the underwriting bank, without recourse and subject to underwriting consent.

Note 2: Risks of non-collection or potential payment default by customers in the event of insolvency are borne by the bank. The Group is not responsible for the collection of receivables and subject to the facility, or for any legal proceedings and costs thereof in collecting these receivables.

Note 3: The Group informed its customers to make payment directly to the Group's reserve account with the underwriting bank.

As of December 31, 2023 and 2022, the total outstanding receivables, after deducting the net of fees charged by the underwriting bank, amounted to \$52,714 thousand and \$21,244 thousand, respectively, recognized as other financial assets – current.

## (5) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials and supplies	\$ 171,303	179,122
Work in progress and semi-finished products	77,283	64,219
Finished goods and merchandise	<u>89,599</u>	<u>120,990</u>
	<b><u>\$ 338,185</u></b>	<b><u>364,331</u></b>

The net of provisions for inventories written down to the net realizable value, which were included in cost of sales, amounted to \$15,121 thousand and \$16,999 thousand for the years ended December 31, 2023 and 2022, respectively.

The amounts recognized in cost of sales in relation to gain on physical inventory were \$21 thousand and \$8 thousand for the years ended December 31, 2023 and 2022, respectively.

None of the Group's inventories mentioned above was pledged as collateral.

## (6) Property, plant and equipment

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>R&amp;D equipment</b>	<b>Office and other equipment</b>	<b>Construction in progress and equipment awaiting inspection</b>	<b>Total</b>
Cost:						
Balance at January 1, 2023	\$ 2,106,003	788,571	289,185	151,266	74,199	3,409,224
Additions	14,657	127,529	16,546	10,501	13,724	182,957
Disposals	-	(4,941)	(59)	(4,281)	-	(9,281)
Reclassification	<u>34,965</u>	<u>25,640</u>	<u>2,517</u>	<u>2,052</u>	<u>(66,173)</u>	<u>(999)</u>
Balance at December 31, 2023	<b><u>\$ 2,155,625</u></b>	<b><u>936,799</u></b>	<b><u>308,189</u></b>	<b><u>159,538</u></b>	<b><u>21,750</u></b>	<b><u>3,581,901</u></b>
Balance at January 1, 2022	\$ 1,688,993	701,805	266,902	130,177	390,656	3,178,533
Additions	60,677	85,007	17,971	15,421	65,700	244,776
Disposals	(3,423)	(9,485)	(622)	-	-	(13,530)
Reclassification	<u>359,756</u>	<u>11,244</u>	<u>4,934</u>	<u>5,668</u>	<u>(382,157)</u>	<u>(555)</u>
Balance at December 31, 2022	<b><u>\$ 2,106,003</u></b>	<b><u>788,571</u></b>	<b><u>289,185</u></b>	<b><u>151,266</u></b>	<b><u>74,199</u></b>	<b><u>3,409,224</u></b>

## Accumulated depreciation:

Balance at January 1, 2023	\$	890,422	565,476	226,107	116,905	-	1,798,910
Depreciation		119,574	93,669	21,635	12,686	-	247,564
Disposals		-	(4,880)	(59)	(4,281)	-	(9,220)
Balance at December 31, 2023	<b>\$</b>	<b>1,009,996</b>	<b>654,265</b>	<b>247,683</b>	<b>125,310</b>	<b>-</b>	<b>2,037,254</b>
Balance at January 1, 2022	\$	800,021	495,683	205,686	102,301	-	1,603,691
Depreciation		93,824	79,278	21,043	14,604	-	208,749
Disposals		(3,423)	(9,485)	(622)	-	-	(13,530)
Balance at December 31, 2022	<b>\$</b>	<b>890,422</b>	<b>565,476</b>	<b>226,107</b>	<b>116,905</b>	<b>-</b>	<b>1,798,910</b>

## Carrying amounts:

Balance at December 31, 2023	<b>\$</b>	<b>1,145,629</b>	<b>282,534</b>	<b>60,506</b>	<b>34,228</b>	<b>21,750</b>	<b>1,544,647</b>
Balance at January 1, 2022	<b>\$</b>	<b>888,972</b>	<b>206,122</b>	<b>61,216</b>	<b>27,876</b>	<b>390,656</b>	<b>1,574,842</b>
Balance at December 31, 2022	<b>\$</b>	<b>1,215,581</b>	<b>223,095</b>	<b>63,078</b>	<b>34,361</b>	<b>74,199</b>	<b>1,610,314</b>

## A. Collateral

None of the Group's property, plant and equipment mentioned above was pledged as collateral.

## B. Construction in progress and equipment awaiting inspection

The Group has carried out equipment augmentation in headquarters and Chungkang branch, and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to \$563 thousand and \$35,476 thousand, respectively, as of December 31, 2023 and 2022.

## (7) Right-of-use assets

	<u>Land</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
Balance at December 31, 2023 (as the balance at January 1, 2023)	<b>\$ 209,180</b>	<b>704</b>	<b>209,884</b>
Balance at January 1, 2022	\$ 207,493	780	208,273
Additions	1,687	704	2,391
Decrease	-	(780)	(780)
Balance at December 31, 2022	<b>\$ 209,180</b>	<b>704</b>	<b>209,884</b>

## Accumulated depreciation:

Balance at January 1, 2023	\$	36,620	156	36,776
Depreciation		9,198	234	9,432
Balance at December 31, 2023	\$	<b>45,818</b>	<b>390</b>	<b>46,208</b>
Balance at January 1, 2022	\$	27,421	702	28,123
Depreciation		9,199	234	9,433
Decrease		-	(780)	(780)
Balance at December 31, 2022	\$	<b>36,620</b>	<b>156</b>	<b>36,776</b>

## Carrying amount:

Balance at December 31, 2023	\$	<b>163,362</b>	<b>314</b>	<b>163,676</b>
Balance at January 1, 2022	\$	<b>180,072</b>	<b>78</b>	<b>180,150</b>
Balance at December 31, 2022	\$	<b>172,560</b>	<b>548</b>	<b>173,108</b>

## (8) Intangible assets

		<u>Computer software</u>
Cost:		
Balance at January 1, 2023	\$	23,759
Additions		2,605
Balance at December 31, 2023	\$	<b>26,364</b>
Balance at January 1, 2022		23,279
Additions		2,762
Decrease		(2,282)
Balance at December 31, 2022	\$	<b>23,759</b>
Accumulated amortization:		
Balance at January 1, 2023		21,445
Amortization		2,927
Balance at December 31, 2023	\$	<b>24,372</b>
Balance at January 1, 2022		20,487
Amortization		3,240
Decrease		(2,282)
Balance at December 31, 2022	\$	<b>21,445</b>
Carrying amounts:		
Balance at December 31, 2023	\$	<b>1,992</b>
Balance at January 1, 2022	\$	<b>2,792</b>
Balance at December 31, 2022	\$	<b>2,314</b>

None of the Group's intangible assets mentioned above was pledged as collateral.

(9) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unused credit line	<u>\$ 637,410</u>	<u>614,074</u>

Please refer to note 6(22) for information of drawdown and repayment of short-term borrowings, and note 6(18) for information of interest expenses for the years ended December 31, 2023 and 2022.

(10) Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ 354,892	372,297
Less: Current portion	<u>(95,999)</u>	<u>(98,942)</u>
Total	<u>\$ 258,893</u>	<u>273,355</u>
Unused credit lines	<u>\$ 585,000</u>	<u>645,000</u>
Range of interest rates	<u>1.25%</u>	<u>1.125%</u>

Please refer to note 6(22) for information of drawdown and repayment of long-term borrowings, and note 6(18) for information of interest expenses for the years ended December 31, 2023 and 2022.

(11) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts:		
Current	<u>\$ 8,617</u>	<u>8,489</u>
Noncurrent	<u>\$ 160,954</u>	<u>169,572</u>

The Group repaid \$8,490 thousand and \$8,366 thousand for the principal of lease liabilities for the years ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Items that affected current profit or loss:		
Interest expenses relating to lease liabilities	<u>\$ 2,613</u>	<u>2,735</u>
Expenses relating to short-term leases	<u>\$ 3,639</u>	<u>3,961</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 338</u>	<u>294</u>



The amounts recognized in the statement of cash flows were as follows:

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 15,139</u>	<u>15,401</u>

A. Land leases

The Group leases lands for its facility and office space. The leases typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs periodically in each park will be adjusted after being assessed.

B. Other leases

The Group leases the machinery and equipment with lease terms of 3 years.

In addition, the Group has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value asset.

(12) Employee benefits – Defined contribution plans

The Group contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligations to pay additional amounts after contributing to the Bureau of Labor Insurance.

The Group's pension costs incurred from contributions to the defined contribution plan were \$19,544 thousand and \$18,106 thousand for the years ended December 31, 2023 and 2022, respectively.

(13) Income tax

A. The components of income tax expenses were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 89,162	73,896
Adjustment to prior years	(1,809)	(10,491)
	<u>87,353</u>	<u>63,405</u>
Deferred tax benefit		
Temporary differences	(5,258)	(4,334)
Income tax expense	<u>\$ 82,095</u>	<u>59,071</u>

Reconciliations of income tax and income before income tax are as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 605,449	485,191
Income tax expense at statutory tax rate	121,090	97,038
Tax effect of permanent differences	(669)	1,229
Investment tax credits	(38,212)	(31,670)
Additional tax on undistributed earnings, net	2,227	3,398
Others	(2,341)	(10,924)
Income tax expense	<u>\$ 82,095</u>	<u>59,071</u>

B. Deferred tax assets

(a) Unrecognized deferred tax assets

	<u>2023</u>	<u>2022</u>
Investment tax credits	<u>\$ 8,605</u>	<u>23,207</u>

The Group did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to “Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures” for the year of 2023 and 2022.

(b) Movement of deferred tax assets

	<u>January 1, 2022</u>	<u>Recognized in profit or loss</u>	<u>December 31, 2022</u>	<u>Recognized in profit or loss</u>	<u>December 31, 2023</u>
Loss allowance for accounts receivable	\$ 3,516	(1,189)	4,705	705	4,000
Allowance for inventory valuation	1,539	(432)	1,971	50	1,921
Other temporary differences	3,423	(2,713)	6,136	(6,013)	12,149
	<u>\$ 8,478</u>	<u>(4,334)</u>	<u>12,812</u>	<u>(5,258)</u>	<u>18,070</u>

C. The Company’s income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

(14) Capital and other equity

As of December 31, 2023 and 2022, the authorized common stock of the Company amounted to \$1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of \$10 per share, of which \$100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to \$102,716 thousand.

## A. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additional paid in capital	\$ 29,826	29,826
Employee stock options	10,666	10,666
Compensation cost arising from seasoned equity offering reserved for employees' purchase	<u>1,322</u>	<u>1,322</u>
	<u><b>\$ 41,814</b></u>	<u><b>41,814</b></u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital. Capital surplus derived from the issuance of share of stock in excess of par value could not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

## B. Retained earnings

According to the Company's Articles of Incorporation, if the Company has a profit at the end of each fiscal year, the profit shall be used for paying tax, offsetting the accumulated losses, and setting aside 10% of the remaining earnings as legal reserve unless and until the accumulated legal reserve has reached the amount of the paid in capital of the Company; then any remainder shall be appropriated as, or used to reverse the special reserve in accordance with the Company's operation or relevant laws and regulations. The balance (if any), together with the accumulated unappropriated retained earnings, can be distributed after the distribution plan proposed and approved. Dividend distribution can be distributed in whole or in part. If the dividend is distributed the form of shares, it has to be approved during the shareholders' meeting; and if it is in the form of cash, it shall first be approved by the Board, and reported during the shareholders' meeting thereafter.

The Company adopts the residual dividend policy, by considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions, capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. When the dividends are distributed, at least 30% of the current year's retained earnings available for distribution of the current year shall be appropriated as dividends, which may be distributed by way of cash, at a minimum of 10% of total earnings, and/or stock.

## (a) Legal reserve

When the Company incurs no accumulated losses, the Company may distribute the portion of legal reserve which exceeds 25% of the Company's paid-in capital and the capital reserves permitted for distribution under the Company Act, in whole or in part, in the form of cash, to the shareholders in proportion to their shareholdings, after being approved during the Board meeting and reported at the shareholders' meeting thereafter.

## (b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior years' unappropriated earnings. This special reserve shall be reversed to retained earnings and be made available for distribution when the items that are accounted for as deduction from stockholders' equity are reversed in subsequent periods.

## C. Earnings distribution

The Company's appropriation of earnings for 2022 by way of cash dividends has been approved in the Board of Directors' meeting held on February 22, 2023. The appropriation of 2022 earnings by other ways has been approved in the annual shareholders' meeting held on June 15, 2023. Details of distribution were as follows:

	<b>Appropriation of earnings</b>	<b>Dividends per share (NT\$)</b>
Legal reserve	\$ 42,612	
Special reserve	7	
Cash dividends to shareholders	<u>338,963</u>	3.3
	<b><u>\$ 381,582</u></b>	

The aforementioned appropriation of earnings for 2022 was consistent with the resolutions of the Board of Directors' meeting held on February 22, 2023.

The Company's appropriation of earnings for 2021 has been approved in the annual shareholders' meeting held on June 15, 2022. Details of distribution were as follows:

	<b>Appropriation of earnings</b>	<b>Dividends per share (NT\$)</b>
Legal reserve	\$ 68,041	
Special reserve	18	
Cash dividends to shareholders	<u>544,394</u>	5.3
	<b><u>\$ 612,453</u></b>	

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on February 23, 2022.

The Company's appropriation of earnings for 2023 by way of cash dividends, which has a par value of \$4.1 per share, had been approved by the Board of Directors' meeting held on February 27, 2024.

Information for the Company's appropriation of earnings are available at the Market Observation Post System website.

D. Other equity — exchange differences on translation of foreign financial statements

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (1,310)	(1,304)
Net change	1,310	(6)
Balance at December 31	<u>\$ -</u>	<u>(1,310)</u>

(15) Earnings per Share

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
Net income attributable to the shareholders of the Company	<u>\$ 523,354</u>	<u>426,120</u>
Weighted average number of common shares outstanding (in thousands of shares)	<u>102,716</u>	<u>102,716</u>
Basic earnings per share (in NTD)	<u>\$ 5.10</u>	<u>4.15</u>
Diluted earnings per share:		
Net income attributable to the shareholders of the Company	<u>\$ 523,354</u>	<u>426,120</u>
Weighted average number of common shares outstanding (basic) (in thousands of shares)	102,716	102,716
Dilutive potential common shares employee remuneration in stock (in thousands of shares)	<u>575</u>	<u>690</u>
Weighted average number of common shares outstanding (diluted) (in thousands of shares)	<u>103,291</u>	<u>103,406</u>
Diluted earnings per share (in NTD)	<u>\$ 5.07</u>	<u>4.12</u>

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 2,419,439	2,258,151
China	1,777,902	1,566,756
Japan	49,850	58,826
Other areas	<u>16,930</u>	<u>5,503</u>
	<u>\$ 4,264,121</u>	<u>3,889,236</u>

	<u>2023</u>	<u>2022</u>
Major product categories:		
Display materials	\$ 3,967,875	3,675,292
Semiconductor materials and key raw materials	<u>296,246</u>	<u>213,944</u>
	<u><b>\$ 4,264,121</b></u>	<u><b>3,889,236</b></u>

## B. Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities (recognized in other current liabilities)	<u>\$ -</u>	<u>9,890</u>	<u>12,045</u>

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2023 and 2022, which was included in the contract liability balance at the beginning of the period, was 9,890 thousand and 12,045 thousand, respectively.

## (17) Remuneration to employees and directors

According to the Company's Articles of Incorporation, if the Company has a profit (profit before income tax, excluding remuneration to employees and directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining balance in accordance with the ratio as follows:

- A. No less than 3% as employee remuneration;
- B. No more than 1% as director's remuneration.

Employees remuneration may be distributed in the form of shares or cash, to qualified full-time employees, including those of the subsidiaries of the Company.

The Company accrued and recognized its employees' remuneration amounting to \$49,492 thousand and \$39,661 thousand and directors' remuneration amounting to \$4,949 thousand and \$3,966 thousand (excluding the fixed directors' remuneration amounting to \$11,558 thousand and \$12,000 thousand, respectively) for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated using the Company's profit before income tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The aforementioned amounts accrued in the 2023 and 2022 financial statements were consistent with those approved in the Board of Directors' meetings. The relevant information is available at the Market Observation Post System website.

## (18) Non-operating income and expenses

## A. Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign exchange gains, net	\$ 4,198	56,405
Gains on disposals of property, plant and equipment	285	-
Losses on financial assets (liabilities) measured at fair value through profit or loss, net	(16,909)	(28,946)
Government grants	13	17,072
Others	(530)	927
	<u>\$ (12,943)</u>	<u>45,458</u>

## B. Interest income

	<u>2023</u>	<u>2022</u>
Interest income on bank deposits	<u>\$ 14,758</u>	<u>6,815</u>

## C. Interest expense

	<u>2023</u>	<u>2022</u>
Interest expense on bank loans	\$ 4,541	2,387
Interest expense on lease liabilities	2,613	2,735
	<u>\$ 7,154</u>	<u>5,122</u>

## (19) Financial instruments

## A. Credit risk

## (a) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a counterparty of a financial instrument transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

## (b) Concentration of credit risk

As of December 31, 2023 and 2022, the Group's accounts receivable (including related parties) from the top 4 customers were 80% and 81%, respectively. There is no other significant concentration of credit risk from the remaining accounts receivable.

## (c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost, including time deposits, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(7) regarding how the Group determines whether the financial instruments are considered to be low credit risk).

## B. Liquidity risk

The following, except for accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment are the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years or more</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 169,571	(193,387)	(5,551)	(5,551)	(10,942)	(32,586)	(138,757)
Long-term borrowings (including current portion)	<u>354,892</u>	<u>(363,277)</u>	<u>(50,092)</u>	<u>(49,793)</u>	<u>(98,685)</u>	<u>(164,707)</u>	<u>-</u>
	<b><u>\$ 524,463</u></b>	<b><u>(556,664)</u></b>	<b><u>(55,643)</u></b>	<b><u>(55,344)</u></b>	<b><u>(109,627)</u></b>	<b><u>(197,293)</u></b>	<b><u>(138,757)</u></b>
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 178,061	(204,489)	(5,551)	(5,551)	(11,102)	(32,666)	(149,619)
Long term borrowings (including current portion)	<u>372,297</u>	<u>(378,838)</u>	<u>(36,069)</u>	<u>(66,667)</u>	<u>(162,856)</u>	<u>(113,246)</u>	<u>-</u>
Derivative financial liabilities							
Forward exchange contracts:							
Inflows	-	92,283	92,283	-	-	-	-
Outflows	<u>271</u>	<u>(92,554)</u>	<u>(92,554)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 550,629</u></b>	<b><u>(583,598)</u></b>	<b><u>(41,891)</u></b>	<b><u>(72,218)</u></b>	<b><u>(173,958)</u></b>	<b><u>(145,912)</u></b>	<b><u>(149,619)</u></b>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.



## C. Currency risk

## (a) Exposure to foreign currency risk

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 16,460	30.705	505,412	13,921	30.725	427,728
JPY	48,462	0.2182	10,574	64,798	0.2297	14,884
<u>Non-monetary Items</u>						
USD	7,633	30.705	Note	4,559	30.725	Note
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	194	30.705	5,959	572	30.725	17,584
JPY	9,715	0.2182	2,120	23,535	0.2297	5,406
<u>Non-monetary Items</u>						
USD	-	-	Note	3,037	30.725	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

## (b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2023 and 2022, an appreciating (depreciating) of 0.1% of the NTD against the USD and JPY would have increased or decreased the profit before income tax by \$508 thousand and \$420 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

## (c) Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains for the years ended December 31, 2023 and 2022 were \$4,198 thousand and \$56,405 thousand, respectively.

#### D. Interest rate risk

The following sensitivity analysis is based on the exposure to the interest rate risk of bank loans on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.1%, the Group's profit before income tax would have increased or decreased by \$355 thousand and \$372 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant.

#### E. Fair value of financial instruments

##### (a) Categories of financial instruments and fair value

The Group strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognized the transfer on the reporting date.

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets measured at fair value through profit or loss — current — derivative financial assets</b>	<b>\$ 7,800</b>	<b>-</b>	<b>7,800</b>	<b>-</b>	<b>7,800</b>

**Financial assets measured at amortized cost**

Cash and cash equivalents	\$ 243,803	-	-	-	-
Financial assets measured at amortized cost – current	1,160,628	-	-	-	-
Accounts receivable (including related parties)	1,069,289	-	-	-	-
Other financial assets – current	52,714	-	-	-	-
Financial assets measured at amortized cost – noncurrent	8,800	-	-	-	-
Guarantee deposits paid	2,577	-	-	-	-
	<u>\$ 2,537,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Financial liabilities****Financial liabilities measured at amortized cost**

Accounts payable (including related parties)	\$ 419,628	-	-	-	-
Payroll and bonus payable	299,437	-	-	-	-
Payable on machinery and equipment	36,930	-	-	-	-
Long-term borrowings (including current portion)	354,892	-	-	-	-
Lease liabilities – current and noncurrent	169,571	-	-	-	-
	<u>\$ 1,280,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2022

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets measured at fair value through profit or loss – current – derivative financial assets</b>	<u>\$ 2,738</u>	<u>-</u>	<u>2,738</u>	<u>-</u>	<u>2,738</u>

**Financial assets measured at amortized cost**

Cash and cash equivalents	\$ 210,906	-	-	-	-
Financial assets measured at amortized cost – current	1,051,873	-	-	-	-
Accounts receivable (including related parties)	1,013,625	-	-	-	-
Other financial assets – current	21,244	-	-	-	-
Financial assets measured at amortized cost – noncurrent	10,350	-	-	-	-
Guarantee deposits paid	177	-	-	-	-
	<u>\$ 2,308,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Financial liabilities****Financial liabilities measured at fair value through profit or loss – current – derivative financial liabilities**

	<u>\$ 271</u>	<u>-</u>	<u>271</u>	<u>-</u>	<u>271</u>
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**Financial liabilities measured at amortized cost**

Accounts payable (including related parties)	\$ 475,552	-	-	-	-
Payroll and bonus payable	249,179	-	-	-	-
Payable on machinery and equipment	71,515	-	-	-	-
Long-term borrowings (including current portion)	372,297	-	-	-	-
Lease liabilities – current and noncurrent	178,061	-	-	-	-
	<u>\$ 1,346,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## (b) Valuation technique for financial instruments not measured at fair value

The Group estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

- (c) Valuation technique of financial instruments measured at fair value—derivative financial instruments.

Forward exchange contracts are typically evaluated based on the exchange rates provided by the counterparty banks.

- (d) Transfer of fair value level

There is no transfer between the levels for the years ended December 31, 2023 and 2022.

## (20) Financial risk management

### A. Overview

The Group has exposures to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

In order to reduce and manage related financial risks, the Group is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Group's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

### B. Structure of risk management

The Group's major financial activities are reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Group must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### C. Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.

## (a) Operation-related credit risk

The Group has established a credit policy under which each customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment of individual customer is based on a number of factors that may affect the customer's ability to make payments, including the customer's financial condition, ratings by credit rating agencies, the Group's internal credit ratings, historical transaction records, and current economic situations. The Group also utilizes certain credit enhancement tools, such as advance receipts and credit insurance, when appropriate, to reduce the credit risk of specific customers.

## (b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Group believes that does not have performance capability issues and no significant credit risk.

## D. Liquidity risk

Liquidity risk is the risk that the Group has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(19).

## E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Board of Directors and the Audit Committee's guide.

## (a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currencies of the Group's entities. These transactions are primarily denominated in NTD, USD, and JPY.

In respect of net positions of accounts receivable and payables denominated in foreign currencies, the Group undertakes forward exchange contracts appropriately. If necessary, the Group can rollover forward exchange contracts when contracts are mature.

## (b) Interest rate risk

Please refer to note 6(19).

## (21) Capital management

The Group's capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Group's capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2023 and 2022 both 32% and 34%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2023.

## (22) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow were as follows:

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities (current and noncurrent)</u>	<u>Liabilities arising from financing activities</u>
Balance at January 1, 2023	\$ -	372,297	178,061	550,358
Cash flow				
Proceeds from borrowings	195,000	60,000	-	255,000
Repayments of borrowings	(195,000)	(77,405)	-	(272,405)
Payment of lease liabilities	-	-	(8,490)	(8,490)
Interest paid	-	-	(2,613)	Note
Non-cash changes				
Interest expenses	-	-	2,613	Note
Balance at December 31, 2023	<u>\$ -</u>	<u>354,892</u>	<u>169,571</u>	<u>524,463</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities (current and noncurrent)</u>	<u>Guarantee deposits received</u>	<u>Liabilities arising from financing activities</u>
Balance at January 1, 2022	\$ -	213,500	184,036	132	397,668
Cash flow					
Proceeds from borrowings	120,000	181,500	-	-	301,500
Repayments of borrowings	(120,000)	(22,703)	-	-	(142,703)
Payment of lease liabilities	-	-	(8,366)	-	(8,366)
Interest paid	-	-	(2,735)	-	Note
Guarantee deposits refunded	-	-	-	(132)	(132)
Non-cash changes					
Interest expenses	-	-	2,735	-	Note
Additions of right-of-use assets	-	-	2,391	-	2,391
Balance at December 31, 2022	<u>\$ -</u>	<u>372,297</u>	<u>178,061</u>	<u>-</u>	<u>550,358</u>

Note: It was categorized as operating activities

## 7. Related party transactions

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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Eternal Materials Co., Ltd. ( “Eternal” )	The entity with significant influence over the Group
AUO Corporation ( “AUO” )	The entity with significant influence over the Group
AUO Crystal Corp. ( “ACTW” )	AUO’ s Subsidiary
AUO (Suzhou) Co., Ltd. ( “AUOSZ” )	AUO’ s Subsidiary
AUO (Xiamen) Co., Ltd. ( “AUOXM” )	AUO’ s Subsidiary
AUO (Kunshan) Co., Ltd. ( “AUOKS” )	AUO’ s Subsidiary
Board members, general manager, and vice presidents	The management of the Company

### (2) Compensation to key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 79,884	77,070
Post-employment benefits	9,324	324
	<u>\$ 89,208</u>	<u>77,394</u>

### (3) Significant transactions with related parties

#### A. Operating revenue

The amounts of operating revenue and the outstanding balance of accounts receivable between the Group and related parties were as follows:

	<u>Operating revenue</u>		<u>Accounts receivable from related parties</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The entity with significant influence over the Group— AUO	\$ 2,029,711	1,886,226	693,709	661,414
Other related parties	15,122	23,991	4,596	5,114
	<u>\$ 2,044,833</u>	<u>1,910,217</u>	<u>698,305</u>	<u>666,528</u>

For the years ended December 31, 2023 and 2022, the credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Group did not implement collateral requirements for receivables from related parties, and did not reserve the loss allowance for related parties’ receivables after appraisal.



B. Purchase and process outsourcing

The amounts of purchases and process outsourcing, and the outstanding balance of accounts payable to related parties were as follows:

	<b>Purchase and process outsourcing</b>		<b>Accounts payable to related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The entity with significant influence over the Group	<u>\$ 48,118</u>	<u>53,579</u>	<u>12,098</u>	<u>11,618</u>

For the years ended December 31, 2023 and 2022, the payment terms to third parties were both 90 days from the end of the month while those to related parties were prepayment to 120 days from the end of the month. The Group did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to related parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be benchmarked.

C. Transactions of property, plant and equipment

The disposal of property, plant and equipment to related parties were summarized as follows:

	<b>Disposal prices</b>		<b>Accounts receivable from related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other related parties	<u>\$ 317</u>	<u>-</u>	<u>-</u>	<u>-</u>

The acquisition of property, plant and equipment to related parties were summarized as follows:

	<b>Acquisition prices</b>		<b>Accounts payable to related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The entity with significant influence over the Group	\$ 1,396	-	-	-
Other related parties	-	308	-	-
	<u>\$ 1,396</u>	<u>308</u>	<u>-</u>	<u>-</u>

## D. Others

The amounts of rental fees and other expenses, and the outstanding balance of other payable due to related parties were as follows:

	Amount		Accounts payable to related parties	
	2023	2022	December 31, 2023	December 31, 2022
The entity with significant influence over the Group	\$ 1,319	1,346	235	112
Other related parties	12	12	-	-
	<u>\$ 1,331</u>	<u>1,358</u>	<u>235</u>	<u>112</u>

## 8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Time deposits (recognized in financial assets measured at amortized cost – noncurrent)	Guarantee for the lease contract with the Central Taiwan Science Park Bureau	\$ 6,200	6,200
Time deposits (recognized in financial assets measured at amortized cost – noncurrent)	Guarantee for the lease and investment with the Chungkang Branch, Export Processing Zone Administration MOEA	2,600	4,150
		<u>\$ 8,800</u>	<u>10,350</u>

## 9. Significant contingent liabilities and unrecognized commitments

The significant commitments and contingencies of the Group as of December 31, 2023 and 2022 were as follows:

- (1) A guarantee letter for import tariffs and VAT which the Group requested a bank to issue to the Taipei Customs Administration, Ministry of Finance amounting to both \$4,000 thousand.
- (2) The total amount of promissory notes deposited by the Group at the bank for acquiring borrowings limit, credit line of forward exchange trading and accounts receivable factoring was \$1,742,935 thousand and \$1,727,161 thousand, respectively.
- (3) The significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$101,722 thousand and \$113,507 thousand, respectively.

- (4) As of December 31, 2022, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted \$30,876 thousand and \$18,376 thousand, respectively. The research and development project had closed in March 2023.

**10. Significant disaster losses: None**

**11. Subsequent Events: None**

**12. Other**

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	2023			2022		
		Operating costs	Operating Expenses	Total	Operating costs	Operating Expenses	Total
Employee benefits							
Salary		189,377	512,329	701,706	157,750	441,852	
Labor and health insurance		15,118	26,799	41,917	13,340	24,741	
Pension		7,184	12,360	19,544	6,445	11,661	
Others		6,596	12,989	19,585	6,915	14,666	
Depreciation		201,102	55,894	256,996	157,729	60,453	
Amortization		351	2,576	2,927	371	2,869	

### 13. Additional disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2023:

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: None.
- C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	% of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	% of total notes/accounts receivable (payable)	
The Company	AUO	The company who evaluated the Company by the equity method	Sales	2,029,711	48%	120 days from the end of the month	Note 7	Note 7	693,709	65%	

- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	AUO	The company who evaluated the Company by the equity method	693,709	3.00	-	-	186,634	-

Note: The status of receivables collection in subsequent period was as of January 31, 2024.

- I. Trading in derivative instruments: Please refer to notes 6(2).
- J. Business relationships and significant intercompany transactions: None.

## (2) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

(Unit: NTD (JPY) thousand/share)

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest % of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	% of ownership	Carrying value				
The Company	LS	Japan	R&D, Manufacturing and sales company of fine chemicals	-	5,617 (JPY15,000)	-	- %	-	100%	-	-	Note (1)
The Company	FMSA	Samoa	Investing and shareholding	-	-	-	- %	-	-	-	-	Note (2)

Note (1): The liquidation process was completed in November 2023.

Note (2): The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

## (3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

## (4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Eternal Materials Co., Ltd.	23,423,812	22.80%
Konly Venture Corp.	19,113,730	18.61%
Ronly Venture Corp.	6,312,075	6.15%

Note : (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statements due to the use of different calculation basis.

(2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

## 14. Segment information

### (1) Segment information

The segment financial information is consistently to the consolidated financial statements. For revenue from external customers and profit before income tax, please refer to the consolidated statements of comprehensive income. For assets, please refer to the consolidated balance sheets.

### (2) Products information

	<u>2023</u>	<u>2022</u>
Display materials	\$ 3,967,875	3,675,292
Semiconductor materials and key raw materials	<u>296,246</u>	<u>213,944</u>
	<u><b>\$ 4,264,121</b></u>	<u><b>3,889,236</b></u>

### (3) Geographical information

The Group's geographical information was as follow, of which segment revenue is based on the geographical location of customers, and noncurrent assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers		
Taiwan	\$ 2,419,439	2,258,151
China	1,777,902	1,566,756
Japan	49,850	58,826
Other countries	<u>16,930</u>	<u>5,503</u>
	<u><b>\$ 4,264,121</b></u>	<u><b>3,889,236</b></u>
Noncurrent assets		
Taiwan	<u><b>\$ 1,710,992</b></u>	<u><b>1,786,891</b></u>

### (4) Major customers' information

Major customers greater than 10% of operating revenue of the Group were as follows:

	<u>2023</u>	<u>2022</u>
Customer A	<u><b>\$ 2,029,711</b></u>	<u><b>1,886,226</b></u>

## Appendix II Parent Company-Only Financial Statement for the Most Recent Fiscal Year and Independent Auditors' Report

### Independent Auditors' Report

To the Board of Directors of Daxin Materials Corporation:

#### Opinion

We have audited the parent-company-only financial statements of Daxin Materials Corporation( “the Company” ), which comprise the parent-company-only balance sheet as of December 31, 2023 and 2022, the parent-company-only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountant 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 of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

##### 1. Revenue recognition

Refer to Note 4(13) “Revenue recognition” and Note 6(17) “Operating revenue” to the parent-company-only financial statements.

Description of the key audit matter:

Revenue generation is a key operating activity of a company, and the Company's major portion of revenue is composed of related party transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Company's controls surrounding revenue recognition; understanding the Company's revenue types, its sales terms, related sales agreements and other supporting documents, to assess revenue recognition policy are applied appropriately; evaluating the trend of revenue; understanding the nature of related party transactions; performing the circularization of related party transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before and after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

## 2. Valuation of inventories

Refer to Note 4(7) "Inventories" ; Note 5 for uncertainty of accounting estimation and assumptions for inventory valuation, and Note 6(5) "Inventories" to the parent-company-only financial statements.

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to rapid product innovation and keen market competition, the Company's products may no longer meet market demand in short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Company's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Company's accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Company's disclosures of its inventory valuation policy and other related disclosures.

## **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 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 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 the investee companies in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 243,803	5	210,769	5	2120	Financial liabilities at fair value through profit or loss – current (note 6(2))	\$ -	-	271	-
1110	Financial assets at fair value through profit or loss – current (note 6(2))	7,800	-	2,738	-	2170	Accounts payable	407,295	9	463,822	10
1136	Financial assets measured at amortized cost – current (note 6(3))	1,160,628	25	1,051,873	23	2180	Accounts payable to related parties (note 7)	12,333	-	11,730	-
1170	Accounts receivable, net (note 6(4))	370,984	8	347,097	8	2201	Payroll and bonus payable	299,437	6	249,179	5
1180	Accounts receivable due from related parties, net (notes 6(4) and 7)	698,305	15	666,528	15	2213	Payable on machinery and equipment	36,930	1	71,515	2
130X	Inventories (note 6(5))	338,185	7	364,331	8	2230	Current tax liabilities	90,782	2	80,567	2
1476	Other financial assets – current (note 6(4))	52,714	2	21,244	-	2280	Lease liabilities – current (note 6(12))	8,617	-	8,489	-
1479	Other current assets	29,203	1	25,140	1	2322	Long-term borrowings, current portion (note 6(11))	95,999	2	98,942	2
		<u>2,901,622</u>	<u>63</u>	<u>2,689,720</u>	<u>60</u>	2399	Other current liabilities (note 6(17))	136,181	3	123,706	3
								<u>1,087,574</u>	<u>23</u>	<u>1,108,221</u>	<u>24</u>
<b>Noncurrent assets:</b>						<b>Noncurrent liabilities:</b>					
1535	Financial assets measured at amortized cost – noncurrent (notes 6(3) and 8)	8,800	-	10,350	-	2540	Long-term borrowings (note 6(11))	258,893	6	273,355	6
1550	Investments accounted for using equity method (note 6(6))	-	-	137	-	2580	Lease liabilities – noncurrent (note 6(12))	160,954	3	169,572	4
1600	Property, plant and equipment (notes 6(7), 7 and 9)	1,544,647	33	1,610,314	36			<u>419,847</u>	<u>9</u>	<u>442,927</u>	<u>10</u>
1755	Right-of-use assets (note 6(8))	163,676	4	173,108	4		<b>Total liabilities</b>	<u>1,507,421</u>	<u>32</u>	<u>1,551,148</u>	<u>34</u>
1780	Intangible assets (note 6(9))	1,992	-	2,314	-	<b>Equity (note 6(15)):</b>					
1840	Deferred tax assets (note 6(14))	18,070	-	12,812	-	3110	Common stock	1,027,159	22	1,027,159	23
1920	Guarantee deposits paid	2,577	-	177	-	3200	Capital surplus	41,814	1	41,814	1
1990	Other noncurrent assets	677	-	1,155	-		<b>Retained earnings:</b>				
		<u>1,740,439</u>	<u>37</u>	<u>1,810,367</u>	<u>40</u>	3310	Legal reserve	586,250	13	543,638	12
						3320	Special reserve	1,310	-	1,303	-
						3350	Unappropriated retained earnings	1,478,107	32	1,336,335	30
								<u>2,065,667</u>	<u>45</u>	<u>1,881,276</u>	<u>42</u>
						3410	Exchange differences on translation of foreign financial statements	-	-	(1,310)	-
							<b>Total equity</b>	<u>3,134,640</u>	<u>68</u>	<u>2,948,939</u>	<u>66</u>
<b>Total assets</b>		<b>\$ 4,642,061</b>	<b>100</b>	<b>4,500,087</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 4,642,061</b>	<b>100</b>	<b>4,500,087</b>	<b>100</b>

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

**Daxin Materials Corporation****Statements of Comprehensive Income**

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(17) and 7)	\$ 4,264,121	100	3,889,236	100
5000	<b>Operating costs</b> (notes 6(5), (7), (8), (9), (13), (18) and 7)	<u>2,785,030</u>	<u>65</u>	<u>2,643,158</u>	<u>68</u>
	<b>Gross profit from operations</b>	<u>1,479,091</u>	<u>35</u>	<u>1,246,078</u>	<u>32</u>
	<b>Operating expenses</b> (notes 6(4), (7), (8), (9), (13), (18) and 7):				
6100	Selling expenses	185,786	5	186,184	5
6200	Administrative expenses	204,749	5	176,171	5
6300	Research and development expenses	480,768	11	442,683	11
6450	Expected credit losses (gains)	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
		<u>868,303</u>	<u>21</u>	<u>808,038</u>	<u>21</u>
	<b>Operating income</b>	<u>610,788</u>	<u>14</u>	<u>438,040</u>	<u>11</u>
	<b>Non-operating income and expenses</b> (notes 6(12) and (19)):				
7020	Other gains and losses	(12,943)	-	45,458	1
7100	Interest income	14,758	-	6,815	-
7510	Interest expense	<u>(7,154)</u>	<u>-</u>	<u>(5,122)</u>	<u>-</u>
		<u>(5,339)</u>	<u>-</u>	<u>47,151</u>	<u>1</u>
	<b>Profit before income tax</b>	605,449	14	485,191	12
7950	<b>Less: Income tax expense</b> (note 6(14))	<u>82,095</u>	<u>2</u>	<u>59,071</u>	<u>1</u>
	<b>Net income</b>	<u>523,354</u>	<u>12</u>	<u>426,120</u>	<u>11</u>
8300	<b>Other comprehensive income (loss)</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	<u>1,310</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>1,310</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss)</b>	<u>1,310</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 524,664</u>	<u>12</u>	<u>426,114</u>	<u>11</u>
	<b>Earnings per share (NT dollars)</b> (note 6(16))				
9750	Basic earnings per share	<u>\$ 5.10</u>		<u>4.15</u>	
9850	Diluted earnings per share	<u>\$ 5.07</u>		<u>4.12</u>	

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

**Daxin Materials Corporation**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Common stock	Capital surplus	Retained earnings			Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings			
<b>Balance at January 1, 2022</b>	\$ 1,027,159	41,814	475,597	1,285	1,522,668	1,999,550	(1,304)	3,067,219
Net income	-	-	-	-	426,120	426,120	-	426,120
Other comprehensive income (loss)	-	-	-	-	-	-	(6)	(6)
Total comprehensive income	-	-	-	-	426,120	426,120	(6)	426,114
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	68,041	-	(68,041)	-	-	-
Special reserve appropriated	-	-	-	18	(18)	-	-	-
Cash dividends to shareholders	-	-	-	-	(544,394)	(544,394)	-	(544,394)
<b>Balance at December 31, 2022</b>	1,027,159	41,814	543,638	1,303	1,336,335	1,881,276	(1,310)	2,948,939
Net income	-	-	-	-	523,354	523,354	-	523,354
Other comprehensive income (loss)	-	-	-	-	-	-	1,310	1,310
Total comprehensive income	-	-	-	-	523,354	523,354	1,310	524,664
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	42,612	-	(42,612)	-	-	-
Special reserve appropriated	-	-	-	7	(7)	-	-	-
Cash dividends to shareholders	-	-	-	-	(338,963)	(338,963)	-	(338,963)
<b>Balance at December 31, 2023</b>	<b>\$ 1,027,159</b>	<b>41,814</b>	<b>586,250</b>	<b>1,310</b>	<b>1,478,107</b>	<b>2,065,667</b>	<b>-</b>	<b>3,134,640</b>

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)

**Daxin Materials Corporation****Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 605,449	485,191
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation	256,996	218,182
Amortization	2,927	3,240
Expected credit losses (gains)	(3,000)	3,000
Net gain on financial instruments at fair value through profit or loss	(5,333)	(1,052)
Interest expense	7,154	5,122
Interest income	(14,758)	(6,815)
Gain on disposal of property, plant and equipment	(285)	-
Provisions for inventory obsolescence and devaluation loss	15,121	16,999
Others	2,322	555
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(20,887)	102,688
Accounts receivable due from related parties	(31,777)	202,293
Inventories	11,025	(25,103)
Other current assets	(4,063)	11,277
Other financial assets—current	(31,470)	(21,244)
Financial assets measured at amortized cost—current	127	(159)
Accounts payable	(56,527)	(121,594)
Accounts payable to related parties	603	(6,397)
Other current liabilities	62,712	(43,753)
Cash generated from operations	796,336	822,430
Interest received	14,471	6,686
Interest paid	(7,133)	(5,020)
Income taxes paid	(77,138)	(91,722)
<b>Net cash provided by operating activities</b>	<u>726,536</u>	<u>732,374</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at amortized cost – current	(108,595)	(110,250)
Disposal of financial assets at amortized cost – noncurrent	1,550	-
Disposal of subsidiary	124	-
Acquisition of property, plant and equipment	(217,542)	(228,969)
Disposal of property, plant and equipment	346	-
Decrease (increase) in refundable deposits	(2,400)	1
Acquisition of intangible assets	(2,605)	(2,762)
Decrease (increase) in other noncurrent assets	478	(185)
<b>Net cash used in investing activities</b>	<u>(328,644)</u>	<u>(342,165)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	195,000	120,000
Repayments of short-term borrowings	(195,000)	(120,000)
Proceeds from long-term borrowings	60,000	181,500
Repayments of long-term borrowings	(77,405)	(22,703)
Decrease in guarantee deposits received	-	(132)
Repayment of the principal portion of lease liabilities	(8,490)	(8,366)
Cash dividends paid	(338,963)	(544,394)
<b>Net cash used in financing activities</b>	<u>(364,858)</u>	<u>(394,095)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	33,034	(3,886)
<b>Cash and cash equivalents at beginning of period</b>	210,769	214,655
<b>Cash and cash equivalents at end of period</b>	<u>\$ 243,803</u>	<u>210,769</u>

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

**Daxin Materials Corporation**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

Daxin Materials Corporation ( “the Company” ) was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The address of its registered office and principal place of business is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company’ s common shares were listed and traded on the Taipei Exchange ( “TPEX” ) since May 12, 2011; officially listed on Taiwan Stock Exchange ( “TWSE” ) since July 16, 2011, and delisted from the TPEX at the same date.

The Company is mainly engaged in the research, development, production, and sale of display and semiconductor related fine chemicals.

**2. The authorization of the financial statements**

These parent-company-only financial statements were approved and authorized for issue by the Board of Directors on February 27, 2024.

**3. Application of new standards, amendments and interpretations**

- (1) Impact of adoption of International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” )

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its parent-company-only parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (2) Impact of the IFRSs endorsed by the FSC but not yet in effect

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”

- Amendments to IAS 1 “Noncurrent Liabilities with Covenants”
  - Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
  - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (3) The IFRSs issued by International Accounting Standards Board ( “IASB” ) but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

#### 4. Summary of significant accounting policies

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(1) 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.

(2) Basis of preparation

A. Basis of measurement

Except for financial assets at fair value through profit or loss are measured at fair value, the parent-company-only financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars ( “NTD” ), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.



(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(4) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

- A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period;
- D. Cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period;
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

All financial assets not classified as measured at amortized cost mentioned above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend or interest income, are recognized in profit or loss.

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ( “ECL” ) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, guarantee deposits paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses over the expected life of financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amount due.

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity, or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

## (e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

## (7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## (8) Investments in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transactions.

## (9) Property, plant and equipment

## A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

## B. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

## C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- (a) Buildings and improvements: 5~25 years
- (b) Machinery and equipment: 5 years
- (c) R&D equipment: 5 years
- (d) Office and other equipment: 3~5 years

Buildings constitute mainly building, mechanical and electrical power equipment, and air-conditioning system and fire protection engineering, etc. Each such part is depreciated based on its useful life of 25 years, 10 years, and 10 years, correspondingly.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## (10) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- A. Fixed payments, including in substance fixed payments;
- B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. Amounts expected to be payable under a residual value guarantee; and
- D. Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- A. There is a change in future lease payments arising from the change in an index or a rate; or
- B. There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- C. There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- D. There is a change of its assessment on whether it will exercise an extension or termination option; or
- E. There are any lease modifications.

When the lease liability is remeasured, other than lease modifications a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right of use assets and lease liabilities for short-term leases of dormitory, office, and transportation equipment that have a lease term of 12 months or less, and low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



(11) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ( "CGUs" ).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

A. Sale of goods

The Company engages mainly in the research, development, production, design, and sales of display and semiconductor related fine chemicals. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

B. Government grants

When the Company has reasonable assurance that they will comply with the conditions attaching to the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recognized in profit and loss on a systematic basis in the periods in which they are incurred.

C. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

## B. Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which the employees service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## (15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

## (16) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to the shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee stock option and employee remuneration that has not been resolved by the shareholders' meeting and could be issued in the form of stock.

## (17) Operating segment

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

**5. Critical accounting judgments and key sources of estimation and uncertainty**

In preparing the parent-company-only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the significant effect on the amounts recognized in the parent-company-only financial statements is valuation of inventories. Inventories are measured at the lower of cost or net realizable value. The product/technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

**6. Description of significant accounts**

## (1) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand, demand deposits	<b><u>\$ 243,803</u></b>	<b><u>210,769</u></b>

Please refer to Note 6(20) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Company.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Financial assets mandatorily measured at FVTPL:</b>		
Forward exchange contracts	<u>\$ 7,800</u>	<u>2,738</u>
<b>Financial liabilities mandatorily measured at FVTPL:</b>		
Forward exchange contracts	<u>\$ -</u>	<u>271</u>

The Company uses derivative instruments to hedge certain currency risk arising from the Company's operating activities. The Company held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss and held for trading financial liabilities.

As of December 31, 2023 and 2022, the Company's outstanding foreign currency forward contracts were as follows:

<u>December 31, 2023</u>				
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Book value</u>
<b>Derivative financial assets:</b>				
Forward exchange contracts sold \$	7,633	USD to NTD	January 2024 ~ March 2024	<u>\$ 7,800</u>
<u>December 31, 2022</u>				
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Book value</u>
<b>Derivative financial assets:</b>				
Forward exchange contracts sold \$	4,559	USD to NTD	January 2023 ~ March 2023	<u>\$ 2,738</u>
<b>Derivative financial liabilities:</b>				
Forward exchange contracts sold \$	3,037	USD to NTD	March 2023 ~ April 2023	<u>\$ (271)</u>

## (3) Financial assets measured at amortized cost – current and noncurrent

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time Deposits	\$ 1,168,795	1,061,750
Others	633	473
Less: Loss allowance	-	-
	<u>\$ 1,169,428</u>	<u>1,062,223</u>
Current	<u>\$ 1,160,628</u>	<u>1,051,873</u>
Noncurrent	<u>\$ 8,800</u>	<u>10,350</u>

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- A. As of December 31, 2023 and 2022, time deposits held by the Company with annual interest rates ranging from 1.25% to 3.45% and 0.22% to 1.55%, respectively; and will be matured during Feb 1, 2024~ Dec 1, 2024 and Jan 12, 2023~ Dec 1, 2023.
- B. For the disclosure of credit risk, please refer to note 6(20).
- C. For details of the financial assets mentioned above as performance guarantee and collateral, please refer to note 8.

(4) Accounts receivable, net (including related parties)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 1,100,289	1,047,625
Less: Loss allowance	<u>(31,000)</u>	<u>(34,000)</u>
	<b><u>\$ 1,069,289</u></b>	<b><u>1,013,625</u></b>

The Company applied the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on credit risk characteristics and insurance coverage, as well as incorporated forward looking information.

The loss allowance provisions were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross amount of accounts receivable</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 1,096,753	2%~5%	30,823
1 to 30 days past due	<u>3,536</u>	2%~5%	<u>177</u>
	<b><u>\$ 1,100,289</u></b>		<b><u>31,000</u></b>
	<u>December 31, 2022</u>		
	<u>Gross amount of accounts receivable</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 1,011,802	2%~5%	32,937
1 to 30 days past due	33,374	2%~5%	849
31 to 60 days past due	1,829	2%~5%	90
61 to 90 days past due	<u>620</u>	5%~20%	<u>124</u>
	<b><u>\$ 1,047,625</u></b>		<b><u>34,000</u></b>

The movements of the loss allowance for accounts receivable was as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 34,000	31,107
Loss allowance	-	3,000
Allowance reversal	(3,000)	-
Amounts written off	-	(107)
Balance at December 31	<u>\$ 31,000</u>	<u>34,000</u>

Except for those that have been individually identified for impairment losses, the Company has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Loss allowance for accounts receivable is used to record the bad debt losses. However, if the Company is convinced that the relevant receivable may not be recoverable, the loss allowance and financial assets shall be offset directly when it believes that it cannot be recovered.

None of the Company's accounts receivable mentioned above was pledged as collateral.

The Company entered into a non-recourse factoring agreement with the financial institution to sell its accounts receivable. Under the agreement, except those necessary agreed expenses, the Company is not required to bear the default risk of the transferred accounts receivable. The Company's accounts receivables, which were sold, as well as derecognized, and have been transferred to other receivables (recognized as other financial assets – current), were as follows:

(Unit: USD in Thousands)

<u>December 31, 2023</u>					
<u>Underwriting bank</u>	<u>Factoring limit</u>	<u>Amount sold and derecognized</u>	<u>Amount advanced</u>	<u>Range of handling fees rate (%)</u>	<u>Principal terms</u>
Taipei Fubon Commercial Bank	USD 3,000	USD 1,717	-	0.3%	Notes 1~3

<u>December 31, 2022</u>					
<u>Underwriting bank</u>	<u>Factoring limit</u>	<u>Amount sold and derecognized</u>	<u>Amount advanced</u>	<u>Range of handling fees rate (%)</u>	<u>Principal terms</u>
Taipei Fubon Commercial Bank	USD 3,000	USD 690	-	0.3%	Notes 1~3

Note 1: The above amount has been reclassified to other receivables. Under the facility, the Company transferred its accounts receivable to the underwriting bank, without recourse and subject to underwriting consent.

Note 2: Risks of non-collection or potential payment default by customers in the event of insolvency are borne by the bank. The Company is not responsible for the collection of receivables and subject to the facility, or for any legal proceedings and costs thereof in collecting these receivables.

Note 3: The Company informed its customers to make payment directly to the Company's reserve account with the underwriting bank.

As of December 31, 2023 and 2022, the total outstanding receivables, after deducting the net of fees charged by the underwriting bank, amounted to \$52,714 thousand and \$21,244 thousand respectively, recognized as other financial assets – current.

(5) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials and supplies	\$ 171,303	179,122
Work in progress and semi-finished products	77,283	64,219
Finished goods and merchandise	<u>89,599</u>	<u>120,990</u>
	<b><u>\$ 338,185</u></b>	<b><u>364,331</u></b>

The net of provisions for inventories written down to the net realizable value, which were included in operating cost, amounted to \$15,121 thousand and \$16,999 thousand for the years ended December 31, 2023 and 2022, respectively.

The amounts recognized in cost of sales in relation to gain on physical inventory were \$21 thousand and \$8 thousand for the years ended December 31, 2023 and 2022, respectively.

None of the Company's inventories mentioned above was pledged as collateral.

(6) Investments accounted for using equity method

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiary	<u>\$ -</u>	<u>137</u>

A. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2023 and 2022.

B. Guarantee

None of the Company's investments accounted for using the equity method mentioned above was pledged as collateral.



## (7) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>R&amp;D equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 2,106,003	788,571	289,185	151,266	74,199	3,409,224
Additions	14,657	127,529	16,546	10,501	13,724	182,957
Disposals	-	(4,941)	(59)	(4,281)	-	(9,281)
Reclassification	<u>34,965</u>	<u>25,640</u>	<u>2,517</u>	<u>2,052</u>	<u>(66,173)</u>	<u>(999)</u>
Balance at December 31, 2023	<u>\$ 2,155,625</u>	<u>936,799</u>	<u>308,189</u>	<u>159,538</u>	<u>21,750</u>	<u>3,581,901</u>
Balance at January 1, 2022	\$ 1,688,993	701,805	266,902	130,177	390,656	3,178,533
Additions	60,677	85,007	17,971	15,421	65,700	244,776
Disposals	(3,423)	(9,485)	(622)	-	-	(13,530)
Reclassification	<u>359,756</u>	<u>11,244</u>	<u>4,934</u>	<u>5,668</u>	<u>(382,157)</u>	<u>(555)</u>
Balance at December 31, 2022	<u>\$ 2,106,003</u>	<u>788,571</u>	<u>289,185</u>	<u>151,266</u>	<u>74,199</u>	<u>3,409,224</u>
Accumulated depreciation:						
Balance at January 1, 2023	\$ 890,422	565,476	226,107	116,905	-	1,798,910
Depreciation	119,574	93,669	21,635	12,686	-	247,564
Disposals	<u>-</u>	<u>(4,880)</u>	<u>(59)</u>	<u>(4,281)</u>	<u>-</u>	<u>(9,220)</u>
Balance at December 31, 2023	<u>\$ 1,009,996</u>	<u>654,265</u>	<u>247,683</u>	<u>125,310</u>	<u>-</u>	<u>2,037,254</u>
Balance at January 1, 2022	\$ 800,021	495,683	205,686	102,301	-	1,603,691
Depreciation	93,824	79,278	21,043	14,604	-	208,749
Disposals	<u>(3,423)</u>	<u>(9,485)</u>	<u>(622)</u>	<u>-</u>	<u>-</u>	<u>(13,530)</u>
Balance at December 31, 2022	<u>\$ 890,422</u>	<u>565,476</u>	<u>226,107</u>	<u>116,905</u>	<u>-</u>	<u>1,798,910</u>
Carrying amounts:						
Balance at December 31, 2023	<u>\$ 1,145,629</u>	<u>282,534</u>	<u>60,506</u>	<u>34,228</u>	<u>21,750</u>	<u>1,544,647</u>
Balance at January 1, 2022	<u>\$ 888,972</u>	<u>206,122</u>	<u>61,216</u>	<u>27,876</u>	<u>390,656</u>	<u>1,574,842</u>
Balance at December 31, 2022	<u>\$ 1,215,581</u>	<u>223,095</u>	<u>63,078</u>	<u>34,361</u>	<u>74,199</u>	<u>1,610,314</u>

## A. Collateral

None of the Company's property, plant and equipment mentioned above was pledged as collateral.

## B. Construction in progress and equipment awaiting inspection

The Company has carried out equipment augmentation in headquarters and Chungkang branch, and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to \$563 thousand and \$35,476 thousand, respectively, as of December 31, 2023 and 2022.

## (8) Right-of-use assets

	<u>Land</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
Balance at December 31, 2023 (as balance at January 1, 2023)	<u>\$ 209,180</u>	<u>704</u>	<u>209,884</u>
Balance at January 1, 2022	207,493	780	208,273
Additions	1,687	704	2,391
Decrease	-	(780)	(780)
Balance at December 31, 2022	<u>\$ 209,180</u>	<u>704</u>	<u>209,884</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 36,620	156	36,776
Depreciation	9,198	234	9,432
Balance at December 31, 2023	<u>\$ 45,818</u>	<u>390</u>	<u>46,208</u>
Balance at January 1, 2022	\$ 27,421	702	28,123
Depreciation	9,199	234	9,433
Decrease	-	(780)	(780)
Balance at December 31, 2022	<u>\$ 36,620</u>	<u>156</u>	<u>36,776</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 163,362</u>	<u>314</u>	<u>163,676</u>
Balance at January 1, 2022	<u>\$ 180,072</u>	<u>78</u>	<u>180,150</u>
Balance at December 31, 2022	<u>\$ 172,560</u>	<u>548</u>	<u>173,108</u>

## (9) Intangible assets

	<b>Computer software</b>
Cost:	
Balance at January 1, 2023	\$ 23,759
Additions	<u>2,605</u>
Balance at December 31, 2023	<b><u>\$ 26,364</u></b>
Balance at January 1, 2022	23,279
Additions	2,762
Decrease	<u>(2,282)</u>
Balance at December 31, 2022	<b><u>\$ 23,759</u></b>
Accumulated amortization:	
Balance at January 1, 2023	21,445
Amortization	<u>2,927</u>
Balance at December 31, 2023	<b><u>\$ 24,372</u></b>
Balance at January 1, 2022	20,487
Amortization	3,240
Decrease	<u>(2,282)</u>
Balance at December 31, 2022	<b><u>\$ 21,445</u></b>
Carrying amounts:	
Balance at December 31, 2023	<b><u>\$ 1,992</u></b>
Balance at January 1, 2022	<b><u>\$ 2,792</u></b>
Balance at December 31, 2022	<b><u>\$ 2,314</u></b>

None of the Company's intangible assets mentioned above was pledged as collateral.

## (10) Short-term borrowings

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unused credit lines	<b><u>\$ 637,410</u></b>	<b><u>614,074</u></b>

Please refer to note 6(23) for information of drawdown and repayment of short-term borrowings, and note 6(19) for information of interest expenses for the years ended December 31, 2023 and 2022.

## (11) Long-term borrowings

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 354,892	372,297
Less: Current portion	<u>(95,999)</u>	<u>(98,942)</u>
Total	<b><u>\$ 258,893</u></b>	<b><u>273,355</u></b>
Unused credit lines	<b><u>\$ 585,000</u></b>	<b><u>645,000</u></b>
Range of interest rates	<b><u>1.25%</u></b>	<b><u>1.125%</u></b>

Please refer to note 6(23) for information of drawdown and repayment of long-term borrowings, and note 6(19) for information of interest expenses for the years ended December 31, 2023 and 2022.

## (12) Lease liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amounts:		
Current	<b><u>\$ 8,617</u></b>	<b><u>8,489</u></b>
Noncurrent	<b><u>\$ 160,954</u></b>	<b><u>169,572</u></b>

The Company repaid \$8,490 thousand and \$8,366 thousand for the principal of lease liabilities for the years ended December 31, 2023 and 2022.

	<b>2023</b>	<b>2022</b>
Items that affected current profit or loss:		
Interest expenses relating to lease liabilities	<b><u>\$ 2,613</u></b>	<b><u>2,735</u></b>
Expenses relating to short-term leases	<b><u>\$ 3,639</u></b>	<b><u>3,961</u></b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b><u>\$ 338</u></b>	<b><u>294</u></b>

The amounts recognized in the statement of cash flows were as follows:

	<b>2023</b>	<b>2022</b>
Total cash outflows for leases	<b><u>\$ 15,139</u></b>	<b><u>15,401</u></b>

## A. Land leases

The Company leases lands for its facility and office space. The leases typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs periodically in each park will be adjusted after being assessed.

B. Other leases

The Company leases the machinery and equipment with lease terms of 3 years.

In addition, the Company has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value assets.

(13) Employee benefits – Defined contribution plans

The Company contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligations to pay addition amounts after contributing to the Bureau of Labor Insurance.

The Company's pension costs incurred from contributions to the defined contribution plan were \$19,544 thousand and \$18,106 thousand for the years ended December 31, 2023 and 2022, respectively.

(14) Income tax

A. The components of income tax expenses were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 89,162	73,896
Adjustment to prior years	(1,809)	(10,491)
	<u>87,353</u>	<u>63,405</u>
Deferred tax benefit		
Temporary differences	(5,258)	(4,334)
Income tax expense	<u>\$ 82,095</u>	<u>59,071</u>

Reconciliations of income tax expense and profit before income tax were as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 605,449	485,191
Income tax expense at statutory tax rate	121,090	97,038
Tax effect of permanent differences	(669)	1,229
Investment tax credits	(38,212)	(31,670)
Additional tax on undistributed earnings, net	2,227	3,398
Others	(2,341)	(10,924)
Income tax expense	<u>\$ 82,095</u>	<u>59,071</u>

## B. Deferred tax assets

## (a) Unrecognized deferred tax assets

	<b>2023</b>	<b>2022</b>
Investment tax credits	<u>\$ 8,605</u>	<u>23,207</u>

The Company did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to “Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures” for the year of 2023 and 2022.

## (b) Movement of deferred tax assets

	<b>January 1, 2022</b>	<b>Recognized in profit or loss</b>	<b>December 31, 2022</b>	<b>Recognized in profit or loss</b>	<b>December 31, 2023</b>
Loss allowance for accounts receivable	\$ 3,516	(1,189)	4,705	705	4,000
Allowance for inventory valuation	1,539	(432)	1,971	50	1,921
Other temporary differences	<u>3,423</u>	<u>(2,713)</u>	<u>6,136</u>	<u>(6,013)</u>	<u>12,149</u>
	<u>\$ 8,478</u>	<u>(4,334)</u>	<u>12,812</u>	<u>(5,258)</u>	<u>18,070</u>

C. The Company’s income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

## (15) Capital and other equity

As of December 31, 2023 and 2022, the authorized common stock of the Company amounted to \$1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of \$10 per share, of which \$100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to \$102,716 thousand.

## A. Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Additional paid in capital	\$ 29,826	29,826
Employee stock options	10,666	10,666
Compensation cost arising from seasoned equity offering reserved for employees’ purchase	<u>1,322</u>	<u>1,322</u>
	<u>\$ 41,814</u>	<u>41,814</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital. Capital surplus derived from the issuance of share of stock in excess of par value could not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

#### B. Retained earnings

According to the Company’s Articles of Incorporation, if the Company has a profit at the end of each fiscal year, the profit shall be used for paying tax, offsetting the accumulated losses, and setting aside 10% of the remaining earnings as legal reserve unless and until the accumulated legal reserve has reached the amount of the paid in capital of the Company; then any remainder shall be appropriated as, or used to reverse the special reserve in accordance with the Company’s operation or relevant laws and regulations. The balance (if any), together with the accumulated unappropriated retained earnings, can be distributed after the distribution plan proposed and approved. Dividend distribution can be distributed in whole or in part. If the dividend is distributed the form of shares, it has to be approved during the shareholders’ meeting; and if it is in the form of cash, it shall first be approved by the Board, and reported during the shareholders’ meeting thereafter.

The Company adopts the residual dividend policy, by considering factors such as the Company’s current and future investment environment, cash requirements, domestic and overseas competitive conditions, capital budget, etc., while taking into account the shareholders’ interests, maintenance of a balance dividend and the Company’s long term financial plan. When the dividends are distributed, at least 30% of the current year’s retained earnings available for distribution of the current year shall be appropriated as dividends, which may be distributed by way of cash, at a minimum of 10% of total earnings, and/or stock.

##### (a) Legal reserve

When the Company incurs no accumulated losses, the Company may distribute the portion of legal reserve which exceeds 25% of the Company’s paid-in capital and the capital reserves permitted for distribution under the Company Act, in whole or in part, in the form of cash, to the shareholders in proportion to their shareholdings, after being approved during the Board meeting and reported at the shareholders’ meeting thereafter.

##### (b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equals to the total amount of items that are accounted for as deductions from shareholders’ equity shall be set aside from the current and prior years’ unappropriated earnings. This special reserve shall be reversed to retained earnings and be made available for distribution when the items that are accounted for as deduction from shareholders’ equity are reversed in subsequent periods.

## C. Earnings distribution

The Company's appropriation of earnings for 2022 by way of cash dividends has been approved in the Board of Directors' meeting held on February 22, 2023. The appropriation of 2022 earnings by other ways has been approved in the annual shareholders' meeting held on June 15, 2023. Details of distribution were as follows:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 42,612	
Special reserve	7	
Cash dividends to shareholders	<u>338,963</u>	3.3
	<u><b>\$ 381,582</b></u>	

The aforementioned appropriation of earnings for 2022 was consistent with the resolutions of the Board of Directors' meeting held on February 22, 2023.

The Company's appropriation of earnings for 2021 has been approved in the annual shareholders' meeting held on June 15, 2022. Details of distribution were as follows:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 68,041	
Special reserve	18	
Cash dividends to shareholders	<u>544,394</u>	5.3
	<u><b>\$ 612,453</b></u>	

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on February 23, 2022.

The Company's appropriation of earnings for 2023 by way of cash dividends, which has a par value of \$4.1 per share, had been approved by the Board of Directors' meeting held on February 27, 2024.

Information for the Company's appropriation of earnings is available at the Market Observation Post System website.

## D. Other equity — exchange differences on translation of foreign financial statements

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (1,310)	(1,304)
Net change	<u>1,310</u>	<u>(6)</u>
Balance at December 31	<u><b>\$ -</b></u>	<u><b>(1,310)</b></u>



## (16) Earnings per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
Net income attributable to the shareholders of the Company	<u>\$ 523,354</u>	<u>426,120</u>
Weighted average number of common shares outstanding (in thousands of shares)	<u>102,716</u>	<u>102,716</u>
Basic earnings per share (in NTD)	<u>\$ 5.10</u>	<u>4.15</u>
Diluted earnings per share:		
Net income attributable to the shareholders of the Company	<u>\$ 523,354</u>	<u>426,120</u>
Weighted average number of common shares outstanding (basic) (in thousands of shares)	102,716	102,716
Dilutive potential common shares employee remuneration in stock (in thousands of shares)	<u>575</u>	<u>690</u>
Weighted average number of common shares outstanding (diluted) (in thousands of shares)	<u>103,291</u>	<u>103,406</u>
Diluted earnings per share (in NTD)	<u>\$ 5.07</u>	<u>4.12</u>

## (17) Operating revenue

## A. Disaggregation of revenue from contracts with customers

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 2,419,439	2,258,151
China	1,777,902	1,566,756
Japan	49,850	58,826
Other areas	<u>16,930</u>	<u>5,503</u>
	<u>\$ 4,264,121</u>	<u>3,889,236</u>
Major product categories:		
Display materials	\$ 3,967,875	3,675,292
Semiconductor materials and key raw materials	<u>296,246</u>	<u>213,944</u>
	<u>\$ 4,264,121</u>	<u>3,889,236</u>

## B. Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities (recognized in other current liabilities)	<u>\$ -</u>	<u>9,890</u>	<u>12,045</u>

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2023 and 2022, which was included in the contract liability balance at the beginning of the period, was \$9,890 thousand and \$12,045 thousand, respectively.

(18) Remuneration to employees and directors

According to the Company's Articles of Incorporation, if the Company has a profit (profit before income tax, excluding remuneration to employees and directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining balance in accordance with the ratio as follows:

- A. No less than 3% as employees' remuneration.
- B. No more than 1% as directors' remuneration.

Employee remuneration may be distributed in the form of shares or cash, to qualified full-time employees, including those of the subsidiaries of the Company.

The Company accrued and recognized employees' remuneration amounting to \$49,492 thousand and \$39,661 thousand and directors' remuneration amounting to \$4,949 thousand and \$3,966 thousand (excluding the fixed directors' remuneration amounting to \$11,558 thousand and \$12,000 thousand, respectively) for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated using the Company's profit before income tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The aforementioned amounts accrued in the 2023 and 2022 financial statements were consistent with those approved in the Board of Directors' meetings. The relevant information is available at the Market Observation Post System website.

(19) Non-operating income and expenses

- A. Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign exchange gains, net	\$ 4,198	56,405
Gains on disposals of property, plant and equipment	285	-
Losses on financial assets (liabilities) measured at fair value through profit or loss, net	(16,909)	(28,946)
Government grants	13	17,072
Others	(530)	927
	<u>\$ (12,943)</u>	<u>45,458</u>

## B. Interest income

	<u>2023</u>	<u>2022</u>
Interest income on bank deposits	<u>\$ 14,758</u>	<u>6,815</u>

## C. Interest expense

	<u>2023</u>	<u>2022</u>
Interest expense on bank loans	\$ 4,541	2,387
Interest expense on lease liabilities	<u>2,613</u>	<u>2,735</u>
	<u>\$ 7,154</u>	<u>5,122</u>

## (20) Financial instruments

## A. Credit risk

## (a) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a counterparty of a financial instrument transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

## (b) Concentration of credit risk

As of December 31, 2023 and 2022, the Company's accounts receivable (including related parties) from the top 4 customers were 80% and 81%, respectively. There is no other significant concentration of credit risk from the remaining accounts receivable.

## (c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost, including time deposits, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(6) regarding how the Company determines whether the financial instruments are considered to be low credit risk).

## B. Liquidity risk

The followings, except for accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment are the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years or more</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 169,571	(193,387)	(5,551)	(5,551)	(10,942)	(32,586)	(138,757)
Long-term borrowings (including current portion)	<u>354,892</u>	<u>(363,277)</u>	<u>(50,092)</u>	<u>(49,793)</u>	<u>(98,685)</u>	<u>(164,707)</u>	<u>-</u>
	<b>\$ 524,463</b>	<b>(556,664)</b>	<b>(55,643)</b>	<b>(55,344)</b>	<b>(109,627)</b>	<b>(197,293)</b>	<b>(138,757)</b>
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 178,061	(204,489)	(5,551)	(5,551)	(11,102)	(32,666)	(149,619)
Long term borrowings (including current portion)	372,297	(378,838)	(36,069)	(66,667)	(162,856)	(113,246)	-
Derivative financial liabilities							
Forward exchange contracts:							
Inflows	-	92,283	92,283	-	-	-	-
Outflows	<u>271</u>	<u>(92,554)</u>	<u>(92,554)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>\$ 550,629</b>	<b>(583,598)</b>	<b>(41,891)</b>	<b>(72,218)</b>	<b>(173,958)</b>	<b>(145,912)</b>	<b>(149,619)</b>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

### C. Currency risk

#### (a) Exposure to foreign currency risk

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 16,460	30.705	505,412	13,921	30.725	427,728
JPY	48,462	0.2182	10,574	64,204	0.2297	14,748
<u>Non-monetary Items</u>						
USD	7,633	30.705	Note	4,559	30.725	Note
JPY	-	-	-	594	0.2297	137
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	194	30.705	5,959	572	30.725	17,584
JPY	9,715	0.2182	2,120	23,535	0.2297	5,406
<u>Non-monetary Items</u>						
USD	-	-	Note	3,037	30.725	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

## (b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2023 and 2022, an appreciating (depreciating) of 0.1% of the NTD against the USD and JPY would have increased or decreased the profit before income tax by \$508 thousand and \$420 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

## (c) Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains for the years ended December 31, 2023 and 2022 were \$4,198 thousand and \$56,405 thousand, respectively.

## D. Interest rate risk

The following sensitivity analysis is based on the exposure to the interest rate risk of bank loans on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.1%, the Company's profit before income tax would have increased or decreased by \$355 thousand and \$372 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant.

## E. Fair value of financial instruments

## (a) Categories of financial instruments and fair value

The Company strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date.

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets measured at fair value through profit or loss – current – derivative financial assets</b>	<b>\$ 7,800</b>	-	<b>7,800</b>	-	<b>7,800</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 243,803	-	-	-	-
Financial assets measured at amortized cost – current	1,160,628	-	-	-	-
Accounts receivable (including related parties)	1,069,289	-	-	-	-
Other financial assets – current	52,714	-	-	-	-
Financial assets measured at amortized cost – noncurrent	8,800	-	-	-	-
Guarantee deposits paid	2,577	-	-	-	-
	<b>\$ 2,537,811</b>	-	-	-	-
<b>Financial liabilities</b>					
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable (including related parties)	\$ 419,628	-	-	-	-
Payroll and bonus payable	299,437	-	-	-	-
Payable on machinery and equipment	36,930	-	-	-	-
Long-term borrowings (including current portion)	354,892	-	-	-	-
Lease liabilities – current and noncurrent	169,571	-	-	-	-
	<b>\$ 1,280,458</b>	-	-	-	-

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>Financial assets measured at fair value through profit or loss — current — derivative financial assets</b>	<b>\$ 2,738</b>	<b>-</b>	<b>2,738</b>	<b>-</b>	<b>2,738</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 210,769	-	-	-	-
Financial assets measured at amortized cost — current	1,051,873	-	-	-	-
Accounts receivable (including related parties)	1,013,625	-	-	-	-
Other financial assets — current	21,244	-	-	-	-
Financial assets measured at amortized cost — noncurrent	10,350	-	-	-	-
Guarantee deposits paid	177	-	-	-	-
	<b>\$ 2,308,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
<b>Financial liabilities measured at fair value through profit or loss — current — derivative financial liabilities</b>	<b>\$ 271</b>	<b>-</b>	<b>271</b>	<b>-</b>	<b>271</b>
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable (including related parties)	\$ 475,552	-	-	-	-
Payroll and bonus payable	249,179	-	-	-	-
Payable on machinery and equipment	71,515	-	-	-	-
Long-term borrowings (including current portion)	372,297	-	-	-	-
Lease liabilities — current and noncurrent	178,061	-	-	-	-
	<b>\$ 1,346,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## (b) Valuation technique for financial instruments not measured at fair value

The Company estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

- (c) Valuation technique of financial instruments measured at fair value—derivative financial instruments

Forward exchange contracts are typically evaluated based on the exchange rates provided by the counterparty banks.

- (d) Transfer of fair value level

There is no transfer between the levels for the years ended December 31, 2023 and 2022.

## (21) Financial risk management

### A. Overview

The Company has exposures to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

In order to reduce and manage related financial risks, the Company is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Company's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent-company-only parent-company-only financial statements.

### B. Structure of risk management

The Company's major financial activities are reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Company must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### C. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.



(a) Operation-related credit risk

The Company has established a credit policy under which each customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment of individual customer is based on a number of factors that may affect the customer's ability to make payments, including the customer's financial condition, ratings by credit rating agencies, the Company's internal credit ratings, historical transaction records, and current economic situations. The Company also utilizes certain credit enhancement tools, such as advance receipts and credit insurance, when appropriate, to reduce the credit risk of specific customers.

(b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Company believes that does not have performance capability issues and no significant credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(20).

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Board of Directors and the Audit Committee's guide.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Company. These transactions are primarily denominated in NTD, USD, and JPY.

In respect of net positions of accounts receivable and payable denominated in foreign currencies, the Company undertakes forward exchange contracts appropriately. If necessary, the Company can rollover forward exchange contracts when contracts are mature.

(b) Interest rate risk

Please refer to note 6(20).

## (22) Capital management

The Company's capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Company's capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2023 and 2022 were 32% and 34% respectively. There were no changes in the Company's approach to capital management as of December 31, 2023.

## (23) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow were as follows:

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities (current and noncurrent)</u>	<u>Liabilities arising from financing activities</u>	
Balance at January 1, 2023	\$ -	372,297	178,061	550,358	
Cash flow					
Proceeds from borrowings	195,000	60,000	-	255,000	
Repayments of borrowings	(195,000)	(77,405)	-	(272,405)	
Payment of lease liabilities	-	-	(8,490)	(8,490)	
Interest paid	-	-	(2,613)	Note	
Non-cash changes					
Interest expenses	-	-	2,613	Note	
Balance at December 31, 2023	<b>\$ -</b>	<b>354,892</b>	<b>169,571</b>	<b>524,463</b>	
	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities (current and noncurrent)</u>	<u>Guarantee deposits received</u>	<u>Liabilities arising from financing activities</u>
Balance at January 1, 2022	\$ -	213,500	184,036	132	397,668
Cash flow					
Proceeds from borrowings	120,000	181,500	-	-	301,500
Repayments of borrowings	(120,000)	(22,703)	-	-	(142,703)
Payment of lease liabilities	-	-	(8,366)	-	(8,366)
Interest paid	-	-	(2,735)	-	Note
Guarantee deposits refunded	-	-	-	(132)	(132)
Non-cash changes					
Interest expenses	-	-	2,735	-	Note
Additions of right-of-use assets	-	-	2,391	-	2,391
Balance at December 31, 2022	<b>\$ -</b>	<b>372,297</b>	<b>178,061</b>	<b>-</b>	<b>550,358</b>

Note: It was categorized as operating activities.

## 7. Related party transactions

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Eternal Materials Co., Ltd. ( “Eternal” )	The entity with significant influence over the Company
AUO Corporation ( “AUO” )	The entity with significant influence over the Company
AUO Crystal Corp. ( “ACTW” )	AUO’ s Subsidiary
AUO (Suzhou) Co., Ltd. ( “AUOSZ” )	AUO’ s Subsidiary
AUO (Xiamen) Co., Ltd. ( “AUOXM” )	AUO’ s Subsidiary
AUO (Kunshan) Co., Ltd. ( “AUOKS” )	AUO’ s Subsidiary
Board members, general manager, and vice presidents	The management of the Company

### (2) Compensation to key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 79,884	77,070
Post-employment benefits	9,324	324
	<u>\$ 89,208</u>	<u>77,394</u>

### (3) Significant transactions with related parties

#### A. Operating revenue

The amounts of operating revenue and the outstanding balance of accounts receivable between the Company and related parties were as follows:

	<u>Operating revenue</u>		<u>Accounts receivable from related parties</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The entity with significant influence over the Company— AUO	\$ 2,029,711	1,886,226	693,709	661,414
Other related parties	15,122	23,991	4,596	5,114
	<u>\$ 2,044,833</u>	<u>1,910,217</u>	<u>698,305</u>	<u>666,528</u>

For the years ended December 31, 2023 and 2022, the credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Company did not implement collateral requirements for receivables from related parties, and did not reserve the loss allowance for related parties’ receivables after appraisal.

## B. Purchase and process outsourcing

The amounts of purchases and process outsourcing, and the outstanding balance of accounts payable to related parties were as follows:

	<b>Purchase and process outsourcing</b>		<b>Accounts payable to related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The entity with significant influence over the Company	<u>\$ 48,118</u>	<u>53,579</u>	<u>12,098</u>	<u>11,618</u>

For the years ended December 31, 2023 and 2022, the payment terms to related parties were both 90 days from the end of the month while those to third parties were prepayment to 120 days from the end of the month. The Company did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to third parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be benchmarked.

## C. Transactions of property, plant and equipment

The disposal of property, plant and equipment to related parties were summarized as follows:

	<b>Disposal prices</b>		<b>Accounts receivable from related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other related parties	<u>\$ 317</u>	<u>-</u>	<u>-</u>	<u>-</u>

The acquisition of property, plant and equipment to related parties were summarized as follows:

	<b>Acquisition prices</b>		<b>Accounts payable to related parties</b>	
	<b>2023</b>	<b>2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The entity with significant influence over the Company	\$ 1,396	-	-	-
Other related parties	-	308	-	-
	<u>\$ 1,396</u>	<u>308</u>	<u>-</u>	<u>-</u>

## D. Others

The amounts of rental fees and other expenses, and the outstanding balance of other payable due to related parties were as follows:

	Amount		Accounts payable to related parties	
	2023	2022	December 31, 2023	December 31, 2022
The entity with significant influence over the Company	\$ 1,319	1,346	235	112
Other related parties	12	12	-	-
	<b>\$ 1,331</b>	<b>1,358</b>	<b>235</b>	<b>112</b>

## 8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Time deposits (recognized in financial assets measured at amortized cost – noncurrent)	Guarantee for the lease contract with the Central Taiwan Science Park Bureau	\$ 6,200	6,200
Time deposits (recognized in financial assets measured at amortized cost – noncurrent)	Guarantee for the lease and investment with the Chungkang Branch Export Processing Zone Administration MOEA	2,600	4,150
		<b>\$ 8,800</b>	<b>10,350</b>

## 9. Significant contingent liabilities and unrecognized commitments

The significant commitments and contingencies of the Company as of December 31, 2023 and 2022 were as follows:

- (1) A guarantee letter for import tariffs and VAT which the Company requested a bank to issue to the Taipei Customs Administration, Ministry of Finance amounting to both \$4,000 thousand.
- (2) The total amount of promissory notes deposited by the Company at the bank for acquiring borrowings limit, credit line of forward exchange trading and accounts receivable factoring was \$1,742,935 thousand and \$1,727,161 thousand, respectively.

- (3) The significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$101,722 thousand and \$113,507 thousand, respectively.
- (4) As of December 31, 2022, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted \$30,876 thousand and \$18,376 thousand, respectively. The research and development project had closed in March 2023.

**10. Significant disaster losses: None**

**11. Subsequent events: None**

**12. Other**

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	2023			2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		189,377	495,422	684,799	157,750	425,536	
Labor and health insurance		15,118	26,799	41,917	13,340	24,741	
Pension		7,184	12,360	19,544	6,445	11,661	
Remuneration of directors		-	16,907	16,907	-	16,316	
Others		6,596	12,989	19,585	6,915	14,666	
Depreciation		201,102	55,894	256,996	157,729	60,453	
Amortization		351	2,576	2,927	371	2,869	

Additional information on the Company' s employee benefits for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>\$ 415</u>	<u>397</u>
Number of directors who' s not employee	<u>\$ 6</u>	<u>7</u>
Average employee benefits	<u>\$ 1,872</u>	<u>1,695</u>
Average employee salaries	<u>\$ 1,674</u>	<u>1,496</u>
Average adjustment of employee salaries	<u>11.90%</u>	
Supervisor' s remuneration. (Note)	<u>\$ -</u>	<u>-</u>

Note: The Company did not have supervisors for the years ended December 31, 2023 and 2022. Therefore, there was no compensation to the supervisor.

The compensation policy of the Company (including directors, managers and employees) were as follows:

- (1) According to Article 10 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration to directors based on each director's level of participation and contributions to the Company's operations, taking into account the domestic and overseas industry levels. Directors who are not employees are compensated based on their involvement in the Company's operations, as well as business performance, risk and management responsibilities. To maintain the independence of each independent director, they receive a fixed compensation and do not participate in the distribution of director remuneration.
- (2) The procedures for determining the remuneration to the Company's president and vice presidents, are in accordance with the "Procedures of Remuneration to Managers" and "Procedures of Salary Distributions". The remunerations are formulated based on the roles and responsibilities of the President and Vice Presidents, with reference to the industry levels, as well as the Company's operational performance. They are reviewed by the Remuneration Committee and submitted to the Board of Directors for approval to maintain a competitive remuneration policy.
- (3) The Company reviews market compensation conditions periodically to offer competitive salaries that attract and retain talents. Additionally, in accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration based on profitability.

### 13. Additional disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2023:

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: None.
- C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	% of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	% of total notes/accounts receivable (payable)	
The Company	AUO	The company who evaluated the Company by the equity method	Sales	2,029,711	48%	120 days from the end of the month	Note 7	Note 7	693,709	65%	

- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	AUO	The company who evaluated the Company by the equity method	693,709	3.00	-	-	186,634	-

Note: The status of receivables collection in subsequent period was as of January 31, 2024.

- I. Trading in derivative instruments: Please refer to notes 6(2).



## (2) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

(Unit: NTD (JPY) thousand/share)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	% of ownership	Carrying value			
The Company	LS	Japan	R&D, manufacturing and sales company of fine chemicals	-	5,617 (JPY15,000)	-	-	-	-	-	Note (1)
The Company	FMSA	Samoa	Investing and shareholding	-	-	-	-	-	-	-	Note (2)

Note (1): The liquidation process was completed in November 2023.

Note (2): The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

## (3) Information on investment in Mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: None.
- B. Limitation on investment in Mainland China: None.
- C. Significant transactions: None.

## (4) Major shareholders

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Eternal Materials Co., Ltd.	23,423,812	22.80%
Konly Venture Corp.	19,113,730	18.61%
Ronly Venture Corp.	6,312,075	6.15%

Note : (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statements due to the use of different calculation basis.

- (2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

## 14. Segment information

Please refer to the 2023 Consolidated Financial Statements.

**DAXin**